

FINAL OFFICIAL STATEMENT DATED NOVEMBER 20, 2018

NEW ISSUE: Book-Entry-Only

RATINGS: S&P Global Ratings: "AA"

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for taxable years that began before January 1, 2018 with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in computing the corporation's federal alternative minimum tax liability. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption of the Bonds" herein.



City of Norwich, Connecticut

\$7,970,000

General Obligation Bonds, Issue of 2018 (the "Bonds") Bank-Qualified

Dated: Date of Delivery

**Due: Serially, August 1, 2020 – 2038
As detailed below:**

Interest on the Bonds will be payable on August 1, 2019 and semiannually thereafter on February 1 and August 1 in each year until maturity. The Bonds will be issued in book-entry-only form whereby the beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, and interest payments on, the Bonds will be made by the City to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

The Bonds are subject to redemption prior to maturity as more fully described herein. See "Optional Redemption" herein.

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2020	\$ 410,000	5.000%	1.950%	669402YU7	2030*	\$ 420,000	4.000%	3.150%	669402ZE2
2021	420,000	5.000%	2.040%	669402YV5	2031*	420,000	4.000%	3.250%	669402ZF9
2022	420,000	3.625%	2.193%	669402YW3	2032*	420,000	4.000%	3.400%	669402ZG7
2023	420,000	5.000%	2.170%	669402YX1	2033	420,000	3.375%	3.551%	669402ZH5
2024	420,000	5.000%	2.250%	669402YY9	2034*	420,000	4.000%	3.550%	669402ZJ1
2025*	420,000	5.000%	2.350%	669402YZ6	2035*	420,000	4.000%	3.600%	669402ZK8
2026*	420,000	4.000%	2.450%	669402ZA0	2036	420,000	3.500%	3.733%	669402ZL6
2027*	420,000	4.000%	2.650%	669402ZB8	2037*	420,000	4.000%	3.700%	669402ZM4
2028	420,000	3.000%	3.000%	669402ZC6	2038	420,000	3.750%	3.859%	669402ZN2
2029	420,000	3.000%	3.111%	669402ZD4					

* Priced assuming redemption on August 1, 2024; however any such redemption is at the option of the City.

The Bonds will be issued in book-entry-only form and will bear interest, at such rate or rates per annum as are specified by the successful bidder or bidders, in accordance with the Notice of Sale, dated November 13, 2018.

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

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about December 6, 2018. The Registrar, Transfer Agent, Paying Agent, and Certifying Agent will be U.S. Bank National Association.

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

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

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

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

Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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Issue Summary – The Bonds

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

Date of Sale:	Tuesday, November 20, 2018 at 11:30 A.M. (Eastern Time).
Location of Sale:	Office of the City Manager, City Hall, 100 Broadway, Norwich, Connecticut 06360.
Issuer:	City of Norwich, Connecticut (the "City").
Issue:	\$7,970,000 General Obligation Bonds, Issue of 2018 (the "Bonds").
Dated Date:	Date of delivery.
Interest Due:	Interest due August 1, 2019 and semiannually thereafter on February 1 and August 1 in each year until maturity.
Principal Due:	Principal due serially August 1, 2020 through August 1, 2038 as detailed in this Official Statement.
Authorization and Purpose:	The Bonds are being issued to provide new money to finance various public improvement projects authorized by certain bond ordinances adopted by the City.
Redemption:	The Bonds are subject to redemption prior to maturity as herein provided.
Security and Remedies:	The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal and interest on the Bonds when due.
Credit Rating:	The City received a rating of "AA" from S&P Global Ratings ("S&P") on the Bonds.
Bond Insurance:	The City does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	See "Tax Exemption of the Bonds" herein.
Bank Qualification:	The Bonds <u>shall be</u> designated as qualified tax-exempt obligations by the City under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data and notices of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form set forth in Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, & Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06107.
Legal Opinion:	Pullman & Comley, LLC, of Bridgeport and Hartford, Connecticut will act as Bond Counsel.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 878-4945.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about December 6, 2018 against payment in Federal Funds.
Issuer Official:	Questions concerning the City or this Official Statement should be addressed to Mr. Joshua A. Pothier, Comptroller, City of Norwich, 100 Broadway, Norwich, Connecticut 06360. Telephone (860) 823-3720.

I. Bond Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the City of Norwich, Connecticut (the "City"), in connection with the original issuance and sale of the City's \$7,970,000 General Obligation Bonds, Issue of 2018 (the "Bonds").

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

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

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

The Bonds are being offered for sale at public bidding. A Notice of Sale for the Bonds, dated November 13, 2018, has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data and timely notice of the occurrence of certain events with respect to the Bonds pursuant to Continuing Disclosure Agreements to be executed substantially in the forms set forth in Appendix C to this Official Statement. The successful bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

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

Municipal Advisor

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

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

The Bonds

The Bonds will mature on August 1 in each of the years as set forth on the front cover of this Official Statement. The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum specified by the successful bidder, payable on August 1, 2019 and semiannually thereafter on February 1 and August 1 in each year until maturity, as set forth on the cover of this Official Statement. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if such fifteenth day is not a business day, by check, mailed to the registered owner at the address as shown on the registration books of the City kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree.

Optional Redemption for the Bonds

Bonds maturing on or before August 1, 2024 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2025 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after August 1, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Prices</u>
August 1, 2024 and thereafter.....	100%

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

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

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

Authorization and Purpose

The Bonds are authorized and are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the City, certain bond ordinances adopted by the City Council, and in some instances by the voters at referenda.

Use of Proceeds

The proceeds of the Bonds are anticipated to be used for the purposes set forth below:

Project	Total Amount of Authorization	This Issue: The Bonds
New London Turnpike and Pleasant Street Bridges....	\$ 530,000	\$ 25,000
Code Correction Assistance.....	1,840,000	545,000
Infrastructure Improvement Program (2017).....	5,000,000	2,000,000
Public Safety Equipment (2017).....	3,200,000	2,600,000
Integration of NPS and City Admin Functions.....	675,000	400,000
Public Safety Radio System (2018).....	2,700,000	2,400,000
Totals.....	\$ 13,945,000	\$ 7,970,000

Book-Entry-Only Transfer System

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

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

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

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized

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

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

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

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

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

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

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

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

DTC Practices

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

Replacement Bonds

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

Security and Remedies

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

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

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

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

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

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

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

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

Qualification for Financial Institutions

The Bonds shall be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.

Availability of Continuing Disclosure Information

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, in connection with the issuance of the Bonds, the City will agree to provide or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Bonds, but not in excess of ten (10) business days after the occurrence of the event, and (iii) timely notice of a failure of the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form attached as APPENDIX C- FORM OF CONTINUING DISCLOSURE AGREEMENT to this Official Statement.

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

Ratings

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

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

Bond Insurance

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

Tax Exemption of the Bonds

Federal Taxes. In the opinion of Pullman & Comley, LLC, Bond Counsel, under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for taxable years that began before January 1, 2018 with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in computing the corporation's federal alternative minimum tax liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

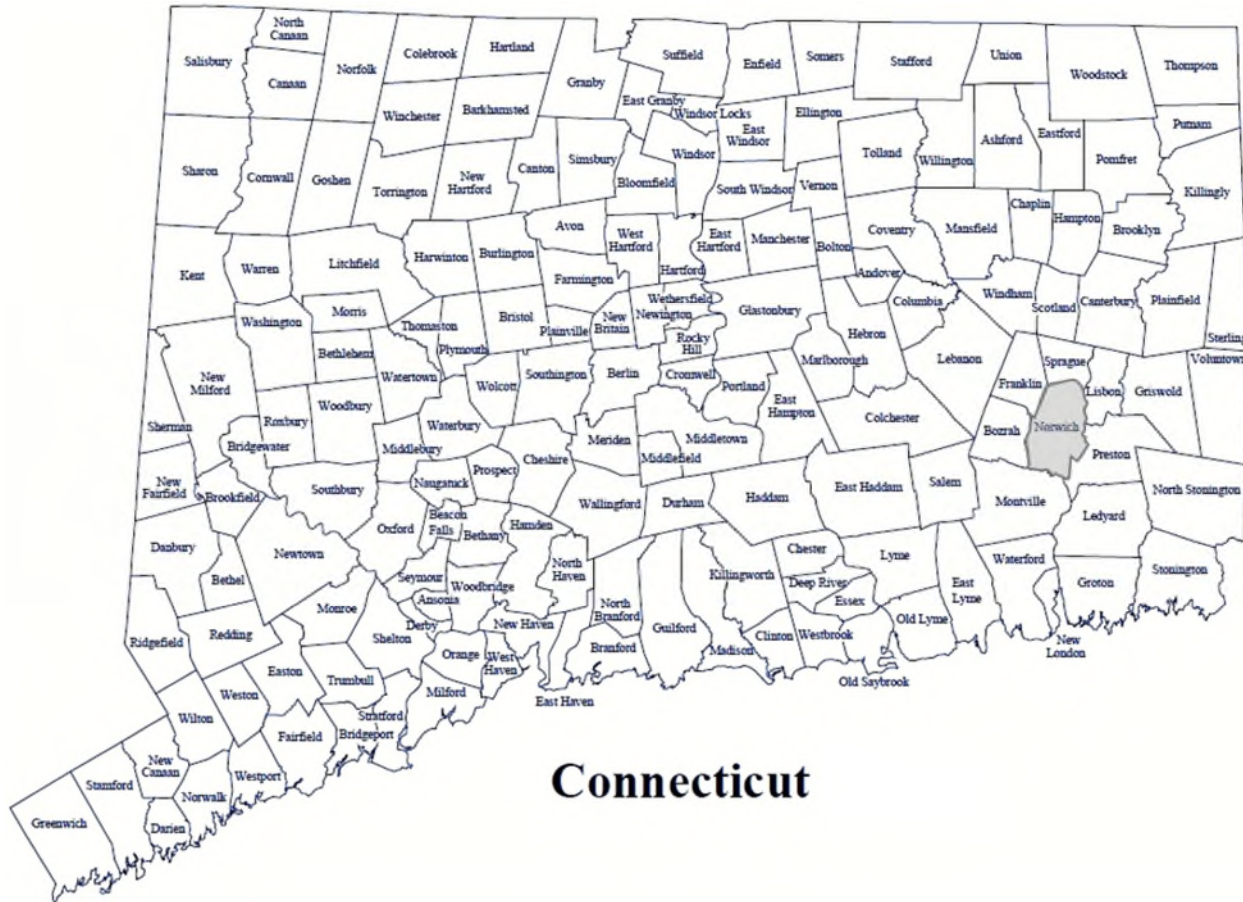
The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding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

Legal Opinion

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

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II. The Issuer



Form of Government

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

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

The City operates under a Council/Manager form of government. The City Manager is appointed by the City Council and serves as the Chief Executive Officer. The City Manager serves at the pleasure of the City Council and is responsible to the City Council for the supervision and administration of City departments. The City Council consists of six members and one Mayor, all elected at large. Elections are held during odd calendar years as provided by state statute.

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

Principal Municipal Officials

Office	Name	Manner of Selection / Term	Length of Current Service	Total Tenure with City
City Council:				
Mayor	Peter A. Nystrom	Elected – 4 years	1 year	14 years
President Pro Tempore	William Nash	Elected – 2 years	3 years	5 years
Council Member	Samuel Browning IV	Elected – 2 years	1 year	3 years
Council Member	Stephanie Burnham	Elected – 2 years	1 year	1 year
Council Member	Joseph A. DeLucia	Elected – 2 years	1 year	1 year
Council Member	Stacy Gould	Elected – 2 years	3 years	3 years
Council Member	Joanne Philbrick	Elected – 2 years	3 years	3 years
City Manager	John Salomone	Appointed – Indefinite	3 years	3 years
Comptroller	Joshua A. Pothier	Appointed – Indefinite	5 years	16 years
Deputy Comptroller	Anthony Madeira	Appointed – Indefinite	5 years	13 years
Treasurer	Michael Gualtieri	Elected – 2 years	3 years	3 years
Collector of Taxes & Revenues	Karlene Deal	Appointed – Indefinite	3 years	3 years
Assessor	Donna Ralston	Appointed – Indefinite	9 years	9 years
City Clerk	Betsy Barrett	Appointed – Indefinite	7 years	7 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	17 years	17 years
Superintendent of Schools	Abby I. Dolliver	Appointed – Indefinite	9 years	26 years
Board of Education				
Chairperson	Yvette Jacaruso	Elected – 2 years	11 years	11 years
Vice Chairperson	Joyce Werden	Elected – 2 years	13 years	13 years
Secretary	Heather Romanski	Elected – 2 years	1 year	1 year
Board Member	Robert J. Aldi	Elected – 2 years	5 years	5 years
Board Member	Aaron Daniels	Elected – 2 years	9 years	9 years
Board Member	Mark Kulos	Elected – 2 years	1 year	1 year
Board Member	James Maloney	Elected – 2 years	1 year	1 year
Board Member	Dennis Slopak	Elected – 2 years	7 years	7 years
Board Member	Patricia Staley	Elected – 2 years	1 year	1 year

Geography

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

Community Profile

History

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

Norwich merchants were shipping goods directly from England, but the Stamp Act of 1764, forced Norwich to become more self-sufficient. Soon large mills and factories sprang up along the three rivers which traverse the town, the Yantic, Shetucket, and Thames Rivers. During the American Revolution Norwich supported the cause for independence by supplying soldiers, ships, and munitions. One of the most infamous figures of the Revolution, Benedict Arnold, was

born in Norwich. Other Colonial era noteworthies include Samuel Huntington, Christopher Leffingwell, and Daniel Lathrop.

