

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



**FISCAL YEAR ENDED JUNE 30, 2018
DEPARTMENT OF FINANCE
UNION SQUARE
NORWICH, CONNECTICUT**

Comprehensive Annual Financial Report

of the

City of Norwich, Connecticut

Fiscal Year Ended June 30, 2018

Prepared By:

City of Norwich Finance Department

Joshua A. Pothier, CPA, CPFO
Comptroller

Anthony G. Madeira, CPFO
Deputy Comptroller

Sandra J. Kuchta
Accountant

**CITY OF NORWICH, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2018**

Introductory Section		Page
	Comptroller's Letter of Transmittal	i-xii
	Certificate of Achievement for Excellence in Financial Reporting	xiii
	Organizational Chart of the City	xiv
	Organizational Chart of the Finance Department	xv
	Directory of Elected City Officials and NPU Commissioners	xvi
	Directory of Appointed City Officials	xvii
Financial Section		
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
Basic Financial Statements		
Exhibit	Government-Wide Financial Statements:	
I	Statement of Net Position	12
II	Statement of Activities	13
	Fund Financial Statements:	
	Governmental Funds:	
III	Balance Sheet	14-15
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
	Proprietary Funds:	
V	Statement of Net Position	18
VI	Statement of Revenues, Expenses and Changes in Fund Net Position	19
VII	Statement of Cash Flows	20
	Fiduciary Funds:	
VIII	Statement of Fiduciary Net Position	21
IX	Statement of Changes in Fiduciary Net Position	22
	Notes to the Financial Statements	23-79
Required Supplementary Information		
	General Fund:	
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	80-81
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	82-83
RSI-3	Schedule of Changes in Net Pension Liability and Related Ratios - City Employees	84
RSI-4	Schedule of Employer Contributions - City Employees	85
RSI-5	Schedule of Investment Returns - City Employees	86
RSI-6	Schedule of Changes in Net Pension Liability and Related Ratios - Volunteer Fire	87
RSI-7	Schedule of Employer Contributions - Volunteer Fire	88
RSI-8	Schedule of Investment Returns - Volunteer Fire	89

<u>Exhibit</u>		<u>Page</u>
RSI-9	Schedule of the City's Proportionate Share of the Net Pension Liability - Teachers Retirement Plan	90
RSI-10	Schedule of Changes in Net OPEB Liability and Related Ratios - OPEB	91
RSI-11	Schedule of Employer Contributions - OPEB	92
RSI-12	Schedule of Investment Returns - OPEB	93
RSI-13	Schedule of the City's Proportionate Share of the Net OPEB Liability - Teachers Retirement Plan	94

Combining and Individual Fund Statements and Schedules

General Fund:

A-1	Comparative Balance Sheet	95
A-2	Report of Tax Collector	96

Nonmajor Governmental Funds:

B-1	Combining Balance Sheet	97-99
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	100-102
B-3	Fire Districts Fund Revenues - Budgetary Basis - Budget and Actual	103
B-4	Fire Districts Fund Expenditures - Budgetary Basis - Budget and Actual	104
B-5	Schedule of Fire District Taxes	105

Nonmajor Enterprise Funds:

C-1	Combining Statement of Net Position	106
C-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	107
C-3	Combining Statement of Cash Flows	108

Internal Service Funds:

D-1	Combining Statement of Net Position	109
D-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	110
D-3	Combining Statement of Cash Flows	111

Fiduciary Funds:

Trust Funds:

E-1	Combining Statement of Fiduciary Net Position	112
E-2	Combining Statement of Changes in Fiduciary Net Position	113

Agency Funds:

F-1	Combining Balance Sheet	114
F-2	Combining Statement of Changes in Assets and Liabilities	115

Schedule

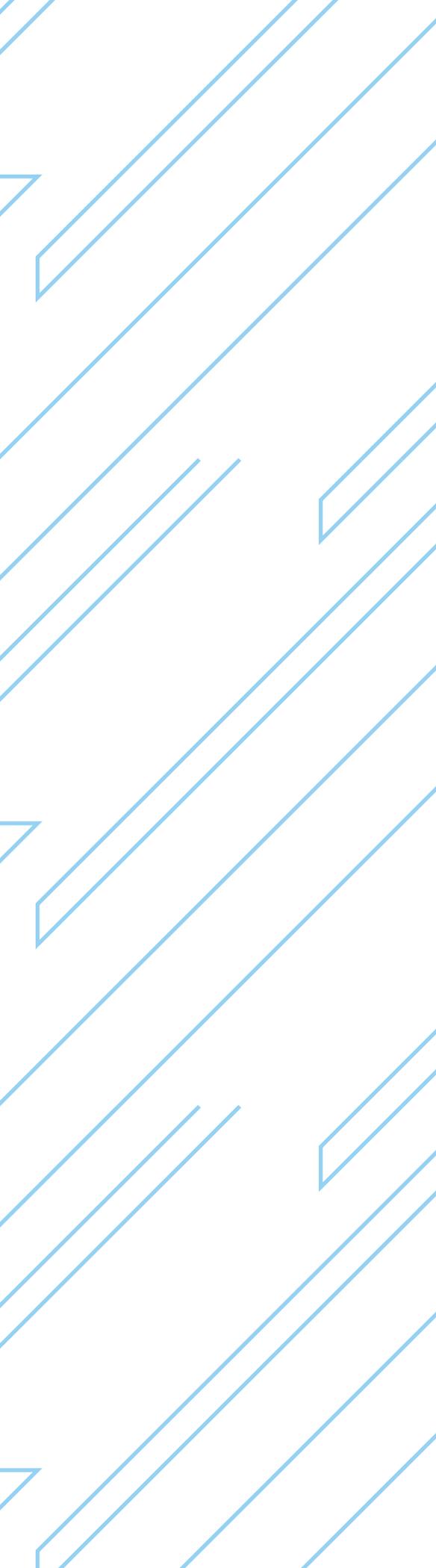
Supplemental Schedules

1	Schedule of Bonds and Serial Notes Payable	116
	Bond and Serial Notes Payable:	
2	Schedule of Annual Debt Service Requirements	117

Statistical Section

Table

	Financial Trends:	
1	Net Position by Component	118
2	Changes in Net Position	119-120
3	Fund Balances, Governmental Funds	121
4	Changes in Fund Balances, Governmental Funds	122
	Revenue Capacity:	
5	Property Tax Assessment	123
6	Principal Property Taxpayers	124
7	Property Tax Levies and Collections	125
	Debt Capacity:	
8	Ratios of Outstanding Debt by Type	126
9	Statement of Debt Limitation	127
10	Legal Debt Margin Information and Continuing Disclosure Agreement Ratios	128-129
	Demographic and Economic Statistics:	
11	Demographic and Economic Statistics	130
12	Principal Employers	131
	Operating Information:	
13	Budgeted Full-Time Equivalent City Government Employees	132
14	Operating Indicators by Function	133-134
15	Capital Asset Statistics by Function	135



Introductory Section



JOSHUA A. POTHIER, C.P.A.
COMPTROLLER
Phone: (860) 823-3720
Fax: (860) 823-3812

100 Broadway Room 105
Norwich, CT 06360-4431
www.norwichct.org/finance
jpothier@cityofnorwich.org

December 12, 2018

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, 2018. 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’ unqualified 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. 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 16th lowest per capita tax burdens in the State at \$1,880 for fiscal year 2016.

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 \$85 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 million for the first phase of the three-phase project. Construction began within three weeks of the closing date with such critical items as structural repairs, interior partitions, indoor and outdoor utilities, and sandblasting of the 135-year-old wood structure. The first phase was completed in the spring of 2018. The developer closed on the second phase funding for the next 121 units in July 2018.

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 tenants for 6,000 square feet of the 32,000-square foot building.

[Algonquin Interstate Gas Transmission Pipeline](#)

Spectra Energy has completed its second expansion project on its Algonquin Interstate Gas Transmission Pipeline that runs through Norwich. The projects will 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 includes a new metering and regulation station in the City to serve the NPU gas expansion project. These projects are expected to add \$10-15 million to the City's tax base.

[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. Epicure has begun distribution to regional outlets through Levine Distributing in Norwich.

[Foundry66](#)

This co-work center, opened with its first 7,500 foot phase in October 2016. The operation has a mix of open spaces, teleconference and meeting rooms, lounge area, work rooms available for members to grow their businesses. Foundry66 doubled its space in September 2018 with a newly completed second floor addition.

[77-91 Main Street](#)

Bedford, NY developer, Mirash Dedvukaj offered the winning bid of \$500,000 for the 38,434 square-foot building at a May 19, 2018 tax foreclosure auction. The developer intends to renovate the building for housing and commercial development.

[Stackstone Group](#)

Bronx, NY developer, Stackstone Group, purchased 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.

[O'Reilly Auto Parts](#)

O'Reilly Auto Parts opened its 5,000th location in Norwich with 7,700 square-foot store on West Main Street in October 2017.

[Craftsman Cliff Roasters](#)

Craftsman Cliff Roasters opened a coffee roasting and 20-seat retail shop in the downtown at 34 Broadway in May 2018. The business manufactures and packages coffee products that are distributed regionally.

Consumer's Interstate

W.B. Mason entered into a long-term lease with Consumer's Interstate in May 2018 with plans to expand the 2 Consumer's Ave. facility by bringing a Contract Furniture Showroom, a Whatta Bargain Super Store, and a Chef's Supply store to the site.

Bubbles to Butterfly Swim School

In August 2017, Norwich's Commission on the City Plan approved Margee Charron's plan to build a 9,500 square-foot swim school facility on a currently vacant 1.2-acre lot at 61 Taftville-Occum Road in the Occum section of Norwich. Construction of the \$1.8 million project is set to begin the fall of 2018.

Former Gas Station and Repair Shop at 684 West Main Street

Franklin Dev Funds 2 LLC purchased the former gas station/auto repair shop at 684 West Main Street for \$550,000 on June 2, 2017. The blighted property has been vacant since 2010. The developers plan to raze two outdated buildings, including an existing package store on an adjacent parcel, to construct a new Cumberland Farms convenience store and new retail liquor store which will share driveway access and have complimentary architecture.

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 has constructed 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. Mr. Waddington has begun enhancements and efficiency improvements to the operations.

327 Laurel Hill

In March 2018, Cabinfield Investments purchased the vacant early 1900's school building for \$250,000. Used most recently as a restaurant, the owner has partnered with a team of Puerto Rican restaurateurs to develop a themed medieval style restaurant which will include façade improvements to create a castle-style appearance. The business is planned to be open by the Spring of 2019.

Former Hale Mill Property

A New York development firm purchased the 10-acre Hale Mill property in the Yantic section of Norwich for \$826,000 in June 2018. The new owner is pursuing the development of a destination-themed hotel operation in the 1864 former textile mill.

80 Broadway (former City Human Services Office)

In a continuing effort to right-size the space used by the City of Norwich, the Human Services department moved into City Hall in 2017 which freed up the 5,200' building directly across the street from City Hall for sale to the private sector. The LeWitt Group purchased the 1860 building for \$131,500 in April 2018 with plans to renovate it into a food hall. The LeWitt expects to complete the renovations and open in late 2018.

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 it developed by the private sector several times. The Women's Institute intends to develop this property into a mix of residential and commercial space. In April 2018, the City amended the development agreement to contribute up to \$150,000 towards the stabilization of the building in the form of a non-recourse loan. The City transferred ownership in the property to the Women's Institute in July 2018.

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 square-foot mill complex to use as storage with a potential for future an archival space to display unusual and creative artifacts from the demolition of old buildings.

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 2018, 335 Single Family, 58 Multi-family/Apartment complex, 33 Mobile Homes and 85 condos sold in Norwich. The median sales price for a single family home during this period was \$144,900. In recent reports by the Eastern Connecticut Association of Realtors single family home prices are trending up through the second quarter of 2018. 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.

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. This project is expected to start in late 2018 and be completed in late 2019. 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 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 April 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 23 new or expanded businesses and residential projects since the beginning of the program. The program has a total of 124 client applications.

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 and is on track to pave another 6 miles (\$1.2 million) in 2018. 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 design phase for the Sunnyside Street Bridge is completed and construction will begin in April 2019. The rehabilitation will preserve the historic features of the bridge. The Pleasant Street Bridge is under construction.

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. The City will utilize a portion of a Federal EPA grant for City-wide Brownfields Assessment to remove an underground fuel tank and assess any environmental concerns related to the tank. Additionally, the Norwich City Council approved the use of federal CDBG funding to demolish a blighted and dangerous brick mill building located on the property, adjacent to the river. Community Development obtained approval from the Connecticut Trust for Historic Preservation for the building's demolition in order to attempt to save an older abutting granite mill. The removal of the brick structure reduced safety concerns, potential for vandalism, and created more usable space for the future site development.

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 designed for off-site 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. The final concept master plan for the heritage park was prepared by the City's consultant Milone & MacBroom and completed in May 2018.

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.

Public Safety Radio System Bond Ordinance

The Norwich voters approved a \$2.7 million bond referendum at the November 2018 election. This funding will be used to replace the current Norwich Police Department Low Band Radio System with a 700/800 MHz radio system. The current system was designed in the 1940's and this project will replace it with the construction of two modern antenna sites and related system upgrades that will benefit all Norwich Public Safety Departments. The new system will be connected to the State of Connecticut statewide radio system as part of this project.

School Initiatives

Norwich Public Schools is an Alliance School district creating the ability to embark on advanced academic initiatives. Uncas School is a Network School 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

NPU continues to benefit from a significant community solar garden that provides customers with renewable energy generated in Norwich. Working with the Connecticut Municipal Electric Energy Cooperative (CMEEC), NPU identified the former Roger's Road landfill as an ideal location for the 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 2018, 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 and 2015.

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 2,100 new natural gas customers have been added to the NPU network. This activity has generated nearly \$3million 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

In May 2018, the City Council voted to suspend portions of the UFB policy and lower the floor of UFB from 12% to 10% until 2022, which enables the City to appropriate some UFB to balance budgets during that time period. The City used \$200,000 of UFB to balance the 2018-19 General Fund budget.

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 2% of the previous fiscal year's general fund budget for 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.

In June 2018, the Norwich City Council temporarily suspended the funding requirement described above for the OPEB fund until 2022. The 2018-19 fiscal year budget includes funding of \$3.6 million of the \$3.8 million actuarially determined employer contribution (ADEC) for the General City, Police, and Fire portions of the OPEB plan – which is approximately 94% of the ADEC.

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, 2017. This was the 25th 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 2018, 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,

A handwritten signature in black ink, reading "Joshua A. Pothier". The signature is written in a cursive style with a large, prominent loop at the end of the name.

Joshua A. Pothier, CPA, CPFO
Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Norwich
Connecticut**

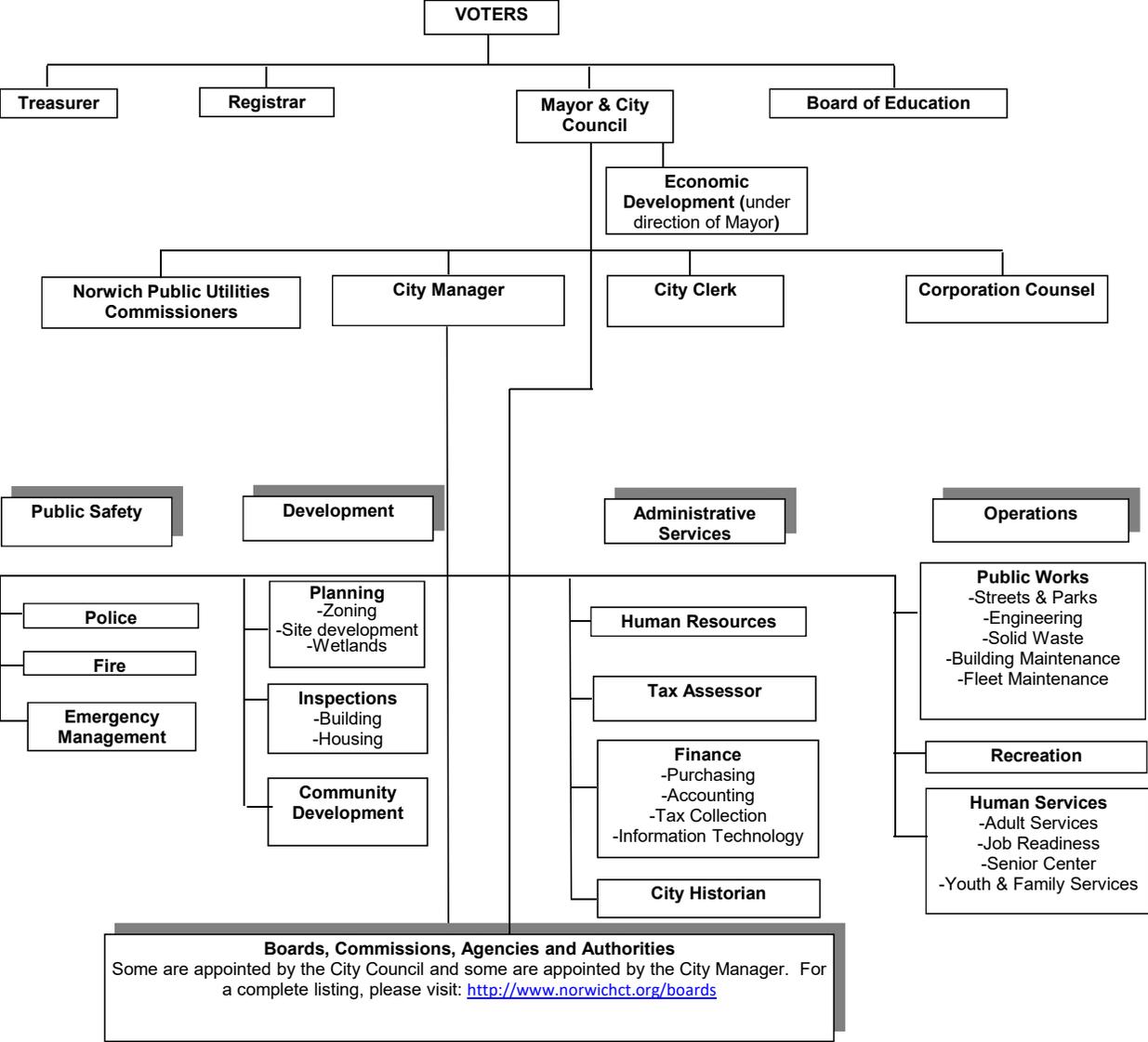
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

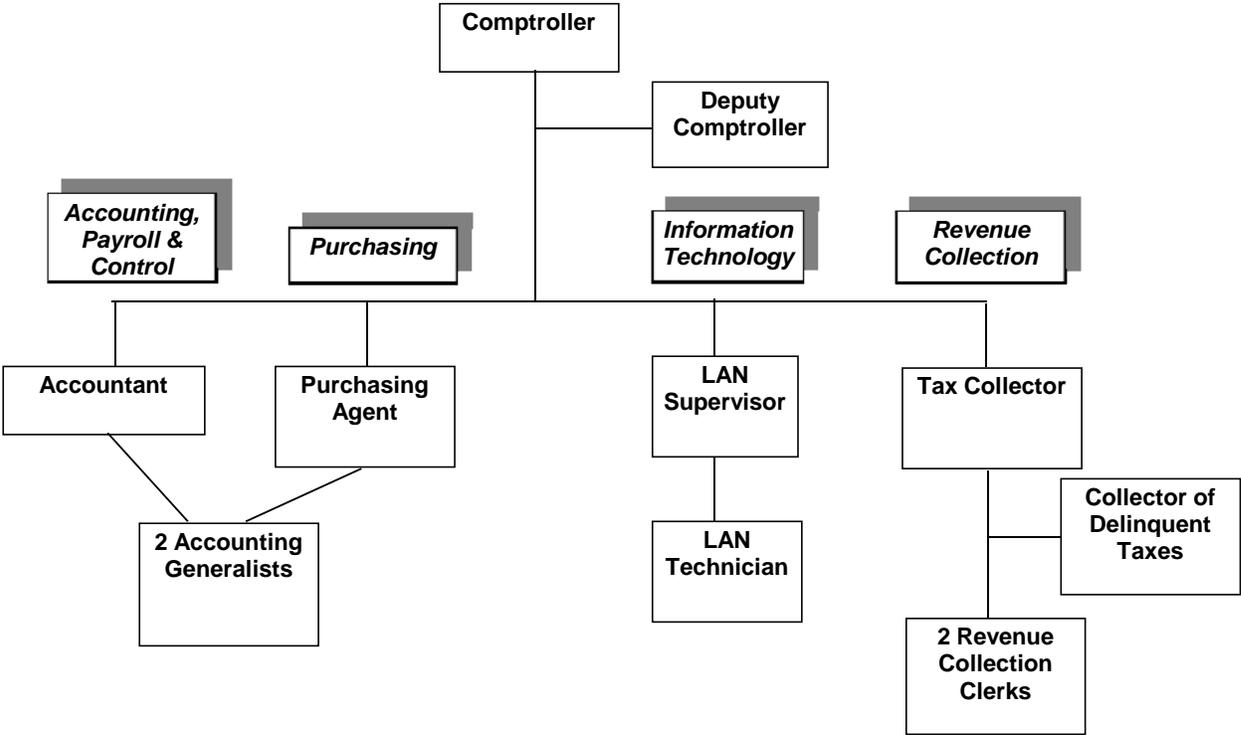
Christopher P. Morill

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>
Peter A. Nystrom, Mayor (R)	4 Years	12/7/21
William L. Nash, President Pro Tempore (R)	2 Years	12/3/19
Samuel P. Browning IV (D)	2 Years	12/3/19
Stephanie L. Burnham (D)	2 Years	12/3/19
Joseph A. DeLucia (D)	2 Years	12/3/19
Stacy L. Gould (R)	2 Years	12/3/19
Joanne M. Philbrick (R)	2 Years	12/3/19

Board of Education

	<u>Term Length</u>	<u>Term Expires</u>
Dr. Yvette Jacaruso, Chairperson (D)	2 Years	12/3/19
Joyce C. Werden, Vice Chairperson (D)	2 Years	12/3/19
Heather Romanski, Secretary (D)	2 Years	12/3/19
Robert J. Aldi (D)	2 Years	12/3/19
Aaron Daniels (R)	2 Years	12/3/19
Mark Kulos (D)	2 Years	12/3/19
James Maloney (D)	2 Years	12/3/19
Dennis Slopak (R)	2 Years	12/3/19
Patricia F. Staley (R)	2 Years	12/3/19

