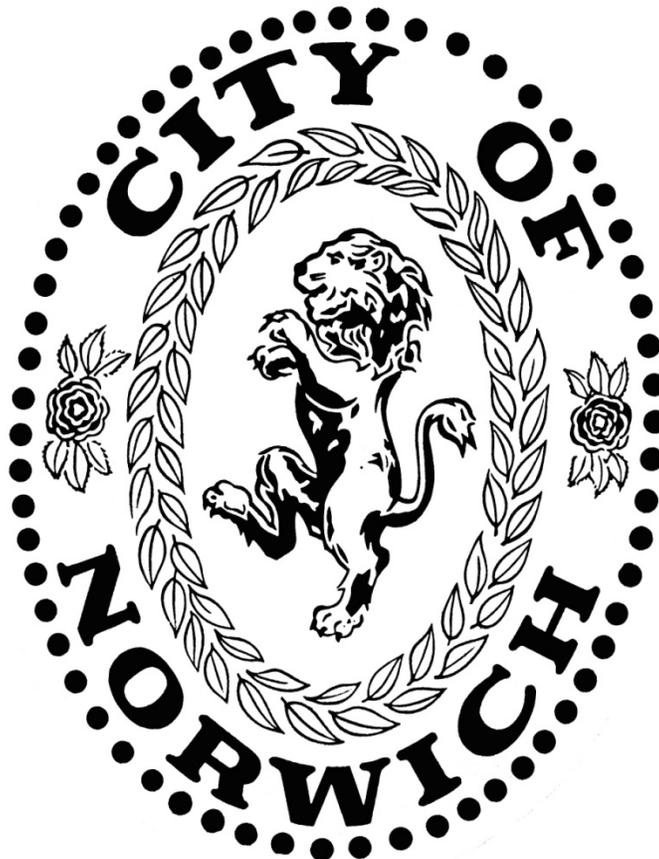


**CITY OF NORWICH, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED JUNE 30, 2017
DEPARTMENT OF FINANCE
UNION SQUARE
NORWICH, CONNECTICUT**

Comprehensive Annual Financial Report

of the

City of Norwich, Connecticut

Fiscal Year Ended June 30, 2017

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Introductory Section



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November 15, 2017

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

I am pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Norwich (the “City”) for the fiscal year ended June 30, 2017. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The City’s management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to manage spending within prescribed budget limitations and for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State Statute and the City Charter require an annual audit by an independent certified public accountant. The statute further prescribes that each municipality’s annual report shall be prepared in accordance with accounting principles generally accepted in the United States of America. This report has been prepared according to these standards. The auditors’ unmodified opinion is included in this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (commonly called "Uniform Guidance"). Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit will be issued separately.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the management discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of Government

Norwich, founded in 1659, is Connecticut's 25th largest city by population. The City was incorporated in May 1784. The Town and City were consolidated on January 1, 1952. Norwich 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 approximately 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 Norwich with 1-95 and 1-90 to Boston and New York. Route 2 links the City with Hartford and 1-91. State Route 82 connects downtown Norwich with 1-395. Rail transportation and freight service is available to major points including New York, Boston, Providence and Montreal. Air services are 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.

The City operates under a Charter adopted in 1952, which was most recently revised on November 3, 2015. During fiscal year 2015, a City Charter Revision Committee was appointed for the purpose of reviewing the existing Charter and proposing any changes. The November 2015 referendum had 18 recommendations made by the Charter Revision Committee, of which 14 were approved. The significant changes passed by voters were:

- Changing the minimum annual levy for the capital budget to 2% of the previous year's General Fund budget rather than the value of one mill.
- Requiring that the terms, conditions, details, and particulars with respect to the issuance of bonds and notes be those prescribed by the Connecticut General Statutes.

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.

This report includes all funds of the City. The City provides a full range of services to its citizens. These services include: public safety, street maintenance and sanitation, health and human services, public parks and recreation, library, education, public improvements, planning, zoning, water, gas, electric, sewer and general administrative services.

The City Council is required to adopt a final budget no later than the second Monday in June for the following fiscal year. This annual budget serves as the foundation for the City of Norwich's financial planning and control. The budget sets the annual spending limits for each department and the property tax mill rate. After the budget is set, departments may transfer resources within their department with the approval of the City Manager. Additional appropriations or transfers between departments require approval by the City Council.

Local Economy

The City aggressively pursues economic and physical stabilization and revitalization. The City has maintained the quality of services to its citizens while having the 13th lowest per capita tax burdens in the State at \$1,736 for fiscal year 2015.

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, reduces reliance on government agencies, and attract economic development investment from the State of Connecticut". Objectives identified to achieve this goal include: "revitalized downtown, adaptive reuse of existing structures, increased 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

Ponemah Mill Adaptive Reuse Project

This \$80 million project will convert a massive, 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 \$35,000,000 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 is expected to be completed in 2017. The developer and NCDC are currently working on the second phase funding for the next 121 units.

[Salem Turnpike Hotel Project](#)

In September 2016, Texas developer Patrick Levantino purchased the 154 Salem Turnpike property for \$3.1 million through his 395 Properties LLC entity. This was the site of a Hampton Inn project which had been stalled for years. 395 Properties LLC made \$3.2 million of improvements to the property and opened the 113-room hotel in June 2017. The City Council agreed to phase in the taxes on the improvements over seven years.

[Former Downtown Peoples United Building](#)

Cape Cod-based developer, Kris Mahabir, purchased the former Peoples United building at the corner of Broadway and Main Street in January 2017 for \$375,000. The developer is currently negotiating with brokers to market the 32,000-square foot building to commercial tenants.

[Norwich Beverage Facility](#)

In 2015, Norwich Beverage invested \$300,000 in a 26,000 square-foot production facility with three contract bottling lines at 29 Stott Avenue in the Stanley Israelite Business Park, bringing 12 new full-time jobs and giving it room to double capacity while providing room for future expansion. The owner has found subtle changes in the marketplace since beginning the project and has had to pivot a bit to capture sufficient business to maximize the bottling plant.

[Algonquin Interstate Gas Transmission Pipeline](#)

Spectra Energy is in the midst of its second expansion project on its Algonquin Interstate Gas Transmission Pipeline that runs through Norwich. The goal of the projects is to bring abundant, low-cost natural gas from the Marcellus shale reserves in Pennsylvania into the New England market. The first project was completed in 2016 and included the building of a new metering and regulating station and replacement of several thousands of feet of high pressure six inch pipe with 16 inch diameter pipe in the City. The second project, scheduled to be completed in 2018, will include the building of a second new metering and regulation station in the City to serve the NPU gas expansion project. Upon completion, these projects are expected to add \$10-15 million to the City's tax base.

[These Guys Brew Pub](#)

Norwich's first brew pub opened in August 2015 on Franklin Street at the location of the former Chacer's Bar & Grill. In-house brewing opened in early 2016. These Guys Brewing ("TGB") is a small seven-barrel system that was installed at a total cost, including building renovations and a new bar, of nearly \$500,000. Their food is a creative and original twist on popular pub fare but produced by a five-star chef which is heavily supported by an expansive customer base drawing a new crowd to downtown Norwich. Since opening the brewing has been so successful that the owners are looking to expand to a 20,000' brewing floor.

[Moe's Southwest Grill](#)

Moe's opened its 23rd Connecticut location with its 4,800 square-foot West Main Street restaurant in Norwich in July 2017. The facility is newly constructed on an outparcel site of the Marcus Plaza and has a small Verizon retail outlet incorporated in the building.

[Epicure Brewing](#)

The 100-seat microbrewery and taproom opened its doors in June 2017 after spending a year renovating its leased space in the former Norwich Bulletin production room. Epicure Brewing is a state-of-the-art 15-barrel system that specializes in unique craft beers. Will serve no food but encourages patrons to bring in local fare from other entities downtown.

[Foundry66](#)

This co-work center, opened with its first 7,500 foot phase in October 2016. The operation will have a mix of open spaces, teleconference and meeting rooms, lounge area, work rooms available for members to grow their businesses. One of the new tenants will be NCDC. Foundry66 will also host and sponsor business and networking events for the microenterprise community in the region.

[Stackstone Group](#)

Bronx, NY developer, Stackstone Group, purchase three properties (24-28 Broadway, 51-53 Broadway, and 59-61 Broadway) in June 2017 with plans to invest \$2.4 million to generate 26 residential units in the upper floors of these three properties and ground-floor commercial space for new restaurants, bistros and shops. The construction for this project started in June 2017 and is expected to be completed by the end of 2018. Preleasing of both residential and commercial spaces has begun and is being received well in the marketplace.

[Craftsman Cliff Roasters](#)

In August 2017, Norwich's Commission on the City Plan approved a permit for Craftsman Cliff Roasters owner Matthew Dutrumble to operate a coffee roasting and retail shop in the downtown at 34 Broadway. The planned 20-seat shop may open in December 2017.

[Thread and Ink](#)

In January 2017, a Hawaii businesswoman purchased 88-90 Main Street to convert into a embroidery and screenprinting shop along with 2 market-rate apartments. Expecting to invest \$400,000 to create a new operation in downtown by the end of 2018.

[Bubbles to Butterfly Swim School](#)

In August 2017, Norwich's Commission on the City Plan approved Margee Charron's plan to build a 6,200 square-foot swim school facility which would feature a 60-foot-long, five-foot deep pool for instructional swimming purposes and would accommodate 72 parking spaces. Ms. Charron has a purchase option from the property owner of a currently vacant 1.2-acre lot at 61 Taftville-Occum Road in the Occum section of Norwich. She hopes to open by the spring of 2018.

[Former Gas Station and Repair Shop at 684 West Main Street](#)

Franklin Dev Funds 2 LLC purchased the former gas station and repair shop at 684 West Main Street for \$550,000 on June 2, 2017. This property has been vacant since 2010. The developers are preparing for the razing of two outdated buildings and the construction of a new Cumberland Farms and a building to replace the razed building currently housing the Universal Package store.

[Hi Dental Office](#)

Hi Dental was burned out from a 2017 New Year's Eve fire at 598 West Main Street and has purchased 110 Salem Turnpike, demolished the former single family home and is building a new, state-of-the-art dental studio.

Former Shetucket Iron & Metal Scrapyard

David Waddington from Connecticut Scrap submitted the winning bid of \$260,000 at the July 29, 2017 auction of the 3.68 acre former Shetucket Iron & Metal scrapyard.

513 North Main Street

A long vacant building is being acquired by an internationally recognized artist for mixed use as archival space, staff office and client meeting space. The value of this use/user is more in deepening the connection of Norwich to arts and culture which will further the economic base within the region.

80 Broadway (former City Human Services Office)

In a continuing effort to right size the space used by the City of Norwich, the City Manager has spearheaded the consolidation of Human Services into City Hall. This has freed up the 5,200' building directly across the street from City Hall for sale to the private sector. A recent RFP was successful in bringing in new ideas for private enterprise to add value to the downtown.

Former Atlantic Packaging Mill at 385-387 North Main Street

A global shift to low cost economies has forced the Atlantic Packaging company to close their doors in 2016. In June of 2017 Evan Blum of Irreplaceable Artifacts purchased the 190,000' mill complex to use as an archival space to display unusual and creative artifacts from the demolition of old buildings. Mr. Blum's concept includes an art market, flea market, food court and community activity center.

Housing Market

The City has an estimated 18,500 housing units, including single family homes, apartments, duplexes, condominiums, townhouses and mobile homes. Norwich is the largest municipality in Southeastern Connecticut and is located in New London County. According to the Multiple Listing Service, during Fiscal Year 2017, 365 Single Family, 52 Multi-family and 78 condos sold in Norwich. The median sales price for a single family home during this period was \$125,000. However, in the last two months the median price for a single family dwelling has increased 9% to \$144,900. Overall, it appears that the foreclosures are trending downward in Norwich which is a positive sign for the local housing market.

As part of the City's investment to stabilize the housing stock, Norwich 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). In July 2016, the City was awarded a three-year Lead Based Paint Hazard Control grant for \$2.4 million. These funds will further improve owner occupied and investor housing units.

In 2014, the City made a series of changes to how neighborhood stabilization is handled administratively. In 2014, a blight ordinance was adopted which provides the administrative “teeth” necessary to encourage property owners to better maintain their property. In 2015, the City allocated HUD monies to a new program that demolishes abandoned, dilapidated and vacant residential properties. These are buildings that cannot be returned to the market and detract from the attractiveness of the neighborhood. In most cases, the remaining lots will be absorbed by surrounding property owners, returning the parcel to the tax rolls and providing open space opportunity for tenants and owners.

Federal Projects

New England Central Rail Line Upgrades

In September 2014, the State was awarded an \$8.2 million Federal Transportation Investment Generating Economic Recovery program grant. This grant, in addition to \$4.6 million of private investment from Genesee & Wyoming, Inc., will be used to upgrade the Connecticut section of the existing 394 miles of rail from the deep water port in New London to the Vermont/Quebec border to meet new freight standards, including increasing the weight capacity to 286,000 lbs. freight car shipments. The groundbreaking for this project took place in Willimantic in October 2016 and the project is expected to be completed in 2018. In addition to the expanded freight rail opportunities, these upgrades will provide the beginning of the work required to offer passenger service on the New England Central Rail Line in the future. The line passes north-south through Norwich, and adjacent to the Norwich Intermodal Transportation Center.

State of Connecticut Projects

Route 12 Paving Project

The Connecticut Department of Transportation (CTDOT) resurfaced Route 12 from the Preston town line to the intersection of routes 12 & 97 in the Taftville section of Norwich in the fall of 2014. Route 97 in the Occum section of Norwich was resurfaced in the fall of 2016.

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 2020. 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

Downtown Revitalization Initiative

The residents of the City passed a bond referendum item in November 2010 for \$3.38 million for downtown revitalization. Incentives apply strictly to businesses and residential projects of five units or more, which includes programs for building code correction assistance, commercial lease rebates, and a revolving loan fund. The City’s designated development agency, the NCDC, is administering the ten-year program. The three Downtown Revitalization programs are designed to both prepare long time vacant spaces for occupancy as well as stimulate the growth of business activity in the downtown area. The programs, launched in August 2011, have made an impact in

the number of businesses and residences in downtown with 22 new residential units that have participated in one or more of the programs. Additionally, there have been investments made to 26 businesses and residential projects since the beginning of the program. The program has total client applications of 56 Lease Rebates, 26 Code Corrections, and 15 Revolving Loan programs. In 2015-16 there were six additional businesses taking advantage of the Lease Rebate, five new Code Corrections, and three Revolving Loans. In 2016 this amounted to \$245,050 of newly encumbered investments.

Road Improvements

The residents of the City passed \$5 million bond referendum items in November 2013 and 2017 for infrastructure improvements. The City spent a total of \$1.8 million of combined bond funds and capital funds during fiscal year 2017 to repave or reconstruct 6.5 miles of City roads. In addition, the City also took preventative maintenance measures such as crack sealing and chip sealing to extend the expected life of an additional 3.5 miles of moderately deteriorated City roads. The City also re-surfaced a large downtown parking lot with these funds.

Sherman Street, Sunnyside Street, and Pleasant Street Bridge Rehabilitations

The Public Works Department previously secured approximately \$6 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 and includes assessment and recommendations for the nearby Upper Falls Dam. The study phase for the Sunnyside Street Bridge is completed and design for the rehabilitation is getting underway. The rehabilitation will preserve the historic features of the bridge. The Pleasant Street Bridge, which will require a deck replacement, is in the design phase. A public informational meeting will be held in the spring of 2017.

Spaulding Pond Dam Assessments

The Public Works Department recently secured a \$40,000 grant for a condition assessment on the two 50 year old dams in Mohegan Park. The funds are provided through the USDA Natural Resource Conservation Service. The studies included inspection of the dams, hydrologic analysis, and scoping of any recommended rehabilitation projects. The Assessment Reports were completed in September of 2016.

Wisconsin Avenue & Winnenden Road Pavement Rehabilitation

The Public Works Department obtained a \$625,098 grant through the LOTCIP for 100% of the construction costs for rehabilitating a 2,300 foot section of roadway in the City's Business Park. This project also continues into the Town of Franklin, making it a regional project. The project was completed in the fall of 2016.

Former Reid & Hughes Property

The City entered into a contract with the Women's Institute Realty of Connecticut, Inc. in August 2017 following a request for proposals process to stabilize and rehabilitate the former Reid & Hughes property located at 193-201 Main Street. The City acquired this four-story, 24,000 square foot building in October 1993 and has sought opportunities to have developed by the private sector several times. The Women's Institute intends to develop this property into a mix of residential and commercial space.

Sale of Former Norwich Human Services Building at 80 Broadway

In an effort to reduce the City's property ownership and to continue the revitalization of the downtown, the City moved the employees in the Adult & Family Services and Youth & Family Services divisions into City Hall and the Recreation offices, respectively, and issued an RFP for the sale and redevelopment of 80 Broadway and the adjacent parking lot at 68 Broadway in September 2017.

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. The first grant was for \$270,000 for consultant services 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, and create an adaptive reuse plan for the property. The most recent grant for \$500,000 was awarded in November 2016. Those funds will go towards implementing part of the master plan for adaptive reuse of the property. Furthermore, the Norwich City Council approved the use of federal 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.

Lastly, the Norwich City Council approved the purchase of 232 Yantic Street to further the development of the Uncas Leap area. This nearby site is being considered for parking and other uses associated with and benefitting the project. The culmination of these activities increases the overall chance of success for the implementation of the adaptive reuse plan. It is expected that the final concept master plan, which is being prepared by the City's consultant Milone & MacBroom, will be presented to the public for comment in Fall 2017.

Rose City Senior Center Renovations

The City was able to obtain a \$690,000 grant from the State of Connecticut Department of Social Services for renovations at the 20 year old Rose City Senior Center. The work included a new roof, HVAC units, flooring replacement, painting, window repair, and parking lot paving. The building renovations were completed in the fall of 2015 and the parking lot work was completed in May of 2016.

Public Safety Equipment Bond Ordinance

The Norwich voters approved a \$3.2 million bond item at the November 2017 election. Most of this \$3.2 million bond would be used to replace six aging existing pieces of fire apparatus with five pieces of apparatus.

School Initiatives

Norwich Public Schools is an Alliance School district creating the ability to embark on advanced academic initiatives. Stanton and Uncas Schools are Network Schools and Veterans School is a SIG (School Improvement Grant) School - allowing additional academic initiatives. Moriarty and Wequonnoc Schools are Intradistrict Magnet Schools - providing greater opportunities for Environmental Sciences and Arts and Technology. Bishop School and Case Street locations are the district's Early Childhood Education Centers, allowing great opportunities for the youngest students in our population. The school district has full-day kindergarten classes in order to create early childhood success. All children in Norwich Public Schools receive free breakfast (universal free breakfast); all children that qualify for reduced or free meals – receive free meals. 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 location has after school programs and every elementary school has before school programs.

Drinking Water Infrastructure

NPU has embarked on a significant water infrastructure improvement program over the past several years that include several projects in design and under construction that total approximately \$22 million. Many of these upgrades will be paid for through a combination of State grants and low interest loans from the Drinking Water State Revolving Fund (DWSRF). These projects include the replacement of the main pumps and control systems at the Deep River Water Treatment Plant, re-lining of approximately 3,500 feet of transmission main, construction of two new 500,000 gallon water storage tanks, and upgrading of the 4 million gallon per day treatment plant.

Electric Infrastructure

In 2016, NPU completed a project that made the City and NPU a leader in renewable energy - in Connecticut and across New England. Working with the Connecticut Municipal Electric Energy Cooperative (CMEEC), NPU identified the former Roger's Road landfill as an ideal location for a Community Solar Garden that is providing customers with more than 2.75 MW of renewable energy. Through this project, NPU customers will receive renewable energy without paying a premium; this power is available for the vast majority of customers who would not otherwise have access to renewable power for either logistical or financial reasons. When added to NPU's existing hydro power capabilities this project brings the renewable portion of the NPU portfolio to nearly 20%.

In May 2015, NPU received the RP3 Platinum Award from the American Public Power Association which recognizes utilities that demonstrate high proficiency in four areas - reliability, safety, work force 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.

Wastewater Treatment Plant

NPU's Sewer Authority is in the midst of a large-scale upgrade to its wastewater treatment plant. The overall cost of this project is expected to exceed \$100 million; the design of the project is 100% complete. The project will be financed with State of Connecticut Clean Water Fund loans (2% interest), Clean Water Fund grants, and local funding. When completed, annual debt service is estimated to be \$4.8 million, to be paid 42% from sewer user fees, 30% from City budget contributions, and 28% from sewer buy-in fees from users outside of the City. A formal plan to pay for the new project is under discussion with numerous stakeholders. These infrastructure improvements will:

- Bring the City current with state and federal environmental mandates
- Upgrade the City's aging wastewater infrastructure to reduce treatment plant odors
- Reduce nitrogen from sewage discharge, making nearby rivers, Norwich Harbor and Long Island Sound cleaner
- Power the sewer plant using recaptured methane gas, reducing the City's energy costs
- Prepare the City and region to meet future growth and assist with economic development opportunities.

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

Gas Line Expansion

NPU continues to expand its natural gas service throughout the City. This work has been funded through bond referendums totaling \$20.5 million, which were approved by voters in 2010, 2012, and 2014. Since 2010, more than 2,000 new natural gas customers have been added to the NPU network. This activity has generated nearly \$2.9 million in new annual revenue for NPU. The City and the Board of Public Utilities Commissioners have entered into an agreement that revenues will be paid annually to the City from the operation of the natural gas utility in an amount sufficient to pay when due debt service on bonds issued to finance the City's natural gas system extension. Natural gas revenues are not pledged to pay such bonds.

In 2017, The American Public Gas Association (APGA) presented Norwich Public Utilities (NPU) with the prestigious APGA System Operational Achievement Recognition (SOAR) for excellence in operating its natural gas utility. NPU was one of 26 selected (out of 700 APGA members) for SOAR Silver Level by its peers on the APGA Operations and Safety Committee. The selection was based on demonstrated excellence in the four areas of system integrity, system improvement, employee safety, and workforce development.

Long-Term Financial Planning & Relevant Financial Policies

Unrestricted Fund Balance

The City Council adopted by ordinance a formal General Fund Unrestricted 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 operating transfers.

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

Neither the 2016-17 nor the 2017-18 adopted budgets used UFB to balance the General Fund budget.

Capital Improvements

City departments submit a five-year capital improvement plan each year. The City Manager and City Council weigh the needs of the City and either include the most crucial projects in the capital budget or introduce bond ordinances to finance the projects. Norwich's Charter requires that the City budget at least the value of one mill in capital projects each year.

Debt Management

In addition to statutory debt limitations, the City further restricts debt by 1) not allowing debt service expenditures to grow at a rate greater than all other General Fund expenditures and, 2) limiting net indebtedness to 5% of the City's taxable assessed value.

Pension & Other Post-Employment Benefits Funding

The City has committed to funding the City Employee Pension Trust Fund, Volunteer Firefighters Relief Fund, and OPEB Fund. Starting with fiscal year 2014-15, the City reviewed its assumptions for these plans, lowered the assumed rate of return, and shortened amortization periods. As a result, the liabilities and actuarially determined employer contributions for these plans will be higher than they would have under the previous sets of assumptions. The city shall contribute the amount recommended by its actuary each fiscal year unless the amount varies by more than 15% +/- from the previous year. This variance shall be calculated by division (e.g., NPU, Norwich Public Schools, Police, Fire, Volunteer Fire, and all other General City). If the contribution recommended by actuary is less than 85% of the previous year's contribution, then the city shall contribute an amount equal to 85% of the previous year's contribution. If the contribution recommended by actuary is greater than 115% of the previous year's contribution, then the city shall contribute an amount equal to 115% of the previous year's contribution.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norwich, Connecticut, for its comprehensive annual financial report for the year ended June 30, 2016. This was the 24th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

For fiscal years beginning July 1, 2000 through 2017, the GFOA awarded the City a "Distinguished Budget Presentation Award" for its budget document. The budgets submitted had to satisfy four different criteria: the budget as a Policy Document, the budget as a Financial Plan, the budget as an Operations Guide and the budget as a Communications Device. The award earned by the City is the highest form of recognition in the area of budgeting.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff and members of other departments who assisted in its compilation. I would like to express my appreciation to all members of the City who assisted in its preparation. The combined support of you, the City Manager and the City Council, who remain committed to fiscal integrity and financial leadership, is also appreciated.