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

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

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

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

Education

The City school system includes two preschools, seven elementary, a 6th grade academy, a middle school, and an elementary clinical day treatment program. Of the seven elementary schools, two are designated as Commissioner's Network schools by the Connecticut Department of Education, two are Magnet schools, and one is a School Improvement Concept school. In addition, the City has three parochial schools, two Montessori schools, a charter school, a regional adult education program. Norwich Free Academy is a privately-endowed high school and serves as one of the City's designated high schools. Also located in the City are a state regional technical high school, a middle college, and a community college.

Healthcare

Located within the City are various health facilities including the 213-bed William H. Backus Hospital (Backus). Backus added the Outpatient Care Center on Salem Turnpike and, in August 2014, the Family Health Center in Norwichtown Commons. Backus became affiliated with Hartford Healthcare in July 2013.

Industry

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

Recreation, Entertainment & Culture

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

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

Municipal Services

Police

Police protection is provided to the City by a full-service, municipal police agency with 102 employees. The department is responsible for patrolling 223 miles of roads in nearly a 30 square mile area and operating a combined 911 communications center for dispatching police, fire, and EMS services. The department is particularly proud of its

community policing efforts, which actively includes the public in solving crime and quality of life problems. The department presently administers several federal and state grants. These grants provide funding to enhance police operations in the areas of drug education and enforcement, safe neighborhood patrols, DUI and traffic enforcement, and technological improvements.

Fire

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

Utilities

The City owns and operates natural gas, electric, water and wastewater systems through its Norwich Department of Public Utilities (NPU), which was established in 1904. NPU is governed by Chapter 12 of the City Charter that establishes a five-member Board of Public Utilities' Commissioners who are appointed by the City Council. The General Manager, who is appointed by the Commissioners, is responsible for NPU's management and operations. NPU has 150 employees and serves approximately 21,000 electric customers, 9,600 gas customers, 11,000 water customers and 7,600 wastewater customers. NPU supports general City activities by contributing 10% of its gross revenues (excluding sewer revenues) to the City's general fund. Contributions in fiscal year 2020 are anticipated to be \$8.86 million, the equivalent of nearly five mills of taxes. NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption.

Water Operations

The City has a water supply system that consists of a 10-mgd water filtration plant, a 4-mgd water filtration plant, four reservoirs, one emergency supply well, and a fully accredited laboratory. NPU produces an annual water quality report that indicates that NPU consistently exceeds drinking water standards set by federal and state regulators.

NPU has embarked on a significant water infrastructure improvement program over the past several years that includes several projects in design and construction phases totaling 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-mgd treatment plant.

Wastewater Operations

Wastewater for NPU customers is treated in an activated sludge treatment plant. NPU's Sewer Authority has worked closely with the City to secure funding to expand its wastewater collection system to neighborhoods that have seen the failure of private septic systems that affect residential property values. An extensive, multiyear combined sewer overflow program, funded through state grants and loans, has successfully eliminated most sewer system overflows, and greatly improved water quality in the Shetucket, Yantic and Thames Rivers.

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; and
- 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.

Natural Gas

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.

Electric

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.

Municipal Area Network

NPU continues to build upon and leverage its Municipal Area Network (MAN) that consists of 35 miles of 144 strand fiber optic cabling around the City in two "loops." The fiber provides high-speed data, video and communications connectivity that is 600 times faster than any other data network available in Norwich. NPU has recently connected the fiber across the entirety of the Norwich MAN with the Connecticut Education Network, as part of the Nutmeg Network's award from the Broadband Technologies Opportunities Program (BTOP) to help improve communications capabilities throughout the State. This implementation has expanded the connectivity opportunities of NPU and the City with a 100% redundancy for internet services and opens the door for improved disaster recovery services and network monitoring. NPU is also using the MAN to support public safety in conjunction with the Norwich Police Department (NPD) with the deployment of centrally monitored security cameras throughout the City. The MAN provides for high definition resolution video capture from these cameras and subsequent transportation across the network at speeds not possible with copper wire installations.

Administration

NPU's administrative functions include human resources, purchasing, information technology, geographic information systems, accounting and financial planning. These units are responsible for monitoring and anticipating the changes in the utility business, and building an infrastructure that will position NPU to take advantage of technological improvements as they occur.

NPU Customer Service serves as the primary customer advocates within NPU. The goal for the Customer Service Division is to provide a level of customer service that consistently exceeds customer expectations. Customer Service includes energy efficiency, field services, metering, billing, the Customer Service Center, and external affairs. In an effort to promote one-stop shopping, customer service representatives

and field service technicians have been cross-trained to serve customers more efficiently. Field service technicians are responsible for providing accurate metering for all services, investigating high bill complaints, and gas service calls. NPU Customer Service also provides repair service for gas appliances. Recognizing energy efficiency as a solution to rising energy costs, NPU has successfully developed and implemented comprehensive efficiency programs to benefit residential and commercial electric and natural gas customers.

CMEEC and Member Power Sales Contracts

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

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

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

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

The Connecticut Transmission Municipal Electric Energy Cooperative

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

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

Solid Waste

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

Economic Development Activity

The City 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, per the Office of Policy and Management Data's *Fiscal Indicators*, 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 is currently constructing the \$32 million second phase funding for the next 121 units.

Salem Turnpike Hotel Project

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

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.

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.

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.

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.

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 of 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 item 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 new radio system will include the construction of two modern antenna sites and related system upgrades. The new system would 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.

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**Employee Relations and Collective Bargaining
Municipal Employees**

	2019	2018	2017	2016	2015
General Government.....	276.90	279.40	286.30	293.20	292.20
Board of Education.....	688.90	688.90	661.30	688.80	633.90
Public Utilities.....	147.50	148.50	149.50	149.50	146.50
Total.....	1,113.30	1,116.80	1,097.10	1,131.50	1,072.60

Source: Comptroller's Office, City of Norwich

Employee Bargaining Groups

	Positions Covered	Current Contract Expiration Date
General Government Unions		
United Public Service Employees Union, Local 38.....	9.00	6/30/2017 ¹
International Association of Fire Fighters, Local 892.....	56.00	6/30/2019
Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11.....	47.80	6/30/2018 ¹
United Public Service Employees Union, Connecticut Organization for Public Safety Division - Police Officers.....	89.45	6/30/2023
United Public Service Employees Union, Connecticut Organization for Public Safety Division - Public Works.....	45.00	6/30/2017 ¹
Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4...	4.00	6/30/2019
Municipal Employees Union "Independent" (MEUI)-Supervisors.....	10.00	6/30/2019
Organized.....	261.25	
Non-Union.....	15.60	
Sub-Total.....	276.85	
Public Utilities		
Supervisory Employees Association , Inc. AFSCME Local 818, Council 4.....	47.00	6/30/2021
International Brotherhood of Electrical Workers Local 457, Norwich Unit.....	94.50	6/30/2021
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02.....	5.00	6/30/2018 ¹
Organized.....	146.50	
Non-Union.....	1.00	
Sub-Total.....	147.50	
Board of Education		
Norwich School Administrators Association.....	21.00	6/30/2021
MEUI Local 506, SEIU, AFL-CIO - Custodians.....	27.00	6/30/2020
MEUI Local 506, SEIU, AFL-CIO - Paraeducators.....	141.00	6/30/2020
New England Health Care Employees Union District 1199, SEIU, AFL-CIO.....	14.40	6/30/2020
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4.....	26.60	6/30/2022
Norwich Teachers League.....	284.10	8/31/2020
Organized.....	514.10	
Non-Union.....	174.75	
Sub-Total.....	688.85	
Total.....	1,113.20	

¹ In negotiation.

Source: Finance Department, City of Norwich

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

Educational System

School Facilities

School	Grades	Date of Construction	Number of Classrooms	10/1/2018 Enrollment	Rated Capacity
Bishop School.....	PreK	1925	11	173	280
Hickory Street School.....	7-12	1890	4	36	50
John B Stanton School.....	K-5	1956	25	332	440
John M Moriarty School.....	K-5	1975	33	412	620
Kelly Middle School.....	7-8	1962	47	643	800
Case St Early Learning Center.....	PreK	1975	5	62	70
Samuel Huntington School.....	PreK-5	1928	18	393	450
Teachers' Memorial School.....	6	1975	30	386	760
Thomas W Mahan School.....	K-5	1968	17	248	320
Uncas School.....	K-5	1975	18	265	340
Veterans' Memorial School.....	K-5	1968	17	298	320
Wequonnoc School.....	K-5	1962	17	260	340
Total.....			242	3,508	4,790

Source: City of Norwich, Board of Education

School Enrollment

School Year	PreK-5	6-8	Senior High 9-12	Norwich Students Enrolled at NFA	Total
<i>Historical</i>					
2009-10	2,567	1,151	149	1,582	5,449
2010-11	2,520	1,163	123	1,557	5,363
2011-12	2,624	1,120	74	1,512	5,330
2012-13	2,635	1,100	24	1,524	5,283
2013-14	2,574	1,153	29	1,531	5,287
2014-15	2,541	1,167	-	1,547	5,255
2015-16	2,511	1,129	-	1,483	5,123
2016-17	2,501	1,052	-	1,501	5,054
2017-18	2,462	1,033	-	1,510	5,005
2018-19	2,443	1,065	-	1,501	5,009

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

<i>Projected</i>	
	<i>Pre K-8</i>
2019-20	3,324
2020-21	3,300
2021-22	3,292
2022-23	3,310
2023-24	3,311
2024-25	3,324
2025-26	3,300
2026-27	3,292

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III. Economic and Demographic Information Population and Density

Year	Actual		
	Population ¹	% Increase	Density ³
2016 ²	40,057	-1.1%	1,478
2010	40,493	12.1%	1,494
2000	36,117	-3.4%	1,333
1990	37,391	-1.8%	1,380
1980	38,074	-7.9%	1,405
1970	41,333	--	1,525

¹ U.S. Department of Commerce, Bureau of Census.

² U.S. Department of Commerce, Bureau of Census, American Community Survey, 2012-2016

³ Per square mile: 27.1 square miles.

Age Distribution of the Population

Age	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	2,474	6.2%	188,812	5.3%
5 to 9 years	2,686	6.7	210,557	5.9
10 to 14 years	2,265	5.7	228,543	6.4
15 to 19 years	2,411	6.0	252,522	7.0
20 to 24 years	3,114	7.8	242,007	6.7
25 to 34 years	6,226	15.5	438,471	12.2
35 to 44 years	4,968	12.4	439,606	12.3
45 to 54 years	5,763	14.4	545,977	15.2
55 to 59 years	2,337	5.8	263,778	7.4
60 to 64 years	2,217	5.5	223,274	6.2
65 to 74 years	3,063	7.6	303,959	8.5
75 to 84 years	1,625	4.1	163,137	4.5
85 years and over	908	2.3	87,927	2.5
Total.....	40,057	100.0%	3,588,570	100.0%
Median Age (Years).....	36.7		40.6	

Source: American Community Survey, 2012-2016.