Treasurer

	<u>Term Length</u>	<u>Term Expires</u>
Michael Gualtieri (R)	2 Years	12/3/19

Registrar of Voters

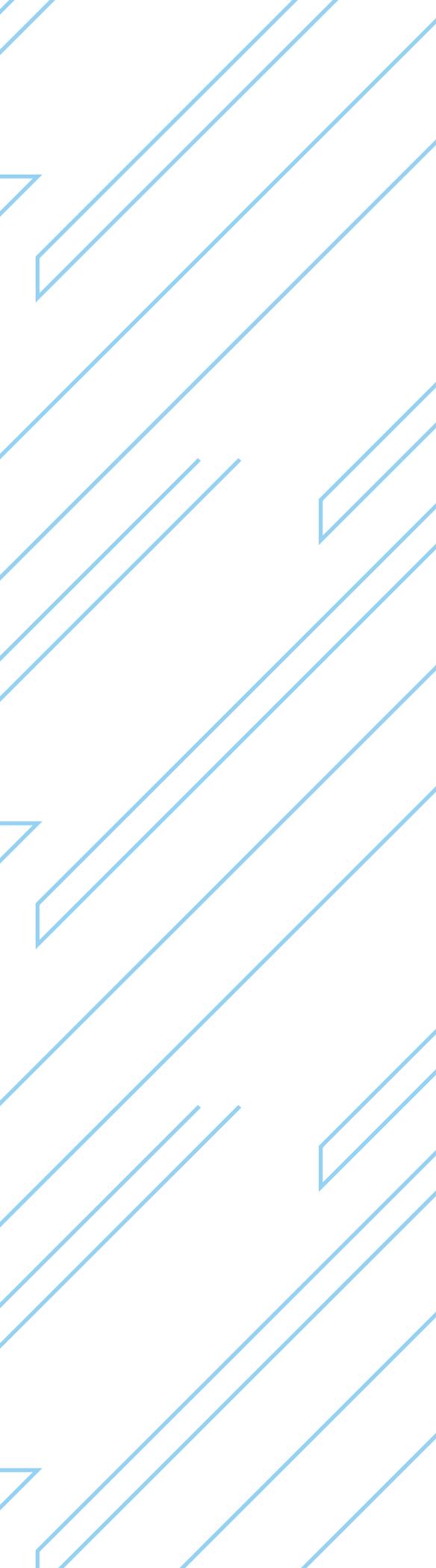
	<u>Term Length</u>	<u>Term Expires</u>
Dianne Daniels (D)	4 Years	1/6/21
Dianne Slopak (R)	4 Years	1/6/21

Appointed NPU Commissioners

	<u>Term Length</u>	<u>Term Expires</u>
Dr. Grace Jones, Chairperson (D)	5 Years	2/28/21
Stewart Peil, Vice Chairperson (R)	5 Years	3/01/22
Robert A. Staley, Secretary (R)	5 Years	3/01/23
Stephen Becker (R)	5 Years	3/01/19
Michael A. Goldblatt, (R)	5 Years	3/01/20

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	Jeffrey Arn	(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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of and for the year ended June 30, 2018, 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, 2018 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the City of Norwich, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the City of Norwich, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. 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 80 through 83 and the pension and OPEB schedules on pages 84 through 94 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 statements of the City of Norwich, Connecticut, as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated November 15, 2017, 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, 2017 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 2017 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2018

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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, 2018. 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 \$134.5 million. Total net position for governmental activities at fiscal year end was \$20.0 million, and total net position for business-type activities was \$114.6 million. Total unrestricted net deficit at June 30, 2018 was \$75.6 million.
- On a government-wide basis, during the year, the City's net position increased by \$5.0 million from \$129.5 million to \$134.5 million. Governmental activities net position increased by \$0.3 million, and net position increased by \$4.7 million for business-type activities. Governmental activities expenses were \$166.2 million, while total revenues including transfers were \$166.5 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$29.8 million, a decrease of \$2.6 million from the prior fiscal year. Of the total fund balance as of June 30, 2018, \$15.2 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 \$15.6 million, a decrease of \$2.1 million from the prior fiscal year. As of June 30, 2018, all of the \$15.6 million fund balance is unrestricted, representing 12.5% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt decreased by \$4.7 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 \$129.5 million to \$134.5 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		Business-Type		Total	
	Activities		Activities			
	2018	2017 (as Restated)	2018	2017 (as Restated)	2018	2017 (as Restated)
Current and other assets	\$ 70,108	\$ 70,571	\$ 52,866	\$ 44,954	\$ 122,974	\$ 115,525
Capital assets	120,959	125,054	150,737	149,131	271,696	274,185
Total assets	<u>191,067</u>	<u>195,625</u>	<u>203,603</u>	<u>194,085</u>	<u>394,670</u>	<u>389,710</u>
Deferred outflows of resources	10,050	10,590	3,858	4,664	13,908	15,254
Long-term debt outstanding	167,293	177,682 *	80,756	76,476 *	248,049	254,158
Unearned revenue	627	686	1,165	1,354	1,792	2,040
Other liabilities	10,880	8,036	10,338	11,072	21,218	19,108
Total liabilities	<u>178,800</u>	<u>186,404</u>	<u>92,259</u>	<u>88,902</u>	<u>271,059</u>	<u>275,306</u>
Deferred inflows of resources	2,365	176	626	-	2,991	176
Net Position:						
Net investment in capital assets	77,058	78,005	131,273	133,414	208,331	211,419
Restricted	1,697	1,656	120	273	1,817	1,929
Unrestricted	<u>(58,803)</u>	<u>(60,026) *</u>	<u>(16,817)</u>	<u>(23,840) *</u>	<u>(75,620)</u>	<u>(83,866)</u>
Total Net Position	<u>\$ 19,952</u>	<u>\$ 19,635</u>	<u>\$ 114,576</u>	<u>\$ 109,847</u>	<u>\$ 134,528</u>	<u>\$ 129,482</u>

* As Restated

Net position of the City's governmental activities increased by \$0.4 million (\$20.0 million compared to \$19.6 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$(60.0) million at June 30, 2017 to (\$58.8) million at the end of this year. The unrestricted net position of business-type activities increased from \$(23.8) million compared to (\$16.8) million during 2018.

It is important to note that the recognition of the net OPEB liability on the financial statements through the implementation of GASB Statement 75 caused a significant decrease in unrestricted net position for both governmental and business-type activities in 2017, as restated. 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. OPEB liabilities are long-term ones which the City fund through the annual budget process.

Table 2
CHANGES IN NET POSITION
(In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,953	\$ 5,333	\$ 96,510	\$ 89,995	\$ 101,463	\$ 95,328
Operating grants and contributions	64,515	64,394			64,515	64,394
Capital grants and contributions	2,288	634	2,421	4,585	4,709	5,219
General revenues:						
Property taxes	79,996	79,343			79,996	79,343
Grants and contributions not restricted to specific purposes	4,404	5,580			4,404	5,580
Unrestricted investment earnings	609	394	56	13	665	407
Other general revenues	1,297	1,301			1,297	1,301
Total revenues	<u>158,062</u>	<u>156,979</u>	<u>98,987</u>	<u>94,593</u>	<u>257,049</u>	<u>251,572</u>
Program expenses:						
General government	9,680	9,693			9,680	9,693
Public safety	29,139	32,410			29,139	32,410
Social services	4,885	4,142			4,885	4,142
Public works	10,374	13,245			10,374	13,245
Education	110,987	108,916			110,987	108,916
Interest on long-term debt	1,145	1,351			1,145	1,351
Department of Public Utilities			84,253	79,481	84,253	79,481
Other enterprise funds			1,540	1,629	1,540	1,629
Total program expenses	<u>166,210</u>	<u>169,757</u>	<u>85,793</u>	<u>81,110</u>	<u>252,003</u>	<u>250,867</u>
Excess (deficiency) before transfers	(8,148)	(12,778)	13,194	13,483	5,046	705
Transfers	<u>8,465</u>	<u>8,516</u>	<u>(8,465)</u>	<u>(8,516)</u>		
Increase (Decrease) in Net Position	317	(4,262)	4,729	4,967	5,046	705
Net Position at Beginning of Year	19,635	59,645	109,847	109,196	129,482	168,841
Restatement		<u>(35,748)</u>		<u>(4,316)</u>	-	<u>(40,064)</u>
Net Position at End of Year	<u>\$ 19,952</u>	<u>\$ 19,635</u>	<u>\$ 114,576</u>	<u>\$ 109,847</u>	<u>\$ 134,528</u>	<u>\$ 129,482</u>

The City's total revenues were \$257.0 million. The total cost of all programs and services was \$252.0 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's assets by \$0.3 million during the year. Total revenues of \$158.1 million and \$8.5 million in transfers from the City's business-type activities provided funding for the City's \$166.2 million of governmental program expenses incurred during the year.

The City's revenues increased \$1.1 million (\$158.1 million compared to \$157.0 million) which was primarily caused by increases in property tax and investment earnings.

Total program expenses were \$166.2 million as compared with \$169.8 million reported last year. The decrease is largely attributable to the decrease in the net OPEB liability from fiscal year 2017 to 2018 due to plan design changes and other actuarial gains.

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)

	Total Cost of Services		Net Cost of Services	
	2017		2017	
	2018	(as Restated)	2018	(as Restated)
General government	\$ 9,680	\$ 10,522	\$ 7,578	\$ 8,481
Public safety	29,139	72,870	27,732	72,149
Social services	4,885	4,614	1,823	3,199
Public works	10,374	14,539	7,422	13,383
Education	110,987	101,609	48,754	37,215
All others	1,145	1,351	1,145	717
Totals	<u>\$ 166,210</u>	<u>\$ 205,505</u>	<u>\$ 94,454</u>	<u>\$ 135,144</u>

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$4.4 million during the year (\$99.0 million in 2018 compared to \$94.6 million in 2017) and expenses increased by \$4.7 million. Overall net position increased \$4.7 million in 2018.

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 \$29.8 million, which is a decrease of \$2.6 million from last year's total of \$32.4 million. Included in this year's total change in fund balance is a decrease of \$2.1 million in the City's General Fund. The primary reasons for the General Fund's decrease are the lower than anticipated state grant revenues and increases in education expenditures. 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 \$3.6 million at June 30, 2018. The fund balance decreased by \$1.6 million during the year due to the spending down of prior year bond issuances.

The Education Grants Fund reported a fund balance of \$0.4 million which was \$0.1 million higher than last year.

The other governmental funds have a total fund balance of \$10.3 million - a \$1.1 million increase from last year.

Proprietary Funds

Net position of the Department of Public Utilities was \$106.8 million, as compared to \$101.9 million in the prior year, and City's other nonmajor enterprise funds net position decreased \$0.2 million to \$7.8 million from \$8.0 million.

Unrestricted net deficit of the Department of Public Utilities was \$14.8 million, and a deficit of \$2.0 million for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$95.2 million from user fees, and other enterprise funds had \$1.3 million. The total increase in net position for the fiscal year ended June 30, 2018 was \$4.7 million. The change in the Department of Public Utilities net position is largely attributable to investments in capital assets, including \$2.4 million of contributed capital.

General Fund Budgetary Highlights

The General Fund had a supplemental appropriation of \$583 due to increased special education costs.

During the year, actual revenues and other financing sources on a budgetary basis were \$122.6 million, which was \$1.2 million lower than budgetary estimates. The variance was caused primarily by decreased state grant revenues (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$124.3 million, which were higher than actual revenues and other financing sources on a budgetary basis by \$1.7 million. Actual expenditures on a budgetary basis were \$0.1 million less than the adjusted budget. 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, 2018, the City had \$271.7 million invested in a broad range of capital assets, including land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges - Table 4. This amount represents a net decrease (including additions, deductions and depreciation) of \$2.5 million, or 0.1%, compared to last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 26,093	\$ 25,726	\$ 3,268	\$ 3,255	\$ 29,361	\$ 28,981
Buildings and improvements	65,337	68,674	29,670	28,791	95,007	97,465
Vehicles, machinery, equipment, pumping and distributions systems	6,644	7,162	101,298	104,003	107,942	111,165
Technology upgrade and road infrastructure	21,391	22,336			21,391	22,336
Construction in progress	1,494	1,156	16,501	13,082	17,995	14,238
Totals	\$ 120,959	\$ 125,054	\$ 150,737	\$ 149,131	\$ 271,696	\$ 274,185

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

Digester roof replacement	\$	2,706
Mohegan tank replacement		2,560
Road paving		<u>905</u>
Total	\$	<u><u>6,171</u></u>

The City's fiscal-year 2018-19 capital budget calls for spending \$2.9 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, 2018, the City had total bonds and notes outstanding of \$66.9 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt decreased by \$0.7 million during fiscal 2018.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 47,407	\$ 52,116	\$ 112	\$ 147	\$ 47,519	\$ 52,263
Notes payable			1,896		1,896	
Serial notes payable			<u>17,456</u>	<u>15,351</u>	<u>17,456</u>	<u>15,351</u>
Total	<u>\$ 47,407</u>	<u>\$ 52,116</u>	<u>\$ 19,464</u>	<u>\$ 15,498</u>	<u>\$ 66,871</u>	<u>\$ 67,614</u>

In November 2018, Standard & Poor's assigned an AA rating on Norwich's \$8 million capital bond issue and affirmed this rating on the rest of Norwich's debt outstanding as of that date. On October 16, 2018, Fitch Ratings affirmed its AA rating with a stable outlook on the \$1.2 million of outstanding bonds for which Fitch had originally issued a rating. In January 2018, Moody's downgraded Norwich's rating from Aa2 to Aa3.

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the City of Norwich is \$559 million. The City's outstanding general obligation debt is at 7.36% 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

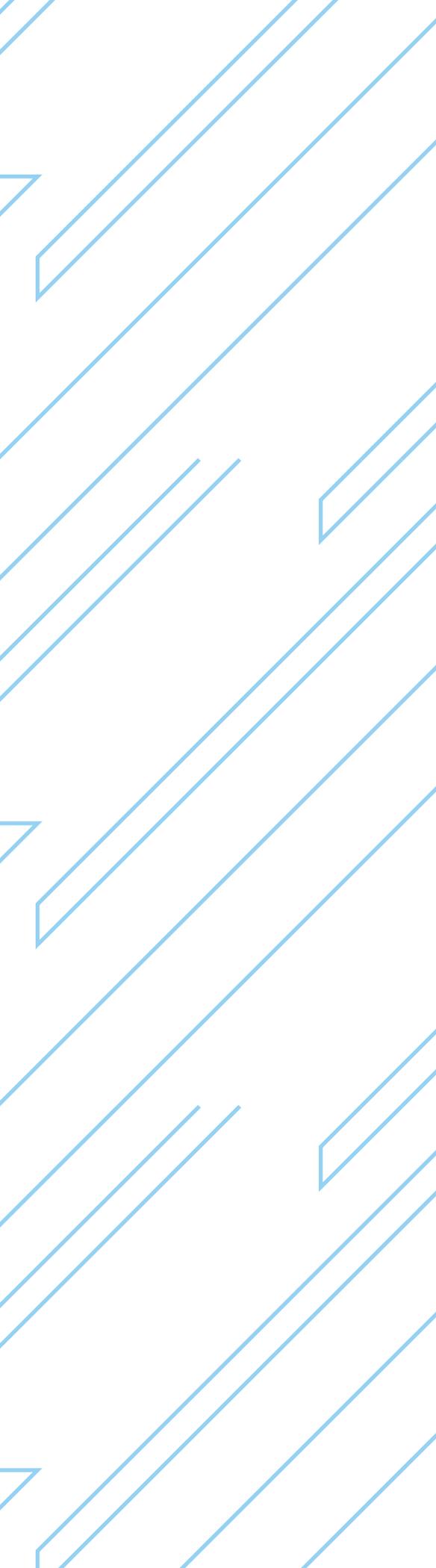
As of September 2018, the unemployment rate for the Norwich was 4.2%, down from 5.4% in the prior year. Connecticut's overall unemployment rate stood at 3.8%, compared with 5.0% for the same time last year. The State of Connecticut's education and noneducation formula grants have not kept pace with inflation. 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 2019 General Fund budget calls for \$126.1 million in revenues and expenditures, an approximate 1.84% increase in over fiscal year 2018. Noneducation expenditures decreased by 0.02% and education expenditures increased by 3.00%. On the revenue side, the fiscal year 2019 mill rate increased 0.49 mills, or 1.21%, from 40.52 to 41.01. \$200 of unrestricted fund balance was used to balance the budget.

In the City's business-type activities, the Norwich Public Utilities projects a 0.2% decrease in revenues from fiscal year 2018 from \$98.9 million to \$98.7 million. This decrease is largely due to decreases in electric rates. Norwich Public Utilities budgeted \$25.8 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, 2018
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 6,071	\$ 35,495	\$ 41,566
Investments	33,749		33,749
Receivables, net	29,435	15,352	44,787
Internal balances	755	(755)	-
Due from Fiduciary Funds	50		50
Inventories		1,787	1,787
Other assets	48	987	1,035
Capital assets:			
Assets not being depreciated	27,587	19,769	47,356
Assets being depreciated, net	93,372	130,968	224,340
Total assets	<u>191,067</u>	<u>203,603</u>	<u>394,670</u>
Deferred Outflows of Resources:			
Deferred outflow of resources related to pensions	9,481	3,811	13,292
Deferred outflow of resources related to OPEB	162	47	209
Deferred charge on refunding	407		407
Total deferred outflows of resources	<u>10,050</u>	<u>3,858</u>	<u>13,908</u>
Liabilities:			
Accounts and other payables	10,251	10,338	20,589
Due to Fiduciary Funds	629		629
Unearned revenue	627	1,165	1,792
Noncurrent liabilities:			
Due within one year	8,796	4,463	13,259
Due in more than one year	158,497	76,293	234,790
Total liabilities	<u>178,800</u>	<u>92,259</u>	<u>271,059</u>
Deferred Inflows of Resources:			
Deferred inflow of resources related to pensions	407	53	460
Deferred inflow of resources related to OPEB	1,958	573	2,531
Total deferred inflows of resources	<u>2,365</u>	<u>626</u>	<u>2,991</u>
Net Position:			
Net investment in capital assets	77,058	131,273	208,331
Restricted for trust purposes:			
Permanent	1,697		1,697
Restricted for energy conservation		120	120
Unrestricted	<u>(58,803)</u>	<u>(16,817)</u>	<u>(75,620)</u>
Total Net Position	<u>\$ 19,952</u>	<u>\$ 114,576</u>	<u>\$ 134,528</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, 2018
(In Thousands)**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 9,680	\$ 1,893	\$ 209	\$ -	\$ (7,578)	\$ -	\$ (7,578)
Public safety	29,139	553	807	47	(27,732)	-	(27,732)
Social services	4,885	601	2,461	-	(1,823)	-	(1,823)
Public works	10,374	667	44	2,241	(7,422)	-	(7,422)
Education	110,987	1,239	60,994	-	(48,754)	-	(48,754)
Interest on long-term debt	1,145	-	-	-	(1,145)	-	(1,145)
Total governmental activities	<u>166,210</u>	<u>4,953</u>	<u>64,515</u>	<u>2,288</u>	<u>(94,454)</u>	<u>-</u>	<u>(94,454)</u>
Business-type activities:							
Department of Public Utilities:							
Gas	16,999	19,869	-	271	-	3,141	3,141
Electric	49,345	55,672	-	285	-	6,612	6,612
Water	8,544	11,036	-	338	-	2,830	2,830
Sewer	9,365	8,641	-	1,527	-	803	803
Nonmajor Enterprise Funds:							
Golf Course Authority	1,085	978	-	-	-	(107)	(107)
Stadium Authority	331	149	-	-	-	(182)	(182)
Ice Rink Authority	124	165	-	-	-	41	41
Total business-type activities	<u>85,793</u>	<u>96,510</u>	<u>-</u>	<u>2,421</u>	<u>-</u>	<u>13,138</u>	<u>13,138</u>
Total	<u>\$ 252,003</u>	<u>\$ 101,463</u>	<u>\$ 64,515</u>	<u>\$ 4,709</u>	<u>(94,454)</u>	<u>13,138</u>	<u>(81,316)</u>
General revenues:							
Property taxes					79,996		79,996
Grants and contributions not restricted to specific programs					4,404		4,404
Unrestricted investment earnings					609	56	665
Miscellaneous					1,297		1,297
Total general revenues					<u>86,306</u>	<u>56</u>	<u>86,362</u>
Transfers					8,465	(8,465)	-
Change in Net Position					317	4,729	5,046
Net Position at Beginning of Year, as Restated					<u>19,635</u>	<u>109,847</u>	<u>129,482</u>
Net Position at End of Year					<u>\$ 19,952</u>	<u>\$ 114,576</u>	<u>\$ 134,528</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(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	\$ 5,404	\$	\$	\$ 667	\$ 6,071
Investments	32,119			1,630	33,749
Receivables, net	6,492	9	961	8,178	15,640
Due from other funds	2,275	3,641	1,694	6,026	13,636
Other assets				48	48
Total Assets	<u>\$ 46,290</u>	<u>\$ 3,650</u>	<u>\$ 2,655</u>	<u>\$ 16,549</u>	<u>\$ 69,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 7,143	\$ 37	\$ 2,252	\$ 649	\$ 10,081
Due to other funds	17,803			1,365	19,168
Unearned revenue	44		31	552	627
Total liabilities	<u>24,990</u>	<u>37</u>	<u>2,283</u>	<u>2,566</u>	<u>29,876</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	3,794			227	4,021
Unavailable revenue - special assessments	1,942			107	2,049
Unavailable revenue - loans receivable				3,387	3,387
Total deferred inflows of resources	<u>5,736</u>	<u>-</u>	<u>-</u>	<u>3,721</u>	<u>9,457</u>
Fund balances:					
Nonspendable				1,733	1,733
Restricted		3,613		2,491	6,104
Committed			372	6,137	6,509
Assigned	261				261
Unassigned	15,303			(99)	15,204
Total fund balances	<u>15,564</u>	<u>3,613</u>	<u>372</u>	<u>10,262</u>	<u>29,811</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 46,290</u>	<u>\$ 3,650</u>	<u>\$ 2,655</u>	<u>\$ 16,549</u>	<u>\$ 69,144</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018
(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	\$ 29,811
--	-----------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 200,679	
Less accumulated depreciation	<u>(79,720)</u>	
Net capital assets		120,959

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	2,989
Interest receivable on property taxes	1,033
Housing rehabilitation loans	3,375
Accounts and other receivables	15,820
Deferred outflows:	
Deferred outflow of resources related to pensions	9,481
Deferred outflow of resources related to OPEB	162

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.

359

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	(45,000)
Deferred charge on refunding	407
Unamortized bond premium	(2,407)
Interest payable on bonds and notes	(156)
Compensated absences	(3,276)
Landfill closure	(211)
Capital lease	(514)
Net pension liability	(75,908)
Net OPEB liability	(34,607)
Deferred inflow of resources related to pensions	(407)
Deferred inflow of resources related to OPEB	<u>(1,958)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 19,952</u>
---	------------------

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, 2018
(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	\$ 74,954	\$	\$	\$ 4,521	\$ 79,475
Intergovernmental revenues	48,284	88	14,578	8,054	71,004
Charges for services	1,811		330	1,972	4,113
Licenses, permits and fees	409				409
Investment income	458			150	608
Other	1,101			2,080	3,181
Total revenues	<u>127,017</u>	<u>88</u>	<u>14,908</u>	<u>16,777</u>	<u>158,790</u>
Expenditures:					
Current:					
General government	5,685			355	6,040
Public safety	18,987			9,026	28,013
Social services	1,965			2,968	4,933
Public works	10,618			34	10,652
Education	88,133		14,860	4,548	107,541
Other	3,135				3,135
Capital outlay		1,735		1,691	3,426
Debt service				6,099	6,099
Total expenditures	<u>128,523</u>	<u>1,735</u>	<u>14,860</u>	<u>24,721</u>	<u>169,839</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,506)</u>	<u>(1,647)</u>	<u>48</u>	<u>(7,944)</u>	<u>(11,049)</u>
Other Financing Sources (Uses):					
Transfers in	6,351			9,362	15,713
Transfers out	<u>(6,962)</u>			<u>(286)</u>	<u>(7,248)</u>
Total other financing sources (uses)	<u>(611)</u>	<u>-</u>	<u>-</u>	<u>9,076</u>	<u>8,465</u>
Net Change in Fund Balances	(2,117)	(1,647)	48	1,132	(2,584)
Fund Balances at Beginning of Year	<u>17,681</u>	<u>5,260</u>	<u>324</u>	<u>9,130</u>	<u>32,395</u>
Fund Balances at End of Year	<u>\$ 15,564</u>	<u>\$ 3,613</u>	<u>\$ 372</u>	<u>\$ 10,262</u>	<u>\$ 29,811</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, 2018
(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)	\$ (2,584)
---	------------

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	3,269
Depreciation expense	(6,646)

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.