Respectfully submitted,



Joshua A. Pothier, CPA
Comptroller



Government Finance Officers Association

**Certificate of
Achievement
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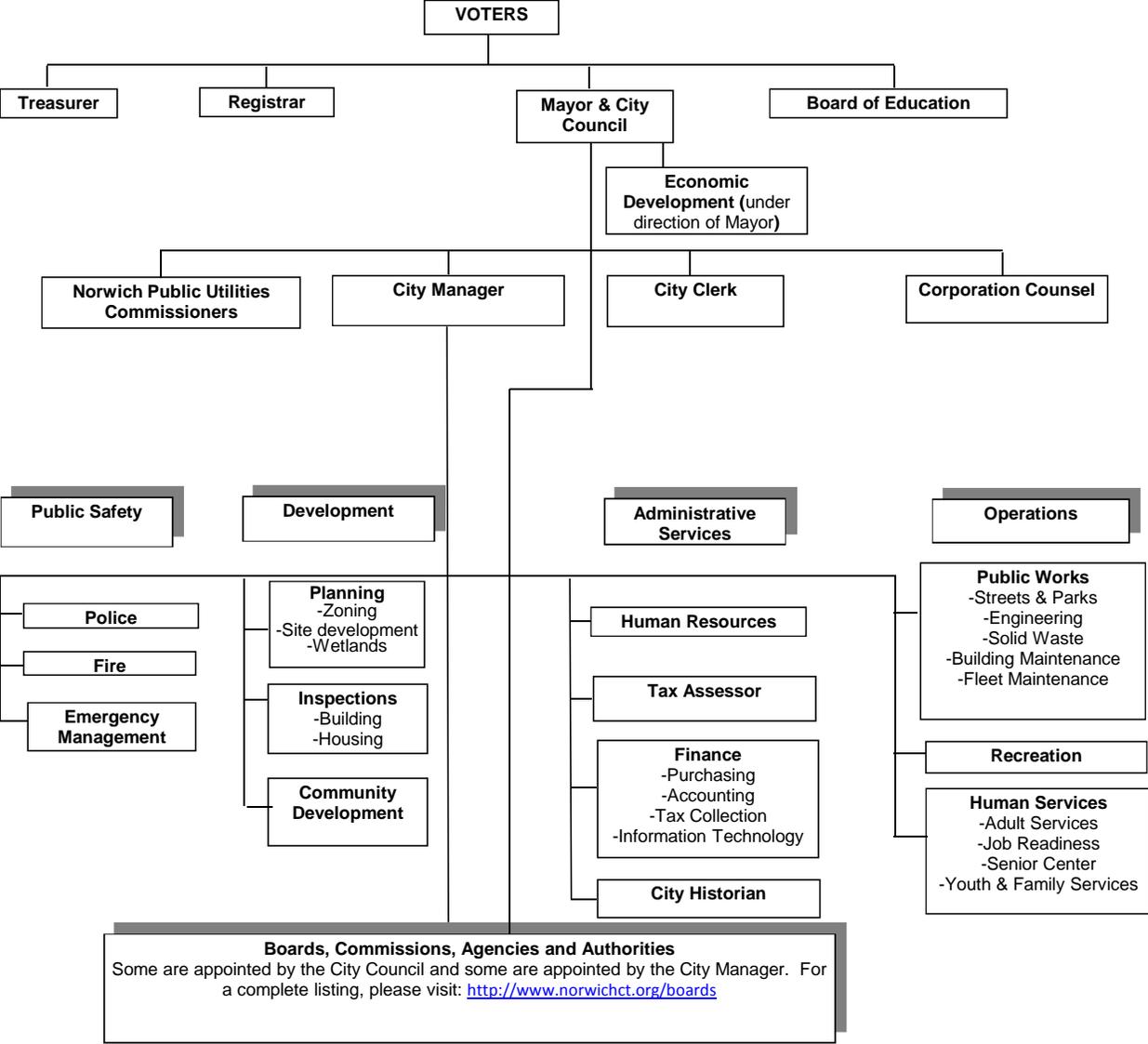
**City of Norwich
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

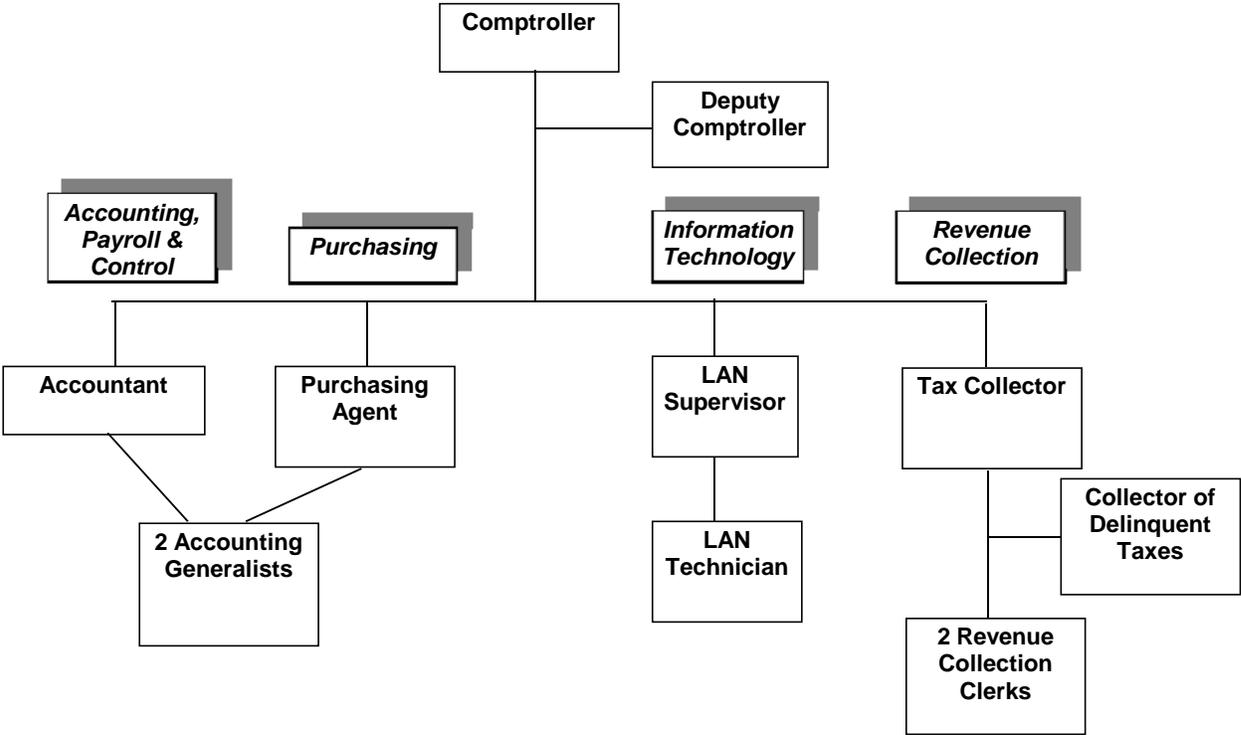
June 30, 2016

Executive Director/CEO

City of Norwich Organization Chart



City of Norwich Finance Department Organization Chart



City Officials

Elected City Officials & NPU Commissioners

City Council

	<u>Term Length</u>	<u>Term Expires</u>
Deberey Hinchey, Mayor (D)	4 Years	12/5/17
Peter A. Nystrom, President Pro Tempore (R)	2 Years	12/5/17
H. Tucker Braddock (D)	2 Years	12/5/17
Stacy Gould (R)	2 Years	12/5/17
Gerald Martin (R)	2 Years	12/5/17
William Nash (R)	2 Years	12/5/17
Joanne Philbrick (R)	2 Years	12/5/17

Board of Education

	<u>Term Length</u>	<u>Term Expires</u>
Aaron Daniels, Chairperson (R)	2 Years	12/5/17
Dennis Slopak, Vice Chairperson (R)	2 Years	12/5/17
Angelo Yeitz, Secretary (R)	2 Years	12/5/17
Robert J. Aldi (D)	2 Years	12/5/17
Margaret Becotte (R)	2 Years	12/5/17
Rashid Haynes (R) #	2 Years	12/5/17
Dr. Yvette Jacaruso (D)	2 Years	12/5/17
Kevin Saythany (D)	2 Years	12/5/17
Joyce C. Werden (D)	2 Years	12/5/17

Rashid Haynes was appointed on February 21, 2017 to fill the vacancy created by the resignation of Susan Thomas.

Treasurer

	<u>Term Length</u>	<u>Term Expires</u>
Michael Gualtieri (R)	2 Years	12/5/17

Registrar of Voters

	<u>Term Length</u>	<u>Term Expires</u>
Dianne Daniels (D)	4 Years	1/6/21
Dianne Slopak (R)	4 Years	1/6/21

Appointed NPU Commissioners

	<u>Term Length</u>	<u>Term Expires</u>
Dr. Grace Jones, Chair Pro Tempore (D)	5 Years	2/28/21
Stephen Becker (R)	5 Years	3/01/19
Michael A. Goldblatt, (R)*	5 Years	3/01/20
Stewart Peil, (R)	5 Years	3/01/22
Robert A. Staley, (R)*	5 Years	3/01/18

*Michael A. Goldblatt and Robert A. Staley were appointed on June 5, 2017 to fill the vacancies created by the resignations of Diana Boisclair and Robert Groner, respectively.

Directory of City Administrative Officials

Title	Name	Phone Number
City Manager	John Salomone	(860) 823-3750
Assessor	Donna Ralston	(860) 823-3722
Building Inspector	James Troeger	(860) 823-3775
City Clerk	Betsy Barrett	(860) 823-3734
City Planner	Deanna Rhodes	(860) 823-3767
Collector of Taxes & Revenues	Karlene Deal	(860) 823-3760
Comptroller	Joshua A. Pothier	(860) 823-3720
Deputy Comptroller	Anthony Madeira	(860) 823-3717
Corporation Counsel	Michael E. Driscoll	(860) 889-3321
Emergency Management Director	Ken Scandariato	(860) 892-6080
Engineer	Patrick McLaughlin	(860) 823-3798
Fire Chief, Norwich (CCD)	Ken Scandariato	(860) 892-6080
Fire Chief, East Great Plain VFD	Keith Milton	(860) 886-0392
Fire Chief, Laurel Hill VFD	Aaron Westervelt	(860) 892-1973
Fire Chief, Occum VFD	Robert LaChapelle	(860) 822-8285
Fire Chief, Taftville VFD	Timothy Jencks	(860) 887-6676
Fire Chief, Yantic VFD	Frank Blanchard	(860) 887-2221
Health Director	Patrick McCormack, MPH	(860) 823-1189
Housing Authority Director	Charles Whitty	(860) 887-1605
Human Resources Director	Brigid Marks	(860) 823-3786
Human Services Director	Lee-Ann Gomes	(860) 823-3778
LAN Supervisor	Leon Barnowski	(860) 859-4404
Parking Administrator	Judy Rizzuto	(860) 889-5586
Police Chief	Patrick Daley	(860) 886-5561
Public Utilities Manager	John Bilda	(860) 887-2555
Public Works Director	Ryan Thompson	(860) 823-3789
Purchasing Agent	William Hathaway	(860) 823-3706
Senior Center Director	Michael Wolak	(860) 889-5960
Superintendent of Schools	Abby I. Dolliver	(860) 823-6284
Zoning Enforcement Officer	Richard Shuck	(860) 823-3752

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Honorable Mayor and Members of 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, 2017, 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 auditors consider 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, 2017 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.

Changes in Accounting Principles

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2017 the City adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and GASB Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 19, the 2016 financial statements of the City have been restated to correct a misstatement. Our opinion is 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 on pages 4 through 11, the budgetary comparison information on pages 75 through 78 and the pension and OPEB schedules on pages 79 through 88 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, which 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 schedules 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Norwich, Connecticut, as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated November 18, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 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 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 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, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 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
November 15, 2017

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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, 2017. 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 of the City exceeded its liabilities, resulting in total net position at the close of the fiscal year of \$169.6 million. Total net position for governmental activities at fiscal year-end was \$55.4 million, and total net position for business-type activities was \$114.2 million. Total unrestricted net deficit at June 30, 2017 was \$43.9 million.
- On a government-wide basis, during the year, the City's net position increased by \$0.8 million from \$168.8 million to \$169.6 million. Governmental activities net position decreased by \$4.2 million, and net position increased by \$5.0 million for business-type activities. Governmental activities expenses were \$169.8 million, while total revenues including transfers were \$165.5 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$32.4 million, an increase of \$5.9 million from the prior fiscal year. Of the total fund balance as of June 30, 2017, \$16.9 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 \$17.7 million, an increase of \$2.8 million from the prior fiscal year. As of June 30, 2017, all of the \$17.7 million fund balance is unrestricted, representing 14.4% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt increased by \$1.0 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 \$168.8 million to \$169.6 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 70,571	\$ 66,684	\$ 44,954	\$ 41,022	\$ 115,525	\$ 107,706
Capital assets	125,054	126,824	149,131	143,830	274,185	270,654
Total assets	195,625	193,508	194,085	184,852	389,710	378,360
Deferred Outflows of Resources:						
Difference between expected and actual experience	1,477	1,875	689	876	2,166	2,751
Changes in assumptions	4,011	5,081	1,820	2,312	5,831	7,393
Changes in projected and actual investment earnings	4,620	11,482	2,155	5,242	6,775	16,724
Deferred charge on refunding	482	124			482	124
Total deferred outflows of resources	10,590	18,562	4,664	8,430	15,254	26,992
Long-term debt outstanding	141,934	143,086	72,160	72,652	214,094	215,738
Unearned revenue	686	1,316	1,354	1,545	2,040	2,861
Other liabilities	8,036	7,820	11,072	9,889	19,108	17,709
Total liabilities	150,656	152,222	84,586	84,086	235,242	236,308
Deferred Inflows of Resources:						
Difference between expected and actual experience	176	203	-	-	176	203
Net Position:						
Net investment in capital assets	78,005	75,885	133,414	128,042	211,419	203,927
Restricted	1,656	1,620	273	334	1,929	1,954
Unrestricted	(24,278)	(17,860)	(19,524)	(19,180) *	(43,802)	(37,040)
Total Net Position	\$ 55,383	\$ 59,645	\$ 114,163	\$ 109,196	\$ 169,546	\$ 168,841

* As Restated

Net position of the City's governmental activities decreased by \$4.2 million (\$59.6 million compared to \$55.4 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 - changed from \$(17.9) million at June 30, 2016 to \$(24.3) million at the end of this year. The unrestricted net position of business-type activities decreased from \$(19.2) million compared to \$(19.5) million during 2017.

It is important to note that the recognition of the net pension liability on the financial statements through the implementation of GASB Statement 67 caused a significant decrease in unrestricted net position for both governmental and business-type activities in 2015. 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 liabilities are long-term ones which the City will continue to fund systematically through the annual budget process.

Table 2
CHANGES IN NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 5,333	\$ 5,558	\$ 89,995	\$ 90,916	\$ 95,328	\$ 96,474
Operating grants and contributions	64,394	60,567			64,394	60,567
Capital grants and contributions	634	2,467	4,585	3,809	5,219	6,276
General revenues:						
Property taxes	79,343	81,709			79,343	81,709
Grants and contributions not restricted to specific purposes	5,580	4,771			5,580	4,771
Unrestricted investment earnings	394	146	13	6	407	152
Other general revenues	1,301	1,236			1,301	1,236
Total revenues	<u>156,979</u>	<u>156,454</u>	<u>94,593</u>	<u>94,731</u>	<u>251,572</u>	<u>251,185</u>
Program expenses:						
General government	9,693	10,543			9,693	10,543
Public safety	32,410	31,681			32,410	31,681
Social services	4,142	4,038			4,142	4,038
Public works	13,245	13,754			13,245	13,754
Education	108,916	101,748			108,916	101,748
Interest on long-term debt	1,351	1,348			1,351	1,348
Department of Public Utilities			79,481	84,729	79,481	84,729
Other enterprise funds			1,629	1,646	1,629	1,646
Total program expenses	<u>169,757</u>	<u>163,112</u>	<u>81,110</u>	<u>86,375</u>	<u>250,867</u>	<u>249,487</u>
Excess (deficiency) before transfers	(12,778)	(6,658)	13,483	8,356	705	1,698
Transfers	<u>8,516</u>	<u>7,804</u>	<u>(8,516)</u>	<u>(7,804)</u>	-	-
Increase (Decrease) in Net Position	(4,262)	1,146	4,967	552	705	1,698
Net Position at Beginning of Year	<u>59,645</u>	<u>58,499</u>	<u>109,196</u>	<u>108,644</u>	<u>168,841</u>	<u>167,143</u>
Net Position at End of Year	<u>\$ 55,383</u>	<u>\$ 59,645</u>	<u>\$ 114,163</u>	<u>\$ 109,196</u>	<u>\$ 169,546</u>	<u>\$ 168,841</u>

The City's total revenues were \$251.6 million. The total cost of all programs and services was \$250.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's assets by \$4.3 million during the year. Total revenues of \$157.0 million and \$8.5 million in transfers from the City's business-type activities provided funding for the City's \$169.8 million of governmental program expenses incurred during the year.

The City's revenues increased \$0.5 million (\$157.0 million compared to \$156.5 million) which was primarily caused by increases in property tax, conveyance tax, and sewer assessment collections.

Total program expenses were \$169.8 million as compared with \$163.1 million reported last year. The expenses of the Education and Public Safety functions experienced increases primarily attributable to rising pension, OPEB and health insurance costs.

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General government	\$ 9,693	\$ 10,543	\$ 6,931	\$ 7,598
Public safety	32,410	31,681	30,817	30,760
Social services	4,142	4,038	2,052	1,770
Public works	13,245	13,754	11,867	11,489
Education	108,916	101,748	46,378	41,555
All others	1,351	1,348	1,351	1,348
Totals	<u>\$ 169,757</u>	<u>\$ 163,112</u>	<u>\$ 99,396</u>	<u>\$ 94,520</u>

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$0.1 million during the year (\$94.6 million in 2017 compared to \$94.7 million in 2016) and expenses decreased by \$5.3 million. Overall net position increased \$5.0 million in 2017.

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 \$32.4 million, which is an increase of \$5.9 million from last year's total of \$26.5 million. Included in this year's total change in fund balance is an increase of \$2.8 million in the City's General Fund. The primary reasons for the General Fund's increase are the higher than anticipated collections of property tax, conveyance tax, and sewer assessments. 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 \$5.3 million at June 30, 2017. The fund balance increased by \$3.0 million during the year due to the proceeds from the bond issue in March 2017.

The Education Grants Fund reported a fund balance of \$0.3 million which was \$0.2 million lower than last year.

The other governmental funds have a total fund balance of \$9.1 million - a \$0.1 million increase from last year.

Proprietary Funds

Net position of the Department of Public Utilities was \$106.2 million, as compared to \$101.1 million in the prior year, and City's other nonmajor enterprise funds net position decreased \$0.1 million to \$8.0 million from \$8.1 million.

Unrestricted net deficit of the Department of Public Utilities was \$17.5 million, and a deficit of \$2.0 million for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$88.6 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, 2017 was \$5.0 million. The change in the Department of Public Utilities net position is largely attributable to investments in capital assets, such as \$3.2 million contributed capital associated with the construction of the gas pipeline gate station.

General Fund Budgetary Highlights

While there were some interdepartmental budget transfers during the year, the General Fund did not have any supplemental appropriations during 2017.

During the year, actual revenues and other financing sources on a budgetary basis were \$124.6 million, which was \$1.6 million higher than budgetary estimates. The variance was caused primarily by increased property tax, conveyance tax, and sewer assessment collections (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$122.2 million, which were lower than actual revenues and other financing sources on a budgetary basis by \$2.4 million. Actual expenditures on a budgetary basis were \$0.7 million less than budgeted. 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, 2017, the City had \$274.2 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 increase (including additions, deductions and depreciation) of \$3.5 million, or 1.3%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 25,726	\$ 25,598	\$ 3,255	\$ 3,204	\$ 28,981	\$ 28,802
Buildings and improvements	68,674	71,657	28,791	26,674	97,465	98,331
Vehicles, machinery, equipment, pumping and distributions systems	7,162	6,909	104,003	96,324	111,165	103,233
Technology upgrade and road infrastructure	22,336	21,521			22,336	21,521
Construction in progress	1,156	1,139	13,082	17,628	14,238	18,767
Totals	\$ <u>125,054</u>	\$ <u>126,824</u>	\$ <u>149,131</u>	\$ <u>143,830</u>	\$ <u>274,185</u>	\$ <u>270,654</u>

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

Oakland Heights Gas Metering & Regulating Station	\$	3,656
CNG Station - Otrobando Avenue		2,301
Royal Oaks Water Main Extension		1,991
NPU South Golden St - Plant Yard Improvements		1,341
Deep River - Water Disinfectant Alternative		<u>1,030</u>
 Total	 \$	 <u><u>10,319</u></u>

The City's fiscal-year 2017-18 capital budget calls for spending \$3.0 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, 2017, the City had total bonds and notes outstanding of \$67.6 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt increased by \$2.1 million during fiscal 2017.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 52,116	\$ 50,233	\$ 147	\$ 183	\$ 52,263	\$ 50,416
Serial notes payable			<u>15,351</u>	<u>15,055</u>	<u>15,351</u>	<u>15,055</u>
Total	<u>\$ 52,116</u>	<u>\$ 50,233</u>	<u>\$ 15,498</u>	<u>\$ 15,238</u>	<u>\$ 67,614</u>	<u>\$ 65,471</u>

In February 2017, Standard & Poor's assigned an AA rating on Norwich's \$8.3 million capital and refunding bond issue and affirmed this rating on the rest of Norwich's debt outstanding as of that date. On October 19, 2016, Fitch Ratings affirmed its AA rating with a stable outlook on the \$5.4 million of outstanding bonds for which Fitch had originally issued a rating.

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 \$559 million. The City's outstanding general obligation debt is at 6.57% 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 September 2017, the unemployment rate for the Norwich was 5.4%, down from 6.6% in the prior year. Connecticut's overall unemployment rate stood at 5.0%, compared with 5.6% for the same time last year. The State of Connecticut's education and non-education formula grants have not kept pace with inflation. This, coupled with increased employee benefit costs, creates a challenge for Norwich. The City, however, is poised to overcome such challenges with its commitments to economic development; cost reduction, including negotiation of reductions in OPEB benefits for future employees; and funding its long-term liabilities. The effects of these efforts are exemplified in the initiatives noted in the transmittal letter.

The fiscal year 2018 General Fund budget calls for \$123.8 million in revenues and expenditures, an approximate 0.69% increase in over fiscal year 2017. Non-education expenditures increased by 0.19% and Education expenditures increased by 1.00%. On the revenue side, the fiscal year 2018 mill rate decreased 0.70 mills, or 1.70%, from 41.22 to 40.52. No unrestricted fund balance was used to balance the budget.