Income Distribution

Income	City of Norwich		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	406	4.2%	29,623	3.3%
\$10,000 to \$14,999.....	218	2.3	17,060	1.9
\$15,000 to \$24,999.....	924	9.6	44,354	5.0
\$25,000 to \$34,999.....	1,167	12.1	54,456	6.1
\$35,000 to \$49,999.....	1,300	13.5	81,300	9.1
\$50,000 to \$74,999.....	1,997	20.8	137,336	15.4
\$75,000 to \$99,999.....	1,129	11.7	124,033	13.9
\$100,000 to \$149,999.....	1,588	16.5	186,214	20.8
\$150,000 to \$199,999.....	481	5.0	96,075	10.7
\$200,000 or more.....	403	4.2	123,962	13.9
Total.....	9,613	100.0%	894,413	100.0%

Source: American Community Survey, 2012-2016.

Income Levels

	City of Norwich	State of Connecticut
Per Capita Income, 2016	\$ 27,825	\$ 39,906
Median Family Income, 2016	\$ 57,677	\$ 91,274
Median Household Income, 2016	\$ 51,758	\$ 71,755

Source: American Community Survey, 2012-2016.

Educational Attainment Persons 25 Years and Older

	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	1,315	4.9%	103,279	4.2%
9th to 12th grade.....	2,380	8.8	139,653	5.7
High School graduate.....	10,195	37.6	673,220	27.3
Some college, no degree.....	6,079	22.4	427,232	17.3
Associate's degree	2,179	8.0	184,426	7.5
Bachelor's degree.....	2,933	10.8	524,370	21.3
Graduate or professional degree.....	2,026	7.5	413,949	16.8
Total.....	27,107	100.0%	2,466,129	100.0%
 Total high school graduate or higher (%)....	 86.4%		 90.1%	
Total bachelor's degree or higher (%).....	18.3%		38.0%	

Source: American Community Survey, 2012-2016.

Employment by Industry

Sector	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	27	0.1%	7,209	0.4%
Construction	718	3.6	101,497	5.7
Manufacturing	1,276	6.4	190,713	10.6
Wholesale trade	364	1.8	45,110	2.5
Retail trade	2,399	12.0	193,853	10.8
Transportation and warehousing, and utilities	979	4.9	66,516	3.7
Information	176	0.9	42,374	2.4
Finance, insurance, real estate, rental & leasing	661	3.3	163,765	9.1
Professional, scientific, management, administrative, and waste mgmt services	1,477	7.4	206,042	11.5
Education, health and social services	4,817	24.1	474,976	26.5
Arts, entertainment, recreation, accommodation and food services	5,781	28.9	153,754	8.6
Other services (except public administration)	494	2.5	81,588	4.5
Public Administration	860	4.3	66,291	3.7
Total Labor Force, Employed	20,029	100.0%	1,793,688	100.0%

Source: American Community Survey, 2012-2016.

**Employment Data
By Place of Residence**

Period	City of Norwich		Percentage Unemployed		
	Employed	Unemployed	City of Norwich	Norwich - New London Labor Market	State of Connecticut
August 2018	19,924	920	4.4	3.8	4.0
Annual Average					
2017	19,389	1,088	5.3	4.6	4.7
2016	19,039	1,288	6.3	5.4	5.3
2015	18,889	1,472	7.2	5.9	5.6
2014	18,869	1,697	8.3	6.9	6.7
2013	19,786	1,952	9.0	8.0	7.8
2012	20,092	2,085	9.4	8.6	8.3
2011	20,692	2,201	9.6	8.7	8.3
2010	20,839	2,294	9.9	8.9	8.8
2009	19,310	1,941	9.1	7.9	8.2
2008	19,690	1,327	6.3	5.4	5.8

Note: Not seasonally adjusted.

Source: State of Connecticut, Department of Labor.

**Major Employers
As of October 2018**

Name	Business	Number of Employees
William W. Backus Hospital.....	Medical Center	1,439
City of Norwich (incl. NPU & BOE).....	Municipality	1,116
State of Connecticut.....	All State agencies	788
Bob's Discount Furniture.....	Distribution Center	553
U.S. Food Service.....	Food Distribution	325
Norwich Free Academy.....	Quasi-private high school	303
United Community & Family Services.....	Healthcare & community services	245
Shop Rite.....	Grocery	225
The American Group.....	Ambulance Service and other operations	221
Plas-Pak Industries.....	Plastics Products Manufacturing	175

Source: Telephone Survey conducted by the City of Norwich.

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Building Permits

Calendar Year Ended	Residential		Commercial		Industrial		Multi-Family		Totals	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
2018 ¹	984	\$28,946,773	178	\$ 5,929,753	-	\$ -	-	\$ -	1,162	\$ 34,876,526
2017	1,160	29,829,229	232	10,004,902	1	25,922	-	-	1,393	39,860,053
2016	1,212	11,695,513	275	12,934,143	-	-	-	-	1,487	24,629,656
2015	1,622	35,234,992	185	14,631,952	-	-	-	-	1,807	49,866,944
2014	1,958	18,694,563	176	8,053,706	-	-	-	-	2,134	26,748,269
2013	1,874	15,535,880	214	11,602,204	-	-	-	-	2,088	27,138,084
2012	1,427	19,452,636	155	7,761,148	-	-	-	-	1,582	27,213,784
2011	1,518	14,645,754	165	7,046,135	-	-	4	1,250	1,687	21,693,139
2010	1,510	14,605,025	160	15,293,738	-	-	25	5,300	1,695	29,904,063
2009	1,231	17,348,116	269	4,475,596	1	52,000	61	1,430,636	1,562	23,306,348

¹ Through October 31, 2018.

Source: Building Official, City of Norwich

Age Distribution of Housing

Year Built	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	6,928	37.0%	334,202	22.4%
1940 to 1969.....	4,937	26.4	533,202	35.7
1970 to 1979.....	2,274	12.2	200,614	13.4
1980 to 1989.....	1,976	10.6	190,755	12.8
1990 to 1999.....	960	5.1	113,584	7.6
2000 or 2009.....	1,442	7.7	104,308	7.0
2010 or later.....	186	1.0	17,133	1.1
Total Housing Units.....	18,703	100.0%	1,493,798	100.0%
Percent Owner Occupied	50.6%		66.5%	

Source: American Community Survey, 2012-2016.

Housing Inventory

Type	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	7,602	40.6%	882,236	59.1%
1-unit, attached.....	1,341	7.2	80,639	5.4
2 units.....	2,551	13.6	123,152	8.2
3 or 4 units.....	2,238	12.0	130,686	8.7
5 to 9 units.....	1,607	8.6	82,581	5.5
10 to 19 units.....	1,180	6.3	56,858	3.8
20 or more units.....	1,385	7.4	125,758	8.4
Mobile home.....	799	4.3	11,534	0.8
Boat, RV, van, etc.....	-	-	354	0.0
Total Inventory.....	18,703	100.0%	1,493,798	100.0%

Source: American Community Survey, 2012-2016.

Owner-Occupied Housing Values

Specified Owner-Occupied Units	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	718	8.9%	24,343	2.7%
\$50,000 to \$99,999.....	626	7.7	29,703	3.3
\$100,000 to \$149,999.....	1,712	21.1	81,158	9.0
\$150,000 to \$199,999.....	2,490	30.7	139,979	15.5
\$200,000 to \$299,999.....	1,901	23.5	246,071	27.3
\$300,000 to \$499,999.....	467	5.8	233,345	25.9
\$500,000 to \$999,999.....	165	2.0	104,952	11.7
\$1,000,000 or more.....	25	0.3	40,672	4.5
Total.....	8,104	100.0%	900,223	100.0%
Median Sales Price.....	\$169,600		\$269,300	

Source: American Community Survey, 2012-2016.

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IV. Tax Base Data

Property Tax Assessments

The City revalued all real property as of October 1, 2013 and will revalue all real property every five years thereafter. The maintenance of an accurate tax base and the location and appraisal of all real and personal property within the City for inclusion in the Grand List are the responsibilities of the Assessor. The Grand List represents the total of assessed value for all taxable real property, motor vehicles and personal property located within the City as of October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last completed revaluation (Grand List 10/1/13). The next revaluation is expected to take place for the October 1, 2018 Grand List, which is currently underway.

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

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

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property and creates a cap on the local property tax mill rate for motor vehicles. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the Fiscal Year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the Fiscal Year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The City's general fund mill rate for motor vehicles for the assessment year commencing October 1, 2017 (the Fiscal Year ending June 30, 2019) is 41.01 mills.

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

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

Comparative Assessed Valuations

Grand List of 10/1	Commercial/	Real Property (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List	Percent Growth
	Residential Industrial							
2017	58.9	19.2	10.5	11.5	\$1,985,404,286	\$ 90,000,000	\$1,895,404,286	1.88
2016	60.9	18.7	8.4	12.0	1,898,351,937	37,976,340	1,860,375,597	0.77
2015	61.3	18.7	7.8	12.1	1,880,417,583	34,214,957	1,846,202,626	1.10
2014	61.6	18.8	7.6	12.0	1,864,619,667	38,568,886	1,826,050,781	0.19
2013 ¹	61.7	18.7	7.4	12.2	1,860,618,673	38,117,150	1,822,501,523	(24.81)
2012	67.9	18.4	5.7	7.9	2,457,677,290	33,750,270	2,423,927,020	(1.27)
2011	67.2	18.2	5.8	8.8	2,493,391,572	38,323,212	2,455,068,360	2.54
2010	68.3	18.6	5.4	7.7	2,436,044,208	41,816,022	2,394,228,186	(0.58)
2009	67.8	19.1	4.8	8.3	2,444,686,678	36,521,640	2,408,165,038	1.26
2008 ¹	69.2	18.0	4.8	8.1	2,409,002,767	30,891,414	2,378,111,353	26.75

¹ Revaluation.

Source: City of Norwich Assessor's Office

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Adjusted Tax Levy for Fiscal Year	Mill Rate	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years	Total Collections to Date ²	
					Amount	Percentage		Amount	Percentage
<u>General Fund</u>									
2017	2019	\$ 1,870,000,000	\$ 75,959,543	41.01	\$ 41,327,898	54.4%	\$ -	<u>In Collection</u>	
2016	2018	1,860,375,597	74,351,051	40.52	72,124,359	97.0%	466,759	72,591,118	97.6%
2015	2017	1,846,202,626	74,365,626	41.22	72,150,315	97.0%	1,199,130	73,349,445	98.6%
2014	2016	1,826,050,781	74,375,047	40.90	72,017,229	96.8%	2,090,465	74,107,694	99.6%
2013 ¹	2015	1,822,501,523	69,247,589	38.55	66,666,856	96.3%	2,424,487	69,091,343	99.8%
2012	2014	2,423,927,020	65,922,369	27.23	63,720,850	96.7%	2,060,542	65,781,392	99.8%
<u>City Consolidation District (CCD) Fire Tax</u>									
2017	2019	\$ 611,860,000	\$ 4,249,887	7.38	\$ 2,152,632	50.7%	\$ -	<u>In Collection</u>	
2016	2018	612,002,783	4,331,453	8.22	4,199,779	97.0%	23,263	4,223,042	97.5%
2015	2017	616,752,925	4,099,359	7.84	3,985,619	97.2%	59,525	4,045,144	98.7%
2014	2016	613,919,247	4,346,924	7.16	4,144,334	95.3%	176,968	4,321,302	99.4%
2013 ¹	2015	614,078,678	4,480,546	7.38	4,249,344	94.8%	211,706	4,461,050	99.6%
2012	2014	864,925,050	4,377,711	5.04	4,171,888	95.3%	189,675	4,361,563	99.6%
<u>Town Consolidation District (TCD) Volunteer Fire Relief Tax</u>									
2017	2019	\$ 1,258,140,000	\$ 563,298	0.45	\$ 316,506	56.2%	\$ -	<u>In Collection</u>	
2016	2018	1,248,372,814	166,439	0.15	164,702	99.0%	481	165,183	99.2%
2015	2017	1,229,449,701	515,270	0.47	508,407	98.7%	5,179	513,586	99.7%
2014	2016	1,212,131,534	597,734	0.49	586,331	98.1%	10,289	596,620	99.8%
2013 ¹	2015	1,208,422,845	587,393	0.49	571,757	97.3%	14,969	586,726	99.9%
2012	2014	1,559,001,970	564,456	0.36	552,037	97.8%	11,877	563,914	99.9%

¹ Revaluation.

² As of September 30, 2018

Sources: City of Norwich Tax Office

Property Tax Receivable

Fiscal Year Ending 6/30	Total Uncollected	Uncollected for Current Year of Levy
2018 ¹	\$4,169,000	\$2,351,000
2017	3,526,000	2,256,000
2016	4,008,000	2,394,000
2015	4,178,000	2,715,000
2014	3,612,000	2,260,000
2013	4,225,000	2,257,000

¹ Subject to audit.