	(717)
--	-------

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	312
Property tax interest and lien revenue - accrual basis change	209
Housing loan repayments	57
Accounts and other receivables - accrual basis change	(859)
Change in deferred outflows:	
Deferred outflow of resources related to pensions	(627)
Deferred outflow of resources related to OPEB	162

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:

Bond principal payments	4,430
Amortization of deferred charge on refunding	(75)
Amortization of premiums	279
Capital lease payments	161

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	(98)
Accrued interest	115
Landfill postclosure care	14
Change in net pension liability	(754)
Change in net OPEB liability	5,922
Change in deferred inflows:	
Deferred inflow of resources related to pensions	(231)
Deferred inflow of resources related to OPEB	(1,958)

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>(64)</u>
--	-------------

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 317</u>
--	---------------

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 35,495	\$	\$ 35,495	\$
Receivables, net	15,259	93	15,352	36
Due from other funds	55	50	105	5,708
Inventories	1,787		1,787	
Other assets	987		987	
Total current assets	53,583	143	53,726	5,744
Capital assets, net	140,852	9,885	150,737	
Total assets	194,435	10,028	204,463	5,744
Deferred Outflows of Resources:				
Deferred outflow of resources related to pensions	3,811		3,811	
Deferred outflow of resources related to OPEB	47		47	
Total deferred outflows of resources	3,858	-	3,858	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	8,001	155	8,156	15
Notes payable	1,237		1,237	
Bonds payable	11	30	41	
Compensated absences	1,791		1,791	
Risk management claims	329		329	2,481
Cash advances from other funds	1,065		1,065	
Due to other funds		860	860	
Unearned revenue		1,165	1,165	
Total current liabilities	12,434	2,210	14,644	2,496
Noncurrent liabilities:				
Customer deposits	2,182		2,182	
Notes payable	18,115		18,115	
Bonds payable	11	60	71	
Compensated absences	2,633		2,633	
Risk management claims	751		751	2,889
Cash advances from other funds	12,737		12,737	
Net pension liability	35,848		35,848	
Net OPEB liability	6,138		6,138	
Total noncurrent liabilities	78,415	60	78,475	2,889
Total liabilities	90,849	2,270	93,119	5,385
Deferred Inflows of Resources:				
Deferred inflow of resources related to pensions	53		53	
Deferred inflow of resources related to OPEB	573		573	
Total deferred inflows of resources	626	-	626	-
Net Position:				
Net investment in capital assets	121,478	9,795	131,273	
Restricted for energy conservation	120		120	
Unrestricted	(14,780)	(2,037)	(16,817)	359
Total Net Position	\$ 106,818	\$ 7,758	\$ 114,576	\$ 359

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, 2018
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 91,693	\$ 1,127	\$ 92,820	\$ 18,130
Use of property	1,646		1,646	
Other services	1,879		1,879	
Rent		165	165	
Total operating revenues	<u>95,218</u>	<u>1,292</u>	<u>96,510</u>	<u>18,130</u>
Operating Expenses:				
Purchased gas and electric	32,795		32,795	
Operations and maintenance	15,083	1,202	16,285	
General and administrative	17,536		17,536	
Depreciation	7,853	335	8,188	
Customer accounts	3,607		3,607	
Pension expense	254		254	
OPEB expense	2,348		2,348	
Gross revenue and property taxes	2,885		2,885	
Claims			-	16,419
Premiums and administrative charges			-	1,775
Total operating expenses	<u>82,361</u>	<u>1,537</u>	<u>83,898</u>	<u>18,194</u>
Operating Income (Loss)	<u>12,857</u>	<u>(245)</u>	<u>12,612</u>	<u>(64)</u>
Nonoperating Income (Expense):				
Interest income	56		56	
Interest expense	(928)	(3)	(931)	
Loss on disposal of capital assets	(964)		(964)	
Total nonoperating expense	<u>(1,836)</u>	<u>(3)</u>	<u>(1,839)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	11,021	(248)	10,773	(64)
Capital contributions	2,421		2,421	
Transfers in		24	24	
Transfers out	<u>(8,489)</u>		<u>(8,489)</u>	
Change in Net Position	4,953	(224)	4,729	(64)
Total Net Position at Beginning of Year, as Restated	<u>101,865</u>	<u>7,982</u>	<u>109,847</u>	<u>423</u>
Total Net Position at End of Year	<u>\$ 106,818</u>	<u>\$ 7,758</u>	<u>\$ 114,576</u>	<u>\$ 359</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, 2018
(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	\$ 95,205	\$ 1,197	\$ 96,402	\$ 3,401
Cash receipts for interfund services provided			-	15,221
Cash paid to vendors	(50,673)	(1,102)	(51,775)	(18,622)
Cash paid to employees for services	(23,218)		(23,218)	
Net cash provided by (used in) operating activities	<u>21,314</u>	<u>95</u>	<u>21,409</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,489)		(8,489)	
Customer deposits	431		431	
Advances from (to) other funds	(102)	24	(78)	
Net cash provided by (used in) noncapital and related financing activities	<u>(8,160)</u>	<u>24</u>	<u>(8,136)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	2,421		2,421	
Purchases of capital assets	(9,544)	(91)	(9,635)	
Proceeds from sale of capital assets	36		36	
Proceeds from long-term debt	5,083		5,083	
Principal payment on bonds and notes	(1,091)	(25)	(1,116)	
Principal payment on capital leases	(219)		(219)	
Interest payment on debt	(928)	(3)	(931)	
Cash advances from the City of Norwich	(649)		(649)	
Net cash provided by (used in) capital and related financing activities	<u>(4,891)</u>	<u>(119)</u>	<u>(5,010)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>56</u>		<u>56</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	8,319	-	8,319	-
Cash and Cash Equivalents at Beginning of Year	<u>27,176</u>	<u>-</u>	<u>27,176</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,495</u>	<u>\$ -</u>	<u>\$ 35,495</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 12,857	\$ (245)	\$ 12,612	\$ (64)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	7,853	335	8,188	
Change in net pension liability and related deferred outflows/inflows	254		254	
Change in net OPEB liability and related deferred outflows/inflows	2,347		2,347	
(Increase) decrease in receivables	(12)	5	(7)	141
(Increase) decrease in inventories and other assets	399		399	
(Increase) decrease in due from other funds		107	107	351
Increase (decrease) in due to other funds		10	10	
Increase (decrease) in unearned revenues		(189)	(189)	
Increase (decrease) in accounts payable and accrued liabilities	(2,384)	72	(2,312)	(428)
Total adjustments	<u>8,457</u>	<u>340</u>	<u>8,797</u>	<u>64</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 21,314</u>	<u>\$ 95</u>	<u>\$ 21,409</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, 2018
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 501	\$ 458
Investments:		
U.S. government securities	17,749	
U.S. government agencies	9,884	
Corporate bonds	22,547	
Mutual funds	86,303	
Common stock	56,404	
Real estate	896	
Preferred stock	297	
Other receivables		103
Due from other funds	<u>629</u>	
Total assets	<u>195,210</u>	<u>\$ 561</u>
Liabilities:		
Accounts and other payables	433	\$
Due to other funds	50	
Due to student groups and agencies		<u>561</u>
Total liabilities	<u>483</u>	<u>\$ 561</u>
Net Position:		
Restricted for OPEB Benefits	18,349	
Restricted for Pensions	<u>176,378</u>	
	<u>\$ 194,727</u>	

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, 2018
(In Thousands)**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 16,024
Plan members	3,878
Total contributions	<u>19,902</u>
Investment income:	
Net change in fair value of investments	9,375
Interest and dividends	4,853
Total investment income	<u>14,228</u>
Less investment expense	<u>(904)</u>
Net investment income	<u>13,324</u>
Total additions	<u>33,226</u>
Deductions:	
Benefits	21,963
Administration	75
Lump sum distributions and withdrawals	438
Total deductions	<u>22,476</u>
Change in Net Position	10,750
Net Position Held in Trust for Pension and Other Post Employment Benefits at Beginning of Year	<u>183,977</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 194,727</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(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, 2018
(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, 2018
(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 \$765 has been established as an allowance for uncollected taxes. At June 30, 2018, this represents 17.2% of property taxes receivable.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(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 and OPEB 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 and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(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 and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenues from several sources: property taxes, special assessments, 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. Net OPEB Liability

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Assigned Fund Balance

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

Unassigned Fund Balance

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

The City Council adopted by ordinance a formal General Fund 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.

In May 2018, the City Council voted to suspend portions of the UFB policy and lower the floor of UFB from 12% to 10% until 2022, which enables the City to appropriate some UFB to balance budgets during that time period. The City used \$200 of UFB to balance the 2018-19 General Fund budget.

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, 2018, the City adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, expands disclosure and reporting requirements for postemployment benefits and requires that the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) be recorded in addition to any associated deferred outflows/inflows. The expanded disclosure is included in Note 13 and in the required supplemental information schedules. Restatements recorded as a result of the implementation are detailed further at Note 19.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

P. Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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 2018, additional appropriations totaling \$584 and \$148 were made to the General Fund and Fire Districts Fund, respectively.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

B. Deficit Fund Equity

Certain individual funds had fund balance/net position deficits at June 30, 2018 as follows:

Nonmajor Governmental Funds:	
Dog License	\$ 99*
Nonmajor Enterprise Funds:	
Ice Rink Authority	448*
Internal Service Funds:	
Workers' Compensation	1,005*

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$63,972 of the City’s bank balance of \$69,037 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 57,175
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>6,797</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 63,972</u>

Cash Equivalents

At June 30, 2018, 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.

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

4. INVESTMENTS

As of June 30, 2018, 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	\$ 25,154	\$ 9,948	\$ 15,206	\$
U.S. Government Securities	24,714	6,965	15,673	2,076
U.S. Government Agencies	9,884	464	107	9,313
Municipal Bonds	258		182	76
Corporate Bonds	<u>22,806</u>		<u>19,426</u>	<u>3,380</u>
Total	82,816	<u>\$ 17,377</u>	<u>\$ 50,594</u>	<u>\$ 14,845</u>
Other investments:				
Mutual Funds	86,427			
Common Stock	57,393			
Preferred Stock	297			
Real Estate	<u>896</u>			
Total Investments	<u>\$ 227,829</u>			

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	\$ 2,039	\$ 24,714	\$ 9,884	\$	\$
Aa1	34				
Aa2	195				
Aa3	202				
A1	368				
A2	685				
A3	4,587				
Baa1	2,532				
Baa2	877				
Baa3	4,047				
Ba1	1,791				
Ba2	1,278				
Ba3	251				
B1	42				
B2	407				
B3	416				
Unrated	<u>3,055</u>			<u>258</u>	<u>25,154</u>
	<u>\$ 22,806</u>	<u>\$ 24,714</u>	<u>\$ 9,884</u>	<u>\$ 258</u>	<u>\$ 25,154</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018:

	June 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt Securities:				
U.S. Government Securities	\$ 24,714	\$ 24,714	\$	\$
U.S. Government Agencies	9,884	9,884		
Municipal Bonds	258	258		
Corporate Bonds	22,806	22,806		
Equity Securities:				
Common Stock	57,393	57,393		
Preferred Stock	297	297		
Mutual Funds	86,427	86,427		
Real Estate	896	896		
Total investments by fair value level	202,675	\$ 202,675	\$ -	\$ -
Investments not recorded at fair value:				
Certificate of Deposit	25,154			
Total Investments	\$ 227,829			

Interest Rate Risk

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

Credit Risk - Investments

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

Concentration of Credit Risk

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Custodial Credit Risk

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

5. RECEIVABLES

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

	<u>General</u>	<u>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	\$ 4,168	\$	\$	\$	\$ 276	\$ 4,444
Accrued interest on taxes	1,290					1,290
Intergovernmental	15	9	961		3,819	4,804
User charges				18,526	93	18,619
Assessments	1,942					1,942
Housing and rehabilitation loans					3,690	3,690
Accounts and other	92			173	963	1,228
Gross receivables	<u>7,507</u>	<u>9</u>	<u>961</u>	<u>18,699</u>	<u>8,841</u>	<u>36,017</u>
Less allowance for uncollectibles:						
Taxes	(757)				(8)	(765)
Accrued interest on taxes	(258)					(258)
User charges				(3,440)		(3,440)
Accounts and other					(423)	(423)
Total allowance	<u>(1,015)</u>	<u>-</u>	<u>-</u>	<u>(3,440)</u>	<u>(431)</u>	<u>(4,886)</u>
Net Total Receivables	<u>\$ 6,492</u>	<u>\$ 9</u>	<u>\$ 961</u>	<u>\$ 15,259</u>	<u>\$ 8,410</u>	<u>\$ 31,131</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 1,365
	Nonmajor Enterprise	860
	Pension Trust	50
Bond Expenditure	General Fund	3,641
Education Grants	General Fund	1,694
Nonmajor Governmental	General Fund	6,026
Department of Public Utilities	General Fund	55
Internal Service Funds	General Fund	5,708
Nonmajor Enterprise	General Fund	50
Other Post Employment Benefit Trust	General Fund	629
		<u>20,078</u>
Total		<u>\$ 20,078</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
Transfers out:				
General Fund	\$	\$ 6,962	\$	\$ 6,962
Department of Public Utilities	6,089	2,400		8,489
Nonmajor Governmental	<u>262</u>		<u>24</u>	<u>286</u>
Total Transfers Out	<u>\$ 6,351</u>	<u>\$ 9,362</u>	<u>\$ 24</u>	<u>\$ 15,737</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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	\$ 25,726	\$	\$ 495	\$ (128)	\$ 26,093
Construction in progress	<u>1,156</u>	<u>(565)</u>	<u>909</u>	<u>(6)</u>	<u>1,494</u>
Total capital assets not being depreciated	<u>26,882</u>	<u>(565)</u>	<u>1,404</u>	<u>(134)</u>	<u>27,587</u>
Capital assets being depreciated:					
Buildings and improvements	106,924	62	499	(2,938)	104,547
Vehicles, machinery and equipment	24,893	437	527	(1,040)	24,817
Technology upgrade and infrastructure	<u>42,953</u>	<u>66</u>	<u>838</u>	<u>(129)</u>	<u>43,728</u>
Total capital assets being depreciated	<u>174,770</u>	<u>565</u>	<u>1,864</u>	<u>(4,107)</u>	<u>173,092</u>
Less accumulated depreciation for:					
Buildings and improvements	(38,250)		(3,368)	2,408	(39,210)
Vehicles, machinery and equipment	(17,731)		(1,435)	993	(18,173)
Technology upgrade and infrastructure	<u>(20,617)</u>		<u>(1,843)</u>	<u>123</u>	<u>(22,337)</u>
Total accumulated depreciation	<u>(76,598)</u>	<u>-</u>	<u>(6,646)</u>	<u>3,524</u>	<u>(79,720)</u>
Total capital assets being depreciated, net	<u>98,172</u>	<u>565</u>	<u>(4,782)</u>	<u>(583)</u>	<u>93,372</u>
Governmental Activities Capital Assets, Net	<u>\$ 125,054</u>	<u>\$ -</u>	<u>\$ (3,378)</u>	<u>\$ (717)</u>	<u>\$ 120,959</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 3,255	\$	\$ 13	\$	\$ 3,268
Construction in progress	<u>13,082</u>	<u>(7,329)</u>	<u>10,760</u>	<u>(12)</u>	<u>16,501</u>
Total capital assets not being depreciated	<u>16,337</u>	<u>(7,329)</u>	<u>10,773</u>	<u>(12)</u>	<u>19,769</u>
Capital assets being depreciated:					
Structures and improvements	58,210	2,931		(1,093)	60,048
Machinery, equipment, pumping and distribution systems	<u>235,619</u>	<u>4,398</u>	<u>32</u>	<u>(505)</u>	<u>239,544</u>
Total capital assets being depreciated	<u>293,829</u>	<u>7,329</u>	<u>32</u>	<u>(1,598)</u>	<u>299,592</u>
Less accumulated depreciation for:					
Structures and improvements	(29,419)		(1,115)	156	(30,378)
Machinery, equipment, pumping and distribution systems	<u>(131,616)</u>		<u>(7,073)</u>	<u>443</u>	<u>(138,246)</u>
Total accumulated depreciation	<u>(161,035)</u>	<u>-</u>	<u>(8,188)</u>	<u>599</u>	<u>(168,624)</u>
Total capital assets being depreciated, net	<u>132,794</u>	<u>7,329</u>	<u>(8,156)</u>	<u>(999)</u>	<u>130,968</u>
Business-Type Activities Capital Assets, Net	<u>\$ 149,131</u>	<u>\$ -</u>	<u>\$ 2,617</u>	<u>\$ (1,011)</u>	<u>\$ 150,737</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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

Governmental activities:	
General government	\$ 250
Public safety	967
Social services	94
Public works	3,490
Education	<u>1,845</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>6,646</u>
Business-type activities:	
Department of Public Utilities	\$ 7,853
Golf Course Authority	51
Stadium Authority	170
Ice Rink Authority	<u>114</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u>8,188</u>

Construction Commitments

The City has active construction projects as of June 30, 2018. 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, 2018</u>
Salem Tpke Metering & Regulating Station	\$ 3,219	\$ 24	\$ 31	\$ 3,188
LCTP Phase 2 CWF 607 PG	4,662	1,103	3,383	1,279
WWTP Design & Construction	28,700		6,995	21,705
DWSRF - AMI Metering	2,900	1	6	2,894
Occum Water Tank - Equipment Upgrade	920	362	426	494
Deep River - Sand Filtration Upgrade	2,160	52	53	2,107
Sprague Interconnect Main Extension	3,450	128	129	3,321
Mohegan Park Tank Replacement	3,500	2,560	2,903	597
Stony Brook - North & South Sections Transmission Main	5,820	54	271	5,549
Stony Brook Buoyant Media	7,550	445	846	6,704
Primary Distribution Circuit Upgrades	<u>359</u>	<u>105</u>	<u>107</u>	<u>252</u>
 Total	 \$ <u>63,240</u>	 \$ <u>4,834</u>	 \$ <u>15,150</u>	 \$ <u>48,090</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 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	\$ 49,430	\$	\$ 4,430	\$ 45,000	\$ 4,305
Add unamortized premiums	<u>2,686</u>		<u>279</u>	<u>2,407</u>	<u>281</u>
Total bonds payable	52,116	-	4,709	47,407	4,586
Compensated absences	3,178	1,618	1,520	3,276	1,526
Landfill closure	225		14	211	22
Capital leases	675		161	514	181
Net pension liability	75,154	754		75,908	
Net OPEB liability *	40,529		5,922	34,607	
Risk management claims	<u>5,805</u>	<u>15,984</u>	<u>16,419</u>	<u>5,370</u>	<u>2,481</u>
Governmental Activities Long-Term Liabilities	<u>\$ 177,682</u>	<u>\$ 18,356</u>	<u>\$ 28,745</u>	<u>\$ 167,293</u>	<u>\$ 8,796</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 147	\$	\$ 35	\$ 112	\$ 41
Notes payable		1,896		1,896	143
State of Connecticut - serial note	<u>15,351</u>	<u>3,186</u>	<u>1,081</u>	<u>17,456</u>	<u>1,094</u>
Total bonds and notes payable	15,498	5,082	1,116	19,464	1,278
Compensated absences	4,547	1,614	1,737	4,424	1,791
Capital leases	219		219	-	
Workers' compensation	944	464	328	1,080	329
Net pension liability	36,501		653	35,848	
Net OPEB liability *	4,316	1,822		6,138	
Cash advances	<u>14,451</u>	<u>414</u>	<u>1,063</u>	<u>13,802</u>	<u>1,065</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 76,476</u>	<u>\$ 9,396</u>	<u>\$ 5,116</u>	<u>\$ 80,756</u>	<u>\$ 4,463</u>

* As restated and further detailed in Note 19

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

A schedule of bonds outstanding at June 30, 2018 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2018
Governmental Activities:					
General Purpose Bonds Payable:					
Schools	12/30/2008	12/30/2020		\$ 2,940	\$ 735
General purpose	12/02/2009	12/01/2029	3.0-4.0	9,145	940
Schools	12/02/2009	12/01/2029	3.0-4.0	2,000	200
General purpose	12/13/2011	12/01/2022	2.0-4.0	4,680	3,500
Schools	12/13/2011	12/01/2022	2.0-4.0	5,000	3,680
Refunding - (04/15/02) bonds	02/15/2012	04/15/2022	2.0	2,725	1,000
General purpose	02/12/2014	02/01/2024	3.0-5.0	12,365	9,755
Refunding - (4/15/2004 and 3/15/2005) bonds	02/12/2014	09/15/2019	3.0-5.0	2,793	486
Refunding - (4/15/2004 and 3/15/2005) bonds - Schools	02/12/2014	09/15/2019	3.0-5.0	2,987	764
General purpose - Series A	03/03/2015	08/01/2024	3.0-4.0	5,600	4,650
General purpose - Series B	03/03/2015	08/01/2024	2.0-3.0	1,140	795
General purpose - Series A	03/01/2016	08/01/2035	2.0-2.6	6,300	5,570
General purpose - Series B	03/01/2016	08/01/2025	2.0-3.0	2,500	2,000
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	4,225
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	950
Total				\$	<u>45,000</u>
Business-Type Activities:					
Golf course	12/02/2009	12/01/2029	3.0-4.0	\$ 265	\$ 90
Refunding - (02/12/2014) Stony Brook Reservoir	02/12/2014	09/15/2019	3.0-5.0	73	22
Equipment financing loan	12/28/2017	01/01/2025	4.25	1,896	1,896
State of Connecticut serial notes payable:					
Clean Water Act 298-C	06/30/2000	06/30/2019	2.00	1,508	74
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	179
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	407
Clean Water Act 200801-C	07/01/2009	07/01/2029	2.27	450	246
Clean Water Act 625-D	12/31/2012	12/31/2031	2.00	1,865	1,326
Clean Water Act 495-C	05/31/2013	06/01/2032	2.00	5,748	4,196
Clean Water Act 625-D1	05/31/2015	12/31/2031	2.00	2,510	1,999
Clean Water Act 707-PD	*	*	*	862	862
Drinking Water State Revolving Fund 2010-8005	03/31/2010	12/31/2029	2.06	145	83
Drinking Water State Revolving Fund 2010-8006	03/31/2010	06/30/2030	2.06	326	196
Drinking Water State Revolving Fund 2011-7005	04/30/2014	10/31/2032	2.00	160	124
Drinking Water State Revolving Fund 2011-7006	04/30/2014	04/30/2032	2.00	148	114
Drinking Water State Revolving Fund 2014-7027	06/30/2015	12/31/2034	2.27	506	417
Drinking Water State Revolving Fund 2014-7036	05/31/2016	11/30/2036	2.00	4,052	3,528
Drinking Water State Revolving Fund 2015-7037	10/12/2016	09/30/2034	2.00	1,528	1,381
Drinking Water State Revolving Fund 2017-7056	*	*	*	2,324	2,324
Total				\$	<u>19,464</u>

* Loan is not permanently financed at this time.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

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>
2019	\$ 4,305	\$ 1,387	\$ 5,692
2020	4,095	1,264	5,359
2021	3,575	1,153	4,728
2022	3,230	1,046	4,276
2023	2,980	941	3,921
2024-2028	13,730	3,285	17,015
2029-2033	10,160	1,311	11,471
2034-2037	2,925	158	3,083
Total	<u>\$ 45,000</u>	<u>\$ 10,545</u>	<u>\$ 55,545</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>
2019	\$ 1,278	\$ 362	\$ 1,640
2020	1,369	328	1,697
2021	1,385	294	1,679
2022	1,295	258	1,553
2023	1,232	226	1,458
2024-2028	5,133	719	5,852
2029-2033	3,975	235	4,210
2034-2036	611	14	625
Subtotal	<u>16,278</u>	<u>2,436</u>	<u>18,714</u>
State of Connecticut - serial notes not permanently financed as of June 30, 2018	<u>3,186</u>	<u>-</u>	<u>3,186</u>
	<u>\$ 19,464</u>	<u>\$ 2,436</u>	<u>\$ 21,900</u>

General Obligation Bonds - Advance Refunding

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, 2018, \$6,000 of the defeased debt is outstanding.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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 2018 fiscal year were \$161. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$514 at June 30, 2018. The following is a summary of capital lease commitments as of June 30, 2018.