In the City's business-type activities, the Norwich Public Utilities projects an 1.27% increase in revenues from fiscal year 2017 from \$98.9 million to \$97.7 million. This increase is largely due to the expansion of the gas customer base and increases in water and sewer rates. Norwich Public Utilities budgeted \$20.8 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

CITY OF NORWICH, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 17,205	\$ 27,176	\$ 44,381
Investments	25,088		25,088
Receivables, net	27,460	15,345	42,805
Internal balances	739	(739)	-
Inventories	79	1,838	1,917
Other assets		1,334	1,334
Capital assets:			
Assets not being depreciated	26,882	16,337	43,219
Assets being depreciated, net	98,172	132,794	230,966
Total assets	<u>195,625</u>	<u>194,085</u>	<u>389,710</u>
Deferred Outflows of Resources:			
Difference between expected and actual experience	1,477	689	2,166
Changes in assumptions	4,011	1,820	5,831
Changes in projected and actual investment earnings	4,620	2,155	6,775
Deferred charge on refunding	482		482
Total deferred outflows of resources	<u>10,590</u>	<u>4,664</u>	<u>15,254</u>
Liabilities:			
Accounts and other payables	7,453	11,072	18,525
Due to Fiduciary Funds	583		583
Unearned revenue	686	1,354	2,040
Noncurrent liabilities:			
Due within one year	9,469	4,464	13,933
Due in more than one year	132,465	67,696	200,161
Total liabilities	<u>150,656</u>	<u>84,586</u>	<u>235,242</u>
Deferred Inflows of Resources:			
Difference between expected and actual experience	<u>176</u>		<u>176</u>
Net Position:			
Net investment in capital assets	78,005	133,414	211,419
Restricted for trust purposes:			
Permanent	1,656		1,656
Restricted for energy conservation		273	273
Unrestricted	<u>(24,278)</u>	<u>(19,524)</u>	<u>(43,802)</u>
Total Net Position	<u>\$ 55,383</u>	<u>\$ 114,163</u>	<u>\$ 169,546</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, 2017
(In Thousands)**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 9,693	\$ 2,041	\$ 721	\$	\$ (6,931)	\$	\$ (6,931)
Public safety	32,410	519	1,035	39	(30,817)		(30,817)
Social services	4,142	637	1,453		(2,052)		(2,052)
Public works	13,245	721	62	595	(11,867)		(11,867)
Education	108,916	1,415	61,123		(46,378)		(46,378)
Interest on long-term debt	1,351				(1,351)		(1,351)
Total governmental activities	<u>169,757</u>	<u>5,333</u>	<u>64,394</u>	<u>634</u>	<u>(99,396)</u>	<u>-</u>	<u>(99,396)</u>
Business-type activities:							
Department of Public Utilities:							
Gas	15,041	16,636		3,596		5,191	5,191
Electric	48,098	52,849		128		4,879	4,879
Water	8,268	10,493		239		2,464	2,464
Sewer	8,074	8,629		622		1,177	1,177
Nonmajor Enterprise Funds:							
Golf Course Authority	1,157	1,059				(98)	(98)
Stadium Authority	354	164				(190)	(190)
Ice Rink Authority	118	165				47	47
Total business-type activities	<u>81,110</u>	<u>89,995</u>	<u>-</u>	<u>4,585</u>	<u>-</u>	<u>13,470</u>	<u>13,470</u>
Total	<u>\$ 250,867</u>	<u>\$ 95,328</u>	<u>\$ 64,394</u>	<u>\$ 5,219</u>	<u>(99,396)</u>	<u>13,470</u>	<u>(85,926)</u>
General revenues:							
Property taxes					79,343		79,343
Grants and contributions not restricted to specific programs					5,580		5,580
Unrestricted investment earnings					394	13	407
Miscellaneous					1,301		1,301
Total general revenues					<u>86,618</u>	<u>13</u>	<u>86,631</u>
Transfers					8,516	(8,516)	-
Change in Net Position					(4,262)	4,967	705
Net Position at Beginning of Year, as Restated					<u>59,645</u>	<u>109,196</u>	<u>168,841</u>
Net Position at End of Year					<u>\$ 55,383</u>	<u>\$ 114,163</u>	<u>\$ 169,546</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Education Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 16,510	\$	\$	\$ 695	\$ 17,205
Investments	23,489			1,599	25,088
Receivables, net	6,297	15	459	6,146	12,917
Due from other funds	1,317	5,328	1,084	5,615	13,344
Other assets				79	79
Total Assets	<u>\$ 47,613</u>	<u>\$ 5,343</u>	<u>\$ 1,543</u>	<u>\$ 14,134</u>	<u>\$ 68,633</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 5,628	\$ 83	\$ 1,163	\$ 300	\$ 7,174
Due to other funds	18,791			456	19,247
Unearned revenue	30		56	600	686
Total liabilities	<u>24,449</u>	<u>83</u>	<u>1,219</u>	<u>1,356</u>	<u>27,107</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	3,312			189	3,501
Unavailable revenue - special assessments	2,171			129	2,300
Unavailable revenue - loans receivable				3,318	3,318
Unavailable revenue - other receivable				13	13
Total deferred inflows of resources	<u>5,483</u>	<u>-</u>	<u>-</u>	<u>3,649</u>	<u>9,132</u>
Fund balances:					
Nonspendable				1,723	1,723
Restricted		5,260		2,628	7,888
Committed			324	4,865	5,189
Assigned	664				664
Unassigned	17,017			(87)	16,930
Total fund balances	<u>17,681</u>	<u>5,260</u>	<u>324</u>	<u>9,129</u>	<u>32,394</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 47,613</u>	<u>\$ 5,343</u>	<u>\$ 1,543</u>	<u>\$ 14,134</u>	<u>\$ 68,633</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017
(In Thousands)

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	\$ 32,394
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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	\$ 201,652	
Less accumulated depreciation	<u>(76,598)</u>	
Net capital assets		125,054

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	2,677
Interest receivable on property taxes	824
Housing rehabilitation loans	3,318
Accounts and other receivables	16,679
Deferred outflows:	
Difference between expected and actual experience	1,477
Changes in assumptions	4,011
Changes in projected and actual investment earnings	4,620

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.

423

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	(49,430)
Deferred charge on refunding	482
Unamortized bond premium	(2,686)
Interest payable on bonds and notes	(271)
Compensated absences	(3,178)
Landfill closure	(225)
Capital lease	(675)
Net OPEB obligation	(4,781)
Net pension liability	(75,154)
Deferred inflows - difference between expected and actual experience	<u>(176)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 55,383</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, 2017
(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Education Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and liens	\$ 75,168	\$	\$	\$ 4,712	\$ 79,880
Intergovernmental revenues	48,916	81	15,262	5,973	70,232
Charges for services	2,174		338	2,010	4,522
Licenses, permits and fees	539				539
Investment income	222			170	392
Other	1,192			2,039	3,231
Total revenues	<u>128,211</u>	<u>81</u>	<u>15,600</u>	<u>14,904</u>	<u>158,796</u>
Expenditures:					
Current:					
General government	5,376			255	5,631
Public safety	18,371			8,497	26,868
Social services	1,839			1,877	3,716
Public works	10,618			779	11,397
Education	85,627		15,740	4,207	105,574
Other	3,276				3,276
Capital outlay		2,879		2,108	4,987
Debt service		155		5,716	5,871
Total expenditures	<u>125,107</u>	<u>3,034</u>	<u>15,740</u>	<u>23,439</u>	<u>167,320</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,104</u>	<u>(2,953)</u>	<u>(140)</u>	<u>(8,535)</u>	<u>(8,524)</u>
Other Financing Sources (Uses):					
Transfers in	6,506	110		9,208	15,824
Transfers out	(6,808)			(500)	(7,308)
Issuance of general obligation bonds		5,450			5,450
Issuance of refunding bonds		5,750			5,750
Payment to refunded escrow agent		(6,413)			(6,413)
Bond premiums		1,093			1,093
Total other financing sources (uses)	<u>(302)</u>	<u>5,990</u>	<u>-</u>	<u>8,708</u>	<u>14,396</u>
Net Change in Fund Balances	2,802	3,037	(140)	173	5,872
Fund Balances at Beginning of Year	<u>14,879</u>	<u>2,223</u>	<u>464</u>	<u>8,956</u>	<u>26,522</u>
Fund Balances at End of Year	<u>\$ 17,681</u>	<u>\$ 5,260</u>	<u>\$ 324</u>	<u>\$ 9,129</u>	<u>\$ 32,394</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, 2017
(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)	\$ 5,872
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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	6,020
Depreciation expense	(6,532)

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.

	(1,258)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(521)
Property tax interest and lien revenue - accrual basis change	(16)
Housing loan repayments	(246)
Accounts and other receivables - accrual basis change	(64)
Change in deferred outflows:	
Difference between expected and actual experience	(398)
Changes in assumptions	(1,070)
Changes in projected and actual investment earnings	(6,862)

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	(5,450)
Premium on bonds	(361)
Bond principal payments	4,180
Issuance of refunding bonds	(5,750)
Payment to refunded escrow agent	6,413
Premium on refunded bonds	(732)
Amortization of deferred charge on refunding	(54)
Amortization of premiums	230
Capital lease payments	155

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	184
Accrued interest	4
Net OPEB expense	(16)
Landfill postclosure care	13
Change in net pension liability	3,065
Deferred inflows - difference between expected and actual experience	27

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.

	<u>(1,095)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ (4,262)</u>
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The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 27,176	\$	\$ 27,176	\$
Receivables, net:				
User charges	14,555	98	14,653	
Other	692		692	177
Due from other funds		122	122	6,059
Inventories	1,838		1,838	
Other assets	1,334		1,334	
Total current assets	45,595	220	45,815	6,236
Capital assets, net	139,002	10,129	149,131	
Total assets	184,597	10,349	194,946	6,236
Deferred outflows of resources:				
Differences between expected and actual experience	689		689	
Changes of assumptions	1,820		1,820	
Changes in projected investment earnings	2,155		2,155	
Total deferred outflows of resources	4,664	-	4,664	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	9,238	83	9,321	8
Notes payable	1,080		1,080	
Bonds payable	11	25	36	
Capital leases payable	219		219	
Compensated absences	1,738		1,738	
Risk management claims	328		328	3,056
Cash advances from other funds	1,063		1,063	
Due to other funds	46	815	861	
Unearned revenue		1,354	1,354	
Total current liabilities	13,723	2,277	16,000	3,064
Noncurrent liabilities:				
Customer deposits	1,751		1,751	
Notes payable	14,271		14,271	
Bonds payable	21	90	111	
Compensated absences	2,809		2,809	
Risk management claims	616		616	2,749
Cash advances from other funds	13,388		13,388	
Net pension liability	36,501		36,501	
Total noncurrent liabilities	69,357	90	69,447	2,749
Total liabilities	83,080	2,367	85,447	5,813
Net Position:				
Net investment in capital assets	123,400	10,014	133,414	
Restricted for energy conservation	273		273	
Unrestricted	(17,492)	(2,032)	(19,524)	423
Total Net Position	\$ 106,181	\$ 7,982	\$ 114,163	\$ 423

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, 2017
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 86,623	\$ 1,223	\$ 87,846	\$ 18,362
Use of property	830		830	
Other services	1,154		1,154	
Rent		165	165	
Total operating revenues	<u>88,607</u>	<u>1,388</u>	<u>89,995</u>	<u>18,362</u>
Operating Expenses:				
Purchased gas and electric	31,742		31,742	
General and administrative	15,398		15,398	
Operations and maintenance	14,825	1,290	16,115	
Depreciation	7,572	335	7,907	
Customer accounts	3,789		3,789	
Gross revenue and property taxes	2,891		2,891	
Claims			-	17,551
Premiums and administrative charges			-	1,906
Pension expense	2,286		2,286	
Total operating expenses	<u>78,503</u>	<u>1,625</u>	<u>80,128</u>	<u>19,457</u>
Operating Income (Loss)	<u>10,104</u>	<u>(237)</u>	<u>9,867</u>	<u>(1,095)</u>
Nonoperating Income (Expense):				
Interest income	13		13	
Interest expense	(859)	(4)	(863)	
Loss on disposal of capital assets	(119)		(119)	
Total nonoperating expense	<u>(965)</u>	<u>(4)</u>	<u>(969)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	9,139	(241)	8,898	(1,095)
Capital contributions	4,585		4,585	
Transfers in		155	155	
Transfers out	<u>(8,671)</u>		<u>(8,671)</u>	
Change in Net Position	5,053	(86)	4,967	(1,095)
Total Net Position at Beginning of Year, as Restated	<u>101,128</u>	<u>8,068</u>	<u>109,196</u>	<u>1,518</u>
Total Net Position at End of Year	<u>\$ 106,181</u>	<u>\$ 7,982</u>	<u>\$ 114,163</u>	<u>\$ 423</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, 2017
(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	\$ 91,955	\$ 1,261	\$ 93,216	\$ 2,875
Cash receipts for interfund services provided			-	16,215
Cash paid to vendors	(47,630)	(1,223)	(48,853)	(19,090)
Cash paid to employees for services	(20,872)		(20,872)	
Net cash provided by (used in) operating activities	<u>23,453</u>	<u>38</u>	<u>23,491</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,671)		(8,671)	
Customer deposits	311		311	
Advances from (to) other funds	(20)		(20)	
Net cash provided by (used in) noncapital and related financing activities	<u>(8,380)</u>	<u>-</u>	<u>(8,380)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	4,585		4,585	
Purchases of capital assets	(11,339)	(9)	(11,348)	
Proceeds from sale of capital assets	37		37	
Proceeds from long-term debt	1,528		1,528	
Principal payment on bonds and notes	(1,243)	(25)	(1,268)	
Principal payment on capital leases	(331)		(331)	
Interest payment on debt	(859)	(4)	(863)	
Cash advances from the City of Norwich	309		309	
Net cash provided by (used in) capital and related financing activities	<u>(7,313)</u>	<u>(38)</u>	<u>(7,351)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>7,773</u>	<u>-</u>	<u>7,773</u>	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	<u>19,403</u>	<u>-</u>	<u>19,403</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,176</u>	<u>\$ -</u>	<u>\$ 27,176</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 10,104	\$ (237)	\$ 9,867	\$ (1,095)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	7,572	335	7,907	
(Increase) decrease in receivables	3,348	(44)	3,304	(177)
(Increase) decrease in inventories and other assets	392		392	
(Increase) decrease in due from other funds		156	156	905
(Increase) decrease in deferred outflows of resources:				
Differences between expected and actual experience	186		186	
Changes of assumptions	492		492	
Changes in projected investment earnings	3,087		3,087	
Increase (decrease) in due to other funds		9	9	
Increase (decrease) in unearned revenues		(190)	(190)	
Increase (decrease) in accounts payable and accrued liabilities	(249)	9	(240)	367
Increase (decrease) in net pension liability	(1,479)		(1,479)	
Total adjustments	<u>13,349</u>	<u>275</u>	<u>13,624</u>	<u>1,095</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 23,453</u>	<u>\$ 38</u>	<u>\$ 23,491</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, 2017
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 1,317	\$ 553
Investments:		
U.S. government securities	717	
U.S. government agencies	172	
Corporate bonds	1,389	
Mutual funds	150,558	
Common stock	29,228	
Real estate	87	
Preferred stock	354	
Other receivables	1	35
Due from other funds	583	
	<u>184,406</u>	<u>588</u>
Total assets	184,406	\$ 588
Liabilities:		
Accounts and other payables	429	\$
Due to student groups and agencies		588
	<u>429</u>	<u>588</u>
Total liabilities	429	\$ 588
Net Position:		
Restricted for OPEB Benefits	16,160	
Restricted for Pensions	167,817	
	<u>183,977</u>	
	\$ 183,977	

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, 2017
(In Thousands)

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 14,576
Plan members	3,577
Total contributions	<u>18,153</u>
Investment income:	
Net change in fair value of investments	18,669
Interest and dividends	2,179
Total investment income	<u>20,848</u>
Less investment expense	<u>(950)</u>
Net investment income	<u>19,898</u>
Total additions	<u>38,051</u>
Deductions:	
Benefits	21,222
Administration	9
Lump sum distributions and withdrawals	651
Total deductions	<u>21,882</u>
Change in Net Position	16,169
Net Position Held in Trust for Pension and Other Post Employment Benefits at Beginning of Year	<u>167,808</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 183,977</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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 (except for agency funds, which have no measurement focus). 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, 2017
(In Thousands)

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.

The Agency Funds account for monies held as a custodian for outside groups and agencies and are used for senior activities, performance bonds and pass-through grants.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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.

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 \$403 has been established as an allowance for uncollected taxes. At June 30, 2017, this represents 10.7% of property taxes receivable.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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.

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:

Assets	Years
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 position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding and deferred outflows related to pension in the government-wide 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 results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension 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 plan (active employees and inactive employees).

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension 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 plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenues from several sources: property taxes, special assessments, long-term loans and other receivables. 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. OPEB Assets/Obligations

The net OPEB asset/obligation represents the cumulative difference between the annual pension/OPEB cost and the City's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent assets and/or noncurrent liabilities, accordingly, in the government-wide financial statements.

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. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)**

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 Equity 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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)**

The City Council adopted by ordinance a formal General Fund Unrestricted 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 operating transfers.

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

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.

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 during the fiscal year.

O. New Accounting Standards Adopted

Effective for the year ended June 30, 2017, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, expands disclosure requirements for postemployment benefits that are administered through trusts meeting certain criteria. The expanded disclosure is included in Note 13.
- GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements and contains required disclosures related to abatement agreements entered into by the City or other governments that reduce the reporting government's tax revenues. As of June 30, 2017 there are three such abatements that are described in further detail in Note 10.

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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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.

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.

During fiscal year 2017, additional appropriations totaling \$382 were made to the Fire Districts Fund.

B. Deficit Fund Equity

Certain individual funds had fund balance/net position deficits at June 30, 2017 as follows:

Nonmajor Governmental Funds:	
Dog License	\$ 87*
Nonmajor Enterprise Funds:	
Ice Rink Authority	513*
Internal Service Funds:	
Workers' Compensation	1,186*

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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.

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.

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Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$69,362 of the City's bank balance of \$72,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 62,126
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>7,236</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 69,362</u>

Cash Equivalents

At June 30, 2017, the City's cash equivalents amounted to \$9. 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.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAA/m

4. INVESTMENTS

As of June 30, 2017, 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	\$ 23,489	\$ 11,301	\$ 12,188	\$
U.S. Government Securities	717		717	
U.S. Government Agencies	172		5	167
Municipal Bonds	268		180	88
Corporate Bonds	<u>1,664</u>	<u>54</u>	<u>1,485</u>	<u>125</u>
Total	26,310	<u>\$ 11,355</u>	<u>\$ 14,575</u>	<u>\$ 380</u>
Other investments:				
Mutual Funds	150,671			
Common Stock	30,171			
Preferred Stock	354			
Real Estate	<u>87</u>			
Total Investments	<u>\$ 207,593</u>			

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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>Municipal Bonds</u>	<u>Certificate of Deposit</u>
Aaa	\$ 241	\$ 717	\$	\$	\$
Aa2	36				
Aa3	118				
A1	274				
A2	268				
A3	266				
Baa1	187				
Baa2	26				
Baa3	40				
Ba1*	57				
Unrated	151		172	268	23,489
	<u>\$ 1,664</u>	<u>\$ 717</u>	<u>\$ 172</u>	<u>\$ 268</u>	<u>\$ 23,489</u>

* Bonds with ratings of Ba1 and lower are held by the Cemetery Trust Fund only and not the Pension or OPEB Trust Funds

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 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, 2017:

	<u>June 30, 2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Debt Securities:				
U.S. Government Securities	\$ 717	\$ 717	\$	\$
U.S. Government Agencies	172	172		
Municipal Bonds	268	268		
Corporate Bonds	1,664	1,664		
Equity Securities:				
Common Stock	30,171	30,171		
Preferred Stock	354	354		
Mutual Funds	150,671	150,671		
Real Estate	87	87		
Total investments by fair value level	184,104	<u>\$ 184,104</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not recorded at fair value:				
Certificate of Deposit	23,489			
Total Investments	<u>\$ 207,593</u>			

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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. Equity securities that meet or exceed a credit rating of BBB-/Baa3 may be purchased. 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.

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.

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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>Bond Expenditure Fund</u>	<u>Education Grants</u>	<u>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 3,526	\$	\$	\$	\$ 239	\$ 3,765
Accrued interest on taxes	1,030					1,030
Intergovernmental	56	15	459		2,039	2,569
User charges				17,965	98	18,063
Assessments	2,171					2,171
Housing and rehabilitation loans					3,630	3,630
Accounts and other	116			692	864	1,672
Gross receivables	<u>6,899</u>	<u>15</u>	<u>459</u>	<u>18,657</u>	<u>6,870</u>	<u>32,900</u>
Less allowance for uncollectibles:						
Taxes	(396)				(7)	(403)
Accrued interest on taxes	(206)					(206)
User charges				(3,410)		(3,410)
Accounts and other					(406)	(406)
Total allowance	<u>(602)</u>	<u>-</u>	<u>-</u>	<u>(3,410)</u>	<u>(413)</u>	<u>(4,425)</u>
Net Total Receivables	<u>\$ 6,297</u>	<u>\$ 15</u>	<u>\$ 459</u>	<u>\$ 15,247</u>	<u>\$ 6,457</u>	<u>\$ 28,475</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, 2017 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Department of Public Utilities	\$ 46
	Nonmajor Enterprise	815
	Nonmajor Governmental	456
Pension Trust	General Fund	23
Other Post Employment Benefit Trust	General Fund	560
Bond Expenditure	General Fund	5,328
Education Grants	General Fund	1,084
Internal Service Funds	General Fund	6,059
Nonmajor Enterprise	General Fund	122
Nonmajor Governmental	General Fund	5,615
		<u>5,615</u>
Total		<u>\$ 20,108</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Bond Expenditure</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
Transfers out:					
General Fund	\$	\$	\$ 6,808	\$	\$ 6,808
Department of Public Utilities	6,271		2,400		8,671
Nonmajor Governmental	<u>235</u>	<u>110</u>		<u>155</u>	<u>500</u>
Total Transfers Out	<u>\$ 6,506</u>	<u>\$ 110</u>	<u>\$ 9,208</u>	<u>\$ 155</u>	<u>\$ 15,979</u>

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, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 25,598	\$	\$ 263	\$ (135)	\$ 25,726
Construction in progress	<u>1,139</u>	<u>(691)</u>	<u>708</u>	<u></u>	<u>1,156</u>
Total capital assets not being depreciated	<u>26,737</u>	<u>(691)</u>	<u>971</u>	<u>(135)</u>	<u>26,882</u>
Capital assets being depreciated:					
Buildings and improvements	107,860		437	(1,373)	106,924
Vehicles, machinery and equipment	23,402	691	1,024	(224)	24,893
Technology upgrade and infrastructure	<u>45,765</u>	<u></u>	<u>3,588</u>	<u>(6,400)</u>	<u>42,953</u>
Total capital assets being depreciated	<u>177,027</u>	<u>691</u>	<u>5,049</u>	<u>(7,997)</u>	<u>174,770</u>
Less accumulated depreciation for:					
Buildings and improvements	(36,203)		(3,407)	1,360	(38,250)
Vehicles, machinery and equipment	(16,493)		(1,436)	198	(17,731)
Technology upgrade and infrastructure	<u>(24,244)</u>		<u>(1,689)</u>	<u>5,316</u>	<u>(20,617)</u>
Total accumulated depreciation	<u>(76,940)</u>	<u>-</u>	<u>(6,532)</u>	<u>6,874</u>	<u>(76,598)</u>
Total capital assets being depreciated, net	<u>100,087</u>	<u>691</u>	<u>(1,483)</u>	<u>(1,123)</u>	<u>98,172</u>
Governmental Activities Capital Assets, Net	<u>\$ 126,824</u>	<u>\$ -</u>	<u>\$ (512)</u>	<u>\$ (1,258)</u>	<u>\$ 125,054</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 3,204	\$	\$ 51	\$	\$ 3,255
Construction in progress	<u>17,628</u>	<u>(17,851)</u>	<u>13,971</u>	<u>(666)</u>	<u>13,082</u>
Total capital assets not being depreciated	<u>20,832</u>	<u>(17,851)</u>	<u>14,022</u>	<u>(666)</u>	<u>16,337</u>
Capital assets being depreciated:					
Structures and improvements	55,113	3,347		(250)	58,210
Machinery, equipment, pumping and distribution systems	<u>222,091</u>	<u>14,504</u>	<u>9</u>	<u>(985)</u>	<u>235,619</u>
Total capital assets being depreciated	<u>277,204</u>	<u>17,851</u>	<u>9</u>	<u>(1,235)</u>	<u>293,829</u>
Less accumulated depreciation for:					
Structures and improvements	(28,439)		(1,200)	220	(29,419)
Machinery, equipment, pumping and distribution systems	<u>(125,767)</u>		<u>(6,707)</u>	<u>858</u>	<u>(131,616)</u>
Total accumulated depreciation	<u>(154,206)</u>	<u>-</u>	<u>(7,907)</u>	<u>1,078</u>	<u>(161,035)</u>
Total capital assets being depreciated, net	<u>122,998</u>	<u>17,851</u>	<u>(7,898)</u>	<u>(157)</u>	<u>132,794</u>
Business-Type Activities Capital Assets, Net	<u>\$ 143,830</u>	<u>\$ -</u>	<u>\$ 6,124</u>	<u>\$ (823)</u>	<u>\$ 149,131</u>

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

Governmental activities:	
General government	\$ 263
Public safety	990
Social services	94
Public works	3,433
Education	<u>1,752</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 6,532</u></u>
 Business-type activities:	
Department of Public Utilities	\$ 7,572
Golf Course Authority	51
Stadium Authority	176
Ice Rink Authority	<u>108</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 7,907</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2017. 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, 2017</u>
ARC GIS Facilities Management System	\$ 584	\$ 180	\$ 474	\$ 110
Salem Tpke Metering & Regulating Station	3,172	7	7	3,165
Digester Roof Replacement	2,000	1,470	1,470	530
LCTP Phase 2 CWF 607 PG	4,662	112	2,280	2,382
WWTP Design & Construction	28,700		6,995	21,705
DWSRF - AMI Metering	2,900	6	6	2,894
Occum Water Tank - Equipment Upgrade	920	64	64	856
Deep River - Sand Filtration Upgrade	2,160	1	1	2,159
Sprague Interconnect Main Extension	3,450	1	1	3,449
Mohegan Park Tank Replacement	2,800	187	343	2,457
Stony Brook - North & South Sections Transmission Main	5,820	1	217	5,603
Stony Brook Buoyant Media	<u>2,000</u>	<u>24</u>	<u>401</u>	<u>1,599</u>
 Total	 <u><u>\$ 59,168</u></u>	 <u><u>\$ 2,053</u></u>	 <u><u>\$ 12,259</u></u>	 <u><u>\$ 46,909</u></u>

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8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 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	\$ 48,410	\$ 11,200	\$ 10,180	\$ 49,430	\$ 4,430
Add unamortized premiums	<u>1,823</u>	<u>1,093</u>	<u>230</u>	<u>2,686</u>	<u>279</u>
Total bonds payable	50,233	12,293	10,410	52,116	4,709
Compensated absences	3,362	1,324	1,508	3,178	1,520
Landfill closure	238		13	225	
Capital leases	830		155	675	184
Net pension liability	78,219		3,065	75,154	
Net OPEB obligation	4,765	5,508	5,492	4,781	
Risk management claims	<u>5,439</u>	<u>17,917</u>	<u>17,551</u>	<u>5,805</u>	<u>3,056</u>
Governmental Activities Long-Term Liabilities	<u>\$ 143,086</u>	<u>\$ 37,042</u>	<u>\$ 38,194</u>	<u>\$ 141,934</u>	<u>\$ 9,469</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 183	\$	\$ 36	\$ 147	\$ 36
State of Connecticut - serial note	<u>15,055</u>	<u>1,528</u>	<u>1,232</u>	<u>15,351</u>	<u>1,080</u>
Total bonds and notes payable	15,238	1,528	1,268	15,498	1,116
Compensated absences	4,262	849	564	4,547	1,738
Capital leases	550		331	219	219
Workers' compensation	1,645		701	944	328
Net pension liability	37,980		1,479	36,501	
Cash advances	<u>14,142</u>	<u>1,216</u>	<u>907</u>	<u>14,451</u>	<u>1,063</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 73,817</u>	<u>\$ 3,593</u>	<u>\$ 5,250</u>	<u>\$ 72,160</u>	<u>\$ 4,464</u>

The net pension liability and the net other post employment benefits liabilities have primarily been liquidated with General Fund resources.