Source: Tax Collector's Report, City of Norwich Annual Audited Financial Statements, 2013-2017. Finance Department, 2018.

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Computer Science Corporation.....	Computer Products & Services	\$ 30,728,140	1.62%
NorwichTown Commons.....	Shopping Center	16,814,800	0.89%
Domino Solar Ltd.....	Solar Installations	15,684,560	0.83%
Bob's Discount Furniture.....	Retail Store & Distribution Warehouse	14,818,370	0.78%
US Foodservice.....	Food Distributors	14,058,890	0.74%
Norwich Realty Associates LP.....	Real Estate	9,322,430	0.49%
Plaza Enterprises.....	Shopping Center	9,263,000	0.49%
Mashantucket Pequot Tribe.....	Real Estate	8,505,105	0.45%
Algonquin Gas Transmissions LLC.....	Natural Gas Pipeline	8,203,990	0.43%
Wal-Mart Stores, Inc.....	Department Store	8,071,260	0.43%
Total.....		\$ 135,470,545	7.15%

¹Based on the October 1, 2017 Net Taxable Grand List of \$1,895,404,286.

Source: City of Norwich Assessor's Office

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V. Debt Summary
Principal Amount of Bonded Indebtedness ¹
As of December 6, 2018
(Pro-Forma)

<i>Date</i>	<i>Purpose</i>	<i>Rate %</i>	<i>Amount of Original Issue</i>	<i>Outstanding</i>	<i>Fiscal Year of Final Maturity</i>
<u>Long-Term GO Debt (as of June 30, 2018)</u>					
12/30/08	QZAB - Schools.....	0.00	\$ 2,940,000	\$ 735,000	2020
06/30/09	Clean Water Act 200801-C - Water.....	2.27	450,000	245,625	2029
12/16/09	General Purpose, Series A.....	3.00 - 4.00	11,410,000	1,200,000	2029
12/31/10	DWSRF 2010-8005.....	2.06	144,728	83,219	2030
12/31/10	DWSRF 2010-8006.....	2.06	326,250	195,750	2030
12/13/11	General Purpose.....	2.00 - 4.00	9,680,000	7,180,000	2031
02/15/12	Refunding Bonds.....	2.00	2,725,000	1,000,000	2022
02/12/14	General Purpose, Series A.....	3.00 - 5.00	12,365,000	9,755,000	2034
02/12/14	Refunding Bonds, Series B.....	3.00 - 5.00	5,780,000	1,250,000	2019
03/03/15	General Purpose, Series A.....	3.00 - 4.00	5,600,000	4,650,000	2034
03/03/15	Taxable Bonds, Series B.....	2.00 - 3.00	1,140,000	795,000	2025
03/01/16	General Purpose, Series A.....	2.00 - 3.00	6,300,000	5,570,000	2035
03/01/16	Taxable Bonds, Series B.....	2.00 - 3.00	2,500,000	2,000,000	2025
10/12/16	Refunding Bonds, Series C.....	1.75 - 4.00	2,925,000	2,925,000	2024
03/10/17	General Purpose, Series A.....	3.00 - 4.00	7,275,000	7,050,000	2037
03/10/17	Taxable Bonds, Series B.....	1.00 - 3.90	1,000,000	950,000	2037
	Sub-Total.....		\$ 72,560,978	\$ 45,584,593	
<u>This Issue</u>					
12/06/18	General Purpose.....	3.00 - 5.00	7,425,000	7,425,000	2039
12/06/18	Urban Renewal.....	3.00 - 5.00	545,000	545,000	2039
	Sub-Total.....		7,970,000	7,970,000	
	Total G.O. Bonds.....		80,530,978	53,554,593	
<u>Sewer - Revenue Secured Only (as of June 30, 2018)</u>					
06/30/00	CWF 298-C.....	2.00	\$ 1,508,000	\$ 75,397	2019
06/30/02	CWF 349-C.....	2.00	881,000	178,878	2021
07/01/13	CWF 495-C (Digester).....	2.00	5,747,554	4,217,816	2032
12/31/13	CWF 625-D (Treatment Plant Design).....	2.00	1,864,518	1,325,706	2032
05/30/15	CWF 625-D-1 (Treatment Plant Design).....	2.00	2,510,422	1,999,137	2031
	Sub-Total.....		\$ 12,511,494	\$ 7,796,934	
<u>Water - Revenue Secured Only (as of June 30, 2018)</u>					
12/31/02	CWF 9714-C.....	2.77	\$ 1,899,000	\$ 407,182	2021
04/30/14	Deep River Reservoir Pump / Drive DWSRF 2011-7005.....	2.00	160,284	124,185	2032
04/30/14	Deep River Reservoir Transmission Line / DWSRF 2011-7006.....	2.00	147,989	113,733	2032
06/30/15	DWSRF 2014-7027 Replacement of Stony Brook Contact Clarifier, Mohegan Park Tank, and North and South Transmission Mains.....	2.00	505,762	417,253	2034
05/31/16	DWSRF 2014-7036 Deep River Reservoir Pump, Drive, Tank, Transmission Line.....	2.00	4,051,579	3,528,250	2035
10/12/16	DWSRF 2015-7037 Royal Oaks and Plain Hill Water and Gas System.....	2.00	1,528,016	1,379,458	2034
	Sub-Total.....		\$ 8,292,630	\$ 5,970,061	
	Total Revenue Bonds.....		\$ 20,804,124	\$ 13,766,995	

¹ Excludes outstanding Notes, long-term capital leases, and Refunded Bonds.

**Short-Term Debt
As of December 6, 2018
(Pro-Forma)**

As of December 6, 2018, the City has \$6,465,603 of outstanding short-term debt through the State of Connecticut's Clean Water Fund Program. For more information see "Clean Water Fund Program" herein.

**Annual Bonded Debt Maturity Schedule ¹
As of December 6, 2018
(Pro-Forma)**

Year Ended	Principal	Interest	Total	This Issue - Pro-Forma			Total	Cumulative Principal Retired
				General Purpose	Urban Renewal	Total This Issue		
2019 ²	\$ 1,181,862	\$ 677,177	\$ 1,859,039	\$ -	\$ -	\$ -	\$ 1,181,862	2.35%
2020	4,171,049	1,274,020	5,445,068	-	-	-	4,171,049	10.63%
2021	3,621,049	1,162,068	4,783,117	382,000	28,000	410,000	4,031,049	18.64%
2022	3,276,049	1,053,664	4,329,713	392,000	28,000	420,000	3,696,049	25.98%
2023	3,026,049	947,812	3,973,861	392,000	28,000	420,000	3,446,049	32.82%
2024	3,021,049	848,302	3,869,351	392,000	28,000	420,000	3,441,049	39.66%
2025	2,996,049	745,743	3,741,792	392,000	28,000	420,000	3,416,049	46.44%
2026	2,866,049	653,597	3,519,646	392,000	28,000	420,000	3,286,049	52.97%
2027	2,541,049	568,563	3,109,612	391,000	29,000	420,000	2,961,049	58.85%
2028	2,536,049	486,517	3,022,566	391,000	29,000	420,000	2,956,049	64.72%
2029	2,530,556	403,042	2,933,598	391,000	29,000	420,000	2,950,556	70.58%
2030	2,501,313	323,513	2,824,826	391,000	29,000	420,000	2,921,313	76.38%
2031	1,925,000	254,428	2,179,428	391,000	29,000	420,000	2,345,000	81.04%
2032	1,895,000	192,763	2,087,763	391,000	29,000	420,000	2,315,000	85.64%
2033	1,365,000	138,875	1,503,875	391,000	29,000	420,000	1,785,000	89.19%
2034	1,365,000	90,875	1,455,875	391,000	29,000	420,000	1,785,000	92.73%
2035	770,000	42,188	812,188	391,000	29,000	420,000	1,190,000	95.09%
2036	520,000	19,875	539,875	391,000	29,000	420,000	940,000	96.96%
2037	270,000	5,375	275,375	391,000	29,000	420,000	690,000	98.33%
2038	-	-	-	391,000	29,000	420,000	420,000	99.17%
2039	-	-	-	391,000	29,000	420,000	420,000	100.00%
Total.....	\$ 42,378,170	\$ 9,888,395	\$ 52,266,566	\$ 7,425,000	\$ 545,000	\$ 7,970,000	\$ 50,348,170	

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

² Excludes \$3,199,187 in principal payments and \$722,154 in interest payments from July 1, 2018 through December 6, 2018.

Overlapping/Underlying Debt

As of December 6, 2018, the City does not have any overlapping or underlying debt.

Debt Statement
As of December 6, 2018
(Pro-Forma)

Long-Term Debt Outstanding: ¹

General Purpose (includes this issue).....	\$	24,285,545
Schools.....		7,300,241
Sewers.....		3,106,638
Water.....		6,356,048
Urban Renewal (includes this issue).....		2,050,000
Gas ²		16,019,000
Total Long-Term Debt		59,117,472
Total Short-Term Debt (State of Connecticut CWF IFOs).....		6,465,603
Total Overall Debt		65,583,075
Less: Self-Supporting Debt.....		(16,019,000)
Total Overall Net Debt	\$	49,564,075

¹ Excludes capital leases, revenue secured debt, and refunded bonds. Outstanding long term bonds are as of June 30, 2018.

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

Current Debt Ratios
As of December 6, 2018
(Pro-Forma)

Population (2016) ¹	40,057
Net Taxable Grand List (10/1/17)	\$ 1,895,404,286
Estimated Full Value	\$ 2,707,720,409
Equalized Grand List (10/1/15) ²	\$ 2,707,000,525
Money Income per Capita (2016) ¹	\$ 27,825

	<u>Total</u> <u>Overall Debt</u>	<u>Total Overall</u> <u>Net Debt</u>
Per Capita.....	\$1,637.24	\$1,237.34
Ratio to Net Taxable Grand List.....	3.46%	2.61%
Ratio to Estimated Full Value.....	2.42%	1.83%
Ratio to Equalized Grand List.....	2.42%	1.83%
Debt per Capita to Money Income per Capita.....	5.88%	4.45%

¹ U.S. Department of Commerce, Bureau of Census, American Community Survey, 2012-2016.

² Office of Policy and Management, State of Connecticut.

Bond Authorization

The City has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes subject to statutory debt limitations and the procedural requirements of the City Charter. The issuance of bonds and notes is authorized by the City Council and referenda if the proposed issuance for the project exceeds \$800,000. Revenue secured obligations may be authorized by vote of the City Council.

Maturities

General obligation bonds, with the exception of refunding bonds, are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50% or aggregate annual principal and interest payments must be substantially equal. The term of an issue may not exceed twenty years except in the case of school and sewer bonds, and refunding bonds in some instances, which may mature in up to thirty years.

Temporary Financing

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

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

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

Clean Water Fund Program

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

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

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

As of December 6, 2018, the City currently has the following CWF IFO’s outstanding:

<i>Project</i>	<i>Amount</i>
DWSRF 2019-7069: Occum Tank/Deep River Filtration	\$ 1,674,768
DWSRF 2019-7071: AMI Water Meter Replacement Program .	1,921,443
DWSRF 2019-7072: Mohegan Park Water Tank Construction...	2,869,392
Total	\$ 6,465,603

Limitation of Indebtedness

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

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

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

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

**Statement of Statutory Debt Limitation
As of December 6, 2018
(Pro Forma)**

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

Received by the Treasurer for the year ended June 30, 2018 (subject to audit)	\$ 79,422,523
Base for Debt Limitation Computation.....	\$ 79,422,523

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 1/4 times base.....	\$ 178,700,677	-	-	-	-
4 1/2 times base.....	-	\$ 357,401,354	-	-	-
3 3/4 times base.....	-	-	\$ 297,834,461	-	-
3 1/4 times base.....	-	-	-	\$ 258,123,200	-
3 times base.....	-	-	-	-	\$ 238,267,569
Total Debt Limitation.....	\$ 178,700,677	\$ 357,401,354	\$ 297,834,461	\$ 258,123,200	\$ 238,267,569

Indebtedness: ^{2,3}

Bonds Outstanding.....	\$ 16,860,545	\$ 7,300,241	\$ 3,106,638	\$ 1,505,000	\$ -
Bonds – This Issue.....	7,425,000	-	-	545,000	-
Capital Leases.....	514,340	-	-	-	-
Debt Authorized But Unissued.....	6,850,000	500,000	-	727,325	-
Total Indebtedness.....	31,649,885	7,800,241	3,106,638	2,777,325	-

Less:

State School Grants Receivable ¹	-	-	-	-	-
Total Net Indebtedness.....	31,649,885	7,800,241	3,106,638	2,777,325	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS.....	\$ 147,050,792	\$ 349,601,113	\$ 294,727,823	\$ 255,345,875	\$ 238,267,569
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¹ The State of Connecticut will reimburse the City for eligible principal and interest costs over the life of bonds issued for school construction projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

² Gas Line extension bonds in the amount of \$16,019,000 and related \$1,062,390 authorized but unissued debt are excluded from the analysis above as they are self-supporting debt.