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2019	\$ 181
2020	177
2021	65
2022	65
2023	<u>65</u>
Total payments	553
Less interest	<u>(39)</u>
Principal Balance	<u>\$ 514</u>

Business-Type Activities

The Department of Public Utilities had 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 2018 fiscal year were \$219 with no remaining balance outstanding as of June 30, 2018.

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	\$	906
Vacation		708
Other		238
Nonvested:		
Sick		1,402 *
Other		<u>22 *</u>
Total	\$	<u>3,276</u>

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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	\$	3,247
Vacation		<u>1,177</u>
Total	\$	<u><u>4,424</u></u>

Landfill Closure and Postclosure Care Cost - Governmental Activity

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The current estimated total cost of the landfill closure and postclosure care of \$211 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, 2018. 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, 2018 are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Grants</u>	<u>Authorized Unissued</u>
New London Turnpike & Pleasant Street Bridges	\$ 530	\$ 290	\$ 215	\$ 25
Gas Line Extensions	9,500	8,438		1,062
Wawecus Street Bridge	800	500		300
Public Safety Equipment (2017)	3,200			3,200
Code Correction Assistance	1,840	568		1,272
Infrastructure Improvement Program	5,000			5,000
2018-19 Dodd Stadium Capital Improvements	<u>800</u>			<u>800</u>
Total	<u>\$ 21,670</u>	<u>\$ 9,796</u>	<u>\$ 215</u>	<u>\$ 11,659</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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	\$ 27,762	\$ 151,968
Schools	359,460	7,300	352,160
Sewers	299,550	3,107	296,443
Urban renewal	259,610	2,777	256,833
Pension deficit	239,640		239,640

The total of the City's net statutory indebtedness of \$40.95 million does not exceed the legal debt limitation of \$559 million (seven times the base for debt limitation computation).

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

9. FUND EQUITY

A. Fund Balance

The components of fund balance at June 30, 2018 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	\$	\$	\$	\$ 48	\$ 48
Trust:					
Cemetery Trust				1,652	1,652
Other				33	33
Restricted for:					
Trust				12	12
Grants:					
Kelly Middle School Project				1,823	1,823
Other				187	187
Fire districts				469	469
Capital Projects		3,613			3,613
Committed to:					
Public safety:					
Fire Grants & Programs				59	59
Police Grants & Programs				22	22
Public works:					
Sherman Street Bridge				478	478
Public Parking				119	119
Other				2,964	2,964
Social services:					
Recreation				354	354
Human Services				55	55
Senior Center				123	123
Youth & Family Services				35	35
Other				34	34
General government:					
Downtown Revitalization Revolving Loan				98	98
Other				298	298
Education:					
School Lunch				1,011	1,011
Adult Education				101	101
Other			372	386	758
Assigned to:					
General government - encumbrances	9				9
Public works - encumbrances	22				22
Public safety - encumbrances	15				15
Social services - encumbrances	11				11
Education - encumbrances	4				4
Subsequent year's budget	200				200
Unassigned	15,303			(99)	15,204
Total Fund Balances	\$ 15,564	\$ 3,613	\$ 372	\$ 10,262	\$ 29,811

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018 on behalf of the Department were \$99. Investment income that is earned on the Department's deposits along with the Fund's authorized expenses is recorded in the Department's statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department's statement of net position and have been restricted.

C. Encumbrances

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

General Fund	\$	251
Bond Expenditure Fund		241
Nonmajor governmental funds		2,489
Nonmajor enterprise funds		<u>23</u>
 Total	 \$	 <u><u>3,004</u></u>

10. TAX ABATEMENTS

As of June 30, 2018, 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 expansion or renovation project or, in the case of an existing building, having met the vacancy

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018, taxes abated through this program total \$149. 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, 2018, taxes abated through this program total \$113. 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, 2018, taxes abated through this program total \$115. 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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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:				
2017-2018	\$ 1,381	\$ 14,102	\$ 14,251	\$ 1,232
2016-2017	1,177	15,133	14,929	1,381
Workers' Compensation:				
2017-2018	4,424	1,882	2,168	4,138
2016-2017	4,262	2,784	2,622	4,424

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 \$1,080 for estimated unpaid accrued losses on reported claims as of June 30, 2018.

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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

Union Coalition

2018 Agreement

The members of the City Hall Employees, City Hall Supervisors, Public Works Supervisors, Public Utilities Supervisory and Professional Employees, Public Utilities Technical and Clerical Employees, Public Utilities Water Distribution Employees, Public Schools Para-educators, Public Schools Custodians/Maintainers, Public Schools Administrative Assistants and Public Schools Nurses bargaining units bargained as a coalition for pension benefits in 2018. The City nonunion and elected employees and supervisors were given the same benefits after the coalition agreement was ratified effective January 1, 2018.

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

Employees contribute 8.5% of their wages to the plan effective January 1, 2018.

2008 Agreement

The City is negotiating with the 911 Dispatchers and Public Works Employees to add them to the 2018 agreement. The members of these two bargaining units are currently working under the 2008 agreement.

Under the 2008 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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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

Employees contribute 8.5% of their wages to the plan effective January 1, 2018.

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 9% of their wages to the plan.

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, 2017, the plan members consisted of (table not in thousands):

Retirees and beneficiaries currently receiving benefits	597
Terminated employees not yet receiving benefits	42
Active plan members	<u>601</u>
Total	<u><u>1,240</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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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. 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 24.26% of covered payroll.

Administrative costs of the plan are financed through investment earnings.

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, 2018.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
U.S. Large Cap Equities	40.00%	4.65%	1.86%
U.S. Small/Mid Cap Equities	15.00%	5.50%	0.83%
Non-U.S. Equities	15.00%	5.50%	0.83%
U.S. Fixed Income	30.00%	2.10%	0.63%
Total Portfolio	100.00%		4.15%
Long-Term Inflation Expectation			2.75%
Long-Term Expected Nominal Return			6.90%

* 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

E. Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2018 were as follows:

Total pension liability	\$ 281,849
Plan fiduciary net position	<u>(173,583)</u>
Net Pension Liability	<u>\$ 108,266</u>
Plan fiduciary net position as a percentage of the total pension liability	61.59%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Ranges from 0.0% to 7.0%, based on age
Investment rate of return	7.50%, 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-2017 for Police and Firefighters and the RP-2014 adjusted to 2006 total data set projected to valuation date with a scale of MP-2017 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 7.00% and 7.50%. An expected rate of return of 7.50% was used.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2017	\$ 273,357	\$ 165,259	\$ 108,098
Changes for the year:			
Service cost	5,769		5,769
Interest on total pension liability	20,965		20,965
Differences between expected and actual experience	(295)		(295)
Changes of benefit terms	(4,568)		(4,568)
Changes in assumptions	4,117		4,117
Employer contributions		10,103	(10,103)
Member contributions		3,664	(3,664)
Net investment income		12,097	(12,097)
Benefit payments, including refund to employee contributions	(17,496)	(17,496)	-
Administrative expenses		(44)	44
Net changes	<u>8,492</u>	<u>8,324</u>	<u>168</u>
Balances as of June 30, 2018	<u>\$ 281,849</u>	<u>\$ 173,583</u>	<u>\$ 108,266</u>

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 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability as of June 30, 2018	\$ 139,957	\$ 108,266	\$ 81,595

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.

**CITY OF NORWICH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018
 (In Thousands)**

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 (not in thousands) multiplied by the years of credited service to a maximum of 30 years and a maximum monthly benefit of \$660 (not in thousands).

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

At January 1, 2018, the plan members consisted of (table not in thousands):

Inactive plan members or beneficiaries currently receiving benefits	52
Inactive plan members entitled to but not yet received benefits	1
Active plan members	<u>127</u>
Total	<u><u>180</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 (not in thousands) for each calendar year of credited service.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
U.S. Large Cap	26.00%	4.65%	1.21%
U.S. Mid/Small Cap	15.00%	5.50%	0.83%
International Equities	21.00%	5.50%	1.16%
Intermediate Bonds	34.00%	1.95%	0.66%
Short-Term Bonds/Cash	1.00%	0.00%	0.00%
Specialty/Alternate Investments	<u>3.00%</u>	5.00%	<u>0.15%</u>
Total Portfolio	100.00%		4.01%
Long-Term Inflation Expectation			<u>2.75%</u>
Long-Term Expected Nominal Return			6.76%

* 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.25%. 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, 2018 were as follows:

Total pension liability	\$ 6,285
Plan fiduciary net position	<u>(2,795)</u>
Net Pension Liability	<u>\$ 3,490</u>
Plan fiduciary net position as a percentage of the total pension liability	44.47%

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	N/A - members are volunteers
Investment rate of return	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-2017.

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 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2017	\$ 6,115	\$ 2,558	\$ 3,557
Changes for the year:			
Service cost	63		63
Interest on total pension liability	421		421
Differences between expected and actual experience	97		97
Changes in assumptions	(78)		(78)
Employer contributions		373	(373)
Member contributions		14	(14)
Net investment income		192	(192)
Benefit payments, including refund to employee contributions	(333)	(333)	-
Administrative expenses		(9)	9
Net changes	<u>170</u>	<u>237</u>	<u>(67)</u>
Balances as of June 30, 2018	<u>\$ 6,285</u>	<u>\$ 2,795</u>	<u>\$ 3,490</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018	\$ 4,263	\$ 3,490	\$ 2,852

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

For the year ended June 30, 2018, the City recognized pension expense of \$12,340. At June 30, 2018, 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	\$ 1,581	\$ (241)
Changes of assumptions	7,528	
Net difference between projected and actual earnings on pension plan investments	<u>3,985</u>	
Total	<u>\$ 13,094</u>	<u>\$ (241)</u>
	<u>Volunteer Firefighter</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86	\$ (150)
Changes of assumptions	94	(69)
Net difference between projected and actual earning on pension plan investments	<u>18</u>	
Total	<u>\$ 198</u>	<u>\$ (219)</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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>
2019	\$ 6,130	\$ 28
2020	4,631	1
2021	988	(31)
2022	821	(10)
2023	283	(9)
Thereafter		
Total	<u>\$ 12,853</u>	<u>\$ (21)</u>

Schedule of Plan Net Position - June 30, 2018

	<u>City Employee Pension Trust Fund</u>	<u>Volunteer Fire Pension Trust Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 425	\$ 29	\$ 454
Investments:			
U.S. government securities	16,315		16,315
U.S. government agencies	8,986		8,986
Corporate bonds	20,202		20,202
Mutual funds	75,547	2,769	78,316
Common stock	51,085		51,085
Real estate	813		813
Preferred stock	269		269
Total assets	<u>173,642</u>	<u>2,798</u>	<u>176,440</u>
Liabilities:			
Accounts and other payables	12		12
Due to other funds	47	3	50
Total liabilities	<u>59</u>	<u>3</u>	<u>62</u>
Net Position:			
Restricted for Pensions	<u>\$ 173,583</u>	<u>\$ 2,795</u>	<u>\$ 176,378</u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Schedule of Changes in Plan Net Position for the Year Ended June 30, 2018

	City Employee Pension Trust Fund	Volunteer Fire Pension Trust Fund	Total
Additions:			
Contributions:			
Employer	\$ 10,103	\$ 373	\$ 10,476
Plan members	3,664	14	3,678
Total contributions	<u>13,767</u>	<u>387</u>	<u>14,154</u>
Investment income:			
Net appreciation in fair value of investments	8,493	98	8,591
Interest and dividends	4,295	107	4,402
Total investment income	<u>12,788</u>	<u>205</u>	<u>12,993</u>
Less investment expense	<u>(691)</u>	<u>(13)</u>	<u>(704)</u>
Net investment income	<u>12,097</u>	<u>192</u>	<u>12,289</u>
Total additions	<u>25,864</u>	<u>579</u>	<u>26,443</u>
Deductions:			
Benefits	17,062	329	17,391
Administration	44	9	53
Lump sum distributions and withdrawals	434	4	438
Total deductions	<u>17,540</u>	<u>342</u>	<u>17,882</u>
Net Increase	8,324	237	8,561
Net Position Restricted for Pensions at Beginning of Year	<u>165,259</u>	<u>2,558</u>	<u>167,817</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 173,583</u>	<u>\$ 2,795</u>	<u>\$ 176,378</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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

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.

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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

At June 30, 2018, 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>76,431</u>
Total	<u>\$ 76,431</u>

The net pension liability was measured as of June 30, 2017, 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, 2018, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2018, the City recognized pension expense and revenue of \$8,841 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, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, 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, 2017 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%.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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%	3.7%
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.

**CITY OF NORWICH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018
 (In Thousands)**

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, 2017, plan membership consisted of the following:

Active plan members	896
Retired plan members	<u>351</u>
Total Participants	<u><u>1,247</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 has funded the full ADEC since 2014. In June 2018, the Norwich City Council temporarily suspended the funding requirement described above for the OPEB fund until July 1, 2022.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

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

City Retirees

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

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

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

Police Retirees

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

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

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

Fire Retirees

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

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

Retired Board of Education Teachers and Administrators

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

Retired Board of Education Custodians and Maintainers

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

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Retired Board of Education Nurses

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

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

Retired Board of Education Secretaries and Paraeducators

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

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

Norwich Public Utilities' (NPU) Retirees

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

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

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

For the year ended June 30, 2018, plan members and the Teacher Retirement Board contributed \$200. 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, 2018 totaled \$5,548.

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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

D. Net OPEB Liability of the City

The City’s net OPEB liability was measured as of June 30, 2018. The components of the net OPEB liability of the City at June 30, 2018 were as follows:

Total OPEB liability	\$ 59,094
Plan fiduciary net position	<u>18,349</u>
Net OPEB Liability	<u>\$ 40,745</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 31.05%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	7.00% to 0.00% (depending on age and department)
Investment rate of return	7.50%
Healthcare cost trend rates	7.25% decreasing to 4.75%

Mortality rates were based on the RP-2014 adjusted to 2006 total data set projected to valuation date with scale MP-2016 for City, Public Utilities and BOE employees. For Police Officers and Firefighters, mortality rates were based on the RP-2014 adjusted to 2006 blue collar mortality table, projected to the valuation date with scale MP-2016.

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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

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, 2018 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. Large Cap Equities	40.00%	4.65%
U.S. Small/Mid Cap Equities	15.00%	5.50%
Non-U.S. Equities	15.00%	5.50%
U.S. Fixed Income	<u>30.00%</u>	2.10%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. 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.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2017	\$ 61,005	\$ 16,160	\$ 44,845
Changes for the year:			
Service cost	1,699		1,699
Interest	4,687		4,687
Change in benefit terms	(645)		(645)
Differences between expected and actual experience	(951)		(951)
Changes in assumptions	(2,129)		(2,129)
Contributions - employer		5,548	(5,548)
Contributions - member		200	(200)
Net investment income (loss)		1,035	(1,035)
Benefit payments	(4,572)	(4,572)	-
Administrative expenses		(22)	22
Net changes	<u>(1,911)</u>	<u>2,189</u>	<u>(4,100)</u>
Balances as of June 30, 2018	<u>\$ 59,094</u>	<u>\$ 18,349</u>	<u>\$ 40,745</u>

For the actuarial valuation dated July 1, 2017, changes in actuarial assumptions occurred in the following areas:

- Interest
- Mortality
- Retirement
- Withdrawal
- Disability
- Inflation
- Compensation increase
- Medical trend
- Morbidity
- Percentage of actives eligible at retirement who continue with medical coverage

The assumptions indicated above were changed to represent the enrolled actuary's current best estimate of anticipated experience of the plan.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

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 (6.50%) or 1 percentage point higher (8.50%) than the current discount rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB Liability	\$ 45,994	\$ 40,745	\$ 36,124

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 (6.25% decreasing to 3.75%) or 1 percentage point higher (8.25% decreasing to 5.75%) than the current healthcare cost trend rates:

	<u>1% Decrease (6.25% decreasing to 3.75%)</u>	<u>Current Discount Rate (7.25% decreasing to 4.75%)</u>	<u>1% Increase (8.25% decreasing to 5.75%)</u>
Net OPEB Liability	\$ 35,156	\$ 40,745	\$ 47,253

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,769. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Retiree Health Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (782)
Changes of assumptions		(1,749)
Net difference between projected and actual earnings on OPEB plan investments	<u>209</u>	
Total	<u>\$ 209</u>	<u>\$ (2,531)</u>

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

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

<u>Year Ended June 30</u>	<u>Retiree Health Plan</u>
2019	\$ (498)
2020	(498)
2021	(498)
2022	(498)
2023	(330)
Thereafter	_____
Total	\$ <u><u>(2,322)</u></u>

F. Schedule of Plan Net Position - June 30, 2018

	<u>Other Post Employment Benefit Trust Fund</u>
Assets:	
Cash and cash equivalents	\$ 47
Investments:	
U.S. government securities	1,434
U.S. government agencies	898
Corporate bonds	2,345
Mutual funds	7,987
Common stock	5,319
Real estate	83
Preferred stock	28
Due from other funds	629

Total assets	18,770
Liabilities:	
Accounts and other payables	421

Net Position:	
Restricted for OPEB Benefits	\$ <u><u>18,349</u></u>

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

G. Schedule of Changes in Plan Net Position for the Year Ended June 30, 2018

	Other Post Employment Benefit Trust Fund
	<u> </u>
Additions:	
Contributions:	
Employer	\$ 5,548
Plan members	200
Total contributions	<u>5,748</u>
Investment income:	
Net appreciation in fair value of investments	784
Interest and dividends	451
Total investment income	<u>1,235</u>
Less investment expense	<u>(200)</u>
Net investment income	<u>1,035</u>
Total additions	<u>6,783</u>
Deductions:	
Benefits	4,572
Administration	22
Total deductions	<u>4,594</u>
Net Increase	2,189
Net Position Restricted for OPEB Benefits at Beginning of Year	<u>16,160</u>
Net Position Restricted for OPEB Benefits at End of Year	<u>\$ 18,349</u>

State Teachers Retirement Plan

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

B. Benefit Provisions

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

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

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

• Medicare Supplement with Prescriptions	\$ 92
• Medicare Supplement with Prescriptions and Dental	136
• Medicare Supplement with Prescriptions, Dental, Vision & Hearing	141

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

Survivor Health Care Coverage

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

C. Eligibility

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

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

Credited Service

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

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of credited service

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

D. Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the City was as follows:

City's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the City	<u>19,672</u>
Total	<u>\$ 19,672</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the City has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the City recognized OPEB expense and revenue of \$912 in Exhibit II for on-behalf amounts for the benefits provided by the State.

F. Actuarial Assumptions

The total OPEB 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	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)**

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

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

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the City has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

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, 2018 was \$27,280.

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 2018 fiscal year, the share of contributions to the fund received by the Department totaled \$43, with drawdowns of \$122, and interest on the fund of \$2. The balance of the Department's funds held by CMEEC for the RGGI was \$221 for the year ended June 30, 2018.

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

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter until terminated by either party following not less than three years prior written notice to the other party of its intention to terminate, provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 31, 2052.

The Department has rate stabilization funds held by CMEEC that were previously collected in conjunction with the purchase of energy to stabilize the price of energy. The Department's current rate structure to purchase power from CMEEC includes a rate stabilization component. Under the rate stabilization premise, the principal repayment of debt service is deferred and amortized over the life of the related debt and recoverable from future billings. Under this premise, the shortfall between the current rate stabilization funds held by CMEEC and the percentage of unfunded CMEEC debt allocated to the Department represents an unfunded debt obligation recoverable by future billings. The Department's 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, 2018 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 16,532
Department - rate stabilization funds on deposit with CMEEC	<u>(14,431)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 2,101</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net position. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,101.

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

Combined Sewer Overflows

Under various consent decrees issued by the State of Connecticut Department of Environmental Protection (consent decrees), the Department is required to eliminate certain combined storm and sanitary sewers. The estimated cost of these improvements is \$53,000. As of June 30, 2018, \$3,383 relating to these projects, including capitalized interest, has been incurred and included in property, plant and equipment. Based on current engineering estimates, completion of these projects will be within the next 15 years. Funding for these improvements is being provided by the State of Connecticut's Clean Water Fund in the form of loans and grants. As of June 30, 2018, the State is committed to providing the Department funding in the form of loans and grants of \$1,655 and \$345, respectively, with loans and grants yet to be expended of \$552 and \$233, respectively.

Municipal Solid Waste Management Services Contract

The City has entered into the municipal solid waste management services contract, as amended (the service contract) with the Southeastern Connecticut Regional Resources Recovery Authority (the Authority) pursuant to which it participates with ten other Connecticut Municipalities (the eleven constituting the Contracting Municipalities), in the Southeastern Connecticut System (the System). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the Facility) and various improvements and facilities related thereto, including landfills. The Facility is complete and presently receiving waste from Contracting Municipalities.

Under the service contract, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 23 thousand tons per year and to pay a uniform per ton disposal service payment (the service payment). The aggregate minimum commitment of the eleven Contracting Municipalities is approximately 154 thousand tons per year.

The service payment applicable in any contract year is calculated by estimating the net cost of operation, which is the cost of operation less revenues other than service payments, as such terms are defined in the service contract. The sum of all service payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the net cost of operations.

Service payments shall be payable so long as the system is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the facility. The City has pledged its full faith and credit to the payment of service payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the service payments.

16. LITIGATION

There are several lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. Based upon consultation with legal counsel, the City's management estimates that potential claims against the City, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial position of the City.

17. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of June 30, 2018, the Department of Public Utilities has purchased \$1,160 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 6, 2018, one bond authorization was made through referenda. Bonds authorized totaled \$2.7 million and were authorized for the public safety radio system replacement project.