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A schedule of bonds outstanding at June 30, 2017 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2017
Governmental Activities:					
General Purpose Bonds Payable:					
Schools	12/30/2008	12/30/2020		\$ 2,940	\$ 980
General purpose	12/02/2009	12/01/2029	3.0-4.0	9,145	1,410
Schools	12/02/2009	12/01/2029	3.0-4.0	2,000	305
General purpose	12/13/2011	12/01/2022	2.0-4.0	4,680	3,740
Schools	12/13/2011	12/01/2022	2.0-4.0	5,000	3,940
Refunding - (04/15/02) bonds	02/15/2012	04/15/2022	2.0	2,725	1,270
General purpose	02/12/2014	02/01/2024	3.0-5.0	12,365	10,405
Refunding - (4/15/2004 and 3/15/2005) ondsb	02/12/2014	09/15/2019	3.0-5.0	2,793	838
Refunding - (4/15/2004 and 3/15/2005) bonds - Schools	02/12/2014	09/15/2019	3.0-5.0	2,987	1,247
General purpose - Series A	03/03/2015	08/01/2024	3.0-4.0	5,600	5,000
General purpose - Series B	03/03/2015	08/01/2024	2.0-3.0	1,140	910
General purpose - Series A	03/01/2016	08/01/2035	2.0-2.6	6,300	5,935
General purpose - Series B	03/01/2016	08/01/2025	2.0-3.0	2,500	2,250
Refunding - (2009, Series A) bonds	10/12/2016	08/1/2024	1.8-4.0	2,925	2,925
General purpose - Series A	03/1/2017	08/1/2036	3.0-4.0	4,450	4,450
Refunding - (2009, Series A) bonds	03/1/2017	08/1/2036	3.0-4.0	2,825	2,825
General purpose - Series B	03/1/2017	08/1/2036	1.0-3.9	1,000	1,000
Total				\$ 49,430	\$ 49,430
Business-Type Activities:					
Golf course	12/02/2009	12/01/2029	3.0-4.0	\$ 265	\$ 115
Refunding - (02/12/2014) Stony Brook Reservoir	02/12/2014	09/15/2019	3.0-5.0	73	32
State of Connecticut serial notes payable:					
Clean Water Act 106-C	10/31/1997	10/31/2016	2.00	3,410	-
Clean Water Act 298-C	06/30/2000	06/30/2019	2.00	1,508	151
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	228
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	516
Clean Water Act 200801-C	07/01/2009	07/01/2029	2.27	450	268
Clean Water Act 625-D	12/31/2012	12/31/2031	2.00	1,865	1,410
Clean Water Act 495-C	05/31/2013	06/01/2032	2.00	5,748	4,455
Clean Water Act 625-D1	05/31/2015	12/31/2031	2.00	2,510	2,127
Drinking Water State Revolving Fund 2010-8005	03/31/2010	12/31/2029	2.06	145	90
Drinking Water State Revolving Fund 2010-8006	03/31/2010	06/30/2030	2.06	326	212
Drinking Water State Revolving Fund 2011-7005	04/30/2014	10/31/2032	2.00	160	133
Drinking Water State Revolving Fund 2011-7006	04/30/2014	04/30/2032	2.00	148	122
Drinking Water State Revolving Fund 2014-7027	06/30/2015	12/31/2034	2.27	506	443
Drinking Water State Revolving Fund 2014-7036	05/31/2016	11/30/2036	2.00	4,052	3,732
Drinking Water State Revolving Fund 2015-7037	10/12/2016	09/30/2034	2.00	1,528	1,464
Total				\$ 15,498	\$ 15,498

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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>
2018	\$ 4,430	\$ 1,718	\$ 6,148
2019	4,305	1,617	5,922
2020	4,095	1,494	5,589
2021	3,575	1,153	4,728
2022	3,230	1,046	4,276
2023-2027	14,220	3,741	17,961
2028-2032	11,285	1,657	12,942
2033-2037	4,290	297	4,587
Total	<u>\$ 49,430</u>	<u>\$ 12,723</u>	<u>\$ 62,153</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>
2018	\$ 1,116	\$ 306	\$ 1,422
2019	1,134	282	1,416
2020	1,073	259	1,332
2021	1,076	235	1,311
2022	973	214	1,187
2023-2027	4,587	793	5,380
2028-2032	4,610	322	4,932
2033-2036	929	30	959
Total	<u>\$ 15,498</u>	<u>\$ 2,441</u>	<u>\$ 17,939</u>

General Obligation Bonds - Advance Refunding

On October 12, 2016, the City issued \$2,925 in general obligation bonds, with an average interest rate of 3.65% to refund outstanding bonds with an average rate of 3.74%. The bonds refunded were \$3,000 of outstanding 2009 refunding bonds. The net proceeds of \$3,229 (after payment of issuance costs of \$77) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$185 and a present value savings of \$165.

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On March 10, 2017, the City issued \$2,825 in general obligation bonds, with an average interest rate of 3.76% to refund outstanding bonds with an average rate of 4.00%. The bonds refunded were \$3,000 of outstanding 2009 refunding bonds. The net proceeds of \$3,183 (after payment of issuance costs of \$48) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$331 and a present value savings of \$246.

The City has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2017, \$6,000 of the defeased debt is outstanding.

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 2017 fiscal year were \$155. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$675 at June 30, 2017. The following is a summary of capital lease commitments as of June 30, 2017.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2018	\$ 184
2019	182
2020	177
2021	65
2022	65
2023	<u>65</u>
Total payments	738
Less interest	<u>(63)</u>
Principal Balance	<u>\$ 675</u>

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Business-Type Activities

The Department of Public Utilities has entered into multi-year capital leases for the purchase of various items including equipment, vehicles, financial management systems and a municipal wide-area network. Principal payments for the 2017 fiscal year were \$331. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$219 at June 30, 2017. The following is a summary of capital lease commitments as of June 30, 2017.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2018	\$ 222
Less interest	<u>(3)</u>
Principal Balance	<u>\$ 219</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	\$ 786
Vacation	697
Other	248
Nonvested:	
Sick	<u>1,447</u> *
Total	<u>\$ 3,178</u>

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

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	\$ 3,311
Vacation	<u>1,236</u>
Total	<u>\$ 4,547</u>

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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 \$225 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, 2017. 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 City is eligible for approximately \$3,300 in state grants, of which \$2,020 has been drawn down. 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.

Bonds Authorized/Unissued

Bonds authorized/unissued with outstanding debt at June 30, 2017 are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Grants</u>	<u>Authorized Unissued</u>
Kelly Middle School Renovation*	\$ 41,250	\$ 10,750	\$ 30,000	\$ 500
New London Turnpike & Pleasant Street Bridges	530	90	215	225
Gas Line Extensions	9,500	5,000		4,500
Wawecus Street Bridge	800	500		300
Code Correction Assistance	1,840	415		1,425
Infrastructure Improvement Program	5,000	3,442		1,558
SCBA Equipment	800			800
Reid & Hughes Demolition	800			800
Total	\$ 60,520	\$ 20,197	\$ 30,215	\$ 10,108

* The City expects to receive approximately 77.14% of eligible project costs from the State in the form of progress payments.

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	\$ 179,730	\$ 22,647	\$ 157,083
Schools	359,460	9,028	350,432
Sewers	299,550	3,551	295,999
Urban renewal	259,610	3,125	256,485
Pension deficit	239,640		239,640

The total of the City's net statutory indebtedness of \$38.4 million does not exceed the legal debt limitation of \$559 million (seven times the base for debt limitation computation).

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9. FUND EQUITY

A. Fund Balance

The components of fund balance at June 30, 2017 are as follows:

	<u>General Fund</u>	<u>Bond Expenditure Fund</u>	<u>Education Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory - School Lunch	\$	\$	\$	\$ 79	\$ 79
Trust:					
Cemetery Trust				1,611	1,611
Other				33	33
Restricted for:					
Trust				12	12
Grants:					
Kelly Middle School Project				1,118	1,118
Other				154	154
Fire districts				1,344	1,344
Capital Projects		5,260			5,260
Committed to:					
Public safety:					
Fire Grants & Programs				4	4
Police Grants & Programs				40	40
Public works:					
Sherman Street Bridge				486	486
Public Parking				85	85
Other				1,391	1,391
Social services:					
Recreation				302	302
Human Services				54	54
Senior Center				136	136
Youth & Family Services				46	46
Other				163	163
General government:					
Downtown Revitalization Revolving Loan				108	108
Other				330	330
Education:					
School Lunch				1,043	1,043
Adult Education				81	81
Other			324	596	920
Assigned to:					
General government - encumbrances	539				539
Public works - encumbrances	97				97
Public safety - encumbrances	11				11
Education - encumbrances	17				17
Unassigned	17,017			(87)	16,930
Total Fund Balances	\$ 17,681	\$ 5,260	\$ 324	\$ 9,129	\$ 32,394

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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, 2017 on behalf of the Department were \$273. 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 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	\$	664
Bond expenditure fund		87
Nonmajor governmental funds		<u>294</u>
 Total	 \$	 <u><u>1,045</u></u>

10. TAX ABATEMENTS

The City adopted new accounting guidance, GASB Statement No. 77, *Tax Abatement Disclosures*, effective for the year ended June 30, 2017. The new disclosure is presented below:

As of June 30, 2017, the City provides tax abatements through multiple programs:

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

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, is subject to the property being new to the grand list of the municipality as a direct result of a business

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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, 2017, taxes abated through this program total \$177. 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, 2017, taxes abated through this program total \$81. 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, 2017, taxes abated through this program total \$116. 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 2017 for hospitalization with a maximum aggregate for all claims of approximately \$17,340.

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.

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
Medical:				
2016-2017	\$ 1,177	\$ 15,133	\$ 14,929	\$ 1,381
2015-2016	1,042	15,260	15,125	1,177
Workers' Compensation:				
2016-2017	4,262	2,784	2,622	4,424
2015-2016	4,017	2,473	2,228	4,262

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 \$944 for estimated unpaid accrued losses on reported claims as of June 30, 2017.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Norwich Retirement System

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

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Union Coalition

The members of the 911 Dispatchers, City Hall Employees, City Hall Supervisors, Public Works Employees, Public Works Supervisors, Public Utilities Supervisory and Professional Employees, Public Utilities Technical and Clerical Employees, and Public Utilities Water Distribution Employees bargaining units bargained as a coalition for pension benefits in 2008. The City nonunion employees and supervisors were given the same benefits after the coalition agreement was ratified in 2008. The Public Schools Custodians and Administrative Assistants bargained with the Board of Education to receive the same benefits as the coalition in January 2015 and September 2015, respectively.

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. City employees 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 contribute 8% 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% 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 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 contribute 8% of their wages to the plan.

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Public Schools Nurses and Paraeducators

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. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension at a reduced percentage. City employees receive a retirement benefit of 2.1% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 73.5% of average earnings.

Employees contribute 7% of their wages to the plan.

At July 1, 2015, the plan members consisted of:

Retirees and beneficiaries currently receiving benefits	565
Terminated employees not yet receiving benefits	65
Active plan members	<u>593</u>
 Total	 <u><u>1,223</u></u>

B. 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.

C. 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. With the City’s July 1, 2013 valuation, the Personnel and Pension Board voted to make some changes in the actuarial assumptions to bring them in line with other pension funds, GASB Statement No. 68 and GFOA best practices. As a result of these changes, the City’s Actuarially Determined Employer Contribution (ADEC) increased substantially. Pursuant to Ordinance 1710 adopted December 15, 2014, the City is committed to increasing its employer contribution by 15% each year until the City returns to funding 100% of the ADEC. The City’s current contribution percentage is 20.74% of covered payroll.

Administrative costs of the plan are financed through investment earnings.

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D. 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, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
U.S. Government Fixed Income	13.00%	1.75%	0.23%
U.S. Investment Grade Fixed Income	7.00%	2.25%	0.16%
U.S. Corporate High Yield Fixed Income	9.00%	3.25%	0.29%
International Developed Markets Fixed Income	1.00%	2.00%	0.02%
U.S. Large-Cap Equity	38.00%	4.75%	1.81%
U.S. Mid-Cap Equity	9.00%	5.50%	0.50%
U.S. Small-Cap Equity	4.00%	5.50%	0.22%
International Developed Markets Equity	12.00%	5.25%	0.63%
Emerging Markets Equity	5.00%	6.00%	0.30%
Cash	2.00%	0.50%	0.01%
Total Portfolio	100.00%		4.17%
Long-Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			7.17%

* Long-Term Returns are provided by Hooker and Holcombe Investment Advisors, Inc. The returns are geometric means.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 273,357
Plan fiduciary net position	<u>(165,259)</u>
Net Pension Liability	<u>\$ 108,098</u>
Plan fiduciary net position as a percentage of the total pension liability	60.46%

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Ranges from 3.0% to 10.0%, based on age
Investment rate of return	7.75%, net of investment-related expenses

Mortality rates were based on the RP-2014 adjusted to 2006 Blue Collar Mortality Table projected to valuation date with scale MP-2015 for Police and Firefighters and the RP-2014 adjusted to 2006 total data set projected to valuation date with a scale of MP-2015 for all other employees.

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. The results support a rate between 7.25% and 7.75%. An expected rate of return of 7.75% was used.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 264,347	\$ 151,881	\$ 112,466
Changes for the year:			
Service cost	5,656		5,656
Interest on total pension liability	20,281		20,281
Employer contributions		8,711	(8,711)
Member contributions		3,386	(3,386)
Net investment income		18,213	(18,213)
Benefit payments, including refund to employee contributions	(16,927)	(16,927)	-
Administrative expenses		(5)	5
Net changes	9,010	13,378	(4,368)
Balances as of June 30, 2017	\$ 273,357	\$ 165,259	\$ 108,098

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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 discount rate of 7.75%, 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease in Discount Rate (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase in Discount Rate (8.75%)</u>
Net pension liability as of June 30, 2017	\$ 139,286	\$ 108,098	\$ 81,922

City of Norwich Volunteer Firefighters’ Relief Plan

A. 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 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 multiplied by the years of credited service to a maximum of 40 years and a maximum monthly benefit of \$880.

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 multiplied by the years of credited service to a maximum of 30 years and a maximum monthly benefit of \$660.

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 for each calendar year of credited service.

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At January 1, 2016, the plan members consisted of:

Inactive plan members or beneficiaries currently receiving benefits	47
Inactive plan members entitled to but not yet received benefits	1
Active plan members	<u>128</u>
Total	<u><u>176</u></u>

B. 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.

Plan Changes and Changes in Actuarial Assumptions

There were no plan changes reflected in the last actuarial valuation.

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.

C. 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 for each calendar year of credited service.

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D. 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, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
U.S. Large Cap	24.00%	4.75%	1.14%
U.S. Mid/Small Cap	6.00%	5.50%	0.33%
International Equities (Unhedged)	14.00%	5.25%	0.74%
Emerging International Equities	4.00%	6.00%	0.24%
Core Bonds	49.00%	2.00%	0.98%
Commodities	2.00%	5.00%	0.10%
Cash	1.00%	0.50%	0.01%
Total Portfolio	100.00%		3.54%
Long-Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			6.54%

* Long-Term Returns are provided by Hooker and Holcombe Investment Advisors, Inc. The returns are geometric means.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 6,115
Plan fiduciary net position	(2,558)
Net Pension Liability	\$ 3,557
Plan fiduciary net position as a percentage of the total pension liability	41.83%

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A - members are volunteers
Investment rate of return	7.0%, net of investment-related expenses

Mortality rates were based on RP-2014 Mortality Table adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2015.

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 rates term rates shown above are geometric averages, the impact of asset allocation and rebalancing is not reflected in the expected return. The results support a rate between 6.75% and 7.25%. An expected rate of return of 7.00% was used.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 5,963	\$ 2,230	\$ 3,733
Changes for the year:			
Service cost	63		63
Interest on total pension liability	411		411
Employer contributions		373	(373)
Member contributions		14	(14)
Net investment income		265	(265)
Benefit payments, including refund to employee contributions	(322)	(322)	-
Administrative expenses		(2)	2
Net changes	<u>152</u>	<u>328</u>	<u>(176)</u>
Balances as of June 30, 2017	<u>\$ 6,115</u>	<u>\$ 2,558</u>	<u>\$ 3,557</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 discount rate of 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
Net pension liability as of June 30, 2017	\$ 4,325	\$ 3,557	\$ 2,924

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

For the year ended June 30, 2017, the City recognized pension expense of \$7,524. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>City Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,166	\$
Changes of assumptions	5,720	
Net difference between projected and actual earnings on pension plan investments	<u>6,709</u>	
Total	<u>\$ 14,595</u>	<u>\$ -</u>
	<u>Volunteer Firefighter</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 176
Changes of assumptions	111	
Net difference between projected and actual earning on pension plan investments	<u>66</u>	
Total	<u>\$ 177</u>	<u>\$ 176</u>

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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>City Employees</u>	<u>Volunteer Firefighter</u>
2018	\$ 5,309	\$ 28
2019	5,309	28
2020	3,810	1
2021	167	(31)
2022	-	(10)
Thereafter	-	(15)
Total	<u>\$ 14,595</u>	<u>\$ 1</u>

Schedule of Plan Net Position - June 30, 2017

	<u>City Employee Pension Trust Fund</u>	<u>Volunteer Fire Pension Trust Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,262	\$ 26	\$ 1,288
Investments:			
Mutual funds	139,255	2,530	141,785
Common stock	24,395		24,395
Preferred stock	326		326
Accounts receivable	1		1
Due from other funds	21	2	23
Total assets	<u>165,260</u>	<u>2,558</u>	<u>167,818</u>
Liabilities:			
Accounts and other payables	<u>1</u>		<u>1</u>
Net Position:			
Restricted for Pensions	<u>\$ 165,259</u>	<u>\$ 2,558</u>	<u>\$ 167,817</u>

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Schedule of Changes in Plan Net Position for the Year Ended June 30, 2017

	City Employee Pension Trust Fund	Volunteer Fire Pension Trust Fund	Total
Additions:			
Contributions:			
Employer	\$ 8,711	\$ 373	\$ 9,084
Plan members	3,386	14	3,400
Total contributions	<u>12,097</u>	<u>387</u>	<u>12,484</u>
Investment income:			
Net appreciation in fair value of investments	17,353	182	17,535
Interest and dividends	1,720	91	1,811
Total investment income	<u>19,073</u>	<u>273</u>	<u>19,346</u>
Less investment expense	<u>(860)</u>	<u>(8)</u>	<u>(868)</u>
Net investment income	<u>18,213</u>	<u>265</u>	<u>18,478</u>
Total additions	<u>30,310</u>	<u>652</u>	<u>30,962</u>
Deductions:			
Benefits	16,276	322	16,598
Administration	5	2	7
Lump sum distributions and withdrawals	651		651
Total deductions	<u>16,932</u>	<u>324</u>	<u>17,256</u>
Net Increase	13,378	328	13,706
Net Position Restricted for Pensions at Beginning of Year	<u>151,881</u>	<u>2,230</u>	<u>154,111</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 165,259</u>	<u>\$ 2,558</u>	<u>\$ 167,817</u>

Teachers Retirement

A. 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.

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B. 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.

C. 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.

Employees

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

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

At June 30, 2017, 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>80,635</u>
Total	\$ <u><u>80,635</u></u>

The net pension liability was measured as of June 30, 2016, 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, 2017, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the City recognized pension expense and revenue of \$8,794 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

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

Inflation	3.00%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (Non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	8.3%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

G. 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.

H. 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.

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13. OTHER POST EMPLOYMENT BENEFITS

City of Norwich, Retiree Health Plan

A. 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 Mayor 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.

At July 1, 2015, plan membership consisted of the following:

Active plan members	887
Retired plan members	<u>412</u>
Total Participants	<u><u>1,299</u></u>

B. 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 is committed to funding the annual required contribution. 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.

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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 67 for both the retiree and the retiree's spouse.

For Police who retire on or after September 2014, 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.

Police hired after June 2014 may elect to either waive postretirement medical coverage or contribute 0.5% of their earnings to the OPEB fund.

Fire 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 67 for both the retiree and the retiree's spouse.

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.

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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.

For the year ended June 30, 2017, plan members and the Teacher Retirement Board contributed \$177. 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, 2017 totaled \$5,492.

C. 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, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

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D. Net OPEB Liability of the City

As discussed in Note 1, during the year the City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 61,005
Plan fiduciary net position	<u>16,160</u>
Net OPEB Liability	<u><u>\$ 44,845</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 26.5%

The City’s net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	3.0%
Investment rate of return	7.75%
Healthcare cost trend rates	8.0% decreasing to 5.0%

Mortality rates were based on the RP-2014 adjusted to 2006 total data set projected to valuation date with scale MP-2015.

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.

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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 arithmetic real rates of return for each major asset as of June 30, 2017 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. Government Fixed Income	13.00%	1.75%
U.S. Investment Grade Fixed Income	7.00%	2.25%
U.S. Corporate High Yield Fixed Income	9.00%	3.25%
Internationally Developed Markets Fixed	1.00%	2.00%
U.S. Large-Cap Equity	38.00%	4.75%
U.S. Mid-Cap Equity	9.00%	5.50%
U.S. Small-Cap Equity	4.00%	5.50%
International Developed Markets Equity	12.00%	5.25%
Emerging Markets Equity	5.00%	6.00%
Cash	2.00%	0.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. 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.

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

The following presents the net OPEB liability of the City, 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 (6.75%) or 1 percentage point higher (8.75%) than the current discount rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net OPEB Liability	\$ 50,030	\$ 44,845	\$ 40,272

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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, 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 (7.00% decreasing to 4.00%) or 1 percentage point higher (9.00% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 4.00%)	Current Discount Rate (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Net OPEB Liability	\$ 38,674	\$ 44,845	\$ 52,037

E. Annual OPEB Cost and Net OPEB Obligations

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 25 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

	Retiree Health Plan
Annual required contribution (ARC)	\$ 5,492
Interest on net OPEB obligation	370
Adjustment to annual required contribution	<u>(354)</u>
Annual OPEB cost	5,508
Contributions made	<u>(5,492)</u>
Increase in net OPEB obligation	16
Net OPEB obligation, beginning of year	<u>4,765</u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,781</u></u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is presented below.

<u>Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>OPEB Obligation</u>
6/30/2017	\$ 5,508	\$ 5,492	100%	\$ 4,781
6/30/2016	5,551	5,566	100%	4,765
6/30/2015	5,431	5,446	100%	4,780
6/30/2014	6,030	6,040	100%	4,794
6/30/2013	5,907	5,592	95%	4,805

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a Percent of Covered Payroll ((b-a)/c)</u>
7/1/2015	\$ 13,586	\$ 57,409	23.7%	\$ 57,814	75.8%
7/1/2013	9,683	55,483	17.5%	52,400	87.4%
7/1/2011	4,405	57,618	7.6%	50,093	106.2%

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

Schedule of Plan Net Position - June 30, 2017

	Other Post Employment Benefit Trust Fund
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 29
Investments:	
U.S. government securities	717
U.S. government agencies	172
Corporate bonds	1,389
Mutual funds	8,773
Common stock	4,833
Real estate	87
Preferred stock	28
Due from other funds	<u>560</u>
Total assets	16,588
Liabilities:	
Accounts and other payables	<u>428</u>
Net Position:	
Restricted for OPEB Benefits	<u><u>\$ 16,160</u></u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

Schedule of Changes in Plan Net Position for the Year Ended June 30, 2017

	Other Post Employment Benefit Trust Fund
	<u> </u>
Additions:	
Contributions:	
Employer	\$ 5,492
Plan members	177
Total contributions	<u>5,669</u>
Investment income:	
Net appreciation in fair value of investments	1,134
Interest and dividends	<u>368</u>
Total investment income	1,502
Less investment expense	<u>(82)</u>
Net investment income	<u>1,420</u>
Total additions	7,089
Deductions:	
Benefits	4,624
Administration	<u>2</u>
Total deductions	<u>4,626</u>
Net Increase	<u>2,463</u>
Net Position Restricted for OPEB Benefits at Beginning of Year	<u>13,697</u>
Net Position Restricted for OPEB Benefits at End of Year	<u>\$ 16,160</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, 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, 2017 was \$27.79 million.