³ Excludes \$6,356,048 of self-supporting water bonds and \$6,465,603 of outstanding CWF IFO's for Water projects.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$555,957,661.

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

**Authorized but Unissued Debt
As of December 6, 2018
(Pro Forma)**

Project	Amount of Authorization	Bonds Issued	Estimated Grants/ Other Sources	The Bonds	Authorized but Unissued
New London Turnpike and Pleasant Street Bridges...	\$ 530,000	\$ 290,000	\$ 215,000	\$ 25,000	\$ -
Code Correction Assistance.....	1,840,000	567,675	-	545,000	727,325
Infrastructure Improvement Program (2017).....	5,000,000	-	-	2,000,000	3,000,000
Public Safety Equipment (2017).....	3,200,000	-	-	2,600,000	600,000
Dodd Stadium Capital Improvements (2018).....	800,000	-	-	-	800,000
Integration of NPS and City Admin Functions.....	675,000	-	-	400,000	275,000
Public Safety Radio System (2018).....	2,700,000	-	-	2,400,000	300,000
Wawecus Street Bridge.....	800,000	500,000	-	-	300,000
SCBA Equipment.....	800,000	790,000	-	-	10,000
Reid & Hughes Demolition.....	800,000	-	35,000	-	765,000
Golf Course Improvements.....	800,000	-	-	-	800,000
Renovation & Expansion of Kelly Middle School	41,250,000	10,750,000	30,000,000	-	500,000
Gas line extensions.....	9,500,000	8,437,610	-	-	1,062,390
Totals.....	\$ 68,695,000	\$ 21,335,285	\$ 30,250,000	\$ 7,970,000	\$ 9,139,715

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

Long-Term Debt	2018¹	2017	2016	2015	2014
Government-Type Bonds.....	\$ 45,060,000	\$ 49,430,000	\$ 48,410,000	\$ 43,650,000	\$ 40,810,000
Business-Type Bonds.....	14,291,587	15,498,000	15,238,000	14,822,000	13,036,000
Sub-Total.....	59,351,587	64,928,000	63,648,000	58,472,000	53,846,000
Short-Term Debt					
Bond Anticipation Notes.....	-	-	-	-	-
Grand Total.....	\$ 59,351,587	\$ 64,928,000	\$ 63,648,000	\$ 58,472,000	\$ 53,846,000

¹ Subject to audit.

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

Fiscal Year Ended 6/30	Net Assessed Value (000s)	Estimated Full Value¹ (000s)	Net Long-Term Debt² (000s)	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population³	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income⁴ (%)
2018	\$ 1,860,376	\$ 2,657,679	\$ 45,060	2.42%	1.70%	40,057	\$ 1,124.90	4.04%
2017	1,846,203	2,637,432	49,430	2.68%	1.87%	40,057	1,233.99	4.43%
2016	1,826,051	2,608,644	48,410	2.65%	1.86%	40,057	1,208.53	4.34%
2015	1,822,502	2,603,574	43,650	2.40%	1.68%	40,057	1,089.70	3.92%
2014	2,423,927	3,462,753	40,810	1.68%	1.18%	40,057	1,018.80	3.66%
2013	2,455,068	3,507,241	33,090	1.35%	0.94%	40,057	826.07	2.97%

¹ Assessment Ratio, 70%.

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

³ U.S. Department of Commerce, Bureau of Census, ACS 2012-2016 Estimates.

⁴ Money Income per Capita: ACS 2012-2016 Estimates: \$27,825 used for all calculations.

Note: Excludes capital leases.

**Ratios of Annual Long-Term General Fund Debt Service Expenditures
To Total General Fund Expenditures**

(in thousands)

Fiscal Year Ended 6/30	General Fund Debt Service	General Fund Expenditures	Ratio of General Fund Debt Service To Total General Fund Expenditures (%)
2019 ²	\$ 4,263	\$ 134,789	3.16%
2018 ³	4,469	133,000	3.36%
2017	4,908	131,915	3.72%
2016	4,908	126,857	3.87%
2015	4,908	123,254	3.98%
2014	4,908	123,576	3.97%
2013	5,164	119,280	4.33%
2012	4,908	113,010	4.34%

¹ GAAP basis of accounting. Includes Transfers out.

² Budgetary basis of accounting using budgeted expenditures and using estimated On Behalf Payments from the State of Connecticut. Subject to Audit.

³ GAAP basis of accounting using estimated On Behalf Payments from the State of Connecticut. Subject to Audit.

Source: Annual Audited Financial Statements: 2012-2017

City of Norwich Finance Department: 2018 & 2019

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VI. Financial Administration

Fiscal Year

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

Basis of Accounting and Accounting Policies

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

Budget Procedure

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

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

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

Connecticut General Statutes Section 4-66l, as amended ("Section 4-66l"), creates certain disincentives on increasing adopted budget expenditures for municipalities in Connecticut. Beginning in Fiscal Year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceeds the previous fiscal year by 2.5% or more of the rate of inflation, whichever is greater (the "expenditure cap"). The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality's adopted budget exceeds the expenditure cap. A municipality whose population increased from the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-66l requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the expenditure cap, and if so, the amount by which the expenditure cap was exceeded. For Fiscal Year ending June 30, 2019, the Town will receive municipal revenue sharing grant moneys from the State in the amount of \$1,021,600.

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

Annual Audit

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

For the fiscal year ended June 30, 2017, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, PC, Certified Public Accountants, West Hartford, Connecticut ("Blum Shapiro").

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.

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

Pension Programs

City Retirement System

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

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. City and Police employees are required to contribute 8.5%. Firefighter participants are required to contribute 8.0%. The City's funding policy provides for periodic employer contributions at actuarially determined rates. In response to and in compliance with GASB 67/68 and in consultation with the City's investment advisors and actuary, the City reduced the assumed rate of return from 8.25% to 7.75% and changed the amortization from 30 years open to a maximum closed 25-year period for unfunded liabilities that existed on July 1, 2013 and a maximum 20-year period for any unfunded liabilities thereafter. In order to mitigate the impact on the operating budget, the City has increased its contribution by 15% each year starting in fiscal year 2014-15 to build up to the full actuarially determined contribution (ADC) over four to five years. The requirement to fund unfunded liabilities within the foregoing maximum 25 and 20 year periods are mandated by ordinance adopted by the City Council in December 2014, but is subject to repeal or override, including by the annual budget appropriating ordinance.

The City completed the July 1, 2017 actuarial valuation report on June 21, 2018. This valuation included changes to assumptions for recent bargaining unit negotiations, a decrease in the assumed rate of return from 7.75% to 7.5%, and changes in the mortality tables. The table below compares the funding status as of this most recent valuation to the previous valuations. The next valuation will be as of July 1, 2019.

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	% of ADC Contributed
6/30/2019 ¹	\$ 12,010	\$ 11,405	95.0%
6/30/2018 ²	10,820	10,103	93.4%
6/30/2017	10,732	8,711	81.2%
6/30/2016	9,740	7,581	77.8%
6/30/2015	9,651	6,718	69.6%
6/30/2014	5,790	5,849	101.0%
6/30/2013	5,728	5,730	100.0%
6/30/2012	4,713	4,407	93.5%
6/30/2011	3,644	3,752	103.0%
6/30/2010	2,397	2,771	115.6%

¹ Budgeted amounts.

² Subject to audit.

Volunteer Firefighters' Relief Fund

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

Actuarial Valuation Date	Value of Assets	Actuarially Accrued Liability	Unfunded Accrued Liability	Percent Funded
7/1/2018	\$ 2,771	\$ 6,210	\$ 3,439	44.6%
7/1/2016	2,308	5,877	3,569	39.3%
7/1/2014	2,139	5,041	2,902	42.4%
7/1/2012	1,639	4,804	3,165	34.1%
7/1/2010	1,404	3,962	2,558	35.4%

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	% of ADC Contributed
6/30/2019 ¹	\$ 365	\$ 365	100.0%
6/30/2018 ²	373	373	100.0%
6/30/2017	373	373	100.0%
6/30/2016	351	351	100.0%
6/30/2015	304	333	109.5%
6/30/2014	309	309	100.0%
6/30/2013	309	310	100.3%
6/30/2012	255	281	110.2%
6/30/2011	255	250	98.0%
6/30/2010	255	250	98.0%

¹ Budgeted amounts.

² Subject to audit.

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

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

Other Post Employment Benefits (OPEB)

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

With the July 1, 2013 valuation, the City reduced the assumed rate of return from 8% to 7.75% and changed the amortization from 30 years open to a maximum closed 25-year period for unfunded liabilities that existed July 1, 2013 and maximum 20-years for any unfunded liabilities thereafter. The requirement to fund unfunded liabilities within the foregoing maximum 25 and 20 year periods are mandated by ordinance adopted by the City Council in December 2014.

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.

The City completed the July 1, 2017 actuarial valuation report on June 21, 2018. This valuation included changes to assumptions for recent bargaining unit negotiations, a decrease in the assumed rate of return from 7.75% to 7.5%, and changes in the mortality tables. The table below compares the funding status as of this most recent valuation to the previous valuations. The next valuation will be as of July 1, 2019.

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Liability (AAL) (b)</i>	<i>Funded (Unfunded) AAL (UAAL) (a-b)</i>	<i>Percentage Funded (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a % of Covered Payroll ((a-b)/c)</i>
7/1/2017	\$ 16,160	\$ 57,792	\$ (41,632)	28.0%	\$ 61,920	(67.2%)
7/1/2015	13,586	57,409	(43,823)	23.7%	57,814	(75.8%)
7/1/2013	9,684	55,483	(45,799)	17.5%	52,400	(87.4%)
7/1/2011	4,405	57,618	(53,213)	7.6%	50,093	(106.2%)
7/1/2009	2,594	58,239	(55,645)	4.5%	50,374	(110.5%)

General Fund Unrestricted Fund Balance Policy

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. As of June 30, 2018, UFB was 12.8%.

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

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

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

Investment Practices

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

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

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

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

Assets:	Actual 6/30/2017	Actual 6/30/2016	Actual 6/30/2015	Actual 6/30/2014	Actual 6/30/2013
Cash and Cash Equivalents	\$ 16,510	\$ 28,199	\$ 26,085	\$ 25,638	\$ 15,815
Investments	23,489	7,037	2,008	1,992	1,975
Receivables, net.....	6,297	7,046	8,509	7,465	9,416
Due from Other Funds	1,317	1,990	2,532	4,281	13,444
Other	-	-	-	-	-
Total Assets	47,613	44,272	39,134	39,376	40,650
Liabilities, Equity, & Other Credits:					
<u>Current Liabilities</u>					
Accounts and Other Payables.....	5,628	4,658	8,042	7,649	7,683
Deferred Revenues	-	-	-	-	8,452
Due to Other Funds	18,791	18,328	13,503	13,853	13,320
Unearned Revenues	30	81	267	302	-
Total Liabilities	24,449	23,067	21,812	21,804	29,455
<u>Deferred Inflow of Resources</u>					
Unavailable Revenue - Property Taxes	3,312	3,746	3,981	3,381	-
Unavailable Revenue - Special Assessments	2,171	2,580	2,942	3,210	-
Total Deferred Inflow of Resources	5,483	6,326	6,923	6,591	-
<u>Equity & Other Credits</u>					
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	664	227	207	498	920
Unassigned.....	17,017	14,652	10,192	10,483	10,275
Total Equity & Other Credits	17,681	14,879	10,399	10,981	11,195
Total Liabilities, Equity & Other Credits ...	\$ 47,613	\$ 44,272	\$ 39,134	\$ 39,376	\$ 40,650

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General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis) and
Unaudited Actuals and Current Year Budget (Budgetary Basis)
(in thousands)