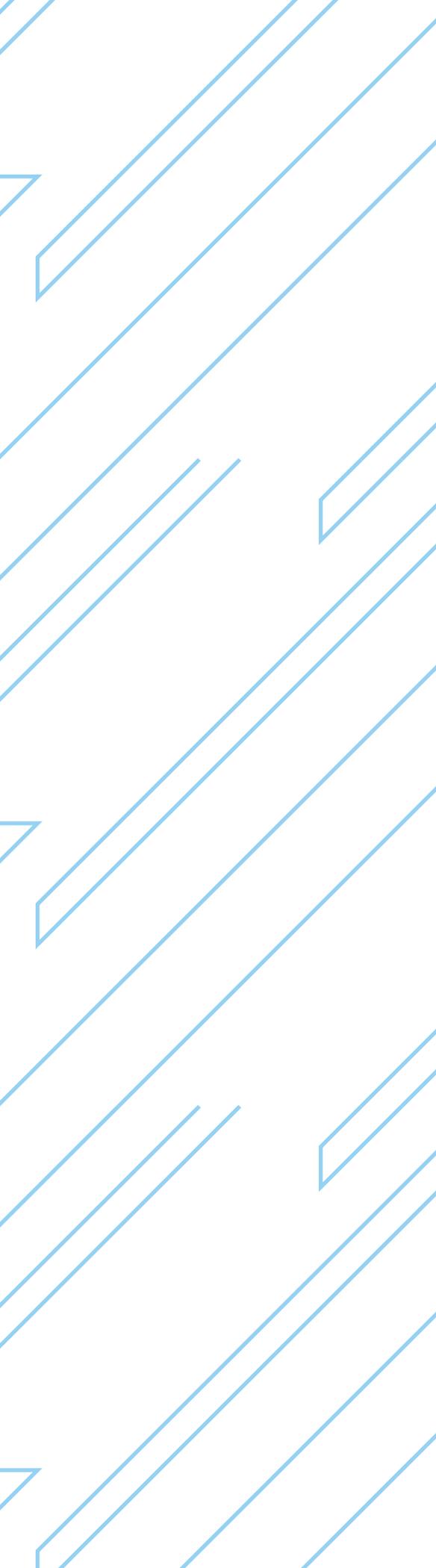
On December 6, 2018, the City issued \$7,970 in general obligation bonds. The bonds mature on August 1, 2020 through August 1, 2038 with interest rates ranging from 3.0% to 5.0%.

CITY OF NORWICH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(In Thousands)

19. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning net position of the governmental activities and business-type activities as a result of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Department of Public Utilities</u>
Net position balance at June 30, 2017, as previously reported	\$ 55,383	\$ 114,163	\$ 106,181
Adjustments:			
Eliminate Net OPEB Obligation reported per GASB No. 45	4,781		
Record Total OPEB Liability per GASB No. 75	<u>(40,529)</u>	<u>(4,316)</u>	<u>(4,316)</u>
Net Position Balance at July 1, 2017, as Restated	<u>\$ 19,635</u>	<u>\$ 109,847</u>	<u>\$ 101,865</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, 2018
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General property taxes:				
Current tax levy	\$ 64,367	\$ 64,367	\$ 64,646	\$ 279
Motor vehicle supplement	7,336	7,336	7,435	99
Prior years levy	1,934	1,934	1,859	(75)
Interest and liens	988	988	1,014	26
Total	<u>74,625</u>	<u>74,625</u>	<u>74,954</u>	<u>329</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	<u>569</u>	<u>569</u>	<u>409</u>	<u>(160)</u>
Intergovernmental revenues:				
Building maintenance	299	299	287	(12)
City housing	160	160	171	11
Municipal revenue sharing	1,979	1,979	818	(1,161)
Pequot funds	1,966	1,966	1,912	(54)
Payment in lieu of taxes	1,601	1,601	1,385	(216)
Elderly taxes	142	142		(142)
Youth service bureau	60	60	67	7
Federal DCPA match funds	20	20		(20)
Health services	62	62	104	42
Education cost sharing	32,317	32,317	32,102	(215)
Town aid road	498	498	496	(2)
COPS hiring recovery program	84	84	86	2
PSAP subsidy	2	2		(2)
Total	<u>39,190</u>	<u>39,190</u>	<u>37,428</u>	<u>(1,762)</u>
Charges for services:				
Town Clerk - recording fees	353	353	327	(26)
Town Clerk - conveyance tax	435	435	582	147
Land recording capital improvement fee	15	15	14	(1)
Probate court	24	24	23	(1)
Landfill	813	813	762	(51)
Backyard rollout fee	9	9	9	-
Senior Citizens Center	11	11	9	(2)
Tuition	98	98	85	(13)
Total	<u>1,758</u>	<u>1,758</u>	<u>1,811</u>	<u>53</u>
Use of money:				
Interest from investments	<u>300</u>	<u>300</u>	<u>458</u>	<u>158</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, 2018
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other revenue:				
Sewer assessments	\$ 350	\$ 350	\$ 316	\$ (34)
Telecommunications tax	134	134	118	(16)
DPU - City service	135	135	135	-
Traffic violations	7	7	3	(4)
Blight citations	17	17	41	24
City property - relocation	115	115	154	39
Miscellaneous	292	292	400	108
Total	<u>1,050</u>	<u>1,050</u>	<u>1,167</u>	<u>117</u>
Total revenues	<u>117,492</u>	<u>117,492</u>	<u>116,227</u>	<u>(1,265)</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	64	64	65	1
Department of Public Utilities	6,089	6,089	6,089	-
Police	154	154	197	43
Total	<u>6,307</u>	<u>6,307</u>	<u>6,351</u>	<u>44</u>
Total	<u>\$ 123,799</u>	<u>\$ 123,799</u>	122,578	<u>\$ (1,221)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System pension for City teachers are not budgeted.	8,841
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System OPEB for City teachers are not budgeted.	912
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.	1,103
Under liquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.	<u>(66)</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 133,368

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, 2018
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
City Manager	\$ 379	\$ 366	\$ 365	\$ 1
Finance	1,624	1,589	1,586	3
City Treasurer	265	253	253	-
Assessment	430	421	420	1
Personnel	476	494	489	5
Law	511	391	356	35
City Clerk	490	483	483	-
City Council	309	276	275	1
Election	146	116	114	2
Planning and Neighborhood Services	1,026	978	976	2
Emergency Management	87	83	82	1
Total general government	<u>5,743</u>	<u>5,450</u>	<u>5,399</u>	<u>51</u>
Public safety:				
Police	16,212	16,399	16,395	4
Fire:				
East Great Plain	139	127	125	2
Laurel Hill	71	74	73	1
Occum	76	76	74	2
Taftville	157	160	155	5
Yantic	162	162	159	3
Fire Central	2,028	2,018	2,016	2
Total public safety	<u>18,845</u>	<u>19,016</u>	<u>18,997</u>	<u>19</u>
Social Services:				
Recreation	714	622	621	1
Human services	430	412	410	2
Senior Citizens Center	653	646	645	1
Youth and Family Services	304	299	298	1
Total social services	<u>2,101</u>	<u>1,979</u>	<u>1,974</u>	<u>5</u>
Public works:				
Engineering and administration	830	792	789	3
Fleet maintenance	1,445	1,472	1,470	2
Solid waste	2,451	2,587	2,587	-
Maintenance and cleaning	4,419	4,274	4,270	4
Building maintenance	1,348	1,293	1,282	11
Parking maintenance	170	154	154	-
Total public works	<u>10,663</u>	<u>10,572</u>	<u>10,552</u>	<u>20</u>
Board of Education	<u>76,164</u>	<u>77,264</u>	<u>77,264</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, 2018
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other	\$ 3,320	\$ 3,139	\$ 3,135	\$ 4
Transfers out	6,963	6,963	6,962	1
Total	\$ 123,799	\$ 124,383	124,283	\$ 100
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System pension for City teachers are not budgeted.			8,841	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System OPEB for City teachers are not budgeted.			912	
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.			1,103	
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.			(61)	
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.			407	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 135,485	

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 5,769	\$ 5,656	\$ 5,890	\$ 5,498	\$ 2,679
Interest	20,965	20,281	18,659	17,981	17,334
Differences between expected and actual experience	(295)		3,337		
Changes of benefit terms	(4,568)		634		
Changes of assumptions	4,117		8,811		
Benefit payments, including refunds of member contributions	<u>(17,496)</u>	<u>(16,927)</u>	<u>(15,426)</u>	<u>(14,836)</u>	<u>(14,146)</u>
Net change in total pension liability	8,492	9,010	21,905	8,643	5,867
Total pension liability - beginning	<u>273,357</u>	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>	<u>227,932</u>
Total pension liability - ending	<u>281,849</u>	<u>273,357</u>	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>
Plan fiduciary net position:					
Contributions - employer	10,103	8,711	7,581	6,718	5,849
Contributions - member	3,664	3,386	3,358	3,247	3,057
Net investment income (loss)	12,097	18,213	(2,851)	4,681	20,194
Benefit payments, including refunds of member contributions	<u>(17,496)</u>	<u>(16,927)</u>	<u>(15,426)</u>	<u>(14,836)</u>	<u>(14,146)</u>
Administrative expense	<u>(44)</u>	<u>(5)</u>	<u>(42)</u>	<u>(4)</u>	<u>(32)</u>
Net change in plan fiduciary net position	8,324	13,378	(7,380)	(194)	14,922
Plan fiduciary net position - beginning	<u>165,259</u>	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>	<u>144,533</u>
Plan fiduciary net position - ending	<u>173,583</u>	<u>165,259</u>	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>
Net Pension Liability - Ending	<u>\$ 108,266</u>	<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	61.59%	60.46%	57.46%	65.69%	68.20%
Covered payroll	\$ 41,638	\$ 42,011	\$ 40,590	\$ 39,262	\$ 37,752
Net pension liability as a percentage of covered payroll	260.02%	257.31%	277.08%	211.86%	196.93%

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

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS - CITY EMPLOYEES
(In Thousands)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 10,820	\$ 10,732	\$ 9,740	\$ 9,651	\$ 5,790	\$ 5,728	\$ 4,713	\$ 3,644	\$ 2,397	\$ 3,037
Contributions in relation to the actuarially determined contribution	10,103	8,711	7,581	6,718	5,849	5,730	4,407	3,752	2,771	3,216
Contribution Deficiency (Excess)	\$ 717	\$ 2,021	\$ 2,159	\$ 2,933	\$ (59)	\$ (2)	\$ 306	\$ (108)	\$ (374)	\$ (179)
Covered payroll	\$ 41,638	\$ 42,011	\$ 40,590	\$ 39,262	\$ 37,752	\$ 36,302	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	24.26%	20.74%	18.68%	17.11%	15.49%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018
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	2.75%
Salary increases	Ranges from 0.0% to 7.0%, based on age
Investment rate of return	7.50%

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-2017.
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-2017.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.40%	12.17%	-1.81%	2.98%	14.19%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 63	\$ 63	\$ 59	\$ 59	\$ 49
Interest	421	411	361	351	367
Differences between expected and actual experience	97		(230)		
Changes of benefit terms			706		
Changes of assumptions	(78)		144		
Benefit payments, including refunds of member contributions	(333)	(322)	(301)	(277)	(268)
Net change in total pension liability	170	152	739	133	148
Total pension liability - beginning	6,115	5,963	5,224	5,091	4,943
Total pension liability - ending	<u>6,285</u>	<u>6,115</u>	<u>5,963</u>	<u>5,224</u>	<u>5,091</u>
Plan fiduciary net position:					
Contributions - employer	373	373	351	333	309
Contributions - member	14	14	16	16	12
Net investment income (loss)	192	265	(9)	16	253
Benefit payments, including refunds of member contributions	(333)	(322)	(301)	(277)	(268)
Administrative expense	(9)	(2)	(9)	(4)	(11)
Net change in plan fiduciary net position	237	328	48	84	295
Plan fiduciary net position - beginning	2,558	2,230	2,182	2,098	1,803
Plan fiduciary net position - ending	<u>2,795</u>	<u>2,558</u>	<u>2,230</u>	<u>2,182</u>	<u>2,098</u>
Net Pension Liability - Ending	<u>\$ 3,490</u>	<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	44.47%	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	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>2018</u>	<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>
Actuarially determined contribution	\$ 373	\$ 373	\$ 374	\$ 304	\$ 309	\$ 309	\$ 255	\$ 255	\$ 255	\$ 247
Contributions in relation to the actuarially determined contribution	373	373	351	333	309	310	281	250	250	250
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 23	\$ (29)	\$ -	\$ (1)	\$ (26)	\$ 5	\$ 5	\$ (3)
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A									

* Covered-employee payroll is not included in the above schedule as the persons covered are volunteers.

Notes to Schedule

Valuation date: January 1, 2018

Measurement date: June 30, 2018

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	2.75%
Investment rate of return	7.00%

Retirement age
 Hired before January 1, 2015: Age 55 with 20 years of Credited Service
 Hired on or after January 1, 2015: Age 55 with 25 years of Credited Service

Mortality
 RP-2014 Mortality Table adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2017.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.25%	10.91%	-0.37%	0.70%	15.89%

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

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FOUR FISCAL YEARS - TEACHERS RETIREMENT PLAN*
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%
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>76,431</u>	<u>80,635</u>	<u>57,271</u>	<u>52,936</u>
Total	<u>\$ 76,431</u>	<u>\$ 80,635</u>	<u>\$ 57,271</u>	<u>\$ 52,936</u>
City's covered payroll	\$ 22,652	\$ 24,204	\$ 24,594	\$ 28,303
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	55.93%	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. During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	4-year smoothed market
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 THREE FISCAL YEARS - OPEB*
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:			
Service cost	\$ 1,699	\$ 1,658	\$ 1,610
Interest	4,687	4,552	4,416
Change of benefit terms	(645)		
Differences between expected and actual experience	(951)	138	1,010
Changes of assumptions	(2,129)		
Benefit payments	<u>(4,572)</u>	<u>(4,624)</u>	<u>(5,164)</u>
Net change in total OPEB liability	(1,911)	1,724	1,872
Total OPEB liability - beginning	<u>61,005</u>	<u>59,281</u>	<u>57,409</u>
Total OPEB liability - ending	<u>59,094</u>	<u>61,005</u>	<u>59,281</u>
Plan fiduciary net position:			
Contributions - employer	5,548	5,492	5,566
Contributions - member	200	177	291
Net investment income (loss)	1,035	1,420	(562)
Benefit payments, including refunds of member contributions	(4,572)	(4,624)	(5,164)
Administrative expense	<u>(22)</u>	<u>(2)</u>	<u>(20)</u>
Net change in plan fiduciary net position	2,189	2,463	111
Plan fiduciary net position - beginning	<u>16,160</u>	<u>13,697</u>	<u>13,586</u>
Plan fiduciary net position - ending	<u>18,349</u>	<u>16,160</u>	<u>13,697</u>
Net OPEB Liability - Ending	<u>\$ 40,745</u>	<u>\$ 44,845</u>	<u>\$ 45,584</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.05%	26.49%	23.11%
Covered-employee payroll	\$ 63,623	\$ 59,548	\$ 57,814
Net OPEB liability as a percentage of covered-employee payroll	64.04%	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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution (1)	\$ 5,542	\$ 5,492	\$ 5,566	\$ 5,431	\$ 6,030	\$ 5,907	\$ 6,184	\$ 6,065	\$ 5,352	\$ 5,352
Contributions in relation to the actuarially determined contribution	5,548	5,492	5,566	5,446	6,040	5,592	6,114	5,251	3,690	3,399
Contribution Deficiency (Excess)	\$ (6)	\$ -	\$ -	\$ (15)	\$ (10)	\$ 315	\$ 70	\$ 814	\$ 1,662	\$ 1,953
Covered-employee payroll	\$ 63,623	\$ 59,548	\$ 57,814	\$ 56,130	\$ N/A					
Contributions as a percentage of covered-employee payroll	8.72%	9.22%	9.63%	9.70%	N/A	N/A	N/A	N/A	N/A	N/A

(1) Actuarial Determined Contributions prior to fiscal year ended June 30, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018
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	2.75%
Healthcare cost trend rates	7.25% decreasing to 4.75%
Salary increases	7.00% to 0.00% (depending on age and department)
Investment rate of return	7.50%
Retirement age - City and Public Utilities Employees	Age 55 with 25 years of service or age 60 with 5 years of service
Retirement age - Board of Education Employees	Hired prior to 7/1/2004 and age 55 with 25 years of service or age 60 with 5 years of service. 20 years of service required for medical coverage subsidy.
Retirement age - Police Officers and Firefighters	Hired prior to 7/1/2013 and 20 years of service and eligible for unreduced pension or hired on or after 7/1/2013 and 25 years of service and eligible for unreduced pension
Mortality - City, Public Utilities and BOE	RP-2014 adjusted to 2006 Total Dataset Mortality table, projected to valuation date with scale MP-2016.
Mortality - Police Officers and Firefighters	RP-2014 adjusted to 2006 Blue Collar Mortality table, projected to valuation date with scale MP-2016.

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

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.19%	9.18%

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

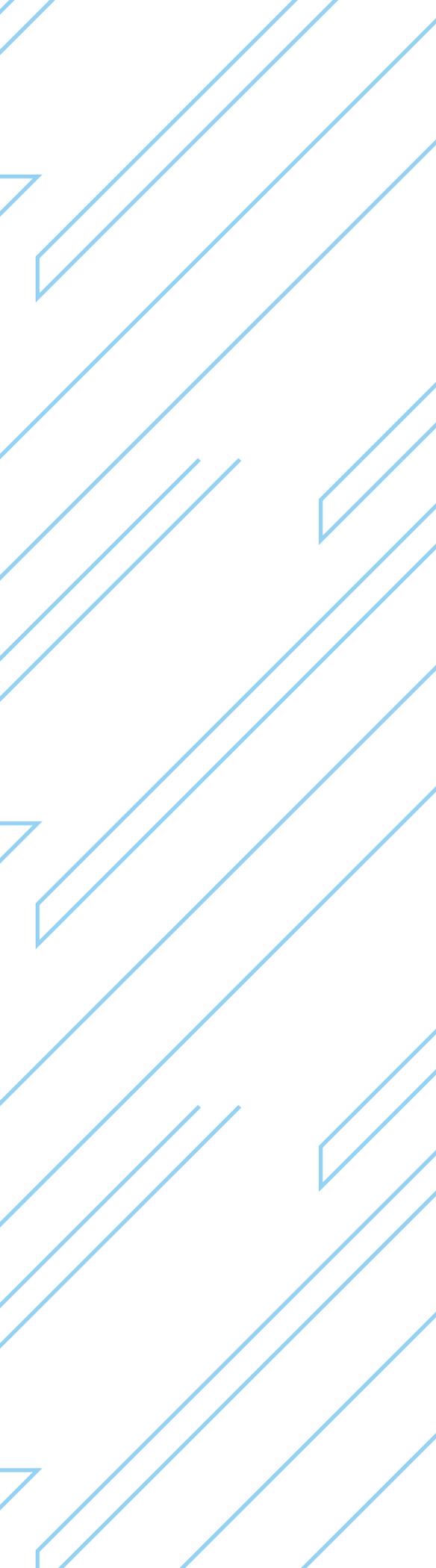
CITY OF NORWICH, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST FISCAL YEAR - TEACHERS RETIREMENT PLAN*
(In Thousands)

	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.00%
City's proportionate share of the net OPEB liability (asset)	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the City	<u>19,672</u>
Total	<u>\$ 19,672</u>
City's covered payroll	\$ 22,652
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	1.79%

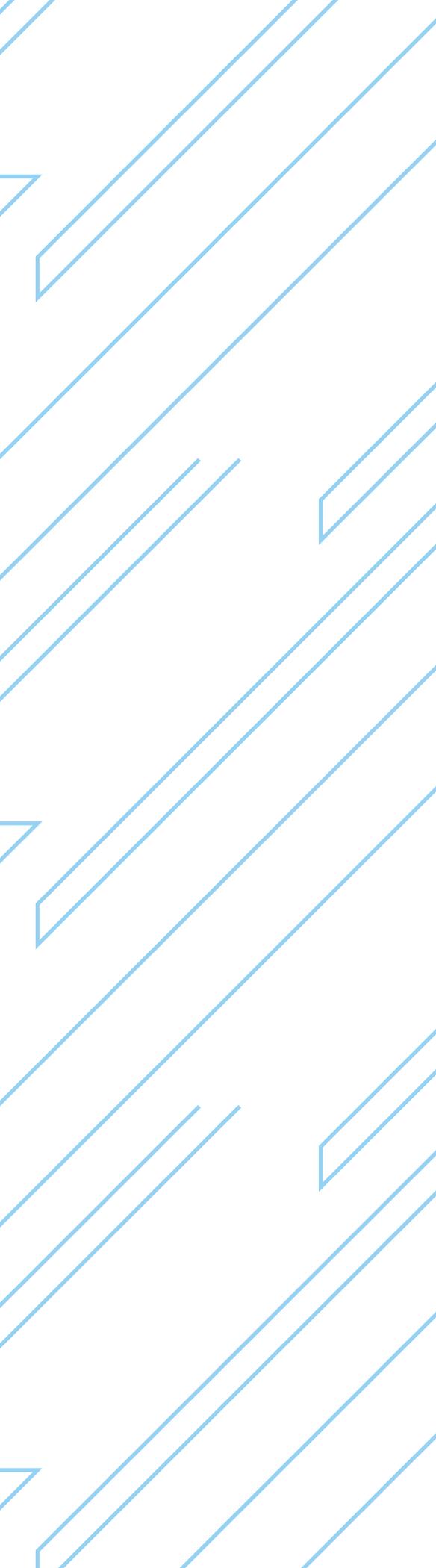
Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate. Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment related expense including price inflation