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.

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 2017 fiscal year, the share of contributions to the fund received by the Department totaled \$83, with drawdowns of \$81, and interest on the fund of \$2. The balance of the Department's funds held by CMEEC for the RGGI was \$298 for the year ended June 30, 2017.

15. COMMITMENTS AND CONTINGENCIES

Connecticut Municipal Electric Energy Cooperative

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)

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 current rate structure for its customers includes an annual amortized cost recovery component to pay the annual fixed charged cost obligation for the Department's percentage of CMEEC's annual debt service.

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2017 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 17,874
Department - rate stabilization funds on deposit with CMEEC	<u>(13,022)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 4,852</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 assets. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,996.

All payments due to CMEEC under the Power Sales Contract may not be subordinated to any other obligation of the City.

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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(In Thousands)**

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.

17. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of June 30, 2017, the Department of Public Utilities has purchased \$1,861 in capital assets on account, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

18. SUBSEQUENT EVENTS

On November 7, 2017, two bond authorizations were made through referenda. Bonds authorized totaled \$8.2 million and were comprised of \$3.2 million for public safety equipment bonds and \$5.0 million for infrastructure bonds.

19. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

During the year ended June 30, 2017, it was determined that the vesting conditions of vacation leave time for the department of public utilities creates a potential liability as of the end of a fiscal year that was not previously being recorded. The following restatement was recorded to beginning net position to adjust for the previous exclusion of the related expense and compensated absences liability:

	<u>Business-Type Activities</u>	<u>Department of Public Utilities</u>
Net position balance at June 30, 2016, as previously reported	\$ 110,361	\$ 102,293
Adjustments:		
Increase in compensated absences	<u>1,165</u>	<u>1,165</u>
Net Position Balance at July 1, 2016, as Restated	<u>\$ 109,196</u>	<u>\$ 101,128</u>

**Required Supplementary
Information**

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, 2017
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General property taxes:				
Current tax levy	\$ 64,142	\$ 64,142	\$ 65,038	\$ 896
Motor vehicle supplement	7,240	7,240	7,291	51
Prior years levy	1,800	1,800	1,868	68
Interest and liens	929	929	971	42
Total	<u>74,111</u>	<u>74,111</u>	<u>75,168</u>	<u>1,057</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	<u>504</u>	<u>504</u>	<u>539</u>	<u>35</u>
Intergovernmental revenues:				
Building maintenance	315	315	300	(15)
City housing	151	151	160	9
Municipal revenue sharing	1,766	1,766	1,762	(4)
Pequot funds	1,912	1,912	1,912	-
Payment in lieu of taxes	1,399	1,399	1,398	(1)
Elderly taxes	204	204	189	(15)
Youth service bureau	81	81	70	(11)
Federal DCPA match funds	20	20	20	-
Health services	121	121	62	(59)
Education cost sharing	32,315	32,315	32,060	(255)
Town aid road	499	499	498	(1)
COPS hiring recovery program	267	267	267	-
PSAP subsidy	15	15	6	(9)
Total	<u>39,065</u>	<u>39,065</u>	<u>38,704</u>	<u>(361)</u>
Charges for services:				
Town Clerk - recording fees	338	338	336	(2)
Town Clerk - conveyance tax	342	342	584	242
Land recording capital improvement fee	14	14	14	-
Probate court	23	23	23	-
Landfill	912	912	961	49
Backyard rollout fee	8	8	9	1
Senior Citizens Center	6	6	8	2
Tuition	85	85	239	154
Total	<u>1,728</u>	<u>1,728</u>	<u>2,174</u>	<u>446</u>
Use of money:				
Interest from investments	<u>140</u>	<u>140</u>	<u>222</u>	<u>82</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, 2017
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other revenue:				
Sewer assessments	\$ 280	\$ 280	\$ 472	\$ 192
Telecommunications tax	125	125	133	8
DPU - City service	132	132	132	-
Traffic violations	6	6	6	-
Blight citations	7	7	56	49
City property - relocation	90	90	114	24
Miscellaneous	302	302	351	49
Total	<u>942</u>	<u>942</u>	<u>1,264</u>	<u>322</u>
 Total revenues	 <u>116,490</u>	 <u>116,490</u>	 <u>118,071</u>	 <u>1,581</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	59	59	60	1
Department of Public Utilities	6,271	6,271	6,271	-
Police	135	135	175	40
Total	<u>6,465</u>	<u>6,465</u>	<u>6,506</u>	<u>41</u>
 Total	 <u>\$ 122,955</u>	 <u>\$ 122,955</u>	 124,577	 <u>\$ 1,622</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for City teachers are not budgeted.

8,794

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.

1,418

Under liquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.

(72)

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 134,717

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, 2017
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
City Manager	\$ 365	\$ 366	\$ 360	\$ 6
Finance	1,556	1,561	1,560	1
City Treasurer	250	250	250	-
Assessment	397	848	848	-
Personnel	529	532	522	10
Law	511	511	444	67
City Clerk	416	427	426	1
City Council	352	352	319	33
Election	156	156	138	18
Planning and Neighborhood Services	1,094	1,094	959	135
Emergency Management	89	89	86	3
Total general government	<u>5,715</u>	<u>6,186</u>	<u>5,912</u>	<u>274</u>
Public safety:				
Police	15,639	15,661	15,625	36
Fire:				
East Great Plain	130	132	130	2
Laurel Hill	68	73	70	3
Occum	70	72	68	4
Taftville	161	161	158	3
Yantic	174	174	158	16
Fire Central	2,021	2,092	2,091	1
Total public safety	<u>18,263</u>	<u>18,365</u>	<u>18,300</u>	<u>65</u>
Social Services:				
Recreation	627	622	613	9
Human services	378	379	374	5
Senior Citizens Center	612	618	618	-
Youth and Family Services	235	235	234	1
Total social services	<u>1,852</u>	<u>1,854</u>	<u>1,839</u>	<u>15</u>
Public works:				
Engineering and administration	760	760	742	18
Fleet maintenance	1,406	1,415	1,415	-
Solid waste	2,822	2,822	2,799	23
Maintenance and cleaning	4,284	4,276	4,201	75
Building maintenance	1,329	1,329	1,322	7
Parking maintenance	164	168	166	2
Total public works	<u>10,765</u>	<u>10,770</u>	<u>10,645</u>	<u>125</u>
Board of Education	<u>75,430</u>	<u>75,430</u>	<u>75,430</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, 2017
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other	\$ 4,043	\$ 3,543	\$ 3,276	\$ 267
Transfers out	6,888	6,808	6,808	-
Total	\$ 122,956	\$ 122,956	122,210	\$ 746

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for City teachers are not budgeted.

8,794

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.

1,418

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.

(664)

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.

157

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 131,915

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS - CITY EMPLOYEES*
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 5,656	\$ 5,890	5,498	2,679
Interest	20,281	18,659	17,981	17,334
Differences between expected and actual experience		3,337		
Changes of benefit terms		634		
Changes of assumptions		8,811		
Benefit payments, including refunds of member contributions	<u>(16,927)</u>	<u>(15,426)</u>	<u>(14,836)</u>	<u>(14,146)</u>
Net change in total pension liability	9,010	21,905	8,643	5,867
Total pension liability - beginning	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>	<u>227,932</u>
Total pension liability - ending	<u>273,357</u>	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>
Plan fiduciary net position:				
Contributions - employer	8,711	7,581	6,718	5,849
Contributions - member	3,386	3,358	3,247	3,057
Net investment income (loss)	18,213	(2,851)	4,681	20,194
Benefit payments, including refunds of member contributions	(16,927)	(15,426)	(14,836)	(14,146)
Administrative expense	<u>(5)</u>	<u>(42)</u>	<u>(4)</u>	<u>(32)</u>
Net change in plan fiduciary net position	13,378	(7,380)	(194)	14,922
Plan fiduciary net position - beginning	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>	<u>144,533</u>
Plan fiduciary net position - ending	<u>165,259</u>	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>
Net Pension Liability - Ending	<u>\$ 108,098</u>	<u>\$ 112,466</u>	<u>83,181</u>	<u>74,344</u>
Plan fiduciary net position as a percentage of the total pension liability	60.46%	57.46%	65.69%	68.20%
Covered-employee payroll	\$ 42,011	\$ 40,590	39,262	37,752
Net pension liability as a percentage of covered-employee payroll	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)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 10,732	\$ 9,740	\$ 9,651	\$ 5,790	\$ 5,728	\$ 4,713	\$ 3,644	\$ 2,397	\$ 3,037	\$ 2,921
Contributions in relation to the actuarially determined contribution	<u>8,711</u>	<u>7,581</u>	<u>6,718</u>	<u>5,849</u>	<u>5,730</u>	<u>4,407</u>	<u>3,752</u>	<u>2,771</u>	<u>3,216</u>	<u>3,098</u>
Contribution Deficiency (Excess)	\$ <u>2,021</u>	\$ <u>2,159</u>	\$ <u>2,933</u>	\$ <u>(59)</u>	\$ <u>(2)</u>	\$ <u>306</u>	\$ <u>(108)</u>	\$ <u>(374)</u>	\$ <u>(179)</u>	\$ <u>(177)</u>
Covered-employee payroll	\$ 42,011	\$ 40,590	\$ 39,262	\$ 37,752	\$ 36,302	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	20.74%	18.68%	17.11%	15.49%	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2015
 Measurement date: June 30, 2017
 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 dollar
Remaining amortization period	20 years, open
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Ranges from 3.0% to 10.0%, based on age
Investment rate of return	7.75%

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 - City, Public Utilities, Board of Education Employees Actives, Retirees and Terminated Vested	RP-2014 adjusted to 2006 total data set projected to valuation date with scale MP-2015.
Mortality - Police Officers and Firefighters Actives, Retirees and Terminated Vested	RP-2014 adjusted to 2006 blue collar mortality table projected to valuation date with scale MP-2015.

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS - CITY EMPLOYEES***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	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 FOUR FISCAL YEARS - VOLUNTEER FIRE**
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 63	\$ 59	\$ 59	\$ 49
Interest	411	361	351	367
Differences between expected and actual experience		(230)		
Changes of benefit terms		706		
Changes of assumptions		144		
Benefit payments, including refunds of member contributions	(322)	(301)	(277)	(268)
Net change in total pension liability	152	739	133	148
Total pension liability - beginning	5,963	5,224	5,091	4,943
Total pension liability - ending	<u>6,115</u>	<u>5,963</u>	<u>5,224</u>	<u>5,091</u>
Plan fiduciary net position:				
Contributions - employer	373	351	333	309
Contributions - member	14	16	16	12
Net investment income (loss)	265	(9)	16	253
Benefit payments, including refunds of member contributions	(322)	(301)	(277)	(268)
Administrative expense	(2)	(9)	(4)	(11)
Net change in plan fiduciary net position	328	48	84	295
Plan fiduciary net position - beginning	2,230	2,182	2,098	1,803
Plan fiduciary net position - ending	<u>2,558</u>	<u>2,230</u>	<u>2,182</u>	<u>2,098</u>
Net Pension Liability - Ending	<u>\$ 3,557</u>	<u>\$ 3,733</u>	<u>\$ 3,042</u>	<u>\$ 2,993</u>
Plan fiduciary net position as a percentage of the total pension liability	41.83%	37.40%	41.77%	41.21%
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 373	\$ 374	\$ 304	\$ 309	\$ 309	\$ 255	\$ 255	\$ 255	\$ 247	\$ 213
Contributions in relation to the actuarially determined contribution	373	351	333	309	310	281	250	250	250	213
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>23</u>	\$ <u>(29)</u>	\$ <u>-</u>	\$ <u>(1)</u>	\$ <u>(26)</u>	\$ <u>5</u>	\$ <u>5</u>	\$ <u>(3)</u>	\$ <u>-</u>
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee 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, 2016

Measurement date: June 30, 2017

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 dollar
Remaining amortization period	20 years, open
Asset valuation method	Market value of assets
Inflation	3.00%
Investment rate of return	7.00%

Retirement age The later of (1) age 55, or (2) 20 years of service

Mortality RP-2014 Mortality Table adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2015.

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS - VOLUNTEER FIRE***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	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
TEACHERS RETIREMENT PLAN
LAST THREE FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	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>80,635</u>	<u>57,271</u>	<u>52,936</u>
Total	<u>\$ 80,635</u>	<u>\$ 57,271</u>	<u>\$ 52,936</u>
City's covered-employee payroll	\$ 24,204	\$ 24,594	\$ 28,303
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	In 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary increase	3.75%-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense

*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 OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS*
(In Thousands)

	<u>2017</u>	<u>2016</u>
Total OPEB liability:		
Service cost	\$ 1,658	\$ 1,610
Interest	4,552	4,416
Differences between expected and actual experience	138	1,010
Benefit payments	<u>(4,624)</u>	<u>(5,164)</u>
Net change in total OPEB liability	1,724	1,872
Total OPEB liability - beginning	<u>59,281</u>	<u>57,409</u>
Total OPEB liability - ending	<u>61,005</u>	<u>59,281</u>
Plan fiduciary net position:		
Contributions - employer	5,492	5,566
Contributions - member	177	291
Net investment income (loss)	1,420	(562)
Benefit payments, including refunds of member contributions	(4,624)	(5,164)
Administrative expense	<u>(2)</u>	<u>(20)</u>
Net change in plan fiduciary net position	2,463	111
Plan fiduciary net position - beginning	<u>13,697</u>	<u>13,586</u>
Plan fiduciary net position - ending	<u>16,160</u>	<u>13,697</u>
Net OPEB Liability - Ending	<u>\$ 44,845</u>	<u>\$ 45,584</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.49%	23.11%
Covered-employee payroll	\$ 59,548	\$ 57,814
Net OPEB liability as a percentage of covered-employee payroll	75.31%	78.85%

*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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution (1)	\$ 5,508	\$ 5,551	\$ 5,431	\$ 6,030	\$ 5,907	\$ 6,184	\$ 6,065	\$ 5,352	\$ 5,352	\$ 5,352
Contributions in relation to the actuarially determined contribution	5,492	5,566	5,446	6,040	5,592	6,114	5,251	3,690	3,399	5,339
Contribution Deficiency (Excess)	\$ 16	\$ (15)	\$ (15)	\$ (10)	\$ 315	\$ 70	\$ 814	\$ 1,662	\$ 1,953	\$ 13
Covered-employee payroll	\$ 59,548	\$ 57,814	\$ 56,130	\$ N/A						
Contributions as a percentage of covered-employee payroll	9.22%	9.63%	9.70%	N/A						

(1) Actuarial Determined Contributions prior to fiscal year ending 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, 2015

Measurement date: June 30, 2017

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 dollar
Amortization period	20 years, open
Asset valuation method	Plan assets equal the market value of investments
Inflation	3.0%
Healthcare cost trend rates	8.0% decreasing to 5.0%
Salary increases	3.0%
Investment rate of return	7.75%

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 services required for medical coverage subsidy.

Retirement age - Police Officers and Firefighters

20 years of service and eligible for unreduced pension

Mortality

RP-2014 adjusted to 2006 total data set projected to valuation date with scale MP-2015.

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FISCAL YEAR - OPEB***

2017

Annual money-weighted rate of return, net of investment expense 9.18%

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

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF NORWICH, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 AND 2016
(In Thousands)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 16,510	\$ 28,199
Investments	23,489	7,037
Receivables:		
Property taxes receivable, net of an allowance for uncollectibles of \$396 and \$609, respectively	3,130	3,399
Property taxes accrued interest receivable, net of an allowance for uncollectibles of \$206 and \$210, respectively	824	840
Intergovernmental receivable:		
Other grants receivable	56	82
Assessment receivable	2,171	2,580
Accounts receivable	116	145
Due from other funds	<u>1,317</u>	<u>1,990</u>
Total Assets	<u>\$ 47,613</u>	<u>\$ 44,272</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,628	\$ 4,658
Due to other funds	18,791	18,328
Unearned revenue	<u>30</u>	<u>81</u>
Total liabilities	<u>24,449</u>	<u>23,067</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	3,312	3,746
Unavailable revenue - special assessments	<u>2,171</u>	<u>2,580</u>
Total deferred inflows of resources	<u>5,483</u>	<u>6,326</u>
Fund balances:		
Assigned	664	227
Unassigned	<u>17,017</u>	<u>14,652</u>
Total fund balances	<u>17,681</u>	<u>14,879</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 47,613</u>	<u>\$ 44,272</u>

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Debt Service

The Debt Service Fund accounts for financial resources transferred in from other fund to fund debt service obligations.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each special revenue fund is as follows:

Fund	Funding Source	Function
Dog License	License fees	Operation of dog pound
School Lunch Program	State and Federal grants, program income	Operations of the school lunch program
Sidewalk	Charges for service and City appropriation	Sidewalk replacement
Fire Districts	Taxes, charges for service and State grants	Fire and refuse services
Adult Education	Federal and State grants	Adult Education programs
Parking Commission	Charges for service and fees	City parking authority
Youth Services	Federal and State grants, contributions and charges for service	Youth Service Bureau
C.O.P.S. Grant	Federal grant	Public safety
Lead Paint Abatement	Federal grant and program income	Removal and disposal of lead paint
Other Grants and Programs	Various	Miscellaneous activities
Economic Development	Contributions	Economic development
Community Development Fund	Federal grant and program income	Social services
Education Programs	State grants and contributions	Miscellaneous education activities
Fire Grants and Programs	Federal grants	Fire equipment and supplies
Police Asset Forfeiture	Federal and State grants	Drug enforcement and education
Police Grants and Programs	Federal and State grants and contributions	Police equipment and enforcement
Recreation Grants and Programs	Charges for service	Recreational programs and activities
Social Services Grants and Programs	Federal and State grants and contributions	Health and welfare assistance
Senior Citizens Programs	Charges for service and contributions	Senior Citizens functions and activities
Mohegan Park	Charges for service, state grant and investment income	Mohegan Park improvements and programs
Revolving Loan Fund	Downtown Revitalization Bond funds and payments of loans	Economic development
Sachem Fund	Transfers in from other funds and donations	Economic and cultural improvement
Property Rehabilitation	Transfers in from other funds and program income	Housing assistance
Brown Park	Trust and investment income	Maintenance and improvement of Brown Park
Planning and Neighborhood Assistance	Federal grants	Social services and economic development

Capital Projects Funds

Capital Projects Funds are established in the City of Norwich pursuant to local resolutions authorizing specific capital projects. Funding sources are generally comprised of City appropriated transfers from the General Fund, the receipt of intergovernmental grants and proceeds from the sale of bonds. Expenditures relate to the expansion, improvement or replacement of the City's capital assets.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017
 (In Thousands)

	Debt Service		Special Revenue										
	Debt Service	Dog License	School Lunch Program	Sidewalk	Fire Districts	Adult Education	Parking Commission	Youth Services	C.O.P.S. Grant	Lead Paint Abatement	Other Grants and Programs	Economic Development	Community Development Fund
ASSETS													
Cash and cash equivalents	\$	\$	\$ 683	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments													
Receivables, net:													
Property taxes					232								
Intergovernmental			400					17		45	50	20	24
Loans									1,313				
Other	85			129	4		24						
Due from other funds	2			27	1,369	81	81	106			249		
Other assets			79										
Total Assets	\$ 87	\$ -	\$ 1,162	\$ 156	\$ 1,605	\$ 81	\$ 105	\$ 123	\$ -	\$ 1,358	\$ 299	\$ 20	\$ 24
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
Liabilities:													
Accounts and other payables	\$ 2	\$ 10	\$ 40	\$	\$ 72	\$	\$ 7	\$ 6	\$	\$ 25	\$ 6	\$ 8	\$ 7
Due to other funds		77							7				17
Unearned revenue	85							71			74	2	
Total liabilities	87	87	40	-	72	-	7	77	-	32	80	10	24
Deferred inflows of resources:													
Unavailable revenue - special assessments				129									
Unavailable revenue - loans receivable									1,313				
Unavailable revenue - property taxes					189								
Unavailable revenue - other receivables							13						
Total deferred inflows of resources	-	-	-	129	189	-	13	-	-	1,313	-	-	-
Fund balances:													
Nonspendable			79										
Restricted					1,344					13		10	
Committed			1,043	27		81	85	46			219		
Unassigned	(87)												
Total fund balances	-	(87)	1,122	27	1,344	81	85	46	-	13	219	10	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 87	\$ -	\$ 1,162	\$ 156	\$ 1,605	\$ 81	\$ 105	\$ 123	\$ -	\$ 1,358	\$ 299	\$ 20	\$ 24

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CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017
 (In Thousands)

	Special Revenue												Total	
	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Revolving Loan Program	Sachem Fund	Property Rehabilitation	Brown Park		Planning and Neighborhood Assistance
ASSETS														
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 683
Investments														
Receivables, net:														
Property taxes														232
Intergovernmental		39					1					9		605
Loans									312		2,005			3,630
Other	3													245
Due from other funds	612		104	65	197	92	139	109	108	111	163	43		3,658
Other assets														79
Total Assets	\$ 615	\$ 39	\$ 104	\$ 65	\$ 197	\$ 92	\$ 140	\$ 109	\$ 420	\$ 111	\$ 2,168	\$ 43	\$ 9	\$ 9,132
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES														
Liabilities:														
Accounts and other payables	\$ 15	\$	\$ 16	\$ 11	\$ 4	\$ 4	\$ 4	\$	\$	\$	\$	\$	\$	\$ 233
Due to other funds		35											9	145
Unearned revenue	4			14		38			312					600
Total liabilities	19	35	16	25	4	38	4	-	312	-	-	-	9	978
Deferred inflows of resources:														
Unavailable revenue - special assessments														129
Unavailable revenue - loans receivable											2,005			3,318
Unavailable revenue - property taxes														189
Unavailable revenue - other receivables														13
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	2,005	-	-	3,649
Fund balances:														
Nonspendable														79
Restricted			88									43		1,498
Committed	596	4		40	193	54	136	109	108	111	163			3,015
Unassigned														(87)
Total fund balances	596	4	88	40	193	54	136	109	108	111	163	43	-	4,505
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 615	\$ 39	\$ 104	\$ 65	\$ 197	\$ 92	\$ 140	\$ 109	\$ 420	\$ 111	\$ 2,168	\$ 43	\$ 9	\$ 9,132

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CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017
 (In Thousands)

	Capital Projects				Permanent				Total Nonmajor Governmental Funds
	Capital Improvement	School Projects	Landfill Closure	Total	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	Total	
ASSETS									
Cash and cash equivalents	\$	\$	\$	\$ -	\$	\$	\$ 12	\$ 12	\$ 695
Investments				-			1,599	1,599	1,599
Receivables, net:									
Property taxes				-				-	232
Intergovernmental	5	1,429		1,434				-	2,039
Loans				-				-	3,630
Other				-				-	245
Due from other funds	1,912			1,912	40	5		45	5,615
Other assets				-				-	79
Total Assets	\$ 1,917	\$ 1,429	\$ -	\$ 3,346	\$ 40	\$ 5	\$ 1,611	\$ 1,656	\$ 14,134
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payables	\$ 67	\$	\$	\$ 67	\$	\$	\$	\$ -	\$ 300
Due to other funds		311		311				-	456
Unearned revenue				-				-	600
Total liabilities	67	311	-	378	-	-	-	-	1,356
Deferred inflows of resources:									
Unavailable revenue - special assessments				-				-	129
Unavailable revenue - loans receivable				-				-	3,318
Unavailable revenue - property taxes				-				-	189
Unavailable revenue - other receivables				-				-	13
Total deferred inflows of resources	-	-	-	-	-	-	-	-	3,649
Fund balances:									
Nonspendable				-	28	5	1,611	1,644	1,723
Restricted		1,118		1,118	12			12	2,628
Committed	1,850			1,850				-	4,865
Unassigned				-				-	(87)
Total fund balances	1,850	1,118	-	2,968	40	5	1,611	1,656	9,129
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,917	\$ 1,429	\$ -	\$ 3,346	\$ 40	\$ 5	\$ 1,611	\$ 1,656	\$ 14,134

CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)