	Projected Budget ¹ 6/30/2019	Unaudited Actual ¹ 6/30/2018	Actual 6/30/2017	Actual 6/30/2016	Actual 6/30/2015	Actual 6/30/2014
Revenues:						
Property Taxes	\$ 77,603	\$ 74,946	\$ 75,168	\$ 76,946	\$ 69,578	\$ 66,620
Intergovernmental Revenue	38,301	37,545	48,916	45,537	42,763	44,891
Charges for services	1,762	1,893	2,174	1,977	1,720	2,097
Licenses, permits and fees	514	409	539	661	439	543
Investment income	644	523	222	75	43	39
Other	900	900	1,192	994	1,671	1,198
Total.....	\$ 119,724	\$ 116,216	\$ 128,211	\$ 126,190	\$ 116,214	\$ 115,388
Expenditures:						
General Government	\$ 6,048	\$ 5,398	\$ 5,376	\$ 5,739	\$ 5,278	\$ 4,933
Public Safety	18,845	19,002	18,371	17,737	16,019	15,586
Social Services	1,975	1,975	1,839	2,046	1,868	2,012
Public Works	10,663	10,550	10,618	10,396	10,030	9,691
Education	78,470	77,284	85,627	80,621	77,145	77,381
Other	3,321	3,135	3,276	4,036	5,644	5,598
Capital Outlay	-	-	-	-	-	617
Debt Service.....	-	-	-	-	5,436	5,340
Total.....	\$ 119,322	\$ 117,344	\$ 125,107	\$ 120,575	\$ 121,420	\$ 121,158
Excess (Deficiency) of Revenues Over Expenditures.....	\$ 402	\$ (1,128)	\$ 3,104	\$ 5,615	\$ (5,206)	\$ (5,770)
Other Financing Sources (Uses):						
Operating transfers in.....	6,339	6,351	6,506	5,147	6,458	7,357
Operating transfers out.....	(6,753)	(6,942)	(6,808)	(6,282)	(1,834)	(2,418)
Other	-	-	-	-	-	617
Net Other Financing Sources (Uses).....	\$ (414)	\$ (591)	\$ (302)	\$ (1,135)	\$ 4,624	\$ 5,556
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures and Other Financing Uses.....	(12)	(1,719)	2,802	4,480	(582)	(214)
Fund Equity, Beginning of Year.....	N/A	17,681	14,879	10,399	10,981	11,195
Residual Equity Transfer.....	-	-	-	-	-	-
Fund Equity, End of Year.....	N/A	\$ 15,962	\$ 17,681	\$ 14,879	\$ 10,399	\$ 10,981

¹ Budgetary basis of accounting; subject to audit

Analysis of General Fund Equity

	Adopted Budget ¹ 6/30/2019	Estimated Actual ¹ 6/30/2018	Actual 6/30/2017	Actual 6/30/2016	Actual 6/30/2015	Actual 6/30/2014
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed.....	-	-	-	-	-	-
Assigned.....	-	269	664	-	-	498
Unassigned.....	15,950	15,693	17,017	14,879	10,399	10,483
Total Fund Equity.....	\$ 15,950	\$ 15,962	\$ 17,681	\$ 14,879	\$ 10,399	\$ 10,981

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

VII. Legal and Other Information

Legal Matters

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

Litigation

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

Transcript and Closing Documents

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the City, signed by the City Manager and the Comptroller which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that at the time bids were accepted on the Bonds, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. An executed continuing disclosure agreement for the Bonds substantially in the form attached hereto as Appendix C.
5. The approving opinion of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut.
6. The City has prepared an Official Statement for the Bonds which is dated November 20, 2018. The City deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The City will make available to the winning purchaser of the Bonds twenty-five (25) copies of the final Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchasers within seven business days of the bid opening. If the City's Municipal Advisor is provided with the necessary information from the winning purchasers by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or re-offering prices, the name of the managing underwriter, and the name of the insurer, if any, on the Bonds. The winning purchasers shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement. Additional copies of the Official Statement may be obtained by the winning purchasers at their own expense by arrangement with the printer.

A transcript of the proceedings taken by the City in authorizing the Bonds will be kept on file at the offices of U.S. Bank, National Association, 225 Asylum Street, Hartford, Connecticut 06103 and may be examined upon reasonable request.

Concluding Statement

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

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

CITY OF NORWICH, CONNECTICUT

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

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

Dated as of November 20, 2018

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Appendix A

2017 General Purpose Financial Statements

The following includes excerpts from the Comprehensive Annual Financial Report of the City of Norwich, Connecticut for the fiscal year ended June 30, 2017. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Norwich, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

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

Emphasis of Matter

As discussed in Note 19, the 2016 financial statements of the City have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 75 through 78 and the pension and OPEB schedules on pages 79 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Norwich, Connecticut, as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated November 18, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the City of Norwich, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Norwich, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 15, 2017

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

This discussion and analysis of the City of Norwich, Connecticut's (the City) financial performance is offered by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the City exceeded its liabilities, resulting in total net position at the close of the fiscal year of \$169.6 million. Total net position for governmental activities at fiscal year-end was \$55.4 million, and total net position for business-type activities was \$114.2 million. Total unrestricted net deficit at June 30, 2017 was \$43.9 million.
- On a government-wide basis, during the year, the City's net position increased by \$0.8 million from \$168.8 million to \$169.6 million. Governmental activities net position decreased by \$4.2 million, and net position increased by \$5.0 million for business-type activities. Governmental activities expenses were \$169.8 million, while total revenues including transfers were \$165.5 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$32.4 million, an increase of \$5.9 million from the prior fiscal year. Of the total fund balance as of June 30, 2017, \$16.9 million represents the combined unrestricted fund balance in the General Fund, Special Revenue Funds and Capital Projects Funds.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$17.7 million, an increase of \$2.8 million from the prior fiscal year. As of June 30, 2017, all of the \$17.7 million fund balance is unrestricted, representing 14.4% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt increased by \$1.0 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position increased from a year ago from \$168.8 million to \$169.6 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 70,571	\$ 66,684	\$ 44,954	\$ 41,022	\$ 115,525	\$ 107,706
Capital assets	125,054	126,824	149,131	143,830	274,185	270,654
Total assets	195,625	193,508	194,085	184,852	389,710	378,360
Deferred Outflows of Resources:						
Difference between expected and actual experience	1,477	1,875	689	876	2,166	2,751
Changes in assumptions	4,011	5,081	1,820	2,312	5,831	7,393
Changes in projected and actual investment earnings	4,620	11,482	2,155	5,242	6,775	16,724
Deferred charge on refunding	482	124			482	124
Total deferred outflows of resources	10,590	18,562	4,664	8,430	15,254	26,992
Long-term debt outstanding	141,934	143,086	72,160	72,652	214,094	215,738
Unearned revenue	686	1,316	1,354	1,545	2,040	2,861
Other liabilities	8,036	7,820	11,072	9,889	19,108	17,709
Total liabilities	150,656	152,222	84,586	84,086	235,242	236,308
Deferred Inflows of Resources:						
Difference between expected and actual experience	176	203	-	-	176	203
Net Position:						
Net investment in capital assets	78,005	75,885	133,414	128,042	211,419	203,927
Restricted	1,656	1,620	273	334	1,929	1,954
Unrestricted	(24,278)	(17,860)	(19,524)	(19,180) *	(43,802)	(37,040)
Total Net Position	\$ 55,383	\$ 59,645	\$ 114,163	\$ 109,196	\$ 169,546	\$ 168,841

* As Restated

Net position of the City's governmental activities decreased by \$4.2 million (\$59.6 million compared to \$55.4 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$(17.9) million at June 30, 2016 to \$(24.3) million at the end of this year. The unrestricted net position of business-type activities decreased from \$(19.2) million compared to \$(19.5) million during 2017.

It is important to note that the recognition of the net pension liability on the financial statements through the implementation of GASB Statement 67 caused a significant decrease in unrestricted net position for both governmental and business-type activities in 2015. The decrease in unrestricted net position did not result from a change in benefits offered to employees, only the presentation of these liabilities on the balance sheet. Pension liabilities are long-term ones which the City will continue to fund systematically through the annual budget process.

Table 2
CHANGES IN NET POSITION
(In Thousands)

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

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

Governmental Activities

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

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

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

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

Table 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

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

Business-Type Activities

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

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$32.4 million, which is an increase of \$5.9 million from last year's total of \$26.5 million. Included in this year's total change in fund balance is an increase of \$2.8 million in the City's General Fund. The primary reasons for the General Fund's increase are the higher than anticipated collections of property tax, conveyance tax, and sewer assessments. Please see the general fund activities analysis in RSI-1 and RSI-2 for further detail.

The Bond Expenditure Fund reported a fund balance of \$5.3 million at June 30, 2017. The fund balance increased by \$3.0 million during the year due to the proceeds from the bond issue in March 2017.

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

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

Proprietary Funds

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

Unrestricted net deficit of the Department of Public Utilities was \$17.5 million, and a deficit of \$2.0 million for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$88.6 million from user fees, and other enterprise funds had \$1.4 million. The total increase in net position for the fiscal year ended June 30, 2017 was \$5.0 million. The change in the Department of Public Utilities net position is largely attributable to investments in capital assets, such as \$3.2 million contributed capital associated with the construction of the gas pipeline gate station.

General Fund Budgetary Highlights

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

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

Actual expenditures on a budgetary basis and other financing uses totaled \$122.2 million, which were lower than actual revenues and other financing sources on a budgetary basis by \$2.4 million. Actual expenditures on a budgetary basis were \$0.7 million less than budgeted. Lower than budgeted expenditures were experienced in the General Government, Public Safety, Public Works, and Social Services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the City had \$274.2 million invested in a broad range of capital assets, including land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges - Table 4. This amount represents a net increase (including additions, deductions and depreciation) of \$3.5 million, or 1.3%, over last year.

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

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

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

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

The City's fiscal-year 2017-18 capital budget calls for spending \$3.0 million for road overlays, public works vehicles, police vehicles, fire equipment and other projects. More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2017, the City had total bonds and notes outstanding of \$67.6 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt increased by \$2.1 million during fiscal 2017.

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

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the City of Norwich is \$559 million. The City's outstanding general obligation debt is at 6.57% of this limitation. Table 9 presents more detailed information about the debt limitation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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

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

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

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

The accompanying notes are an integral part of the financial statements

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

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

(Continued on next page)

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

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

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

Fund balances - total governmental funds	\$ 32,394
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

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

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

Property tax receivables greater than 60 days	2,677
Interest receivable on property taxes	824
Housing rehabilitation loans	3,318
Accounts and other receivables	16,679
Deferred outflows:	
Difference between expected and actual experience	1,477
Changes in assumptions	4,011
Changes in projected and actual investment earnings	4,620

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

423

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

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

Net Position of Governmental Activities (Exhibit I)	<u>\$ 55,383</u>
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The accompanying notes are an integral part of the financial statements

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

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

(Continued on next page)

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

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 5,872
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	6,020
Depreciation expense	(6,532)

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

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

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

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

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

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

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

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

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

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

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

The accompanying notes are an integral part of the financial statements

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

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 86,623	\$ 1,223	\$ 87,846	\$ 18,362
Use of property	830		830	
Other services	1,154		1,154	
Rent		165	165	
Total operating revenues	<u>88,607</u>	<u>1,388</u>	<u>89,995</u>	<u>18,362</u>
Operating Expenses:				
Purchased gas and electric	31,742		31,742	
General and administrative	15,398		15,398	
Operations and maintenance	14,825	1,290	16,115	
Depreciation	7,572	335	7,907	
Customer accounts	3,789		3,789	
Gross revenue and property taxes	2,891		2,891	
Claims			-	17,551
Premiums and administrative charges			-	1,906
Pension expense	2,286		2,286	
Total operating expenses	<u>78,503</u>	<u>1,625</u>	<u>80,128</u>	<u>19,457</u>
Operating Income (Loss)	<u>10,104</u>	<u>(237)</u>	<u>9,867</u>	<u>(1,095)</u>
Nonoperating Income (Expense):				
Interest income	13		13	
Interest expense	(859)	(4)	(863)	
Loss on disposal of capital assets	(119)		(119)	
Total nonoperating expense	<u>(965)</u>	<u>(4)</u>	<u>(969)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	9,139	(241)	8,898	(1,095)
Capital contributions	4,585		4,585	
Transfers in		155	155	
Transfers out	<u>(8,671)</u>		<u>(8,671)</u>	
Change in Net Position	5,053	(86)	4,967	(1,095)
Total Net Position at Beginning of Year, as Restated	<u>101,128</u>	<u>8,068</u>	<u>109,196</u>	<u>1,518</u>
Total Net Position at End of Year	<u>\$ 106,181</u>	<u>\$ 7,982</u>	<u>\$ 114,163</u>	<u>\$ 423</u>