*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



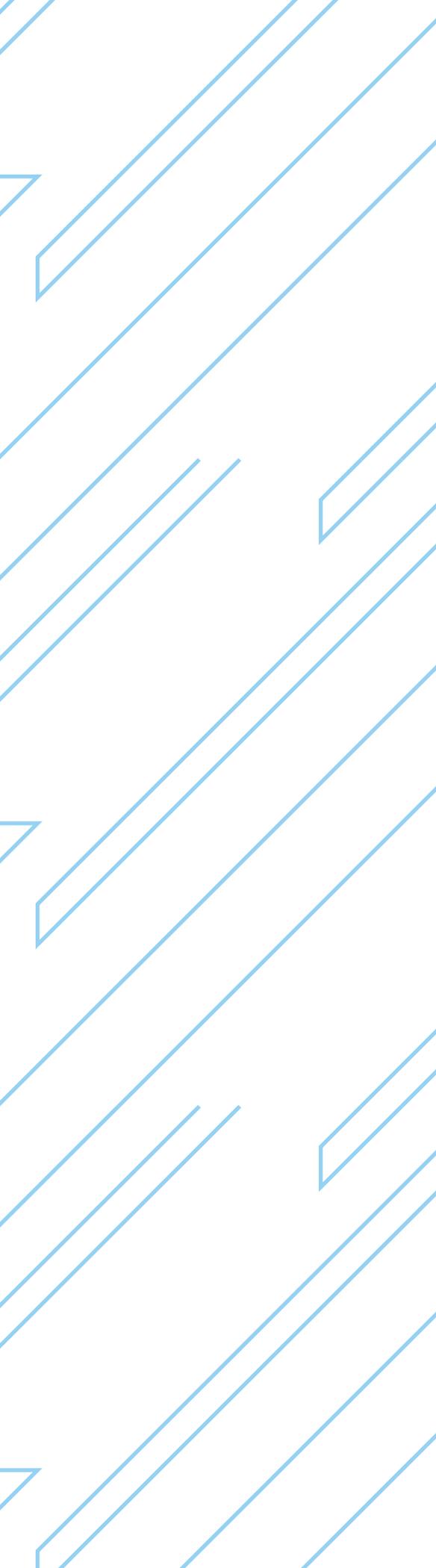
General Fund

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, 2018 AND 2017
(In Thousands)**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 5,404	\$ 16,510
Investments	32,119	23,489
Receivables:		
Property taxes receivable, net of an allowance for uncollectibles of \$757 and \$396, respectively	3,411	3,130
Property taxes accrued interest receivable, net of an allowance for uncollectibles of \$258 and \$206, respectively	1,032	824
Intergovernmental receivable:		
Other grants receivable	15	56
Assessment receivable	1,942	2,171
Accounts receivable	92	116
Due from other funds	<u>2,275</u>	<u>1,317</u>
Total Assets	<u>\$ 46,290</u>	<u>\$ 47,613</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,143	\$ 5,628
Due to other funds	17,803	18,791
Unearned revenue	44	30
Total liabilities	<u>24,990</u>	<u>24,449</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	3,794	3,312
Unavailable revenue - special assessments	<u>1,942</u>	<u>2,171</u>
Total deferred inflows of resources	<u>5,736</u>	<u>5,483</u>
Fund balances:		
Assigned	261	664
Unassigned	<u>15,303</u>	<u>17,017</u>
Total fund balances	<u>15,564</u>	<u>17,681</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 46,290</u>	<u>\$ 47,613</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, 2018
 (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	\$	\$	\$ 645	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments													
Receivables, net:													
Property taxes					268								
Intergovernmental			467					14		96	57	245	
Loans									1,292				
Other	43			106		14	40						198
Due from other funds	1			22	557	87	101	71			253		
Other assets			48										
Total Assets	\$ 44	\$ -	\$ 1,160	\$ 128	\$ 825	\$ 101	\$ 141	\$ 85	\$ -	\$ 1,388	\$ 310	\$ 245	\$ 198
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
Liabilities:													
Accounts and other payables	\$	\$ 8	\$ 101	\$	\$ 100	\$	\$ 10	\$ 3	\$	\$ 28	\$	\$ 5	\$ 140
Due to other funds		87			29					48		234	58
Unearned revenue	44	4						47			82	2	
Total liabilities	44	99	101	-	129	-	10	50	-	76	82	241	198
Deferred inflows of resources:													
Unavailable revenue - special assessments				107									
Unavailable revenue - loans receivable							12		1,292				
Unavailable revenue - property taxes					227								
Total deferred inflows of resources	-	-	-	107	227	-	12	-	1,292	-	-	-	-
Fund balances:													
Nonspendable			48										
Restricted					469				20			4	
Committed			1,011	21		101	119	35		228			
Unassigned		(99)											
Total fund balances	-	(99)	1,059	21	469	101	119	35	-	20	228	4	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 44	\$ -	\$ 1,160	\$ 128	\$ 825	\$ 101	\$ 141	\$ 85	\$ -	\$ 1,388	\$ 310	\$ 245	\$ 198

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	645
Investments														-
Receivables, net:														
Property taxes														268
Intergovernmental		155					2					12		1,048
Loans									315		2,083			3,690
Other														358
Due from other funds	406		120	45	247	95	124	110	98	85	35	43		2,499
Other assets														48
Total Assets	\$ 406	\$ 155	\$ 120	\$ 45	\$ 247	\$ 95	\$ 126	\$ 110	\$ 413	\$ 85	\$ 2,118	\$ 43	\$ 12	\$ 8,556
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES														
Liabilities:														
Accounts and other payables	\$ 16	\$	\$ 9	\$ 3	\$ 3	\$ 3	\$	\$ 15	\$ 4	\$	\$	\$	\$	445
Due to other funds		96										9		561
Unearned revenue	4			14		40		315						508
Total liabilities	20	96	-	23	3	40	3	315	15	4	-	9	-	1,514
Deferred inflows of resources:														
Unavailable revenue - special assessments														107
Unavailable revenue - loans receivable										2,083				3,387
Unavailable revenue - property taxes														227
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	2,083	-	-	-	3,721
Fund balances:														
Nonspendable														48
Restricted			120									43		656
Committed	386	59		22	244	55	123	110	98	70	31		3	2,716
Unassigned														(99)
Total fund balances	386	59	120	22	244	55	123	110	98	70	31	43	3	3,321
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 406	\$ 155	\$ 120	\$ 45	\$ 247	\$ 95	\$ 126	\$ 110	\$ 413	\$ 85	\$ 2,118	\$ 43	\$ 12	\$ 8,556

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (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	\$	\$	\$	\$ -	\$	\$	\$ 22	\$ 22	\$ 667
Investments				-			1,630	1,630	1,630
Receivables, net:									
Property taxes				-				-	268
Intergovernmental	122	2,649		2,771				-	3,819
Loans				-				-	3,690
Other				-				-	401
Due from other funds	3,481			3,481	40	5		45	6,026
Other assets				-				-	48
Total Assets	\$ 3,603	\$ 2,649	\$ -	\$ 6,252	\$ 40	\$ 5	\$ 1,652	\$ 1,697	\$ 16,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payables	\$ 182	\$ 22	\$	\$ 204	\$	\$	\$	\$ -	\$ 649
Due to other funds		804		804					1,365
Unearned revenue				-				-	552
Total liabilities	182	826	-	1,008	-	-	-	-	2,566
Deferred inflows of resources:									
Unavailable revenue - special assessments				-				-	107
Unavailable revenue - loans receivable				-				-	3,387
Unavailable revenue - property taxes				-				-	227
Total deferred inflows of resources	-	-	-	-	-	-	-	-	3,721
Fund balances:									
Nonspendable				-	28	5	1,652	1,685	1,733
Restricted		1,823		1,823	12			12	2,491
Committed	3,421			3,421				-	6,137
Unassigned				-				-	(99)
Total fund balances	3,421	1,823	-	5,244	40	5	1,652	1,697	10,262
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,603	\$ 2,649	\$ -	\$ 6,252	\$ 40	\$ 5	\$ 1,652	\$ 1,697	\$ 16,549

CITY OF NORWICH, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018
 (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	\$	\$	\$	\$	\$ 4,521	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues			2,561		577	601		308	8	601	12	296	1,163
Charges for services		15	205	21		605	228	5		7	15		
Investment income					13	4	1						
Other	1,630					20		15			13		
Total revenues	<u>1,630</u>	<u>15</u>	<u>2,766</u>	<u>21</u>	<u>5,111</u>	<u>1,230</u>	<u>229</u>	<u>328</u>	<u>8</u>	<u>608</u>	<u>40</u>	<u>296</u>	<u>1,163</u>
Expenditures:													
Current:													
General government							190				44	105	
Public safety		27			8,386				8				
Social services							5	329		601	1	197	1,163
Public works				27							7		
Education			2,829			1,210		9					
Capital outlay	6,099												
Debt Service	<u>6,099</u>	<u>27</u>	<u>2,829</u>	<u>27</u>	<u>8,386</u>	<u>1,210</u>	<u>195</u>	<u>338</u>	<u>8</u>	<u>601</u>	<u>52</u>	<u>302</u>	<u>1,163</u>
Total expenditures													
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,469)</u>	<u>(12)</u>	<u>(63)</u>	<u>(6)</u>	<u>(3,275)</u>	<u>20</u>	<u>34</u>	<u>(10)</u>	<u>-</u>	<u>7</u>	<u>(12)</u>	<u>(6)</u>	<u>-</u>
Other Financing Sources (Uses):													
Transfers in	4,469				2,400			2			21		
Transfer out								(3)					
Total other financing sources (uses)	<u>4,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(12)	(63)	(6)	(875)	20	34	(11)	-	7	9	(6)	-
Fund Balances at Beginning of Year	-	(87)	1,122	27	1,344	81	85	46	-	13	219	10	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ (99)</u>	<u>\$ 1,059</u>	<u>\$ 21</u>	<u>\$ 469</u>	<u>\$ 101</u>	<u>\$ 119</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 228</u>	<u>\$ 4</u>	<u>\$ -</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, 2018
 (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	
Revenues:													
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues		116	74			62	14					3	4,521
Charges for services	9			535	81		47		80		119		6,396
Investment income	5		1					1		1			1,972
Other	274			7	40	27	54						27
Total revenues	<u>288</u>	<u>116</u>	<u>75</u>	<u>542</u>	<u>121</u>	<u>89</u>	<u>115</u>	<u>1</u>	<u>80</u>	<u>1</u>	<u>120</u>	<u>-</u>	<u>13,366</u>
Expenditures:													
Current:													
General government													339
Public safety		200	43	362									9,026
Social services					71	89	128		90	42	252		2,968
Public works													34
Education	500												4,548
Capital outlay													-
Debt Service													-
Total expenditures	<u>500</u>	<u>200</u>	<u>43</u>	<u>362</u>	<u>71</u>	<u>89</u>	<u>128</u>	<u>-</u>	<u>90</u>	<u>42</u>	<u>252</u>	<u>-</u>	<u>16,915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(212)</u>	<u>(84)</u>	<u>32</u>	<u>180</u>	<u>50</u>	<u>-</u>	<u>(13)</u>	<u>1</u>	<u>(10)</u>	<u>(41)</u>	<u>(132)</u>	<u>-</u>	<u>(3,549)</u>
Other Financing Sources (Uses):													
Transfers in		139			5	1	13						2,581
Transfer out				(198)	(4)		(13)						(218)
Total other financing sources (uses)	<u>-</u>	<u>139</u>	<u>-</u>	<u>(198)</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,363</u>
Net Change in Fund Balances	<u>(212)</u>	<u>55</u>	<u>32</u>	<u>(18)</u>	<u>51</u>	<u>1</u>	<u>(13)</u>	<u>1</u>	<u>(10)</u>	<u>(41)</u>	<u>(132)</u>	<u>-</u>	<u>(1,186)</u>
Fund Balances at Beginning of Year	<u>598</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>4,507</u>
Fund Balances at End of Year	<u>\$ 386</u>	<u>\$ 59</u>	<u>\$ 120</u>	<u>\$ 22</u>	<u>\$ 244</u>	<u>\$ 55</u>	<u>\$ 123</u>	<u>\$ 110</u>	<u>\$ 98</u>	<u>\$ 70</u>	<u>\$ 31</u>	<u>\$ 43</u>	<u>\$ 3,321</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, 2018
 (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	\$	\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$ 4,521
Intergovernmental revenues	438	1,220		1,658				-		8,054
Charges for services				-				-		1,972
Investment income				-			123	123		150
Other				-				-		2,080
Total revenues	<u>438</u>	<u>1,220</u>	<u>-</u>	<u>1,658</u>	<u>-</u>	<u>-</u>	<u>123</u>	<u>123</u>	<u>-</u>	<u>16,777</u>
Expenditures:										
Current:										
General government				-			16	16		355
Public safety				-				-		9,026
Social services				-				-		2,968
Public works				-				-		34
Education				-				-		4,548
Capital outlay	1,064	627		1,691				-		1,691
Debt Service				-				-		6,099
Total expenditures	<u>1,064</u>	<u>627</u>	<u>-</u>	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>-</u>	<u>24,721</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(626)</u>	<u>593</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>107</u>	<u>107</u>	<u>-</u>	<u>(7,944)</u>
Other Financing Sources (Uses):										
Transfers in	2,459	112		2,571				-	(259)	9,362
Transfer out	(262)			(262)			(65)	(65)	259	(286)
Total other financing sources (uses)	<u>2,197</u>	<u>112</u>	<u>-</u>	<u>2,309</u>	<u>-</u>	<u>-</u>	<u>(65)</u>	<u>(65)</u>	<u>-</u>	<u>9,076</u>
Net Change in Fund Balances	1,571	705	-	2,276	-	-	42	42	-	1,132
Fund Balances at Beginning of Year	<u>1,850</u>	<u>1,118</u>	<u>-</u>	<u>2,968</u>	<u>40</u>	<u>5</u>	<u>1,610</u>	<u>1,655</u>	<u>-</u>	<u>9,130</u>
Fund Balances at End of Year	<u>\$ 3,421</u>	<u>\$ 1,823</u>	<u>\$ -</u>	<u>\$ 5,244</u>	<u>\$ 40</u>	<u>\$ 5</u>	<u>\$ 1,652</u>	<u>\$ 1,697</u>	<u>\$ -</u>	<u>\$ 10,262</u>

**CITY OF NORWICH, CONNECTICUT
 FIRE DISTRICTS FUND REVENUES
 BUDGETARY BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018
 (In Thousands)**

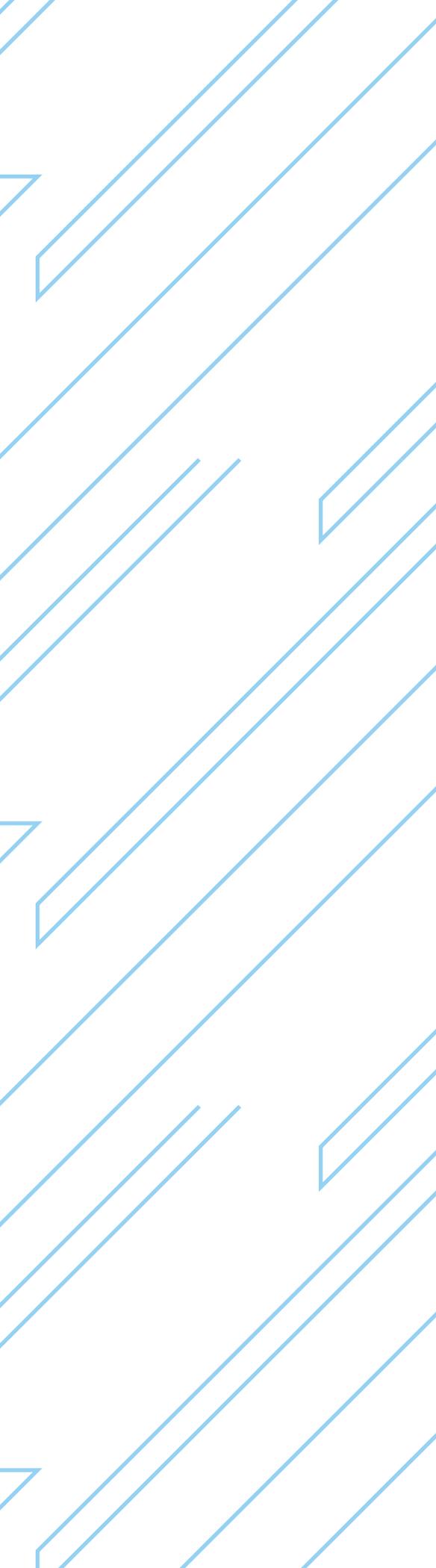
	Budgeted Amounts		Actual	Variance
	Original	Final		
Taxes, interest and lien fees:				
Fire	\$ 4,384	\$ 4,384	\$ 4,346	\$ (38)
Volunteer fire	173	173	175	2
Total taxes, interest and lien fees	<u>4,557</u>	<u>4,557</u>	<u>4,521</u>	<u>(36)</u>
Intergovernmental:				
Shared revenues	<u>616</u>	<u>616</u>	<u>577</u>	<u>(39)</u>
Other:				
Other fund transfers	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Investment income	<u>10</u>	<u>10</u>	<u>13</u>	<u>3</u>
Total	<u>\$ 7,583</u>	<u>\$ 7,583</u>	<u>\$ 7,511</u>	<u>\$ (33)</u>

**CITY OF NORWICH, CONNECTICUT
 FIRE DISTRICTS FUND EXPENDITURES
 BUDGETARY BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018
 (In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Fire:				
Employees	\$ 3,210	\$ 3,193	\$ 3,193	\$ -
Overtime	24	73	73	-
Replacement costs	610	725	725	-
Fringe benefits	3,813	3,811	3,811	-
Workers compensation	136	136	136	-
Volunteer firefighter tax credit	72	75	75	-
Volunteer firefighter trust fund	373	373	373	-
Total	\$ 8,238	\$ 8,386	\$ 8,386	\$ -

**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF FIRE DISTRICT TAXES
 FOR THE YEAR ENDED JUNE 30, 2018
 (In Thousands)**

Grand List	Uncollected Taxes July 1, 2017	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Net Uncollected Taxes June 30, 2018
		Additions	Deductions			Taxes	Interest	Fees	Total	
2016	\$ 4,350	\$ 170	\$ 4	\$ 18	\$ 4,498	\$ 4,365	\$ 19	\$ -	\$ 4,384	\$ 133
2015	121		1		120	62	12		74	58
2014	50	1	3		48	20	8		28	28
2013	28		3		25	6	2		8	19
2012	19		3		16	1	1		2	15
2011	11				11				-	11
2010	4				4				-	4
2009	3				3				-	3
2008	1				1				-	1
	<u>\$ 4,587</u>	<u>\$ 171</u>	<u>\$ 14</u>	<u>\$ 18</u>	<u>\$ 4,726</u>	4,454	42		4,496	<u>\$ 272</u>
				Suspense collections		<u>17</u>	<u>11</u>		<u>28</u>	
				Total Tax Collections		<u>\$ 4,471</u>	<u>\$ 53</u>	<u>\$ -</u>	4,524	
				Property taxes receivable considered available:						
				June 30, 2017					(44)	
				June 30, 2018					<u>41</u>	
				Total					<u>\$ 4,521</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, 2018
(In Thousands)

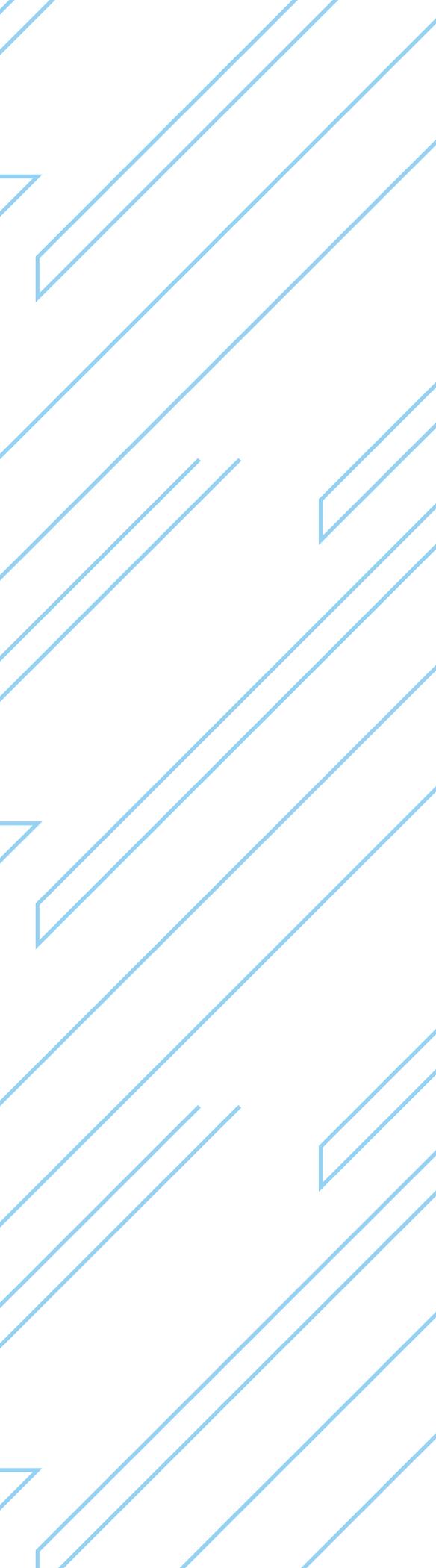
	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Assets:				
Current assets:				
Receivables, net:				
User charges	\$ 4	\$ 89	\$ 93	\$ 93
Due from other funds		50		50
Total current assets	<u>4</u>	<u>139</u>	<u>-</u>	<u>143</u>
Capital assets, net	<u>2,167</u>	<u>6,352</u>	<u>1,366</u>	<u>9,885</u>
Total assets	<u>2,171</u>	<u>6,491</u>	<u>1,366</u>	<u>10,028</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	137	18		155
Bonds payable	30			30
Due to other funds	35		825	860
Unearned revenue	<u>176</u>		<u>989</u>	<u>1,165</u>
Total current liabilities	<u>378</u>	<u>18</u>	<u>1,814</u>	<u>2,210</u>
Noncurrent liabilities:				
Bonds payable	<u>60</u>			<u>60</u>
Total liabilities	<u>438</u>	<u>18</u>	<u>1,814</u>	<u>2,270</u>
Net Position:				
Net investment in capital assets	2,077	6,352	1,366	9,795
Unrestricted	<u>(344)</u>	<u>121</u>	<u>(1,814)</u>	<u>(2,037)</u>
Total Net Position	<u>\$ 1,733</u>	<u>\$ 6,473</u>	<u>\$ (448)</u>	<u>\$ 7,758</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, 2018
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Operating Revenues:				
Charges for services	\$ 978	\$ 149	\$	\$ 1,127
Rent			165	165
Total operating revenues	<u>978</u>	<u>149</u>	<u>165</u>	<u>1,292</u>
Operating Expenses:				
Operations and maintenance	1,031	161	10	1,202
Depreciation	<u>51</u>	<u>170</u>	<u>114</u>	<u>335</u>
Total operating expenses	<u>1,082</u>	<u>331</u>	<u>124</u>	<u>1,537</u>
Operating Income (Loss)	(104)	(182)	41	(245)
Nonoperating Income (Expense):				
Interest expense	<u>(3)</u>			<u>(3)</u>
Net Income (Loss) Before Transfers	(107)	(182)	41	(248)
Transfers in			<u>24</u>	<u>24</u>
Change in Net Position	(107)	(182)	65	(224)
Net Position at Beginning of Year	<u>1,840</u>	<u>6,655</u>	<u>(513)</u>	<u>7,982</u>
Net Position at End of Year	<u>\$ 1,733</u>	<u>\$ 6,473</u>	<u>\$ (448)</u>	<u>\$ 7,758</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 1,038	\$ 158	\$ 1	\$ 1,197
Cash paid to vendors	(944)	(158)		(1,102)
Net cash provided by (used in) operating activities	<u>94</u>	<u>-</u>	<u>1</u>	<u>95</u>
Cash Flows from Noncapital Financing Activities:				
Advances from other funds			24	24
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>24</u>	<u>24</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(66)		(25)	(91)
Proceeds from the sale of capital assets				-
Principal payments on long-term debt	(25)			(25)
Interest payments on long-term debt	(3)			(3)
Net cash provided by (used in) capital and related financing activities	<u>(94)</u>	<u>-</u>	<u>(25)</u>	<u>(119)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of Year	-	-	-	-
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)	\$ (104)	\$ (182)	\$ 41	\$ (245)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	51	170	114	335
(Increase) decrease in receivables	(4)	9		5
(Increase) decrease in due from other funds	89	18		107
Increase (decrease) in due to other funds			10	10
Increase (decrease) in unearned revenues	(25)		(164)	(189)
Increase (decrease) in accounts payable and accrued liabilities	87	(15)		72
Total adjustments	<u>198</u>	<u>182</u>	<u>(40)</u>	<u>340</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 95</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, 2018
(In Thousands)