	Debt Service		Special Revenue										
	Debt Service	Dog License	School Lunch Program	Sidewalk	Fire Districts	Adult Education	Parking Commission	Youth Services	C.O.P.S. Grant	Lead Paint Abatement	Other Grants and Programs	Economic Development	Community Development Fund
Revenues:													
Property taxes, interest and liens	\$	\$	\$	\$	4,712	\$	\$	171	42	215	670	193	677
Intergovernmental revenues			2,690		616	523							
Charges for services		19	237	39		600	226						
Investment income					9	2							
Other	1,403							65		3	37		
Total revenues	1,403	19	2,927	39	5,337	1,125	226	236	42	218	707	193	677
Expenditures:													
Current:													
General government							190				49		
Public safety		33			8,010				42				
Social services								236		214		193	573
Public works				100							679		
Education			2,702			1,143							
Capital outlay													
Debt Service	5,716												
Total expenditures	5,716	33	2,702	100	8,010	1,143	190	236	42	214	728	193	573
Excess (Deficiency) of Revenues Over Expenditures	(4,313)	(14)	225	(61)	(2,673)	(18)	36	-	-	4	(21)	-	104
Other Financing Sources (Uses):													
Transfers in	4,373			75	2,400						12		
Transfer out	(60)												(104)
Total other financing sources (uses)	4,313	-	-	75	2,400	-	-	-	-	-	12	-	(104)
Net Change in Fund Balances	-	(14)	225	14	(273)	(18)	36	-	-	4	(9)	-	-
Fund Balances at Beginning of Year	-	(73)	897	13	1,617	99	49	46	-	9	228	10	-
Fund Balances at End of Year	\$ -	\$ (87)	\$ 1,122	\$ 27	\$ 1,344	\$ 81	\$ 85	\$ 46	\$ -	\$ 13	\$ 219	\$ 10	\$ -

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CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)

	Special Revenue												Total	
	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Revolving Loan Program	Sachem Fund	Property Rehabilitation	Brown Park		Planning and Neighborhood Assistance
Revenues:														
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 4,712
Intergovernmental revenues		39	92			7	13					9		5,957
Charges for services				494	108		119				168			2,010
Investment income	3									1				15
Other	377			16	19	51	10		58					636
Total revenues	<u>380</u>	<u>39</u>	<u>92</u>	<u>510</u>	<u>127</u>	<u>58</u>	<u>142</u>	<u>-</u>	<u>58</u>	<u>1</u>	<u>168</u>	<u>-</u>	<u>9</u>	<u>13,330</u>
Expenditures:														
Current:														
General government														239
Public safety		39	58	315										8,497
Social services					98	100	112	2	164	64	112		9	1,877
Public works														779
Education	362													4,207
Capital outlay														-
Debt Service														-
Total expenditures	<u>362</u>	<u>39</u>	<u>58</u>	<u>315</u>	<u>98</u>	<u>100</u>	<u>112</u>	<u>2</u>	<u>164</u>	<u>64</u>	<u>112</u>	<u>-</u>	<u>9</u>	<u>15,599</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18</u>	<u>-</u>	<u>34</u>	<u>195</u>	<u>29</u>	<u>(42)</u>	<u>30</u>	<u>(2)</u>	<u>(106)</u>	<u>(63)</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>(2,269)</u>
Other Financing Sources (Uses):														
Transfers in											104			2,591
Transfer out				(175)										(279)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>-</u>	<u>2,312</u>
Net Change in Fund Balances	18	-	34	20	29	(42)	30	(2)	(106)	(63)	160	-	-	43
Fund Balances at Beginning of Year	<u>578</u>	<u>4</u>	<u>54</u>	<u>20</u>	<u>164</u>	<u>96</u>	<u>106</u>	<u>111</u>	<u>214</u>	<u>174</u>	<u>3</u>	<u>43</u>	<u>-</u>	<u>4,462</u>
Fund Balances at End of Year	<u>\$ 596</u>	<u>\$ 4</u>	<u>\$ 88</u>	<u>\$ 40</u>	<u>\$ 193</u>	<u>\$ 54</u>	<u>\$ 136</u>	<u>\$ 109</u>	<u>\$ 108</u>	<u>\$ 111</u>	<u>\$ 163</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 4,505</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)

	Capital Projects				Permanent				Interfund Eliminations	Total Nonmajor Governmental Funds
	Capital Improvement	School Projects	Landfill Closure	Total	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	Total		
Revenues:										
Property taxes, interest and liens	\$	\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$ 4,712
Intergovernmental revenues	17		(1)	16				-		5,973
Charges for services				-				-		2,010
Investment income				-			155	155		170
Other				-				-		2,039
Total revenues	<u>17</u>	<u>-</u>	<u>(1)</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>155</u>	<u>155</u>	<u>-</u>	<u>14,904</u>
Expenditures:										
Current:										
General government				-			16	16		255
Public safety				-				-		8,497
Social services				-				-		1,877
Public works				-				-		779
Education				-				-		4,207
Capital outlay	2,108			2,108				-		2,108
Debt Service				-				-		5,716
Total expenditures	<u>2,108</u>	<u>-</u>	<u>-</u>	<u>2,108</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>-</u>	<u>23,439</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,091)</u>	<u>-</u>	<u>(1)</u>	<u>(2,092)</u>	<u>-</u>	<u>-</u>	<u>139</u>	<u>139</u>	<u>-</u>	<u>(8,535)</u>
Other Financing Sources (Uses):										
Transfers in	2,636			2,636				-	(392)	9,208
Transfer out	(280)		(213)	(493)			(60)	(60)	392	(500)
Total other financing sources (uses)	<u>2,356</u>	<u>-</u>	<u>(213)</u>	<u>2,143</u>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>(60)</u>	<u>-</u>	<u>8,708</u>
Net Change in Fund Balances	265	-	(214)	51	-	-	79	79	-	173
Fund Balances at Beginning of Year	<u>1,585</u>	<u>1,118</u>	<u>214</u>	<u>2,917</u>	<u>40</u>	<u>5</u>	<u>1,532</u>	<u>1,577</u>	<u>-</u>	<u>8,956</u>
Fund Balances at End of Year	<u>\$ 1,850</u>	<u>\$ 1,118</u>	<u>\$ -</u>	<u>\$ 2,968</u>	<u>\$ 40</u>	<u>\$ 5</u>	<u>\$ 1,611</u>	<u>\$ 1,656</u>	<u>\$ -</u>	<u>\$ 9,129</u>

**CITY OF NORWICH, CONNECTICUT
 FIRE DISTRICTS FUND REVENUES
 BUDGETARY BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Taxes, interest and lien fees:				
Fire	\$ 4,144	\$ 4,144	\$ 4,188	\$ 44
Volunteer fire	518	518	524	6
Total taxes, interest and lien fees	<u>4,662</u>	<u>4,662</u>	<u>4,712</u>	<u>50</u>
Intergovernmental:				
Shared revenues	<u>616</u>	<u>616</u>	<u>616</u>	<u>-</u>
Other:				
Other fund transfers	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Investment income	<u>5</u>	<u>5</u>	<u>9</u>	<u>4</u>
Total	<u>\$ 7,683</u>	<u>\$ 7,683</u>	<u>\$ 7,737</u>	<u>\$ 54</u>

**CITY OF NORWICH, CONNECTICUT
 FIRE DISTRICTS FUND EXPENDITURES
 BUDGETARY BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Fire:				
Employees	\$ 3,087	\$ 3,121	\$ 3,112	\$ 9
Overtime	10	40	40	-
Replacement costs	507	775	767	8
Fringe benefits	3,498	3,540	3,502	38
Workers compensation	144	144	144	-
Volunteer firefighter tax credit	64	72	72	-
Volunteer firefighter trust fund	373	373	373	-
Total	\$ <u>7,683</u>	\$ <u>8,065</u>	\$ <u>8,010</u>	\$ <u>55</u>

**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF FIRE DISTRICT TAXES
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)**

Grand List	Uncollected Taxes July 1, 2016	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Net Uncollected Taxes June 30, 2017
		Additions	Deductions			Taxes	Interest	Fees	Total	
2015	\$ 4,667	\$ 3	\$ 38	\$ 17	\$ 4,615	\$ 4,494	\$ 20	\$ -	\$ 4,514	\$ 121
2014	215	3	5	74	139	89	18	-	107	50
2013	106	3	2	57	50	22	8	-	30	28
2012	27	3	2		28	9	3	-	12	19
2011	12		1		11				-	11
2010	4				4				-	4
2009	4		1		3				-	3
2008	2		1		1				-	1
2007	1		1						-	
	<u>\$ 5,038</u>	<u>\$ 12</u>	<u>\$ 51</u>	<u>\$ 148</u>	<u>\$ 4,851</u>	4,614	49	-	4,663	<u>\$ 237</u>
				Suspense collections		<u>33</u>	<u>16</u>	-	<u>49</u>	
				Total Tax Collections		<u>\$ 4,647</u>	<u>\$ 65</u>	<u>\$ -</u>	4,712	
				Property taxes receivable considered available:						
				June 30, 2016					(44)	
				June 30, 2017					<u>44</u>	
				Total					<u>\$ 4,712</u>	

**Nonmajor
Enterprise Funds**

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for ongoing organizations and activities that are similar to those found in the private sector.

Golf Course Authority - is used to account for the operations of the City's public golf course.

Stadium Authority - is used to account for the operations of Senator Thomas Dodd Stadium.

Ice Rink Authority - is used to account for the operations of the City's ice skating facility.

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2017
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Assets:				
Current assets:				
Receivables, net:				
User charges	\$	\$ 98	\$	\$ 98
Due from other funds	54	68		122
Total current assets	<u>54</u>	<u>166</u>	-	<u>220</u>
Capital assets, net	<u>2,152</u>	<u>6,522</u>	<u>1,455</u>	<u>10,129</u>
Total assets	<u>2,206</u>	<u>6,688</u>	<u>1,455</u>	<u>10,349</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	50	33		83
Bonds payable	25			25
Due to other funds			815	815
Unearned revenue	<u>201</u>		<u>1,153</u>	<u>1,354</u>
Total current liabilities	<u>276</u>	<u>33</u>	<u>1,968</u>	<u>2,277</u>
Noncurrent liabilities:				
Bonds payable	<u>90</u>			<u>90</u>
Total liabilities	<u>366</u>	<u>33</u>	<u>1,968</u>	<u>2,367</u>
Net Position:				
Net investment in capital assets	2,037	6,522	1,455	10,014
Unrestricted	<u>(197)</u>	<u>133</u>	<u>(1,968)</u>	<u>(2,032)</u>
Total Net Position	<u>\$ 1,840</u>	<u>\$ 6,655</u>	<u>\$ (513)</u>	<u>\$ 7,982</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Operating Revenues:				
Charges for services	\$ 1,059	\$ 164	\$	\$ 1,223
Rent			165	165
Total operating revenues	<u>1,059</u>	<u>164</u>	<u>165</u>	<u>1,388</u>
Operating Expenses:				
Operations and maintenance	1,102	178	10	1,290
Depreciation	<u>51</u>	<u>176</u>	<u>108</u>	<u>335</u>
Total operating expenses	<u>1,153</u>	<u>354</u>	<u>118</u>	<u>1,625</u>
Operating Income (Loss)	(94)	(190)	47	(237)
Nonoperating Income (Expense):				
Interest expense	<u>(4)</u>			<u>(4)</u>
Net Income (Loss) Before Transfers	(98)	(190)	47	(241)
Transfers in			<u>155</u>	<u>155</u>
Change in Net Position	(98)	(190)	202	(86)
Net Position at Beginning of Year	<u>1,938</u>	<u>6,845</u>	<u>(715)</u>	<u>8,068</u>
Net Position at End of Year	<u>\$ 1,840</u>	<u>\$ 6,655</u>	<u>\$ (513)</u>	<u>\$ 7,982</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 1,141	\$ 120	\$	\$ 1,261
Cash paid to vendors	<u>(1,103)</u>	<u>(120)</u>	<u>-</u>	<u>(1,223)</u>
Net cash provided by (used in) operating activities	<u>38</u>	<u>-</u>	<u>-</u>	<u>38</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(25)	-	-	(25)
Interest payments on long-term debt	(4)	-	-	(4)
Purchase of capital assets	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>
Net cash provided by (used in) capital and related financing activities	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (94)	\$ (190)	\$ 47	\$ (237)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	51	176	108	335
(Increase) decrease in receivables	-	(44)	-	(44)
(Increase) decrease in due from other funds	108	48	-	156
Increase (decrease) in due to other funds	-	-	9	9
Increase (decrease) in unearned revenues	(26)	-	(164)	(190)
Increase (decrease) in accounts payable and accrued liabilities	<u>(1)</u>	<u>10</u>	<u>-</u>	<u>9</u>
Total adjustments	<u>132</u>	<u>190</u>	<u>(47)</u>	<u>275</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for and finance the City's uninsured risks of loss for Medical Benefits and Workers' Compensation (including heart and hypertension).

Medical Benefits Fund - is used to pay health insurance claims and to purchase administrative services and stop loss insurance for the City's health care plans. The City, Board of Education and Department of Public Utilities contribute into this fund for health insurance.

Workers' Compensation Fund - accounts for General Fund funding reserves and accrued loss liabilities on incurred claims for workers' compensation and heart and hypertension open claims.

**CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2017
 (In Thousands)**

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets:			
Current:			
Accounts receivable	\$ 177	\$	\$ 177
Due from other funds	2,818	3,241	6,059
Total assets	<u>2,995</u>	<u>3,241</u>	<u>6,236</u>
Liabilities:			
Current:			
Accounts payable	5	3	8
Risk management claims	1,381	1,675	3,056
Total current liabilities	<u>1,386</u>	<u>1,678</u>	<u>3,064</u>
Noncurrent:			
Risk management claims		2,749	2,749
Total liabilities	<u>1,386</u>	<u>4,427</u>	<u>5,813</u>
Net Position:			
Unrestricted	<u>\$ 1,609</u>	<u>\$ (1,186)</u>	<u>\$ 423</u>

**CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (In Thousands)**

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 15,969	\$ 2,393	\$ 18,362
Operating Expenses:			
Claims expense	14,929	2,622	17,551
Premiums and administrative expenses	<u>1,496</u>	<u>410</u>	<u>1,906</u>
Total operating expenses	<u>16,425</u>	<u>3,032</u>	<u>19,457</u>
Operating Loss	(456)	(639)	(1,095)
Net Position at Beginning of Year	<u>2,065</u>	<u>(547)</u>	<u>1,518</u>
Net Position at End of Year	<u>\$ 1,609</u>	<u>\$ (1,186)</u>	<u>\$ 423</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from charges for services	\$ 2,857	\$ 18	\$ 2,875
Cash receipts for interfund services provided	13,364	2,851	16,215
Cash paid to vendors	<u>(16,221)</u>	<u>(2,869)</u>	<u>(19,090)</u>
Net cash provided by (used in) operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ <u>(456)</u>	\$ <u>(639)</u>	\$ <u>(1,095)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Increase) decrease in receivables	(177)		(177)
(Increase) decrease in due from other funds	429	476	905
Increase (decrease) in accounts payable and accrued liabilities	<u>204</u>	<u>163</u>	<u>367</u>
Total adjustments	<u>456</u>	<u>639</u>	<u>1,095</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiduciary Funds

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held in a trustee capacity for others and include Trust Funds and Agency Funds.

Trust Funds are used for the accumulation of resources and are to be used for retirement payments and for payments of healthcare benefits for retired employees.

The City's Trust Funds are listed below:

- City Employee Pension

- Volunteer Fire Pension

- Other Post Employment Benefit

Agency Funds utilize the accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and are used to account for student activities and performance/bid bonds.

The City's Agency Funds are listed below:

- Student Activities

- Rehabilitation Deposits

- Bid Deposit

- Performance Bonds

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2017
(In Thousands)

	City Employee Pension Trust Fund	Volunteer Fire Pension Trust Fund	Other Post Employment Benefit Trust Fund	Total
Assets:				
Cash and cash equivalents	\$ 1,262	\$ 26	\$ 29	\$ 1,317
Investments:				
U.S. government securities			717	717
U.S. government agencies			172	172
Corporate bonds			1,389	1,389
Mutual funds	139,255	2,530	8,773	150,558
Common stock	24,395		4,833	29,228
Real estate			87	87
Preferred stock	326		28	354
Accounts receivable	1			1
Due from other funds	21	2	560	583
	<u>165,260</u>	<u>2,558</u>	<u>16,588</u>	<u>184,406</u>
Liabilities:				
Accounts and other payables	<u>1</u>		<u>428</u>	<u>429</u>
Net Position:				
Net Position Restricted for OPEB Benefits			16,160	16,160
Net Position Restricted for Pensions	<u>165,259</u>	<u>2,558</u>		<u>167,817</u>
Total Net Position	<u>\$ 165,259</u>	<u>\$ 2,558</u>	<u>\$ 16,160</u>	<u>\$ 183,977</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	<u>City Employee Pension Trust Fund</u>	<u>Volunteer Fire Pension Trust Fund</u>	<u>Other Post Employment Benefit Trust Fund</u>	<u>Total</u>
Additions:				
Contributions:				
Employer	\$ 8,711	\$ 373	\$ 5,492	\$ 14,576
Plan members	3,386	14	177	3,577
Total contributions	<u>12,097</u>	<u>387</u>	<u>5,669</u>	<u>18,153</u>
Investment income:				
Net appreciation in fair value of investments	17,353	182	1,134	18,669
Interest and dividends	1,720	91	368	2,179
Total investment income	<u>19,073</u>	<u>273</u>	<u>1,502</u>	<u>20,848</u>
Less investment expense	<u>(860)</u>	<u>(8)</u>	<u>(82)</u>	<u>(950)</u>
Net investment income	<u>18,213</u>	<u>265</u>	<u>1,420</u>	<u>19,898</u>
Total additions	<u>30,310</u>	<u>652</u>	<u>7,089</u>	<u>38,051</u>
Deductions:				
Benefits	16,276	322	4,624	21,222
Administration	5	2	2	9
Lump sum distributions and withdrawals	651			651
Total deductions	<u>16,932</u>	<u>324</u>	<u>4,626</u>	<u>21,882</u>
Net Increase	13,378	328	2,463	16,169
Net Position Held in Trust for Pension and Other Post Employment Benefits at Beginning of Year	<u>151,881</u>	<u>2,230</u>	<u>13,697</u>	<u>167,808</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 165,259</u>	<u>\$ 2,558</u>	<u>\$ 16,160</u>	<u>\$ 183,977</u>

**CITY OF NORWICH, CONNECTICUT
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2017
 (In Thousands)**

	<u>Student Activities</u>	<u>Rehabilitation Deposits</u>	<u>Bid Deposit</u>	<u>Performance Bonds</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 74	\$	\$	\$ 479	\$ 553
Other		15	20		35
	<u>74</u>	<u>15</u>	<u>20</u>	<u>479</u>	<u>588</u>
Total Assets	<u>\$ 74</u>	<u>\$ 15</u>	<u>\$ 20</u>	<u>\$ 479</u>	<u>\$ 588</u>
Liabilities:					
Due to student groups and agencies	<u>\$ 74</u>	<u>\$ 15</u>	<u>\$ 20</u>	<u>\$ 479</u>	<u>\$ 588</u>

CITY OF NORWICH, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ <u>85</u>	\$ <u>93</u>	\$ <u>104</u>	\$ <u>74</u>
Liabilities:				
Due to student groups and agencies	\$ <u>85</u>	\$ <u>93</u>	\$ <u>104</u>	\$ <u>74</u>
Rehabilitation Deposits				
Assets:				
Other	\$ <u>1</u>	\$ <u>18</u>	\$ <u>4</u>	\$ <u>15</u>
Liabilities:				
Due to student groups and agencies	\$ <u>1</u>	\$ <u>18</u>	\$ <u>4</u>	\$ <u>15</u>
Bid Deposit				
Assets:				
Other	\$ <u>52</u>	\$ <u>31</u>	\$ <u>63</u>	\$ <u>20</u>
Liabilities:				
Due to student groups and agencies	\$ <u>52</u>	\$ <u>31</u>	\$ <u>63</u>	\$ <u>20</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>360</u>	\$ <u>119</u>	\$ <u>-</u>	\$ <u>479</u>
Liabilities:				
Due to student groups and agencies	\$ <u>360</u>	\$ <u>119</u>	\$ <u>-</u>	\$ <u>479</u>
Total - All Funds				
Assets:				
Cash and cash equivalents	\$ <u>445</u>	\$ <u>212</u>	\$ <u>104</u>	\$ <u>553</u>
Other	<u>53</u>	<u>49</u>	<u>67</u>	<u>35</u>
Total	\$ <u>498</u>	\$ <u>261</u>	\$ <u>171</u>	\$ <u>588</u>
Liabilities:				
Due to student groups and agencies	\$ <u>498</u>	\$ <u>261</u>	\$ <u>171</u>	\$ <u>588</u>

Supplemental Schedules

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF BONDS AND SERIAL NOTES PAYABLE
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

Description	Interest Rate (%)	Issue Date	Maturity Date	Original Amount Issued	Balance Beginning of Year	Issued During Year	Paid During Year	Balance End of Year
Governmental Activities:								
General purpose bonds payable:								
Schools	-	12/30/2008	12/30/2020	\$ 2,940	\$ 1,225	\$	\$ 245	\$ 980
General purpose	3.0-4.0	12/02/2009	12/01/2029	9,145	6,785		5,375	1,410
Schools	3.0-4.0	12/02/2009	12/01/2029	2,000	1,475		1,170	305
General purpose	2.0-4.0	12/13/2011	12/01/2022	4,680	3,975		235	3,740
Schools	2.0-4.0	12/13/2011	12/01/2022	5,000	4,205		265	3,940
Refunding - (04/15/2002) bonds	2.0	02/15/2012	04/15/2022	2,725	1,545		275	1,270
General purpose	3.0-5.0	02/12/2014	09/15/2019	12,365	11,055		650	10,405
Refunding - (4/15/2004 series B and 3/15/2005) bonds	3.0-5.0	02/12/2014	09/15/2019	2,793	1,213		375	838
Refunding - (4/15/2004 series B and 3/15/2005) bonds - Schools	3.0-5.0	02/12/2014	09/15/2019	2,987	1,757		510	1,247
General purpose - series A	3.0-4.0	03/03/2015	08/01/2015	5,600	5,350		350	5,000
General purpose - series B	2.0-3.0	03/03/2015	08/01/2015	1,140	1,025		115	910
General purpose - series A	2.0-2.6	3/1/2016	8/1/2035	6,300	6,300		365	5,935
General purpose - series B	2.0-3.0	3/1/2016	8/1/2025	2,500	2,500		250	2,250
Refunding - (partial 12/02/2009 series A) bonds - series C	1.8-4.0	10/12/2016	8/1/2024	2,925		2,925		2,925
General purpose - series A	3.0-4.0	3/1/2017	8/1/2036	4,450		4,450		4,450
Refunding - (partial 12/02/2009 series A) bonds - series A	3.0-4.0	3/1/2017	8/1/2036	2,825		2,825		2,825
General purpose - series B	1.0-3.9	3/1/2017	8/1/2036	1,000		1,000		1,000
Total				71,375	48,410	11,200	10,180	49,430
Business-Type Activities:								
General purpose bonds payable:								
Golf course	3.0-4.0	12/02/2009	12/01/2029	265	140		25	115
Refunding - (02/12/2014) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	73	43		11	32
State of Connecticut serial notes payable:								
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	68		68	-
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	226		75	151
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	276		48	228
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	623		107	516
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	291		23	268
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,493		83	1,410
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,709		254	4,455
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	2,252		125	2,127
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	98		8	90
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	228		16	212
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	141		8	133
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	130		8	122
Drinking Water State Revolving Fund 2014-7027	2.27	06/30/2015	12/31/2034	506	468		25	443
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	4,052		320	3,732
Drinking Water State Revolving Fund 2015-7037	2.00	10/12/2016	09/30/2034	1,528		1,528	64	1,464
Total				25,474	15,238	1,528	1,268	15,498
Total				\$ 96,849	\$ 63,648	\$ 12,728	\$ 11,448	\$ 64,928

* Loan is not permanently financed at this time.