The accompanying notes are an integral part of the financial statements

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

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 91,955	\$ 1,261	\$ 93,216	\$ 2,875
Cash receipts for interfund services provided			-	16,215
Cash paid to vendors	(47,630)	(1,223)	(48,853)	(19,090)
Cash paid to employees for services	(20,872)		(20,872)	
Net cash provided by (used in) operating activities	<u>23,453</u>	<u>38</u>	<u>23,491</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,671)		(8,671)	
Customer deposits	311		311	
Advances from (to) other funds	(20)		(20)	
Net cash provided by (used in) noncapital and related financing activities	<u>(8,380)</u>	<u>-</u>	<u>(8,380)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	4,585		4,585	
Purchases of capital assets	(11,339)	(9)	(11,348)	
Proceeds from sale of capital assets	37		37	
Proceeds from long-term debt	1,528		1,528	
Principal payment on bonds and notes	(1,243)	(25)	(1,268)	
Principal payment on capital leases	(331)		(331)	
Interest payment on debt	(859)	(4)	(863)	
Cash advances from the City of Norwich	309		309	
Net cash provided by (used in) capital and related financing activities	<u>(7,313)</u>	<u>(38)</u>	<u>(7,351)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>7,773</u>	<u>-</u>	<u>7,773</u>	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	<u>19,403</u>	<u>-</u>	<u>19,403</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,176</u>	<u>\$ -</u>	<u>\$ 27,176</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 10,104	\$ (237)	\$ 9,867	\$ (1,095)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	7,572	335	7,907	
(Increase) decrease in receivables	3,348	(44)	3,304	(177)
(Increase) decrease in inventories and other assets	392		392	
(Increase) decrease in due from other funds		156	156	905
(Increase) decrease in deferred outflows of resources:				
Differences between expected and actual experience	186		186	
Changes of assumptions	492		492	
Changes in projected investment earnings	3,087		3,087	
Increase (decrease) in due to other funds		9	9	
Increase (decrease) in unearned revenues		(190)	(190)	
Increase (decrease) in accounts payable and accrued liabilities	(249)	9	(240)	367
Increase (decrease) in net pension liability	(1,479)		(1,479)	
Total adjustments	<u>13,349</u>	<u>275</u>	<u>13,624</u>	<u>1,095</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 23,453</u>	<u>\$ 38</u>	<u>\$ 23,491</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

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

The accompanying notes are an integral part of the financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except for agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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.

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

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

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

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

D. Deposits and Investments

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

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

Investments for the City are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. The City is not a part of any overlapping government which assesses separate property taxes. An amount of \$403 has been established as an allowance for uncollected taxes. At June 30, 2017, this represents 10.7% of property taxes receivable.

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F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

H. Deferred Outflows/Inflows of Resources

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

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

I. Compensated Absences

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

J. Net Pension Liability

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

K. OPEB Assets/Obligations

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

L. Long-Term Obligations

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

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity and Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

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

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

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

N. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues expenditures during the fiscal year.

O. New Accounting Standards Adopted

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. If an appropriation is not encumbered, it lapses at year-end and may not be used by the department.

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

B. Deficit Fund Equity

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk

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

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

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

Cash Equivalents

At June 30, 2017, the City's cash equivalents amounted to \$9. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

4. INVESTMENTS

As of June 30, 2017, the City had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:				
Certificate of Deposit	\$ 23,489	\$ 11,301	\$ 12,188	\$
U.S. Government Securities	717		717	
U.S. Government Agencies	172		5	167
Municipal Bonds	268		180	88
Corporate Bonds	<u>1,664</u>	<u>54</u>	<u>1,485</u>	<u>125</u>
Total	26,310	<u>\$ 11,355</u>	<u>\$ 14,575</u>	<u>\$ 380</u>
Other investments:				
Mutual Funds	150,671			
Common Stock	30,171			
Preferred Stock	354			
Real Estate	<u>87</u>			
Total Investments	<u>\$ 207,593</u>			

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2017:

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

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Interest Rate Risk

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

Credit Risk - Investments

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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5. RECEIVABLES

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

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

CITY OF NORWICH, CONNECTICUT
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6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A summary of interfund balances as of June 30, 2017 is presented below.

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

A summary of interfund transfers is presented below:

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

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

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7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

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

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

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

Construction Commitments

The City has active construction projects as of June 30, 2017. At year end, the City's commitments with contractors on active authorizations are as follows:

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

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8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

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

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

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,430	\$ 1,718	\$ 6,148
2019	4,305	1,617	5,922
2020	4,095	1,494	5,589
2021	3,575	1,153	4,728
2022	3,230	1,046	4,276
2023-2027	14,220	3,741	17,961
2028-2032	11,285	1,657	12,942
2033-2037	4,290	297	4,587
Total	<u>\$ 49,430</u>	<u>\$ 12,723</u>	<u>\$ 62,153</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,116	\$ 306	\$ 1,422
2019	1,134	282	1,416
2020	1,073	259	1,332
2021	1,076	235	1,311
2022	973	214	1,187
2023-2027	4,587	793	5,380
2028-2032	4,610	322	4,932
2033-2036	929	30	959
Total	<u>\$ 15,498</u>	<u>\$ 2,441</u>	<u>\$ 17,939</u>

General Obligation Bonds - Advance Refunding

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

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

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

Capital Leases

Governmental Activities

The City entered into multi-year capital leases for the purchase of a fire truck and other equipment. Principal payments for the 2017 fiscal year were \$155. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$675 at June 30, 2017. The following is a summary of capital lease commitments as of June 30, 2017.

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

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Business-Type Activities

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

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2018	\$ 222
Less interest	<u>(3)</u>
Principal Balance	<u>\$ 219</u>

Compensated Absences - Governmental Activity

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

Vested:	
Sick	\$ 786
Vacation	697
Other	248
Nonvested:	
Sick	<u>1,447</u> *
Total	<u>\$ 3,178</u>

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

Compensated Absences - Business-Type Activity

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

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

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Landfill Closure and Postclosure Care Cost - Governmental Activity

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The current estimated total cost of the landfill closure and postclosure care of \$225 is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the complete landfill site as of June 30, 2017. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations. The City is eligible for approximately \$3,300 in state grants, of which \$2,020 has been drawn down. The Landfill Closure fund has been used to liquidate landfill closure and postclosure liabilities, but the General Fund will be used to pay for future monitoring costs.

Bonds Authorized/Unissued

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

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

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

Debt Limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 179,730	\$ 22,647	\$ 157,083
Schools	359,460	9,028	350,432
Sewers	299,550	3,551	295,999
Urban renewal	259,610	3,125	256,485
Pension deficit	239,640		239,640

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

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9. FUND EQUITY

A. Fund Balance

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

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

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B. Department of Public Utilities - Restricted Net Position

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy and Load Conservation Fund (the Fund) on behalf of its cooperative members, including the Norwich Department of Public Utilities (the Department). The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring CMEEC to establish and administer the Fund. CMEEC includes a charge of 2.5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department for deposit into the Fund. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan. Funds held by CMEEC as of June 30, 2017 on behalf of the Department were \$273. Investment income that is earned on the Department’s deposits along with the Fund’s authorized expenses is recorded in the Department’s statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department’s statement of net position and have been restricted.

C. Encumbrances

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

General fund	\$	664
Bond expenditure fund		87
Nonmajor governmental funds		<u>294</u>
Total	\$	<u><u>1,045</u></u>

10. TAX ABATEMENTS

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

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

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

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

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expansion or renovation project or, in the case of an existing building, having met the vacancy requirement. The property tax abatement is for a full seven-year period and takes effect with the start of the first full assessment year following the issuance of a "Certificate of Eligibility." For the fiscal year ended June 30, 2017, taxes abated through this program total \$177. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the City to the abatement recipients under this program.

The Uniform Tax Deferral Process provides real property tax abatements on certain commercial property development in the City under Connecticut General Statutes Section 12-65c through 12-65e and the City of Norwich Ordinance 7-22. Abatements are obtained pursuant to a contract between the City and the owner of any such property. The contract shall provide the terms of such abatement, the moneys equal to the amount of such abatement and the criteria by which the property is required to be used for to receive the abatement. For the fiscal year ended June 30, 2017, taxes abated through this program total \$81. The contract includes provisions for cease and potential recapture of abatements if property is used for a purpose other than the one specified in the agreement. No other commitments have been made by the City to the abatement recipients under this program.

The Wauregan Hotel Development (WHD) tax abatement agreement was created to provide real property tax abatements for the rehabilitation of certain deteriorated property within the City pursuant of Connecticut General Statutes Section 8-215 and City of Norwich Ordinance 7-21. Under the terms of the agreement the rehabilitated property is to be used for low-income housing and abatement obtained pursuant to a contract between the City and the owner of the property. The property owner will receive an abatement of all taxes but is responsible for paying the City a payment in lieu of taxes equal to 20% of net operating income on the property. Continuation of the agreement is conditioned upon continued compliance with the provisions of the agreement and is terminated upon sale or transfer of the property for any other purpose unless the City has consented thereto. For the fiscal year ended June 30, 2017, taxes abated through this program total \$116. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the City to the abatement recipients under this program.

11. RISK MANAGEMENT

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

It is the policy of the City to self-insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchased "stop loss" insurance to limit its losses to \$175 per person in 2017 for hospitalization with a maximum aggregate for all claims of approximately \$17,340.

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

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

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

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

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

The Department of Public Utilities accounts for the self-insured component of workers' compensation benefits for the Department's employees within the Department of Public Utilities Enterprise Fund. The Department has accrued \$944 for estimated unpaid accrued losses on reported claims as of June 30, 2017.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Norwich Retirement System

A. Plan Description and Benefits Provided

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

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

The City provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the plan, all full-time salaried City employees, noncertified employees of the Board of Education and all full-time uniformed and investigatory employees classified as Police Officers and Firefighters are eligible after a probationary period.

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Union Coalition

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

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

Employees contribute 8% of their wages to the plan.

Police

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

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

Employees contribute 8% of their wages to the plan.

Firefighters

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

Employees hired on or after July 1, 2013 may retire after 25 years of service, regardless of age. Employees shall be paid 59% of their average pay received of the highest three years of their last 10 years of service. Employees shall receive an additional 2.20% for each year after 25 years for a maximum of 30 years or 70%.

Employees contribute 8% of their wages to the plan.

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Public Schools Nurses and Paraeducators

Employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension at a reduced percentage. City employees receive a retirement benefit of 2.1% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 73.5% of average earnings.

Employees contribute 7% of their wages to the plan.

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

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

B. Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

C. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. The City’s funding policy provides for periodic employer contributions at actuarially determined rates. With the City’s July 1, 2013 valuation, the Personnel and Pension Board voted to make some changes in the actuarial assumptions to bring them in line with other pension funds, GASB Statement No. 68 and GFOA best practices. As a result of these changes, the City’s Actuarially Determined Employer Contribution (ADEC) increased substantially. Pursuant to Ordinance 1710 adopted December 15, 2014, the City is committed to increasing its employer contribution by 15% each year until the City returns to funding 100% of the ADEC. The City’s current contribution percentage is 20.74% of covered payroll.

Administrative costs of the plan are financed through investment earnings.

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D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Personnel and Pension Board by a majority vote of its members. It is the policy of the Personnel and Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017.

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

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

Rate of Return

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

E. Net Pension Liability of the City

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

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

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Actuarial Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included along with the pension plan's long-term target asset allocation. Since the term rates shown above are geometric averages, the impact of asset allocation and rebalancing is not reflected in the expected return. The results support a rate between 7.25% and 7.75%. An expected rate of return of 7.75% was used.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

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

City of Norwich Volunteer Firefighters’ Relief Plan

A. Plan Description and Benefits Provided

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

Management of the plans rest with the Volunteer Firefighters’ Relief Fund Committee (VFFRF Committee), which consists of twelve members. Five members are appointed by the City Council, one is appointed by the Personnel and Pension Board, and one is the immediate past President of the VFFRF Committee. The City Treasurer shall have the care and custody of all pension funds and with the approval of the Committee, shall have the power to invest and reinvest the same in securities legal for investment of trust funds under the general statutes. The City Treasurer, with the approval of the Committee, may designate and appoint a corporate trustee or trustees to manage the pension funds.