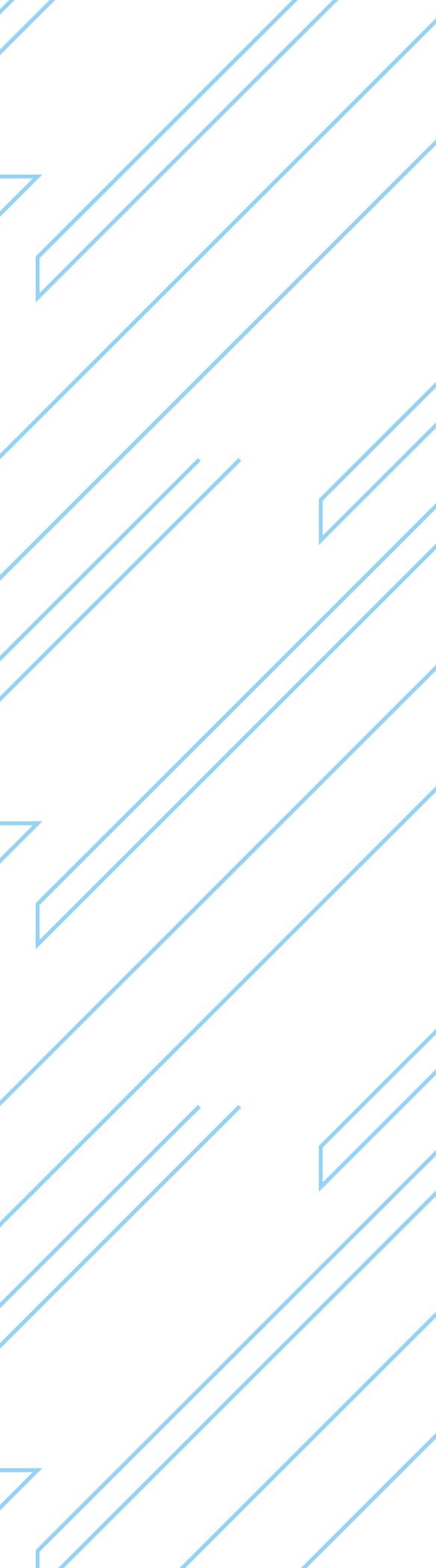
	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets:			
Current:			
Accounts receivable	\$ 36	\$	\$ 36
Due from other funds	2,566	3,142	5,708
Total assets	<u>2,602</u>	<u>3,142</u>	<u>5,744</u>
Liabilities:			
Current:			
Accounts payable	6	9	15
Risk management claims	1,232	1,249	2,481
Total current liabilities	<u>1,238</u>	<u>1,258</u>	<u>2,496</u>
Noncurrent:			
Risk management claims		2,889	2,889
Total liabilities	<u>1,238</u>	<u>4,147</u>	<u>5,385</u>
Net Position:			
Unrestricted	\$ <u>1,364</u>	\$ <u>(1,005)</u>	\$ <u>359</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, 2018
 (In Thousands)**

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 15,378	\$ 2,752	\$ 18,130
Operating Expenses:			
Claims expense	14,251	2,168	16,419
Premiums and administrative expenses	<u>1,372</u>	<u>403</u>	<u>1,775</u>
Total operating expenses	<u>15,623</u>	<u>2,571</u>	<u>18,194</u>
Operating Income (Loss)	(245)	181	(64)
Net Position at Beginning of Year	<u>1,609</u>	<u>(1,186)</u>	<u>423</u>
Net Position at End of Year	<u>\$ 1,364</u>	<u>\$ (1,005)</u>	<u>\$ 359</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from charges for services	\$ 3,364	\$ 37	\$ 3,401
Cash receipts for interfund services provided	12,407	2,814	15,221
Cash paid to vendors	<u>(15,771)</u>	<u>(2,851)</u>	<u>(18,622)</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>(245)</u>	\$ <u>181</u>	\$ <u>(64)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Increase) decrease in receivables	141		141
(Increase) decrease in due from other funds	252	99	351
Increase (decrease) in accounts payable and accrued liabilities	<u>(148)</u>	<u>(280)</u>	<u>(428)</u>
Total adjustments	<u>245</u>	<u>(181)</u>	<u>64</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, 2018
(In Thousands)

	City Employee Pension Trust Fund	Volunteer Fire Pension Trust Fund	Other Post Employment Benefit Trust Fund	Total
Assets:				
Cash and cash equivalents	\$ 425	\$ 29	\$ 47	\$ 501
Investments:				
U.S. government securities	16,315		1,434	17,749
U.S. government agencies	8,986		898	9,884
Corporate bonds	20,202		2,345	22,547
Mutual funds	75,547	2,769	7,987	86,303
Common stock	51,085		5,319	56,404
Real estate	813		83	896
Preferred stock	269		28	297
Accounts receivable				
Due from other funds			629	629
Total assets	173,642	2,798	18,770	195,210
Liabilities:				
Accounts and other payables	12		421	433
Due to other funds	47	3		50
Total liabilities	59	3	421	483
Net Position:				
Net Position Restricted for OPEB Benefits			18,349	18,349
Net Position Restricted for Pensions	173,583	2,795		176,378
Total Net Position	\$ 173,583	\$ 2,795	\$ 18,349	\$ 194,727

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, 2018
(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	\$ 10,103	\$ 373	\$ 5,548	\$ 16,024
Plan members	3,664	14	200	3,878
Total contributions	<u>13,767</u>	<u>387</u>	<u>5,748</u>	<u>19,902</u>
Investment income:				
Net appreciation in fair value of investments	8,493	98	784	9,375
Interest and dividends	4,295	107	451	4,853
Total investment income	<u>12,788</u>	<u>205</u>	<u>1,235</u>	<u>14,228</u>
Less investment expense	<u>(691)</u>	<u>(13)</u>	<u>(200)</u>	<u>(904)</u>
Net investment income	<u>12,097</u>	<u>192</u>	<u>1,035</u>	<u>13,324</u>
Total additions	<u>25,864</u>	<u>579</u>	<u>6,783</u>	<u>33,226</u>
Deductions:				
Benefits	17,062	329	4,572	21,963
Administration	44	9	22	75
Lump sum distributions and withdrawals	434	4		438
Total deductions	<u>17,540</u>	<u>342</u>	<u>4,594</u>	<u>22,476</u>
Net Increase	8,324	237	2,189	10,750
Net Position Held in Trust for Pension and Other Post Employment Benefits at Beginning of Year	<u>165,259</u>	<u>2,558</u>	<u>16,160</u>	<u>183,977</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 173,583</u>	<u>\$ 2,795</u>	<u>\$ 18,349</u>	<u>\$ 194,727</u>

**CITY OF NORWICH, CONNECTICUT
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2018
 (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	\$ 73	\$	\$	\$ 385	\$ 458
Other	<u> </u>	<u>2</u>	<u>17</u>	<u>84</u>	<u>103</u>
Total Assets	<u>\$ 73</u>	<u>\$ 2</u>	<u>\$ 17</u>	<u>\$ 469</u>	<u>\$ 561</u>
Liabilities:					
Due to student groups and agencies	<u>\$ 73</u>	<u>\$ 2</u>	<u>\$ 17</u>	<u>\$ 469</u>	<u>\$ 561</u>

CITY OF NORWICH, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 74	\$ 79	\$ 80	\$ 73
Liabilities:				
Due to student groups and agencies	\$ 74	\$ 79	\$ 80	\$ 73
Rehabilitation Deposits				
Assets:				
Other	\$ 15	\$ 8	\$ 21	\$ 2
Liabilities:				
Due to student groups and agencies	\$ 15	\$ 8	\$ 21	\$ 2
Bid Deposit				
Assets:				
Other	\$ 20	\$ 109	\$ 112	\$ 17
Liabilities:				
Due to student groups and agencies	\$ 20	\$ 109	\$ 112	\$ 17
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 479	\$	\$ 94	\$ 385
Other	84	84	84	84
Total	\$ 479	\$ 84	\$ 94	\$ 469
Liabilities:				
Due to student groups and agencies	\$ 479	\$ 84	\$ 94	\$ 469
Total - All Funds				
Assets:				
Cash and cash equivalents	\$ 553	\$ 79	\$ 174	\$ 458
Other	35	201	133	103
Total	\$ 588	\$ 280	\$ 307	\$ 561
Liabilities:				
Due to student groups and agencies	\$ 588	\$ 280	\$ 307	\$ 561



Supplemental Schedules

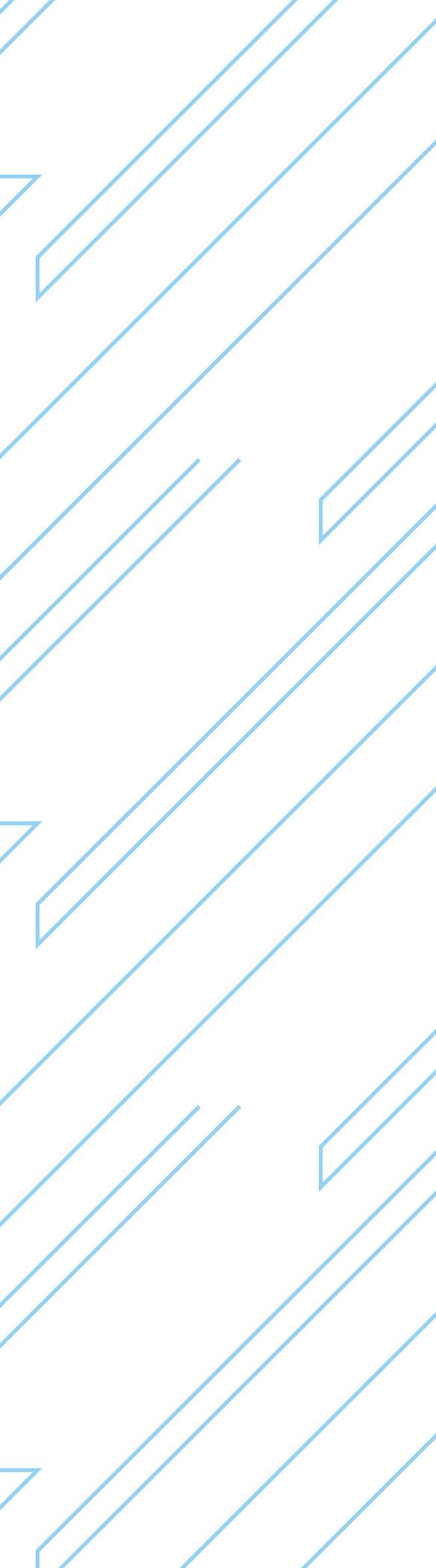
CITY OF NORWICH, CONNECTICUT
SCHEDULE OF BONDS AND SERIAL NOTES PAYABLE
FOR THE YEAR ENDED JUNE 30, 2018
(In Thousands)

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	\$ 980	\$	\$ 245	\$ 735
General purpose	3.0-4.0	12/02/2009	12/01/2029	9,145	1,410		470	940
Schools	3.0-4.0	12/02/2009	12/01/2029	2,000	305		105	200
General purpose	2.0-4.0	12/13/2011	12/01/2022	4,680	3,740		240	3,500
Schools	2.0-4.0	12/13/2011	12/01/2022	5,000	3,940		260	3,680
Refunding - (04/15/2002) bonds	2.0	02/15/2012	04/15/2022	2,725	1,270		270	1,000
General purpose	3.0-5.0	02/12/2014	09/15/2019	12,365	10,405		650	9,755
Refunding - (4/15/2004 series B and 3/15/2005) bonds	3.0-5.0	02/12/2014	09/15/2019	2,793	838		352	486
Refunding - (4/15/2004 series B and 3/15/2005) bonds - Schools	3.0-5.0	02/12/2014	09/15/2019	2,987	1,247		483	764
General purpose - series A	3.0-4.0	03/03/2015	08/01/2015	5,600	5,000		350	4,650
General purpose - series B	2.0-3.0	03/03/2015	08/01/2015	1,140	910		115	795
General purpose - series A	2.0-2.6	3/1/2016	8/1/2035	6,300	5,935		365	5,570
General purpose - series B	2.0-3.0	3/1/2016	8/1/2025	2,500	2,250		250	2,000
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		225	4,225
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		50	950
Total				<u>71,375</u>	<u>49,430</u>	<u>-</u>	<u>4,430</u>	<u>45,000</u>
Business-Type Activities:								
General purpose bonds payable:								
Golf course	3.0-4.0	12/02/2009	12/01/2029	265	115		25	90
Refunding - (02/12/2014) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	73	32		10	22
Notes payable:								
Equipment financing loan	4.25	12/28/2017	1/1/2025	1,896		1,896		1,896
State of Connecticut serial notes payable:								
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	151		77	74
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	228		49	179
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	516		109	407
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	268		22	246
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,410		84	1,326
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,455		259	4,196
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	2,127		128	1,999
Clean Water Act 707-PD	*	*	*	*		862		862
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	90		7	83
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	212		16	196
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	133		9	124
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	122		8	114
Drinking Water State Revolving Fund 2014-7027	2.27	06/30/2015	12/31/2034	506	443		26	417
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	3,732		204	3,528
Drinking Water State Revolving Fund 2015-7037	2.00	10/12/2016	09/30/2034	1,528	1,464		83	1,381
Drinking Water State Revolving Fund 2017-7056	*	*	*	*		2,324		2,324
Total				<u>23,960</u>	<u>15,498</u>	<u>5,082</u>	<u>1,116</u>	<u>19,464</u>
Total				<u>\$ 95,335</u>	<u>\$ 64,928</u>	<u>\$ 5,082</u>	<u>\$ 5,546</u>	<u>\$ 64,464</u>

* 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, 2018
 (In Thousands)**

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities General Obligation Bonds, Notes Payable and Serial Notes		Total Primary Government	
	General Obligation Bonds		Principal	Interest	Principal	Interest
	Principal	Interest				
2019	\$ 4,305	\$ 1,387	\$ 1,278	\$ 362	\$ 5,583	\$ 1,749
2020	4,095	1,264	1,369	328	5,464	1,592
2021	3,575	1,153	1,385	294	4,960	1,447
2022	3,230	1,046	1,295	258	4,525	1,304
2023	2,980	941	1,232	226	4,212	1,167
2024	2,975	843	1,257	193	4,232	1,036
2025	2,950	741	1,058	161	4,008	902
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	62		582	20
2037	270	5			270	5
Subtotal	\$ <u>45,000</u>	\$ <u>10,545</u>	<u>16,278</u>	<u>2,436</u>	\$ <u>61,278</u>	\$ <u>12,981</u>
State of Connecticut - serial notes not permanently financed as of June 30, 2018			<u>3,186</u>			
Total			\$ <u>19,464</u>	\$ <u>2,436</u>		



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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 77,058	\$ 78,005	\$ 75,885	\$ 80,829	\$ 84,303 *	\$ 95,200	\$ 92,031 *	\$ 87,252	\$ 60,432	\$ 53,165
Restricted	1,697	1,656	1,620	1,630	1,667	1,537	1,457	1,544	1,405	1,351
Unrestricted	<u>(58,803)</u>	<u>(24,278)</u>	<u>(17,860)</u>	<u>(23,960) *</u>	<u>24,762</u>	<u>12,940</u>	<u>14,373</u>	<u>10,296</u>	<u>14,414</u>	<u>6,088</u>
Total governmental activities net position	<u>19,952</u>	<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>
Business-type activities:										
Net investment in capital assets	131,273	133,414	128,042	110,565	112,277 *	112,113	107,495 *	97,874	88,174	87,763
Restricted	120	273	334	338	228	188	361	334	287	758
Unrestricted	<u>(16,817)</u>	<u>(19,524)</u>	<u>(19,180) *</u>	<u>(2,259) *</u>	<u>16,073</u>	<u>15,631</u>	<u>22,241</u>	<u>20,129</u>	<u>23,441</u>	<u>22,903</u>
Total business-type activities net position	<u>114,576</u>	<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>
Primary government:										
Net investment in capital assets	208,331	211,419	203,927	191,394	196,580	207,313	199,526	185,126	148,606	140,928
Restricted	1,817	1,929	1,954	1,968	1,895	1,725	1,818	1,878	1,692	2,109
Unrestricted	<u>(75,620)</u>	<u>(43,802)</u>	<u>(35,875)</u>	<u>(26,219)</u>	<u>40,835</u>	<u>28,571</u>	<u>36,614</u>	<u>30,425</u>	<u>37,855</u>	<u>28,991</u>
Total Primary Government Net Position	<u>\$ 134,528</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Governmental activities:										
General government	\$ 9,680	\$ 10,522	\$ 10,543	\$ 11,257	\$ 8,296	\$ 11,905	\$ 10,300	\$ 10,760	\$ 9,114	\$ 10,473
Public safety	29,139	72,870	31,681	25,750	23,882	22,840	20,571	20,336	18,063	20,326
Social services	4,885	4,614	4,038	2,581	4,248	4,059	4,201	4,664	5,602	4,954
Public works	10,374	14,539	13,754	14,334	15,989	11,887	13,444	9,133	9,449	15,819
Education	110,987	101,609	101,748	99,926	94,935	92,976	86,764	84,263	84,898	85,661
Interest on long-term debt	1,145	1,351	1,348	1,444	1,488	1,232	1,109	2,008	1,323	1,444
Total governmental activities expenses	166,210	205,505	163,112	155,292	148,838	144,899	136,389	131,164	128,449	138,677
Business-type activities:										
Department of Public Utilities	84,253	83,797	84,729	81,842	77,462	75,476	75,620	80,977	74,716	77,192
Other enterprise funds	1,540	1,629	1,646	1,817	2,615	2,470	2,495	2,425	2,413	2,529
Total business-type activities expenses	85,793	85,426	86,375	83,659	80,077	77,946	78,115	83,402	77,129	79,721
Total primary government expenses	252,003	290,931	249,487	238,951	228,915	222,845	214,504	214,566	205,578	218,398
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,893	2,041	2,115	1,684	2,107	1,907	1,866	1,860	1,778	1,602
Public works	667	721	744	803	811	1,684	771	1,250	819	2,962
Education	1,239	1,415	1,495	1,650	1,581	1,620	1,708	1,570	2,051	2,184
Other	1,154	1,156	1,204	914	887	1,009	1,032	1,076	1,012	1,171
Operating grants and contributions	64,515	64,394	60,567	59,088	58,277	55,684	53,139	54,051	54,424	52,034
Capital grants and contributions	2,288	634	2,467	1,774	1,664	791	10,749	22,962	11,163	5,810
Total governmental activities program revenues	71,756	70,361	68,592	65,913	65,327	62,695	69,265	82,769	71,247	65,763
Business-type activities:										
Charges for services:										
Gas	19,869	16,636	16,250	18,576	17,609	14,893	13,370	16,282	16,508	21,596
Electric	55,672	52,849	56,710	56,920	51,627	51,396	60,151	58,283	52,303	55,152
Water	11,036	10,493	9,048	8,817	8,808	8,376	6,656	6,794	6,117	6,027
Sewer	8,641	8,629	7,426	6,761	6,994	7,252	6,876	7,185	7,580	5,536
Other nonmajor enterprise funds	1,292	1,388	1,482	1,302	1,820	1,882	2,054	2,081	2,081	2,188
Capital grants and contributions	2,421	4,585	3,809	3,547	1,798	65	6,798	6,704	200	1,315
Total business-type activities program revenues	98,931	94,580	94,725	95,923	88,656	83,864	95,905	97,329	84,789	91,814
Total primary government program revenues	170,687	164,941	163,317	161,836	153,983	146,559	165,170	180,098	156,036	157,577
Net (expense) revenue:										
Governmental activities	(94,454)	(135,144)	(94,520)	(89,379)	(83,511)	(82,204)	(67,124)	(48,395)	(57,202)	(72,914)
Business-type activities	13,138	9,154	8,350	12,264	8,579	5,918	17,790	13,927	7,660	12,093
Total Primary Government Net Expense	\$ (81,316)	\$ (125,990)	\$ (86,170)	\$ (77,115)	\$ (74,932)	\$ (76,286)	\$ (49,334)	\$ (34,468)	\$ (49,542)	\$ (60,821)

(Continued on next page)

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

TABLE 2

	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 79,996	\$ 79,343	\$ 81,709	\$ 75,298	\$ 70,539	\$ 69,598	\$ 63,198	\$ 61,307	\$ 59,956	\$ 57,897
Grants and contributions not restricted to specific programs	4,404	5,580	4,771	4,534	4,900	5,005	4,315	4,391	4,372	5,480
Unrestricted investment earnings	609	394	146	88	247	202	51	283	321	262
Miscellaneous	1,297	1,301	1,236	2,536	942	1,126	890	1,414	998	558
Transfers	8,465	8,516	7,804	7,467	7,938	8,089	7,439	8,277	7,202	7,133
Total governmental activities	<u>94,771</u>	<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>
Business-type activities:										
Investment earnings	56	13	6	5	152	6	11	14	20	108
Transfers	(8,465)	(8,516)	(7,804)	(7,467)	(7,938)	(8,089)	(7,493)	(8,277)	(7,202)	(7,133)
Total business-type activities	<u>(8,409)</u>	<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>
Total Primary Government	<u>\$ 86,362</u>	<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>
Changes in Net Position:										
Governmental activities	\$ 317	\$ (40,010)	\$ 1,146	\$ 544	\$ 1,055	\$ 1,816	\$ 8,769	\$ 27,277	\$ 15,647	\$ (1,584)
Business-type activities	4,729	651	552	4,802	793	(2,165)	10,308	5,664	478	5,068
Total Primary Government	<u>\$ 5,046</u>	<u>\$ (39,359)</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>

Notes:

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

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

	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$ 268	\$ 283
Unreserved									9,834	9,616
Assigned	261	664	227	207	498	920	264	178		
Unassigned	<u>15,303</u>	<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>\$ 15,564</u>	<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>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,776	\$ 1,729
Unreserved, reported in:										
Special revenue funds									2,915	2,183
Capital projects funds									3,911	(1,898)
Nonspendable	1,733	1,723	1,584	1,600	1,660	1,484	1,443	1,523		
Restricted	6,104	7,888	5,102	1,865	2,096	2,193	3,179	1,421		
Committed	6,509	5,189	5,030	3,766	4,354	4,107	4,271	4,344		
Unassigned	<u>(99)</u>	<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>\$ 14,247</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Property taxes, interest and liens	\$ 79,475	\$ 79,880	\$ 81,951	\$ 74,665	\$ 71,555	\$ 69,360	\$ 63,286	\$ 60,817	\$ 59,214	\$ 57,623
Intergovernmental	71,004	70,232	67,903	65,897	65,112	61,368	68,137	81,439	69,937	63,116
Charges for services, licenses, permits, fees and other	7,703	8,292	7,672	6,801	6,858	6,686	6,816	7,292	7,353	8,508
Investment income	608	392	146	88	248	202	50	283	321	260
Total revenues	<u>158,790</u>	<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>
Expenditures:										
General government	6,040	5,631	6,174	5,629	5,777	5,473	5,008	5,822	6,466	6,716
Public safety	28,013	26,868	25,998	23,407	22,958	21,672	19,685	19,447	17,832	18,606
Social services	4,933	3,716	4,289	4,140	4,013	3,616	4,125	4,029	4,261	4,640
Public works	10,652	11,397	11,094	10,890	11,115	10,121	10,187	9,633	9,421	10,359
Education	107,541	105,574	99,284	97,755	94,320	91,108	84,067	84,690	83,893	82,866
Other	3,135	3,276	4,036	5,644	5,598	4,943	4,795	3,411	3,461	3,693
Capital outlay	3,426	4,987	8,587	9,838	9,275	9,156	16,954	34,905	18,274	10,826
Debt service:										
Principal	4,430	4,180	4,040	3,900	4,330	3,906	3,915	3,475	3,530	2,835
Interest	1,669	1,690	1,703	1,718	1,283	1,258	1,075	1,297	713	1,199
Total expenditures	<u>169,839</u>	<u>167,319</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>
Excess of revenues over (under) expenditures	<u>(11,049)</u>	<u>(8,523)</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>
Other financing sources (uses):										
Transfers in	15,713	15,824	14,773	9,523	10,746	11,092	11,701	18,424	12,404	10,686
Transfers out	(7,248)	(7,308)	(6,969)	(2,056)	(2,808)	(3,003)	(4,262)	(10,147)	(5,202)	(3,553)
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>8,465</u>	<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>
Net change in fund balances	(2,584)	5,873	9,318	(844)	6,946	(5,548)	5,743	(7,797)	6,791	(2,160)
Fund Balances at Beginning of Year	<u>32,395</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>
Fund Balances at End of Year	<u>\$ 29,811</u>	<u>\$ 32,395</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>
Debt Service as a Percentage of Noncapital Expenditures	3.66%	3.64%	3.61%	3.56%	3.63%	3.52%	3.69%	3.57%	3.32%	2.98%

Notes:

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

CITY OF NORWICH, CONNECTICUT
PROPERTY TAX ASSESSMENT
LAST TEN FISCAL YEARS

TABLE 5

(In Thousands)

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								
2018	2016	\$ 354,974	\$ 1,156,298	\$ 227,777	\$ 159,304	\$ 1,898,352	\$ 37,976	\$ 1,860,376	78,849	42.38	\$ 2,657,679	70%	\$ 2,711,520
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

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

Notes:
Revaluations were done for Grand Lists October 1, 2008 and October 1, 2013. The next revaluation will be on the October 1, 2018. Property is assessed at approximately 70% of its market value. Assessed Value is 70% Estimated Actual Value.