**CITY OF NORWICH, CONNECTICUT
BOND AND SERIAL NOTES PAYABLE
SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	General Obligation Bonds		General Obligation Bonds And Serial Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2018	\$ 4,430	\$ 1,718	\$ 1,116	\$ 306	\$ 5,546	\$ 2,024
2019	4,305	1,617	1,134	282	5,439	1,899
2020	4,095	1,494	1,073	259	5,168	1,753
2021	3,575	1,153	1,076	235	4,651	1,388
2022	3,230	1,046	973	214	4,203	1,260
2023	2,980	941	896	195	3,876	1,136
2024	2,975	843	907	177	3,882	1,020
2025	2,950	741	917	159	3,867	900
2026	2,820	650	928	140	3,748	790
2027	2,495	566	939	122	3,434	688
2028	2,490	485	951	103	3,441	588
2029	2,490	402	961	83	3,451	485
2030	2,485	323	948	64	3,433	387
2031	1,925	254	940	45	2,865	299
2032	1,895	193	810	27	2,705	220
2033	1,365	139	316	16	1,681	155
2034	1,365	91	313	10	1,678	101
2035	770	42	236	4	1,006	46
2036	520	20	64		584	20
2037	270	5			270	5
Total	\$ 49,430	\$ 12,723	\$ 15,498	\$ 2,441	\$ 64,928	\$ 15,164

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF NORWICH, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	\$ 78,005	\$ 75,885	\$ 80,829	\$ 84,303 *	\$ 95,200	\$ 92,031 *	\$ 87,252	\$ 60,432	\$ 53,165	\$ 50,696
Restricted	1,656	1,620	1,630	1,667	1,537	1,457	1,544	1,405	1,351	1,608
Unrestricted	(24,278)	(17,860)	(23,960) *	24,762	12,940	14,373	10,296	14,414	6,088	9,884
Total governmental activities net position	<u>55,383</u>	<u>59,645</u>	<u>58,499</u>	<u>110,732</u>	<u>109,677</u>	<u>107,861</u>	<u>99,092</u>	<u>76,251</u>	<u>60,604</u>	<u>62,188</u>
Business-type activities:										
Net investment in capital assets	133,414	128,042	110,565	112,277 *	112,113	107,495 *	97,874	88,174	87,763	84,439
Restricted	273	334	338	228	188	361	334	287	758	758
Unrestricted	(19,524)	(19,180) *	(2,259) *	16,073	15,631	22,241	20,129	23,441	22,903	21,159
Total business-type activities net position	<u>114,163</u>	<u>109,196</u>	<u>108,644</u>	<u>128,578</u>	<u>127,932</u>	<u>130,097</u>	<u>118,337</u>	<u>111,902</u>	<u>111,424</u>	<u>106,356</u>
Primary government:										
Net investment in capital assets	211,419	203,927	191,394	196,580	207,313	199,526	185,126	148,606	140,928	135,135
Restricted	1,929	1,954	1,968	1,895	1,725	1,818	1,878	1,692	2,109	2,366
Unrestricted	(43,802)	(35,875)	(26,219)	40,835	28,571	36,614	30,425	37,855	28,991	31,043
Total Primary Government Net Position	<u>\$ 169,546</u>	<u>\$ 170,006</u>	<u>\$ 167,143</u>	<u>\$ 239,310</u>	<u>\$ 237,609</u>	<u>\$ 237,958</u>	<u>\$ 217,429</u>	<u>\$ 188,153</u>	<u>\$ 172,028</u>	<u>\$ 168,544</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

* as restated

CITY OF NORWICH, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities:										
General government	\$ 9,693	\$ 10,543	\$ 11,257	\$ 8,296	\$ 11,905	\$ 10,300	\$ 10,760	\$ 9,114	\$ 10,473	\$ 12,116
Public safety	32,410	31,681	25,750	23,882	22,840	20,571	20,336	18,063	20,326	18,271
Social services	4,142	4,038	2,581	4,248	4,059	4,201	4,664	5,602	4,954	4,852
Public works	13,245	13,754	14,334	15,989	11,887	13,444	9,133	9,449	15,819	11,617
Education	108,916	101,748	99,926	94,935	92,976	86,764	84,263	84,898	85,661	91,664
Interest on long-term debt	1,351	1,348	1,444	1,488	1,232	1,109	2,008	1,323	1,444	1,380
Total governmental activities expenses	<u>169,757</u>	<u>163,112</u>	<u>155,292</u>	<u>148,838</u>	<u>144,899</u>	<u>136,389</u>	<u>131,164</u>	<u>128,449</u>	<u>138,677</u>	<u>139,900</u>
Business-type activities:										
Department of Public Utilities	79,481	84,729	81,842	77,462	75,476	75,620	80,977	74,716	77,192	74,114
Other enterprise funds	1,629	1,646	1,817	2,615	2,470	2,495	2,425	2,413	2,529	2,568
Total business-type activities expenses	<u>81,110</u>	<u>86,375</u>	<u>83,659</u>	<u>80,077</u>	<u>77,946</u>	<u>78,115</u>	<u>83,402</u>	<u>77,129</u>	<u>79,721</u>	<u>76,682</u>
Total primary government expenses	<u>250,867</u>	<u>249,487</u>	<u>238,951</u>	<u>228,915</u>	<u>222,845</u>	<u>214,504</u>	<u>214,566</u>	<u>205,578</u>	<u>218,398</u>	<u>216,582</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	2,041	2,115	1,684	2,107	1,907	1,866	1,860	1,778	1,602	2,078
Public works	721	744	803	811	1,684	771	1,250	819	2,962	3,017
Education	1,415	1,495	1,650	1,581	1,620	1,708	1,570	2,051	2,184	1,864
Other	1,156	1,204	914	887	1,009	1,032	1,076	1,012	1,171	970
Operating grants and contributions	64,394	60,567	59,088	58,277	55,684	53,139	54,051	54,424	52,034	62,359
Capital grants and contributions	634	2,467	1,774	1,664	791	10,749	22,962	11,163	5,810	1,635
Total governmental activities program revenues	<u>70,361</u>	<u>68,592</u>	<u>65,913</u>	<u>65,327</u>	<u>62,695</u>	<u>69,265</u>	<u>82,769</u>	<u>71,247</u>	<u>65,763</u>	<u>71,923</u>
Business-type activities:										
Charges for services:										
Gas	16,636	16,250	18,576	17,609	14,893	13,370	16,282	16,508	21,596	16,961
Electric	52,849	56,710	56,920	51,627	51,396	60,151	58,283	52,303	55,152	49,265
Water	10,493	9,048	8,817	8,808	8,376	6,656	6,794	6,117	6,027	5,790
Sewer	8,629	7,426	6,761	6,994	7,252	6,876	7,185	7,580	5,536	5,641
Other nonmajor enterprise funds	1,388	1,482	1,302	1,820	1,882	2,054	2,081	2,081	2,188	2,245
Capital grants and contributions	4,585	3,809	3,547	1,798	65	6,798	6,704	200	1,315	1,216
Total business-type activities program revenues	<u>94,580</u>	<u>94,725</u>	<u>95,923</u>	<u>88,656</u>	<u>83,864</u>	<u>95,905</u>	<u>97,329</u>	<u>84,789</u>	<u>91,814</u>	<u>81,118</u>
Total primary government program revenues	<u>164,941</u>	<u>163,317</u>	<u>161,836</u>	<u>153,983</u>	<u>146,559</u>	<u>165,170</u>	<u>180,098</u>	<u>156,036</u>	<u>157,577</u>	<u>153,041</u>
Net (expense) revenue:										
Governmental activities	(99,396)	(94,520)	(89,379)	(83,511)	(82,204)	(67,124)	(48,395)	(57,202)	(72,914)	(67,977)
Business-type activities	<u>13,470</u>	<u>8,350</u>	<u>12,264</u>	<u>8,579</u>	<u>5,918</u>	<u>17,790</u>	<u>13,927</u>	<u>7,660</u>	<u>12,093</u>	<u>4,436</u>
Total Primary Government Net Expense	<u>\$ (85,926)</u>	<u>\$ (86,170)</u>	<u>\$ (77,115)</u>	<u>\$ (74,932)</u>	<u>\$ (76,286)</u>	<u>\$ (49,334)</u>	<u>\$ (34,468)</u>	<u>\$ (49,542)</u>	<u>\$ (60,821)</u>	<u>\$ (63,541)</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 79,343	\$ 81,709	\$ 75,298	\$ 70,539	\$ 69,598	\$ 63,198	\$ 61,307	\$ 59,956	\$ 57,897	\$ 56,456
Grants and contributions not restricted to specific programs	5,580	4,771	4,534	4,900	5,005	4,315	4,391	4,372	5,480	5,407
Unrestricted investment earnings	394	146	88	247	202	51	283	321	262	998
Miscellaneous	1,301	1,236	2,536	942	1,126	890	1,414	998	558	631
Transfers	8,516	7,804	7,467	7,938	8,089	7,439	8,277	7,202	7,133	7,026
Total governmental activities	<u>95,134</u>	<u>95,666</u>	<u>89,923</u>	<u>84,566</u>	<u>84,020</u>	<u>75,893</u>	<u>75,672</u>	<u>72,849</u>	<u>71,330</u>	<u>70,518</u>
Business-type activities:										
Investment earnings	13	6	5	152	6	11	14	20	108	400
Transfers	(8,516)	(7,804)	(7,467)	(7,938)	(8,089)	(7,493)	(8,277)	(7,202)	(7,133)	(7,026)
Total business-type activities	<u>(8,503)</u>	<u>(7,798)</u>	<u>(7,462)</u>	<u>(7,786)</u>	<u>(8,083)</u>	<u>(7,482)</u>	<u>(8,263)</u>	<u>(7,182)</u>	<u>(7,025)</u>	<u>(6,626)</u>
Total Primary Government	<u>\$ 86,631</u>	<u>\$ 87,868</u>	<u>\$ 82,461</u>	<u>\$ 76,780</u>	<u>\$ 75,937</u>	<u>\$ 68,411</u>	<u>\$ 67,409</u>	<u>\$ 65,667</u>	<u>\$ 64,305</u>	<u>\$ 63,892</u>
Changes in Net Position:										
Governmental activities	\$ (4,262)	\$ 1,146	\$ 544	\$ 1,055	\$ 1,816	\$ 8,769	\$ 27,277	\$ 15,647	\$ (1,584)	\$ 2,541
Business-type activities	4,967	552	4,802	793	(2,165)	10,308	5,664	478	5,068	(2,190)
Total Primary Government	<u>\$ 705</u>	<u>\$ 1,698</u>	<u>\$ 5,346</u>	<u>\$ 1,848</u>	<u>\$ (349)</u>	<u>\$ 19,077</u>	<u>\$ 32,941</u>	<u>\$ 16,125</u>	<u>\$ 3,484</u>	<u>\$ 351</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

(2) 10% of sales contribution from the Department of Public Utilities to the General Fund is classified as a transfer starting in fiscal year 2005. Before that, it was included in charges for services.

TABLE 3

**CITY OF NORWICH, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)**

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 268	\$ 283	\$ 308
Unreserved								9,834	9,616	10,676
Assigned	664	227	207	498	920	264	178			
Unassigned	<u>17,017</u>	<u>14,652</u>	<u>10,192</u>	<u>10,483</u>	<u>10,275</u>	<u>10,371</u>	<u>10,649</u>			
Total General Fund	<u>\$ 17,681</u>	<u>\$ 14,879</u>	<u>\$ 10,399</u>	<u>\$ 10,981</u>	<u>\$ 11,195</u>	<u>\$ 10,635</u>	<u>\$ 10,827</u>	<u>\$ 10,102</u>	<u>\$ 9,899</u>	<u>\$ 10,984</u>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 1,776	\$ 1,729	\$ 2,095
Unreserved, reported in:										
Special revenue funds								2,915	2,183	2,487
Capital projects funds								3,911	(1,898)	(1,493)
Nonspendable	1,723	1,584	1,600	1,660	1,484	1,443	1,523			
Restricted	7,888	5,102	1,865	2,096	2,193	3,179	1,421			
Committed	5,189	5,030	3,766	4,354	4,107	4,271	4,344			
Unassigned	<u>(87)</u>	<u>(73)</u>	<u>(426)</u>	<u>(1,043)</u>	<u>(7,877)</u>	<u>(2,878)</u>	<u>(7,208)</u>			
Total All Other Governmental Funds	<u>\$ 14,713</u>	<u>\$ 11,643</u>	<u>\$ 6,805</u>	<u>\$ 7,067</u>	<u>\$ (93)</u>	<u>\$ 6,015</u>	<u>\$ 80</u>	<u>\$ 8,602</u>	<u>\$ 2,014</u>	<u>\$ 3,089</u>

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Fund balance classifications were modified beginning in year 2011 with the adoption of GASB Statement 54.

CITY OF NORWICH, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Property taxes, interest and liens	\$ 79,880	81,951	\$ 74,665	\$ 71,555	\$ 69,360	\$ 63,286	\$ 60,817	\$ 59,214	\$ 57,623	\$ 55,893
Intergovernmental	70,232	67,903	65,897	65,112	61,368	68,137	81,439	69,937	63,116	69,880
Charges for services, licenses, permits, fees and other	8,292	7,672	6,801	6,858	6,686	6,816	7,292	7,353	8,508	9,135
Investment income	392	146	88	248	202	50	283	321	260	991
Total revenues	<u>158,796</u>	<u>157,672</u>	<u>147,451</u>	<u>143,773</u>	<u>137,616</u>	<u>138,289</u>	<u>149,831</u>	<u>136,825</u>	<u>129,507</u>	<u>135,899</u>
Expenditures:										
General government	5,631	6,174	5,629	5,777	5,473	5,008	5,822	6,466	6,716	7,339
Public safety	26,868	25,998	23,407	22,958	21,672	19,685	19,447	17,832	18,606	17,348
Social services	3,716	4,289	4,140	4,013	3,616	4,125	4,029	4,261	4,640	4,313
Public works	11,397	11,094	10,890	11,115	10,121	10,187	9,633	9,421	10,359	10,944
Education	105,574	99,284	97,755	94,320	91,108	84,067	84,690	83,893	82,866	91,194
Other	3,276	4,036	5,644	5,598	4,943	4,795	3,411	3,461	3,693	4,365
Capital outlay	4,987	8,587	9,838	9,275	9,156	16,954	34,905	18,274	10,826	6,102
Debt service:										
Principal	4,180	4,040	3,900	4,330	3,906	3,915	3,475	3,530	2,835	3,356
Interest	1,691	1,703	1,718	1,283	1,258	1,075	1,297	713	1,199	1,342
Total expenditures	<u>167,320</u>	<u>165,205</u>	<u>162,921</u>	<u>158,669</u>	<u>151,253</u>	<u>149,811</u>	<u>166,709</u>	<u>147,851</u>	<u>141,740</u>	<u>146,303</u>
Excess of revenues over (under) expenditures	<u>(8,524)</u>	<u>(7,533)</u>	<u>(15,470)</u>	<u>(14,896)</u>	<u>(13,637)</u>	<u>(11,522)</u>	<u>(16,878)</u>	<u>(11,026)</u>	<u>(12,233)</u>	<u>(10,404)</u>
Other financing sources (uses):										
Transfers in	15,824	14,773	9,523	10,746	11,092	11,701	18,424	12,404	10,686	10,505
Transfers out	(7,308)	(6,969)	(2,056)	(2,808)	(3,003)	(4,262)	(10,147)	(5,202)	(3,553)	(3,479)
Issuance of capital leases				617			804			
Bonds issued	5,450	8,800	6,740	12,365		9,680		10,545	2,940	
Bond premium	1,093	247	419	1,368		181		125		
Refunding bonds issued	5,750			5,780		2,725		4,240		
Payment to refunding bond escrow agent	(6,413)			(6,226)		(2,760)		(4,295)		
Total other financing sources (uses)	<u>14,396</u>	<u>16,851</u>	<u>14,626</u>	<u>21,842</u>	<u>8,089</u>	<u>17,265</u>	<u>9,081</u>	<u>17,817</u>	<u>10,073</u>	<u>7,026</u>
Net change in fund balances	5,872	9,318	(844)	6,946	(5,548)	5,743	(7,797)	6,791	(2,160)	(3,378)
Fund Balances at Beginning of Year	<u>26,522</u>	<u>17,204</u>	<u>18,048</u>	<u>11,102</u>	<u>16,650</u>	<u>10,907</u>	<u>18,704</u>	<u>11,913</u>	<u>14,073</u>	<u>17,451</u>
Fund Balances at End of Year	<u>\$ 32,394</u>	<u>26,522</u>	<u>\$ 17,204</u>	<u>\$ 18,048</u>	<u>\$ 11,102</u>	<u>\$ 16,650</u>	<u>\$ 10,907</u>	<u>\$ 18,704</u>	<u>\$ 11,913</u>	<u>\$ 14,073</u>
Debt Service as a Percentage of Noncapital Expenditures	3.64%	3.61%	3.56%	3.63%	3.52%	3.69%	3.57%	3.32%	2.98%	3.36%

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

CITY OF NORWICH, CONNECTICUT
PROPERTY TAX ASSESSMENT
LAST TEN FISCAL YEARS
(In Thousands)

TABLE 5

Fiscal Year Ended June 30	Grand List Year October 1	Real Estate		Personal Property		Total Assessed Value	Less: Exemptions	Total Taxable Assessed Value	Total Adjusted Tax Levy (General Fund, CCD Fire Taxes and TCD Taxes)	Average Direct Rate (in Mills)	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	State Equalized Net Grand List
		Industrial/Commercial	Residential	Motor Vehicles	Other								
2017	2015	\$ 352,574	\$ 1,153,311	\$ 226,975	\$ 147,557	\$ 1,880,418	\$ 34,215	\$ 1,846,203	\$ 78,980	42.78	\$ 2,637,432	70%	\$ 2,707,001
2016	2014	351,104	1,149,342	223,067	141,106	1,864,620	38,569	1,826,051	79,320	43.44	2,608,644	70	2,670,158
2015	2013	347,541	1,148,374	226,420	138,284	1,860,619	38,117	1,822,502	74,316	40.78	2,603,574	70	2,574,692
2014	2012	453,582	1,669,529	194,509	140,057	2,457,677	33,750	2,423,927	70,865	29.24	3,462,753	70	2,936,728
2013	2011	454,877	1,675,445	218,925	144,144	2,493,392	38,323	2,455,068	69,179	28.18	3,507,241	70	2,432,705
2012	2010	453,611	1,663,064	186,880	132,490	2,436,044	41,816	2,394,228	63,162	26.38	3,420,326	70	2,942,694
2011	2009	467,731	1,656,685	202,209	118,062	2,444,687	36,522	2,408,165	60,982	25.32	3,440,236	70	3,147,981
2010	2008	433,291	1,666,402	194,403	114,906	2,409,003	30,891	2,378,111	58,839	24.74	3,397,302	70	3,400,922
2009	2007	344,640	1,235,104	208,756	112,575	1,901,075	24,841	1,876,234	57,972	30.90	2,680,334	70	3,615,569
2008	2006	341,360	1,225,489	183,186	92,878	1,842,913	23,384	1,819,529	55,469	30.49	2,599,327	70	3,559,366

Source: City of Norwich Assessor's Office; *Municipal Fiscal Indicators*, Connecticut Office of Policy & Management

**CITY OF NORWICH, CONNECTICUT
 PRINCIPAL PROPERTY TAXPAYERS
 OCTOBER 1, 2015 AND OCTOBER 1, 2006
 (In Thousands)**

TABLE 6

Business Name	Nature of Business	October 1, 2015			October 1, 2006		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Computer Science Corporation	Computer Products & Services	\$ 31,471	1	1.70%	\$ 17,973	2	0.99%
NorwichTown Commons	Shopping Center	16,815	2	0.91%			0.00%
Bob's Discount Furniture	Retail Store & Distribution Warehouse	14,537	3	0.79%	21,148	1	1.16%
Norwich Realty Associates LP	Real Estate	9,666	4	0.52%	6,545	9	0.36%
Plaza Enterprises	Shopping Center	9,263	5	0.50%	10,577	6	0.58%
Norwich Community Development Corporation	Office Building	8,662	6	0.47%	6,257	10	0.34%
EMC Corporation	Computer Products & Services	8,365	7	0.45%			0.00%
Wal-Mart Stores, Inc.	Department Store	8,355	8	0.45%			0.00%
Mashantucket Pequot Tribe	Real Estate	7,290	9	0.39%	15,974	3	0.88%
Algonquin Gas Transmissions LLC	Natural Gas Pipeline	6,592	10	0.36%			0.00%
Freeport-McMoran (fka Phelps Dodge)	Manufacturing - Copper			0.00%	14,331	4	0.79%
SEA Norwich LLC	Shopping Center			0.00%	11,717	5	0.64%
US Foodservice	Food Distributors			0.00%	10,529	7	0.58%
Kalimian Elias as Trustee	Apartments			0.00%	8,138	8	0.45%
Total		\$ 121,016		6.55%	\$ 123,189		6.77%

Source: City of Norwich Assessor's Office

Note: The October 1, 2015 grand list was the base grand list utilized for the tax bills issued July 1, 2016 for the 2017 fiscal year.

CITY OF NORWICH, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)

TABLE 7

Fiscal Year Ended June 30	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent	Total Collections to Date		Total Direct Rates	
				Amount	Percentage		Amount	Percentage	City Consolidated District	Town Consolidated District
<u>General Fund</u>										
2017	\$ 1,846,203	41.22	\$ 74,366	\$ 72,150	97.02%	\$	\$ 72,150	97.02%	\$ 49.06	\$ 41.69
2016	1,826,051	40.90	74,375	72,017	96.83%	1,840	73,858	99.30%	48.06	41.39
2015	1,822,502	38.55	69,248	66,667	96.27%	2,303	68,970	99.60%	45.93	39.04
2014	2,423,927	27.23	65,922	63,721	96.66%	2,005	65,726	99.70%	32.27	27.59
2013	2,455,068	26.54	64,618	62,401	96.57%	2,105	64,506	99.83%	31.10	26.90
2012	2,394,228	24.76	59,110	57,141	96.67%	1,913	59,055	99.91%	28.83	25.12
2011	2,408,165	24.04	57,006	54,816	96.16%	2,156	56,972	99.94%	28.02	24.40
2010	2,378,111	23.48	55,162	53,056	96.18%	2,082	55,139	99.96%	27.11	23.84
2009	1,876,234	29.24	54,309	52,081	95.90%	2,212	54,293	99.97%	34.10	29.66
2008	1,819,529	28.57	51,980	50,213	96.60%	1,756	51,969	99.98%	33.32	28.93
<u>City Consolidated District (CCD) Fire Tax</u>										
2017	\$ 616,753	7.84	\$ 4,099	\$ 3,986	97.23%	\$	\$ 3,986	97.23%		
2016	613,919	7.16	4,347	4,144	95.34%	156	4,301	98.93%		
2015	614,079	7.38	4,481	4,249	94.84%	204	4,453	99.39%		
2014	864,925	5.04	4,378	4,172	95.30%	188	4,360	99.59%		
2013	896,123	4.56	3,995	3,809	95.35%	175	3,984	99.73%		
2012	864,402	4.07	3,496	3,329	95.22%	162	3,491	99.86%		
2011	870,134	3.98	3,426	3,251	94.88%	172	3,423	99.91%		
2010	870,088	3.63	3,136	2,991	95.39%	143	3,135	99.95%		
2009	650,100	4.86	3,154	2,981	94.50%	173	3,154	100.00%		
2008	641,583	4.75	3,064	2,930	95.61%	134	3,064	100.00%		
<u>Town Consolidated District (TCD) Volunteer Fire Relief Tax</u>										
2017	\$ 1,229,450	0.47	\$ 515	\$ 508	98.67%	\$	\$ 508	98.67%		
2016	1,212,132	0.49	598	586	98.09%	9	595	99.61%		
2015	1,208,423	0.49	587	572	97.34%	14	586	99.75%		
2014	1,559,002	0.36	564	552	97.80%	11	563	99.80%		
2013	1,558,946	0.36	566	554	97.78%	12	566	99.88%		
2012	1,529,826	0.36	556	544	97.90%	11	556	99.94%		
2011	1,538,031	0.36	550	537	97.57%	13	550	99.96%		
2010	1,508,024	0.36	540	525	97.21%	15	540	99.96%		
2009	1,226,134	0.42	510	491	96.39%	18	509	99.96%		
2008	1,177,946	0.36	424	411	96.81%	13	424	99.97%		

CITY OF NORWICH, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Governmental Activities			Business-type Activities				Total Debt			General Obligation Bonds		
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Intergovernmental Loans	Capital Leases	Total Primary Government	Debt to Total Personal Income ²	Debt per Capita ²	Total GO Debt	GO Debt to Estimated Actual Value of Taxable Property	GO Debt per Capita ²
2017	\$ 52,014	\$	\$ 675	\$ 143	\$	\$ 15,372	\$ 196	\$ 68,400	6.32%	\$ 1,714	\$ 52,157	1.98%	\$ 1,307
2016	50,233		830	183		15,055	551	66,852	6.52%	1,664	50,416	1.93%	1,255
2015	43,592		979	223		12,005	945	57,744	5.63%	1,437	43,815	1.68%	1,091
2014	40,810		1,123	263		12,773	1,017	55,986	5.32%	1,388	41,073	1.19%	1,018
2013	33,090		1,227	355		4,939	1,349	40,960	3.88%	1,011	33,445	0.95%	826
2012	29,951		730	11,198		3,744	1,621	47,244	4.92%	1,167	41,149	1.20%	1,016
2011	26,736		804	4,904		4,269	1,717	38,430	4.00%	949	31,640	0.92%	781
2010	29,582		42	13,984		4,316	2,020	49,944	5.20%	1,373	43,566	1.28%	1,197
2009	21,936		80	9,651		4,027	2,688	38,382	5.12%	1,054	31,587	1.18%	867
2008	21,595		115	10,932		4,992	3,174	40,809	5.45%	1,121	32,527	1.25%	893

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Property Tax Assessment schedule

² See Demographic Statistics schedule

**CITY OF NORWICH, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2017
(In Thousands)**

Total Tax Collections, Including Interest and Lien Fees						\$	75,168
Total Tax Collections, Norwich Fire District							<u>4,712</u>
Base						\$	<u>79,880</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit		Total
Debt Limitation:							
2-1/4 times base	\$ 179,730	\$	\$	\$	\$	\$	
4-1/2 times base		359,460					
3-3/4 times base			299,550				
3-1/4 times base				259,610			
3 times base					239,640		
7 times base							559,160
Total debt limitation	<u>179,730</u>	<u>359,460</u>	<u>299,550</u>	<u>259,610</u>	<u>239,640</u>		<u>559,160</u>
Indebtedness:							
Bonds and serial notes payable	18,289	8,528	3,551	1,700			32,068
Capital leases	675						675
Bonds authorized and unissued	<u>3,683</u>	<u>500</u>		<u>1,425</u>			<u>5,608</u>
Total indebtedness	<u>22,647</u>	<u>9,028</u>	<u>3,551</u>	<u>3,125</u>	<u>-</u>		<u>38,351</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 157,083</u>	<u>\$ 350,432</u>	<u>\$ 295,999</u>	<u>\$ 256,485</u>	<u>\$ 239,640</u>		<u>\$ 520,809</u>

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$559 million.