**CITY OF NORWICH, CONNECTICUT
 PRINCIPAL PROPERTY TAXPAYERS
 OCTOBER 1, 2016 AND OCTOBER 1, 2007
 (In Thousands)**

TABLE 6

Business Name	Nature of Business	October 1, 2016			October 1, 2007		
		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	\$ 30,728	1	1.65%	\$ 24,228	1	1.29%
NorwichTown Commons	Shopping Center	16,815	2	0.90%			0.00%
Domino Solar Ltd.	Solar Installations	15,685	3	0.84%			0.00%
Bob's Discount Furniture	Retail Store & Distribution Warehouse	14,818	4	0.80%	21,708	2	1.16%
US Foodservice	Food Distributors	14,059	5	0.76%	7,952	8	0.42%
Norwich Realty Associates LP	Real Estate	9,322	6	0.50%			0.00%
Plaza Enterprises	Shopping Center	9,263	7	0.50%	10,577	5	0.56%
Mashantucket Pequot Tribe	Real Estate	8,505	8	0.46%	9,033	6	0.48%
Algonquin Gas Transmissions LLC	Natural Gas Pipeline	8,204	9	0.44%			0.00%
Wal-Mart Stores, Inc.	Department Store	8,071	10	0.43%			0.00%
Freeport-McMoran (fka Phelps Dodge)	Manufacturing - Copper			0.00%	14,262	3	0.76%
SEA Norwich LLC	Shopping Center			0.00%	11,717	4	0.62%
Kalimian Elias as Trustee	Apartments			0.00%	8,138	7	0.43%
IBM, Inc.	Equipment leasing				6,859	10	
Norwich Community Development Corp.	Office building			0.00%	7,239	9	0.39%
Total		\$ 135,471		7.28%	\$ 121,714		6.49%

Source: City of Norwich Assessor's Office

Note: The October 1, 2016 grand list was the base grand list utilized for the tax bills issued July 1, 2017 for the 2018 fiscal year.

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

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
General Fund										
2018	\$ 1,860,376	40.52	\$ 74,351	\$ 72,124	97.01%	\$	\$ 72,124	97.01%	\$ 48.74	\$ 40.67
2017	1,846,203	41.22	74,366	72,150	97.02%	1,199	73,349	98.63%	49.06	41.69
2016	1,826,051	40.90	74,375	72,017	96.83%	2,090	74,108	99.64%	48.06	41.39
2015	1,822,502	38.55	69,248	66,667	96.27%	2,424	69,091	99.77%	45.93	39.04
2014	2,423,927	27.23	65,922	63,721	96.66%	2,061	65,781	99.79%	32.27	27.59
2013	2,455,068	26.54	64,618	62,401	96.57%	2,135	64,536	99.87%	31.10	26.90
2012	2,394,228	24.76	59,110	57,141	96.67%	1,921	59,062	99.92%	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%	2,215	54,296	99.98%	34.10	29.66
City Consolidated District (CCD) Fire Tax										
2018	\$ 612,003	8.22	\$ 4,331	\$ 4,200	96.96%	\$ 18	\$ 4,218	97.37%		
2017	616,753	7.84	4,099	3,986	97.23%	67	4,053	98.87%		
2016	613,919	7.16	4,347	4,144	95.34%	175	4,320	99.37%		
2015	614,079	7.38	4,481	4,249	94.84%	213	4,463	99.60%		
2014	864,925	5.04	4,378	4,172	95.30%	195	4,367	99.75%		
2013	896,123	4.56	3,995	3,809	95.35%	181	3,990	99.88%		
2012	864,402	4.07	3,496	3,329	95.22%	164	3,493	99.92%		
2011	870,134	3.98	3,426	3,251	94.88%	174	3,425	99.96%		
2010	870,088	3.63	3,136	2,991	95.39%	145	3,136	100.00%		
2009	650,100	4.86	3,154	2,981	94.50%	173	3,154	100.00%		
Town Consolidated District (TCD) Volunteer Fire Relief Tax										
2018	\$ 1,248,373	0.15	\$ 166	\$ 165	98.96%	\$	\$ 165	98.96%		
2017	1,229,450	0.47	515	508	98.67%	5	513	99.55%		
2016	1,212,132	0.49	598	586	98.09%	10	596	99.76%		
2015	1,208,423	0.49	587	572	97.34%	15	586	99.81%		
2014	1,559,002	0.36	564	552	97.80%	12	564	99.88%		
2013	1,558,946	0.36	566	554	97.78%	12	566	99.94%		
2012	1,529,826	0.36	556	544	97.90%	11	556	99.96%		
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	99.97%		

Notes:
For fiscal year 2016-17 and 2017-18, the Mill Rates listed above only apply to real estate and personal property. The mill rate for motor vehicles was capped at 37 mills and 39 mills for 2016-17 and 2017-18, respectively.

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 / Notes Payable	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
2018	\$ 47,407	\$	\$ 514	\$ 112	\$	\$ 17,456	\$ 1,896	\$ 67,385	6.35%	\$ 1,704	\$ 47,519	1.79%	\$ 1,201
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	7,454		3,744	1,621	43,500	4.53%	1,074	37,405	1.09%	924
2011	26,736		804	4,904		4,269	1,717	38,430	4.00%	949	31,640	0.92%	781
2010	29,582		42	9,668		4,316	2,020	45,628	4.75%	1,254	39,250	1.16%	1,079
2009	21,936		80	5,624		4,027	2,688	34,355	4.59%	944	27,560	1.03%	757

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, 2018
(In Thousands)

Total Tax Collections, Including Interest and Lien Fees						\$	75,168
Total Tax Collections, Norwich Fire District							<u>4,712</u>
Base						\$	<u><u>79,880</u></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	16,861	7,300	3,107	1,505			28,773
Capital leases	514						514
Bonds authorized and unissued	<u>10,387</u>			<u>1,272</u>			<u>11,659</u>
Total indebtedness	<u>27,762</u>	<u>7,300</u>	<u>3,107</u>	<u>2,777</u>	<u>-</u>		<u>40,946</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 151,968</u>	<u>\$ 352,160</u>	<u>\$ 296,443</u>	<u>\$ 256,833</u>	<u>\$ 239,640</u>		<u>\$ 518,214</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 \$22 and State of Connecticut serial notes payable of \$6,356.

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

TABLE 10

	<u>2018</u>	<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>
Calculation of Legal Debt Limit										
Tax Collections										
General Fund tax collections	\$ 75,168	\$ 76,946	\$ 69,575	\$ 66,620	\$ 64,834	\$ 59,274	\$ 56,857	\$ 55,693	\$ 54,065	\$ 52,357
Fire District collections	4,712	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	79,880	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>559,160</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	16,861	18,289	17,347	15,705	14,794	13,134	15,140	15,646	17,313	10,304
School Bonds	7,300	8,528	9,832	10,525	11,122	12,449	13,497	9,558	10,492	9,371
Sewers	3,107	3,551	4,036	4,571	5,315	5,509	6,158	4,567	5,181	5,202
Urban renewal	1,505	1,700	1,885	715						
Water	6,356	6,869	5,951	2,248	2,052	2,108	2,411	2,716	3,025	2,808
Capital leases	514	675	830	979	1,123	1,268	730	804	874	
Gas line extensions	16,019	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	11,872	3,935	4,709	9,622	14,735	11,081	10,905	18,265	18,106	15,990
Total indebtedness (1)	<u>63,534</u>	<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>
Less:										
Water bonds and serial notes payable	(6,356)	(6,869)	(5,951)	(2,248)	(2,052)	(2,108)	(2,411)	(2,716)	(3,025)	(2,808)
School building grants						(99)	(198)	(300)	(402)	(507)
Gas line extensions	(16,019)	(17,041)	(14,907)	(11,509)	(8,730)	(1,000)	(1,000)			
Net indebtedness applicable to legal debt limit (1)	<u>41,159</u>	<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>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 518,001</u>	<u>\$ 536,992</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>
Total net debt applicable to the limit as a percentage of debt limit	7.36%	6.39%	7.39%	8.41%	9.70%	9.78%	10.86%	11.67%	12.77%	12.37%
Net indebtedness as a percentage of net taxable assessed value (1)	2.212%	1.987%	2.116%	2.311%	1.943%	1.765%	1.931%	2.016%	2.168%	2.580%
Net indebtedness per capita	1,043	927	962	1,048	1,172	1,074	1,141	1,199	1,273	1,330

(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>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>
Calculation of Continuing Disclosure Agreement Ratios										
Reconciliation of Direct Debt and Net Direct Debt (2)										
Total indebtedness per legal debt limit	\$ 63,534	\$ 60,588	\$ 59,497	\$ 55,873	\$ 57,872	\$ 46,549	\$ 49,841	\$ 51,556	\$ 54,992	\$ 51,720
Less: Authorized but unissued debt	(11,872)	(3,935)	(4,709)	(9,622)	(14,735)	(11,081)	(10,905)	(18,265)	(18,106)	(15,990)
Total Direct Debt	<u>51,662</u>	<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>
Less: Water bonds and sewer indirect self-funding debt	(9,463)	(10,420)	(9,987)	(6,819)	(7,368)	(7,617)	(8,569)	(7,283)	(8,206)	(8,009)
Less: School building grants						(99)	(198)	(300)	(402)	(507)
Total Net Direct Debt	<u>42,199</u>	<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>
Equalized Net Grand List ("ENGL") (3)	2,711,520	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
Valuation Date	10/1/2016	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
Ratio of Direct Debt to ENGL	1.905%	2.093%	2.052%	1.796%	1.469%	1.458%	1.323%	1.058%	1.085%	0.988%
Total Direct Debt Per Capita	\$1,308.89	1,432.22	1,363.62	1,151.16	1,073.66	879.07	961.34	822.14	910.92	981.92
Ratio of Net Direct Debt to ENGL	1.556%	1.708%	1.678%	1.532%	1.218%	1.141%	1.025%	0.817%	0.831%	0.753%
Total Net Direct Debt Per Capita	\$1,069.14	1,168.80	1,115.05	981.44	890.29	687.83	744.88	634.86	698.33	747.86
Ratio of Net General Bonded Debt to ENGL	0.891%	0.991%	1.018%	1.019%	0.882%	1.048%	0.966%	0.791%	0.806%	0.530%
Total Net General Bonded Debt Per Capita	612.13	677.97	676.45	652.83	645.05	631.62	702.16	615.01	676.74	526.77

- 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)	New London/ Norwich Market (4)	State of Connecticut (4)	United States (5)
2018	39,470	\$ 27,825	\$ 1,098,253	5,054	20,083	1,032	4.9%	4.2%	4.5%	4.1%
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%

(1) State of Connecticut Department of Public Health, US Census Bureau

(2) U.S. Census Bureau, 2000 Census and 2012-2016 American Community Survey (CP03 and DP03)

(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
2018 and 2009**

TABLE 12

Business Name	Nature of Business	2018			2009		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
William W. Backus Hospital	Medical Center	1,439	1	7.12%	932	3	4.64%
City of Norwich (incl. NPU & BOE)	Municipality	1,116	2	5.52%	1,020	2	5.08%
State of Connecticut	All State agencies	788	3	3.90%	1,100	1	5.48%
Bob's Discount Furniture	Distribution Center	553	4	2.74%	446	4	2.22%
U.S. Food Service	Food Distribution	325	5	1.61%	205	9	1.02%
Norwich Free Academy	Quasi-private high school	303	6	1.50%	261	8	1.30%
United Community & Family Services	Healthcare & community services	245	7	1.21%			0.00%
Shop Rite	Grocery	225	8	1.11%	418	5	2.08%
The American Group	Ambulance Service and other operations	221	9	1.09%			0.00%
Plas-Pak Industries	Plastics Products Manufacturing	175	10	0.87%			0.00%
Interim Healthcare of Eastern CT	Healthcare			0.00%	400	6	1.99%
Computer Science Corporation	Computer Products & Services			0.00%	330	7	1.64%
Stop & Shop	Grocery			0.00%	178	10	0.89%
Total		5,390		26.66%	5,290		26.34%

Source: June 2018 survey by Norwich Community Development Corporation. Not all companies responded.

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

TABLE 13

	<u>2018</u>	<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>
General City										
City Manager	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0
Finance	11.5	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	14.0
Treasurer	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Assessment	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human Resources	4.0	4.0	4.6	4.6	4.6	4.6	3.6	4.5	4.5	4.5
City Clerk	4.5	4.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0	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	104.8	106.8	110.5	110.8	110.8	107.0	100.0	94.0	96.0	98.0
Fire	58.7	59.0	61.0	62.0	61.0	62.6	59.6	59.5	59.5	59.5
Recreation	5.6	5.0	5.0	5.0	6.0	6.0	5.5	6.0	6.0	7.0
Human Services	3.0	3.0	5.0	5.0	5.0	7.0	7.0	8.5	8.5	8.5
Senior Citizens Center	7.0	7.0	7.6	7.6	7.0	7.6	6.5	6.5	6.5	7.0
Youth Service Bureau	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
PW Engineering & Administration	6.0	6.0	5.0	5.0	5.0	5.0	5.0	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	7.0	9.0
PW Solid Waste	0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
PW Street Maintenance	34.0	35.0	37.0	37.0	36.0	36.0	36.0	38.0	39.0	41.0
PW Building Maintenance	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0	9.0	9.0
PW Parking Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
Election	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5
Planning & Neighborhood Services	9.0	9.5	11.0	10.0	10.0	10.0	10.0	12.0	13.0	14.5
Emergency Management	0.3	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	0.0	0.5
Subtotal - General City	<u>279.4</u>	<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>
Board of Education										
General Fund-funded positions	410.5	375.85	409.65	388.3	357.2	358.8	342.5	286.4	291.1	406.4
State & federal grant-funded positions	179.2	196.37	190.12	159.8	159.8	65.7	65.7	193.0	226.3	125.3
School Lunch (state & federal grant)	31	42.25	42.25	39	39	37.5	37.5	46.0	30.0	30.0
Adult Education (state & federal grant)	21	22.3	22.3	22.3	22.3	12.0	12.0	12.0	12.0	12.0
Family Resource Center (state grant)	47.2	24.5	24.5	24.5	24.5	28.5	24.5	24.5	24.5	24.5
Subtotal - Board of Education	<u>688.9</u>	<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>
Norwich Public Utilities	<u>148.5</u>	<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>
Grand totals	<u>1116.8</u>	<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>

Notes on this Table:
Source: City Adopted Budget documents

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

TABLE 14

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function										
<i>General Government</i>										
Finance										
Number of tax and refuse bills mailed +	49,698	50,157	49,697	49,336	49,587	49,767	50,175	49,950	50,000	68,000
Number of internal control reviews performed	14	2	2	2	2	2	2	2	3	3
Assessor										
Number of deeds processed	1,497	1,426	1,489	1,496	1,401	1,301	982	1,132	1,500	2,550
Personal property declarations	1,780	1,763	1,833	1,719	1,792	1,754	1,795	1,856	1,650	1,130
Income & expense reports	1,600	N/R								
Board of assessment appeals adjustments	434	96	43	10	110	33	37	77	147	100
Human Resources										
Number of applications processed	3,510	2,327	1,597	1,349	1,372	1,521	1,475	476	960	1,067
Vacancies filled through promotion	25	26	19	19	6	12	14	4	6	11
Vacancies filled through new hires	19	21	21	29	15	34	19	2	8	21
Employee turnover rate (includes retirees)	7.9%	6.3%	5.0%	1.5%	2.0%	9.5%	7.0%	6.0%	5.6%	2.0%
City Clerk										
Land records recorded	6,517	6,597	5,822	6,146	6,823	7,018	6,154	5,753	6,364	6,486
Marriage licenses issued	432	302	300	274	285	312	301	270	323	326
Death certificates recorded	563	479	476	517	433	484	509	520	472	508
Birth certificates recorded	949	936	941	860	894	842	940	884	978	960
Management Information Systems										
Website visits	263,343	280,797	303,488	274,847	219,706	246,421	200,043	170,527	165,923	149,317
Election										
Voters added	1,717	3,490	1,908	856	465	2,255	667	1,060	438	3,289
Voters removed	4,830	2,507	1,827	895	1,043	2,786	683	1,235	1,001	813
Voter changes	3,591	5,100	2,541	2,124	6,258	6,873	2,021	3,049	2,376	2,303
Total voters	20,085	25,013	24,167	21,129	21,343	21,005	20,474	20,951	21,126	21,689
Planning & Neighborhood Services										
Site development plans	13	3	5	5	6	7	4	15	7	16
Zoning permit applications	259	251	263	172	266	303	672	398	327	370
Zoning complaints	70	47	47	68	80	84	351	185	167	240
Code violations	505	329	38	273	349	368	572	1,975	1,285	1,361
Citations issued	20	77	2	76	61	88	375	225	287	240
<i>Education</i>										
Average Class Size - Kindergarten	20.4	21.3	20.3	20.6	19.7	20.5	18.5	18.4	18.3	18.3
Average Class Size - Grade 2	19.9	21.9	19.5	19.6	19.6	20.2	19.4	18.1	17.9	18.8
Average Class Size - Grade 5	22.4	23.0	20.1	21.1	20.2	21.9	20.3	21.2	21.0	19.1
Average Class Size - Grade 7	22.9	22.9	21.5	24.5	21.3	18.7	19.8	17.1	20.1	21.1
<i>Public Safety</i>										
Police										
911 calls *	22,648	22,290	22,189	20,506	22,215	23,663	23,064	21,825	20,548	20,291
Non-emergency calls *	39,045	35,141	35,020	36,646	34,302	33,672	32,499	36,078	35,815	38,846
DWI arrests *	212	171	196	182	223	192	207	241	212	252
Fire										
Central Fire Department										
Service Calls	2,874	2,430	2,381	2,784	2,418	2,460	2,422	2,330	2,659	2,442
East Great Plain VFD										
Service Calls	961	784	823	786	798	904	936	961	855	912
Laurel Hill VFD										
Service Calls	N/A	62	72	103	101	113	106	121	85	117
Occum VFD										
Service Calls	N/A	207	161	255	228	184	169	191	182	199
Taftville VFD										
Service Calls	N/A	670	646	666	661	698	754	706	717	614
Yantic VFD										
Service Calls	617	570	683	631	622	607	621	643	658	544
Emergency Management										
Hours of emergency training	1,100	357	1,530	1,450	1,171	1,030	1,145	1,075	775	725
Shelters maintained	4	16	16	16	16	16	16	19	19	19

(Continued on next page)

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

TABLE 14

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function										
<i>Social Services</i>										
<i>Recreation</i>										
Number of youth registrations	3,476	2,613	2,177	2,122	2,035	2,343	3,671	4,500	4,600	4,618
Number of youth program hours	2,295	2,283	1,725	1,575	1,500	3,526	3,530	1,900	1,900	1,980
Adults & Seniors registrations	607	158	160	226	239	115	86	N/R	N/R	N/R
Adults & Seniors program hours	165	87	278	335	350	384	401	N/R	N/R	N/R
<i>Human Services</i>										
<i>General Human Services</i>										
Job placements	111	134	225	225	243	259	251	185	206	190
Individuals relocated due to condemnation	18	55	80	72	88	56	50	78	49	77
Rent & housing assistance cases	195	215	202	130	123	112	107	92	117	139
<i>Senior Center</i>										
Preventative health programs & services	9,013	10,039	9,975	9,836	9,836	10,000	10,059	8,560	2,500	2,550
Outreach services	2,979	2,639	1,050	997	997	851	627	890	970	978
<i>Youth & Family Services</i>										
Counseling cases	79	60	55	83	83	87	95	97	126	130
Young parent cases	-	-	-	-	-	-	37	18	40	35
Youth employment	42	129	170	168	169	174	121	152	148	94
Juvenile justice/ diversion	89	63	81	67	67	86	33	37	31	44
<i>Public Works</i>										
<i>Engineering & Administration</i>										
Road miles paved	6.00	3.44	9.1	6.2	4.83	6.8	4.8	6.4	4.8	6.4
Road miles chip sealed or crack sealed	3.5	4.63	5	5.3	10.65	6.0	3.0	N/R	N/R	N/R
<i>Utilities</i>										
Gas service calls	2,666	3,042	2,933	3,290	4,057	5,230	3,989	4,131	4,229	5,004
Electric service calls	1,934	1,347	1,526	1,313	1,228	1,106	3,570	1,771	1,640	1,830
Water service calls	2,277	2,437	2,797	2,277	2,635	982	1,910	3,053	2,988	3,653
Sewer service calls	152	195	345	142	162	116	120	80	78	164

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.

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

TABLE 15

Fiscal Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function										
<i>Education</i>										
School buildings	13	13	13	13	13	13	13	13	13	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	50	39	39	39	39	39	39	39
<i>Fire</i>										
Firefighting/rescue vehicles	27	27	27	27	27	27	27	27	27	27
Other vehicles	31	31	31	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	5
<i>Public Works</i>										
<i>Streets & Parks Maintenance</i>										
Dump trucks	36	36	36	25	24	24	23	23	23	23
Sweepers	3	3	3	2	3	3	3	4	4	4
Parks	10	10	10	10	10	10	7	7	7	7
Cemeteries	8	8	8	8	8	8	8	8	8	8
Mowers	16	16	16	16	16	12	11	10	10	10
<i>Building Maintenance</i>										
Parking lots	14	14	14	13	13	13	12	12	12	12
Parking garages	4	4	4	4	4	4	4	3	3	3
<i>Utilities</i>										
<i>Gas</i>										
Gas distribution main (miles)	156	156	156	151	149	142	141	133	133	131
<i>Electric</i>										
Distribution lines	232	232	234	235	235	233	229	231	230	229
Street lights	4,181	4,172	4,180	4,292	4,292	4,292	4,290	4,290	4,103	4,109
<i>Water</i>										
Water distribution system (miles)	196	196	195	196	195	195	190	194	188	188
<i>Sewer</i>										
Sewer distribution system (miles)	136	136	130	129	129	127	121	124	117	119
<i>Fiber Optic</i>										
Fiber optic cable (miles)	80	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