Note 2: Bonds authorized and unissued represent bond authorizations for which bonds have been issued to partially finance the project or interim financing has been issued.

Note 3: Bonds and serial notes payable do not include Water bonds of \$32 and State of Connecticut serial notes payable of \$6,869.

CITY OF NORWICH, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION AND CONTINUING DISCLOSURE AGREEMENT RATIOS
LAST TEN FISCAL YEARS
(In Thousands)

TABLE 10

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Calculation of Legal Debt Limit										
Tax Collections										
General Fund tax collections	\$ 75,031	\$ 76,946	\$ 69,575	\$ 66,620	\$ 64,834	\$ 59,274	\$ 56,857	\$ 55,693	\$ 54,065	\$ 52,357
Fire District collections	4,708	5,005	5,087	4,935	4,550	4,046	3,961	3,733	3,607	3,510
Reimbursement for loss on elderly tax relief		2	2	4	4	8	10	4	4	21
Taxable Base	79,739	81,953	74,664	71,559	69,388	63,329	60,828	59,430	57,676	55,888
Times limit of 7	7	7	7	7	7	7	7	7	7	7
Overall Legal Debt Limit	<u>558,173</u>	<u>573,671</u>	<u>522,650</u>	<u>500,913</u>	<u>485,714</u>	<u>443,300</u>	<u>425,794</u>	<u>416,010</u>	<u>403,730</u>	<u>391,214</u>
Indebtedness:										
Long-term debt										
General Purpose Bonds Payable	18,289	17,347	15,705	14,794	13,134	15,140	15,646	17,313	10,304	12,100
School Bonds	8,528	9,832	10,525	11,122	12,449	13,497	9,558	10,492	9,371	7,026
Sewers	3,551	4,036	4,571	5,315	5,509	6,158	4,567	5,181	5,202	6,023
Urban renewal	1,700	1,885	715							
Water	6,869	5,951	2,248	2,052	2,108	2,411	2,716	3,025	2,808	2,586
Capital leases	675	830	979	1,123	1,268	730	804	874		
Gas line extensions	17,041	14,907	11,509	8,730	1,000	1,000				
Short-term debt										
Clean Water Fund Notes										
Bond Anticipation Notes									8,045	
Bonds authorized and unissued	3,935	4,709	9,622	14,735	11,081	10,905	18,265	18,106	15,990	7,240
Total indebtedness (1)	<u>60,588</u>	<u>59,497</u>	<u>55,873</u>	<u>57,872</u>	<u>46,549</u>	<u>49,841</u>	<u>51,556</u>	<u>54,992</u>	<u>51,720</u>	<u>34,975</u>
Less:										
Water bonds and serial notes payable	(6,869)	(5,951)	(2,248)	(2,052)	(2,108)	(2,411)	(2,716)	(3,025)	(2,808)	(4,349)
School building grants					(99)	(198)	(300)	(402)	(507)	(612)
Gas line extensions	(17,041)	(14,907)	(11,509)	(8,730)	(1,000)	(1,000)				
Net indebtedness applicable to legal debt limit (1)	<u>36,679</u>	<u>38,639</u>	<u>42,116</u>	<u>47,090</u>	<u>43,342</u>	<u>46,231</u>	<u>48,539</u>	<u>51,564</u>	<u>48,405</u>	<u>30,014</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 521,494</u>	<u>\$ 535,032</u>	<u>\$ 480,535</u>	<u>\$ 453,823</u>	<u>\$ 442,373</u>	<u>\$ 397,069</u>	<u>\$ 377,255</u>	<u>\$ 364,446</u>	<u>\$ 355,325</u>	<u>\$ 361,200</u>
Total net debt applicable to the limit as a percentage of debt limit	6.57%	6.74%	8.06%	9.40%	8.92%	10.43%	11.40%	12.39%	11.99%	7.67%
Net indebtedness as a percentage of net taxable assessed value (1)	1.987%	2.116%	2.311%	1.943%	1.765%	1.931%	2.016%	2.168%	2.580%	1.650%
Net indebtedness per capita	927	962	1,048	1,172	1,074	1,141	1,199	1,273	1,330	824

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION AND CONTINUING DISCLOSURE AGREEMENT RATIOS (CONTINUED)
LAST TEN FISCAL YEARS
(In Thousands)

TABLE 10

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Calculation of Continuing Disclosure Agreement Ratios										
Reconciliation of Direct Debt and Net Direct Debt (2)										
Total indebtedness per legal debt limit	\$ 60,588	\$ 59,497	\$ 55,873	\$ 57,872	\$ 46,549	\$ 49,841	\$ 51,556	\$ 54,992	\$ 51,720	\$ 34,975
Less: Authorized but unissued debt	(3,935)	(4,709)	(9,622)	(14,735)	(11,081)	(10,905)	(18,265)	(18,106)	(15,990)	(7,240)
Total Direct Debt	<u>56,653</u>	<u>54,788</u>	<u>46,251</u>	<u>43,138</u>	<u>35,468</u>	<u>38,936</u>	<u>33,291</u>	<u>36,886</u>	<u>35,730</u>	<u>27,735</u>
Less: Water bonds and sewer indirect self-funding debt	(10,420)	(9,987)	(6,819)	(7,368)	(7,617)	(8,569)	(7,283)	(8,206)	(8,009)	(8,609)
Less: School building grants					(99)	(198)	(300)	(402)	(507)	(612)
Total Net Direct Debt	<u>46,233</u>	<u>44,800</u>	<u>39,432</u>	<u>35,770</u>	<u>27,752</u>	<u>30,169</u>	<u>25,707</u>	<u>28,277</u>	<u>27,213</u>	<u>18,514</u>
Equalized Net Grand List ("ENGL") (3)	2,707,001	2,670,158	2,574,692	2,936,728	2,432,705	2,942,694	3,147,981	3,400,922	3,615,569	3,559,366
Valuation Date	10/1/2015	10/1/2014	10/1/2013	10/1/2012	10/1/2011	10/1/2010	10/1/2009	10/1/2008	10/1/2007	10/1/2006
Ratio of Direct Debt to ENGL	2.093%	2.052%	1.796%	1.469%	1.458%	1.323%	1.058%	1.085%	0.988%	0.779%
Total Direct Debt Per Capita	1,432.22	1,363.62	1,151.16	1,073.66	879.07	961.34	822.14	910.92	981.92	761.28
Ratio of Net Direct Debt to ENGL	1.708%	1.678%	1.532%	1.218%	1.141%	1.025%	0.817%	0.831%	0.753%	0.520%
Total Net Direct Debt Per Capita	1,168.80	1,115.05	981.44	890.29	687.83	744.88	634.86	698.33	747.86	508.18
Ratio of Net General Bonded Debt to ENGL	0.991%	1.018%	1.019%	0.882%	1.048%	0.966%	0.791%	0.806%	0.530%	0.520%
Total Net General Bonded Debt Per Capita	677.97	676.45	652.83	645.05	631.62	702.16	615.01	676.74	526.77	508.18

- Notes:
- 1 Total and net indebtedness calculated in accordance with Connecticut General Statutes
 - 2 The city has no overlapping debt
 - 3 The Equalized Net Grand List is calculated annually by the State of Connecticut Office of Policy & Management and is an approximation of the actual value of taxable property.

**CITY OF NORWICH, CONNECTICUT
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

TABLE 11

Fiscal Year	Population (1)	Per Capita Personal Income (2)	Total Personal Income (thousands) (2)	School Enrollment (3)	Employed (4)	Unemployed (4)	Percentage Unemployed			
							City of Norwich (4)	London/Norwich Market (4)	State of Connecticut (4)	United States (5)
2017	39,556	\$ 26,823	\$ 1,061,011	5,123	20,217	1,163	5.4%	4.8%	5.0%	4.6%
2016	39,899	27,111	1,081,702	5,255	19,387	1,374	6.6%	5.5%	5.6%	5.0%
2015	40,178	25,510	1,024,941	5,287	19,246	1,418	6.9%	5.7%	5.5%	5.2%
2014	40,178	25,510	1,024,941	5,283	20,126	1,698	7.8%	6.6%	6.5%	6.1%
2013	40,347	26,094	1,052,796	5,304	19,999	1,929	8.8%	8.2%	8.1%	7.3%
2012	40,502	26,060	1,055,463	5,330	20,719	2,110	9.2%	8.6%	8.4%	8.2%
2011	40,493	23,711	960,133	5,363	19,386	2,177	10.1%	8.7%	9.0%	9.1%
2010	40,493	23,711	960,133	5,449	19,315	2,090	9.8%	8.6%	8.9%	9.6%
2009	36,388	26,386	960,133	5,519	19,231	1,858	8.8%	7.6%	7.9%	9.5%
2008	36,432	20,563	749,139	5,285	19,706	1,448	6.8%	5.9%	5.9%	6.0%

- (1) State of Connecticut Department of Public Health, US Census Bureau
 - (2) U.S. Census Bureau, 2000 Census and 2011-2015 American Community Survey (CP03 and DP05)
 - (3) School enrollment includes Norwich students attending the quasi-private high school, Norwich Free Academy.
 - (4) Labor Department, State of Connecticut.
 - (5) U.S. Department of Labor Bureau of Labor Statistics
- N/A - not available

**CITY OF NORWICH, CONNECTICUT
PRINCIPAL EMPLOYERS
2017 and 2008**

TABLE 12

Business Name	Nature of Business	2017			2008		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
William W. Backus Hospital	Medical Center	1,439	1	7.42%	932	3	4.64%
City of Norwich (incl. NPU & BOE)	Municipality	1,097	2	5.66%	1,020	2	5.08%
State of Connecticut	All State agencies	881	3	4.54%	1,100	1	5.48%
Bob's Discount Furniture	Distribution Center	553	4	2.85%	446	4	2.22%
U.S. Food Service	Food Distribution	335	5	1.73%	205	9	1.02%
Norwich Free Academy	Quasi-private high school	303	6	1.56%	261	8	1.30%
United Community & Family Services	Healthcare & community services	245	7	1.26%			0.00%
Shop Rite	Grocery	225	8	1.16%	418	5	2.08%
The American Group	Ambulance Service and other operations	192	9	0.99%			0.00%
AC Linen	Uniform laundry service	169	10	0.87%			0.00%
Computer Science Corporation	Computer Products & Services			0.00%	330	7	1.64%
Interim Healthcare of Eastern CT	Healthcare			0.00%	400	6	1.99%
Stop & Shop	Grocery			0.00%	178	10	0.89%
Total		5,439		28.05%	5,290		26.34%

Source: August 2016 Survey by Norwich Finance Department. Not all companies responded.

**CITY OF NORWICH, CONNECTICUT
BUDGETED FULL-TIME EQUIVALENT EMPLOYEES
LAST TEN FISCAL YEARS**

TABLE 13

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General City										
City Manager	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Finance	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	14.0	15.0
Treasurer	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Assessment	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human Resources	4.0	4.6	4.6	4.6	4.6	3.6	4.5	4.5	4.5	4.5
City Clerk	4.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	6.0
City Council	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Police	106.8	110.5	110.8	110.8	107.0	100.0	94.0	96.0	98.0	98.0
Fire	59.0	61.0	62.0	61.0	62.6	59.6	59.5	59.5	59.5	59.5
Recreation	5.0	5.0	5.0	6.0	6.0	5.5	6.0	6.0	7.0	7.0
Human Services	3.0	5.0	5.0	5.0	7.0	7.0	8.5	8.5	8.5	8.5
Senior Citizens Center	7.0	7.6	7.6	7.0	7.6	6.5	6.5	6.5	7.0	7.0
Youth Service Bureau	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0
PW Engineering & Administration	6.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
PW Fleet Maintenance	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	9.0	9.0
PW Solid Waste	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PW Street Maintenance	35.0	37.0	37.0	36.0	36.0	36.0	38.0	39.0	41.0	41.0
PW Building Maintenance	9.0	9.0	9.0	9.0	9.0	8.0	8.0	9.0	9.0	9.0
PW Parking Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Election	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5
Planning & Neighborhood Services	9.5	11.0	10.0	10.0	10.0	10.0	12.0	13.0	14.5	14.5
Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tourism	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Subtotal - General City	<u>286.3</u>	<u>299.7</u>	<u>299.0</u>	<u>297.4</u>	<u>297.8</u>	<u>284.2</u>	<u>287.0</u>	<u>293.0</u>	<u>308.0</u>	<u>309.0</u>
Board of Education										
General Fund-funded positions	375.85	409.65	388.3	357.2	358.8	342.5	286.4	291.1	406.4	387.5
State & federal grant-funded positions	196.37	190.12	159.8	159.8	65.7	65.7	193.0	226.3	125.3	111.3
School Lunch (state & federal grant)	42.25	42.25	39	39	37.5	37.5	46.0	30.0	30.0	39.0
Adult Education (state & federal grant)	22.3	22.3	22.3	22.3	12.0	12.0	12.0	12.0	12.0	12.0
Family Resource Center (state grant)	24.5	24.5	24.5	24.5	28.5	24.5	24.5	24.5	24.5	25.5
Subtotal - Board of Education	<u>661.3</u>	<u>688.8</u>	<u>633.9</u>	<u>602.8</u>	<u>502.5</u>	<u>482.2</u>	<u>561.9</u>	<u>583.9</u>	<u>598.2</u>	<u>575.3</u>
Norwich Public Utilities	<u>149.5</u>	<u>149.5</u>	<u>146.5</u>	<u>142</u>	<u>148.0</u>	<u>152.0</u>	<u>142.5</u>	<u>139.5</u>	<u>139.5</u>	<u>137.0</u>
Grand totals	<u>1097.0</u>	<u>1138.0</u>	<u>1079.4</u>	<u>1042.2</u>	<u>948.3</u>	<u>918.4</u>	<u>991.4</u>	<u>1016.4</u>	<u>1045.7</u>	<u>1021.3</u>

Notes on this Table:

Source: City Adopted Budget documents

**CITY OF NORWICH, CONNECTICUT
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

TABLE 14

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>General Government</i>										
<i>Finance</i>										
Number of tax and refuse bills mailed +	50,157	49,697	49,336	49,587	49,767	50,175	49,950	50,000	68,000	68,000
Number of internal control reviews performed	2	2	2	2	2	2	2	3	3	3
<i>Assessor</i>										
Number of deeds processed	1,426	1,489	1,496	1,401	1,301	982	1,132	1,500	2,550	1,500
Personal property declarations	1,763	1,833	1,719	1,792	1,754	1,795	1,856	1,650	1,130	1,200
Board of assessment appeals adjustments	96	43	10	110	33	37	77	147	100	230
<i>Human Resources</i>										
Number of applications processed	2,327	1,597	1,349	1,372	1,521	1,475	476	960	1,067	2,339
Vacancies filled through promotion	26	19	19	6	12	14	4	6	11	35
Vacancies filled through new hires	21	21	29	15	34	19	2	8	21	39
Employee turnover rate (includes retirees)	6.3%	5.0%	1.5%	2.0%	9.5%	7.0%	6.0%	5.6%	2.0%	4.6%
<i>City Clerk</i>										
Land records recorded	6,597	5,822	6,146	6,823	7,018	6,154	5,753	6,364	6,486	7,891
Marriage licenses issued	302	300	274	285	312	301	270	323	326	305
Death certificates recorded	479	476	517	433	484	509	520	472	508	458
Birth certificates recorded	936	941	860	894	842	940	884	978	960	1,070
<i>Management Information Systems</i>										
Help desk calls	2,000	2,326	2,163	2,615	2,124	1,995	2,360	1,900	1,600	1,380
Website visits	280,797	303,488	274,847	219,706	246,421	200,043	170,527	165,923	149,317	130,000
<i>Election</i>										
Voters added	3,490	1,908	856	465	2,255	667	1,060	438	3,289	1,202
Voters removed	2,507	1,827	895	1,043	2,786	683	1,235	1,001	813	964
Voter changes	5,100	2,541	2,124	6,258	6,873	2,021	3,049	2,376	2,303	1,139
Total voters	25,013	24,167	21,129	21,343	21,005	20,474	20,951	21,126	21,689	18,129
<i>Planning & Neighborhood Services</i>										
Site development plans	3	5	5	6	7	4	15	7	16	31
Zoning permit applications	251	263	172	266	303	672	398	327	370	446
Zoning complaints	47	47	68	80	84	351	185	167	240	248
Code violations	329	38	273	349	368	572	1,975	1,285	1,361	1,633
Citations issued	77	2	76	61	88	375	225	287	240	180
<i>Education</i>										
Average Class Size - Kindergarten	21.3	20.3	20.6	19.7	20.5	18.5	18.4	18.3	18.3	17.5
Average Class Size - Grade 2	21.9	19.5	19.6	19.6	20.2	19.4	18.1	17.9	18.8	18.9
Average Class Size - Grade 5	23.0	20.1	21.1	20.2	21.9	20.3	21.2	21.0	19.1	18.9
Average Class Size - Grade 7	22.9	21.5	24.5	21.3	18.7	19.8	17.1	20.1	21.1	19.0
<i>Public Safety</i>										
<i>Police</i>										
911 calls *	22,290	22,189	20,506	22,215	23,663	23,064	21,825	20,548	20,291	21,330
Non-emergency calls *	35,141	35,020	36,646	34,302	33,672	32,499	36,078	35,815	38,846	30,329
DWI arrests *	171	196	182	223	192	207	241	212	252	158
<i>Fire</i>										
<i>Central Fire Department</i>										
Service Calls	2,430	2,381	2,784	2,418	2,460	2,422	2,330	2,659	2,442	2,627
<i>East Great Plain VFD</i>										
Service Calls	784	823	786	798	904	936	961	855	912	1,015
<i>Laurel Hill VFD</i>										
Service Calls	62	72	103	101	113	106	121	85	117	102
<i>Occum VFD</i>										
Service Calls	207	161	255	228	184	169	191	182	199	192
<i>Taftville VFD</i>										
Service Calls	670	646	666	661	698	754	706	717	614	698
<i>Yantic VFD</i>										
Service Calls	570	683	631	622	607	621	643	658	544	604
<i>Emergency Management</i>										
Hours of emergency training	357	1,530	1,450	1,171	1,030	1,145	1,075	775	725	875
Shelters maintained	16	16	16	16	16	16	19	19	19	19

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT
OPERATING INDICATORS BY FUNCTION (CONTINUED)
LAST TEN FISCAL YEARS**

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>Social Services</i>										
<i>Recreation</i>										
Number of youth registrations	2,613	2,177	2,122	2,035	2,343	3,671	4,500	4,600	4,618	3,870
Number of youth program hours	2,283	1,725	1,575	1,500	3,526	3,530	1,900	1,900	1,980	2,045
Adults & Seniors registrations	158	160	226	239	115	86	N/R	N/R	N/R	N/R
Adults & Seniors program hours	87	278	335	350	384	401	N/R	N/R	N/R	N/R
<i>Human Services</i>										
<i>General Human Services</i>										
Job placements	134	225	225	243	259	251	185	206	190	190
Individuals relocated due to condemnation	55	80	72	88	56	50	78	49	77	72
Rent & housing assistance cases	215	202	130	123	112	107	92	117	139	94
<i>Senior Center</i>										
Preventative health programs & services	10,039	9,975	9,836	9,836	10,000	10,059	8,560	2,500	2,550	2,500
Outreach services	2,639	1,050	997	997	851	627	890	970	978	753
<i>Youth & Family Services</i>										
Counseling cases	60	55	83	83	87	95	97	126	130	142
Young parent cases	-	-	-	-	-	37	18	40	35	78
Youth employment	129	170	168	169	174	121	152	148	94	N/A
Juvenile justice/ diversion	63	81	67	67	86	33	37	31	44	N/A
<i>Public Works</i>										
<i>Engineering & Administration</i>										
Road miles paved	3.44	9.1	6.2	4.83	6.8	4.8	6.4	4.8	6.4	4.7
Road miles chip sealed or crack sealed	4.63	5	5.3	10.65	6.0	3.0	N/R	N/R	N/R	N/R
<i>Utilities</i>										
Gas service calls	3,042	2,933	3,290	4,057	5,230	3,989	4,131	4,229	5,004	4,967
Electric service calls	1,347	1,526	1,313	1,228	1,106	3,570	1,771	1,640	1,830	1,508
Water service calls	2,437	2,797	2,277	2,635	982	1,910	3,053	2,988	3,653	3,440
Sewer service calls	195	345	142	162	116	120	80	78	164	402

Source: The respective City departments.

N/A - not available

N/R - Not reported before

* - Statistics are reported on a calendar year basis. For example, in the fiscal year 2016 column, these are the statistics for calendar year 2015.

+ - The City stopped sending separate refuse bills in 2009.

**CITY OF NORWICH, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

TABLE 15

Function	Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>Education</i>											
School buildings		13	13	13	13	13	13	13	13	15	15
Administrative buildings		1	1	1	1	1	1	1	1	1	1
<i>Public Safety</i>											
<i>Police</i>											
Stations		1	1	1	1	1	1	1	1	1	1
Vehicles		50	50	39	39	39	39	39	39	39	39
<i>Fire</i>											
Firefighting/ rescue vehicles		27	27	27	27	27	27	27	27	27	26
Other vehicles		31	31	11	11	11	11	11	11	11	11
Fire stations		7	7	7	7	7	7	7	7	7	7
<i>Social Services</i>											
<i>Recreation</i>											
Number of basketball courts		16	16	16	16	16	16	16	16	16	16
Number of football fields		1	1	1	1	1	1	1	1	1	1
Number of multi-use fields		15	15	15	15	15	15	15	15	15	15
Number of playgrounds		14	14	14	14	14	14	14	14	14	14
Number of soccer fields		4	4	4	4	4	4	4	4	4	4
Number of softball fields		5	5	5	5	5	5	5	5	5	5
Number of tennis courts		10	10	10	10	10	10	10	10	10	10
Mowers		5	5	5	5	5	5	5	5	5	5
Other vehicles		5	5	5	5	5	5	5	5	5	4
<i>Public Works</i>											
<i>Streets & Parks Maintenance</i>											
Dump trucks		36	36	25	24	24	23	23	23	23	23
Sweepers		3	3	2	3	3	3	4	4	4	4
Parks		10	10	10	10	10	7	7	7	7	7
Cemeteries		8	8	8	8	8	8	8	8	8	8
Mowers		16	16	16	16	12	11	10	10	10	10
<i>Building Maintenance</i>											
Parking lots		14	14	13	13	13	12	12	12	12	12
Parking garages		4	4	4	4	4	4	3	3	3	3
<i>Utilities</i>											
<i>Gas</i>											
Gas distribution main (miles)		156	156	151	149	142	141	133	133	131	130
<i>Electric</i>											
Distribution lines		232	234	235	235	233	229	231	230	229	228
Street lights		4,172	4,180	4,292	4,292	4,292	4,290	4,290	4,103	4,109	4,109
<i>Water</i>											
Water distribution system (miles)		196	195	196	195	195	190	194	188	188	187
<i>Sewer</i>											
Sewer distribution system (miles)		136	130	129	129	127	121	124	117	119	118
<i>Fiber Optic</i>											
Fiber optic cable (miles)		77	75	74	72	72	65	65	68	67	-

Source: The respective City departments.

N/A - not available

N/R - these statistics are not reported any longer