Volunteers who joined the Plan prior to January 1, 2015 will begin receiving benefits when they are at least 55 years old and have at least 20 years of credited service. A plan member may purchase a year of credited service if he/she has responded to at least the lesser of 20% of all emergency calls or 150 calls as well as attending the lesser of 20% of his/her department’s training sessions and drills or 20 hours of training or drills during the plan year. “Retirees” from the plan receive a monthly benefit of \$22 multiplied by the years of credited service to a maximum of 40 years and a maximum monthly benefit of \$880.

Volunteers who joined the Plan on or after January 1, 2015 will begin receiving benefits when they are at least 55 years old and have at least 25 years of credited service. A plan member may purchase a year of credited service if he/she has responded to at least the lesser of 20% of all emergency calls or 150 calls as well as attending the lesser of 20% of his/her department’s training sessions and drills or 20 hours of training or drills during the plan year. “Retirees” from the plan receive a monthly benefit of \$22 multiplied by the years of credited service to a maximum of 30 years and a maximum monthly benefit of \$660.

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$264 for each calendar year of credited service.

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

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

B. Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters

Basis of Accounting

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

Plan Changes and Changes in Actuarial Assumptions

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

Method Used to Value Investments

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

Plan Expenses

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

C. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$264 for each calendar year of credited service.

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D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the VFFRF Committee by a majority vote of its members. It is the policy of the VFFRF Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the VFFRF Committee's adopted asset allocation policy as of June 30, 2017.

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

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

Rate of Return

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

E. Net Pension Liability of the City

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

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

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Actuarial Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included along with the pension plan's long-term target asset allocation. Since the rates term rates shown above are geometric averages, the impact of asset allocation and rebalancing is not reflected in the expected return. The results support a rate between 6.75% and 7.25%. An expected rate of return of 7.00% was used.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2016	\$ 5,963	\$ 2,230	\$ 3,733
Changes for the year:			
Service cost	63		63
Interest on total pension liability	411		411
Employer contributions		373	(373)
Member contributions		14	(14)
Net investment income		265	(265)
Benefit payments, including refund to employee contributions	(322)	(322)	-
Administrative expenses		(2)	2
Net changes	<u>152</u>	<u>328</u>	<u>(176)</u>
Balances as of June 30, 2017	<u>\$ 6,115</u>	<u>\$ 2,558</u>	<u>\$ 3,557</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

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

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

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

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

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

<u>Year Ended June 30,</u>	<u>City Employees</u>	<u>Volunteer Firefighter</u>
2018	\$ 5,309	\$ 28
2019	5,309	28
2020	3,810	1
2021	167	(31)
2022	-	(10)
Thereafter	-	(15)
Total	<u>\$ 14,595</u>	<u>\$ 1</u>

Schedule of Plan Net Position - June 30, 2017

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

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

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

Teachers Retirement

A. Plan Description

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

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B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

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

Employer (School Districts)

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

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

Employees

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

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

At June 30, 2017, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>80,635</u>
Total	<u>\$ 80,635</u>

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

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

E. Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

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For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

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

F. Discount Rate

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

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

H. Other Information

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

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13. OTHER POST EMPLOYMENT BENEFITS

City of Norwich, Retiree Health Plan

A. Plan Description and Benefits Provided

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

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

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

B. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Plan Expenses

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

Funding Policy

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

City Retirees

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

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

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

Police Retirees

For most current retirees, the City funds full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 67 for both the retiree and the retiree's spouse.

For Police who retire on or after September 2014, the City funds full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 65 for both the retiree and the retiree's spouse.

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

Fire Retirees

For most current retirees, the City funds full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 67 for both the retiree and the retiree's spouse.

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

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

Retired Board of Education Teachers and Administrators

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

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

Retired Board of Education Custodians and Maintainers

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

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

Retired Board of Education Nurses

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

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

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Retired Board of Education Secretaries and Paraeducators

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

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

Norwich Public Utilities' (NPU) Retirees

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

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

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

For the year ended June 30, 2017, plan members and the Teacher Retirement Board contributed \$177. The City is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the City in order to prefund benefits.

Employer contributions to the plan for the year ended June 30, 2017 totaled \$5,492.

C. Investments

Investment Policy

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

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

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D. Net OPEB Liability of the City

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

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

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

Actuarial Assumptions

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

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

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

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

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Government Fixed Income	13.00%	1.75%
U.S. Investment Grade Fixed Income	7.00%	2.25%
U.S. Corporate High Yield Fixed Income	9.00%	3.25%
Internationally Developed Markets Fixed	1.00%	2.00%
U.S. Large-Cap Equity	38.00%	4.75%
U.S. Mid-Cap Equity	9.00%	5.50%
U.S. Small-Cap Equity	4.00%	5.50%
International Developed Markets Equity	12.00%	5.25%
Emerging Markets Equity	5.00%	6.00%
Cash	2.00%	0.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current discount rate:

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

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00% decreasing to 4.00%) or 1 percentage point higher (9.00% decreasing to 6.00%) than the current healthcare cost trend rates:

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

E. Annual OPEB Cost and Net OPEB Obligations

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

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

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

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

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

Schedule of Funding Progress

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

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Schedule of Plan Net Position - June 30, 2017

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

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

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

14. JOINTLY GOVERNED AND RELATED ORGANIZATIONS

Connecticut Municipal Electric Energy Cooperative

CMEEC is a public corporation organized in 1976 under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its member utilities, including the City of Norwich, Department of Public Utilities, and others. CMEEC may issue bonds in its own name. Under the bylaws of CMEEC, a Board of Directors comprised of representatives from the participating members was established. CMEEC's Board is comprised of twenty representatives and officers. The governing board consists of representatives appointed by each of the participating members and assumes all the management decisions. Two representatives from the City of Norwich, Department of Public Utilities serve on the Board. The CMEEC Board acts as a regulatory body in that it reviews and approves recovery of costs in rates on an annual basis.

CMEEC has entered into power sales contracts with each of the members including the City of Norwich Department of Public Utilities. Under the contracts, each of the member utilities have agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each member utility to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take or pay basis. The member utilities maintain this fixed cost obligation whether or not they take any power from CMEEC. The amount of power purchased from CMEEC for the fiscal year ended June 30, 2017 was \$27.79 million.

On July 1, 2006, the City of Norwich, Department of Public Utilities entered into a contract for the sale of Pierce Project Electric Power & Energy (the Pierce Contract). Under the terms of the Pierce Contract, the City of Norwich, Department of Public Utilities receives its allocable share of all electric products and benefits and pays its share of all costs associated with the project.

During the 2012 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide cap and trading program as proposed by the RGGI in Connecticut. During the 2017 fiscal year, the share of contributions to the fund received by the Department totaled \$83, with drawdowns of \$81, and interest on the fund of \$2. The balance of the Department's funds held by CMEEC for the RGGI was \$298 for the year ended June 30, 2017.

15. COMMITMENTS AND CONTINGENCIES

Connecticut Municipal Electric Energy Cooperative

Power Sales Contract - Norwich Department of Public Utilities (Department)

CMEEC supplies power to the Department under a Power Sales Contract that became effective April 25, 2013. The contract obligates the Department to pay a percentage of CMEEC's fixed costs obligations, including debt service and administrative and general costs. Under the power sales agreement, the Department is required to pay its percentage of CMEEC's fixed cost obligations whether or not they purchase power from CMEEC. The contract will remain in effect until the date when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter

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until terminated by either party following not less than three years prior written notice to the other party of its intention to terminate, provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 31, 2052.

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

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

CMEEC - debt service fixed cost obligation	\$ 17,874
Department - rate stabilization funds on deposit with CMEEC	<u>(13,022)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 4,852</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net assets. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,996.

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

Municipal Solid Waste Management Services Contract

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

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

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

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

16. LITIGATION

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

17. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

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

18. SUBSEQUENT EVENTS

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

19. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

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

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

**Required Supplementary
Information**

CITY OF NORWICH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

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

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

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

Budgetary revenues are different than GAAP revenues because:

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

8,794

The Board of Education does not budget for intergovernmental grants, which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

1,418

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

(72)

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

\$ 134,717

CITY OF NORWICH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

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

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)**

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

Budgetary expenditures are different than GAAP expenditures because:

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

8,794

The Board of Education does not budget for intergovernmental grants, which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

1,418

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.

(664)

Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for financial statement reporting purposes.

157

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

\$ 131,915

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 5,656	\$ 5,890	5,498	2,679
Interest	20,281	18,659	17,981	17,334
Differences between expected and actual experience		3,337		
Changes of benefit terms		634		
Changes of assumptions		8,811		
Benefit payments, including refunds of member contributions	<u>(16,927)</u>	<u>(15,426)</u>	<u>(14,836)</u>	<u>(14,146)</u>
Net change in total pension liability	9,010	21,905	8,643	5,867
Total pension liability - beginning	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>	<u>227,932</u>
Total pension liability - ending	<u>273,357</u>	<u>264,347</u>	<u>242,442</u>	<u>233,799</u>
Plan fiduciary net position:				
Contributions - employer	8,711	7,581	6,718	5,849
Contributions - member	3,386	3,358	3,247	3,057
Net investment income (loss)	18,213	(2,851)	4,681	20,194
Benefit payments, including refunds of member contributions	(16,927)	(15,426)	(14,836)	(14,146)
Administrative expense	<u>(5)</u>	<u>(42)</u>	<u>(4)</u>	<u>(32)</u>
Net change in plan fiduciary net position	13,378	(7,380)	(194)	14,922
Plan fiduciary net position - beginning	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>	<u>144,533</u>
Plan fiduciary net position - ending	<u>165,259</u>	<u>151,881</u>	<u>159,261</u>	<u>159,455</u>
Net Pension Liability - Ending	<u>\$ 108,098</u>	<u>\$ 112,466</u>	<u>83,181</u>	<u>74,344</u>
Plan fiduciary net position as a percentage of the total pension liability	60.46%	57.46%	65.69%	68.20%
Covered-employee payroll	\$ 42,011	\$ 40,590	39,262	37,752
Net pension liability as a percentage of covered-employee payroll	257.31%	277.08%	211.86%	196.93%

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

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

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

Notes to Schedule

Valuation date: July 1, 2015
 Measurement date: June 30, 2017
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years, open
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Ranges from 3.0% to 10.0%, based on age
Investment rate of return	7.75%

Retirement age - City and Public Utility Employees	Earlier of either (1) Age 55 with 25 years of service, (2) Age 60 with 5 years of service, or (3) 34 years of service
Retirement age - Board of Education Employees	Earlier of either (1) Age 55 with 25 years of service, or (2) Age 60 with 5 years of service
Retirement age - Police Officers and Firefighters	Either (1) 20 years of service if hired prior to 7/1/2013 or (2) 25 years of service if hired on or after 7/1/2013

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

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

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

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

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

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

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

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

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - VOLUNTEER FIRE
LAST TEN FISCAL YEARS**

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

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

Notes to Schedule

Valuation date: January 1, 2016

Measurement date: June 30, 2017

Actuarially determined contribution rates are calculated as of January 1, one and a half years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years, open
Asset valuation method	Market value of assets
Inflation	3.00%
Investment rate of return	7.00%

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST THREE FISCAL YEARS*

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

Notes to Schedule

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

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

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS*
(In Thousands)

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

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

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

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

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

Notes to Schedule

Valuation date: July 1, 2015

Measurement date: June 30, 2017

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

Retirement age - City and Public Utilities Employees

Age 55 with 25 years of service or age 60 with 5 years of service

Retirement age - Board of Education Employees

Hired prior to 7/1/2004 and age 55 with 25 years of service or age 60 with 5 years of service. 20 years of services required for medical coverage subsidy.

Retirement age - Police Officers and Firefighters

20 years of service and eligible for unreduced pension

Mortality

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

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

2017

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

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

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Appendix B

Form of Opinion of Bond Counsel

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FORM OF BOND COUNSEL OPINION

December __, 2018

City of Norwich
City Hall
100 Broadway
Norwich, Connecticut 06360

We have acted as Bond Counsel to the City of Norwich, Connecticut (the “City”) in connection with the issuance by the City of its \$7,970,000 General Obligation Bonds, Issue of 2018 (Bank Qualified), dated December __, 2018 (the “Bonds”). In such capacity, we have examined a record of proceedings of the City authorizing the Bonds, a Tax Compliance Agreement of the City dated December __, 2018 (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Bonds are duly certified by U.S. Bank National Association, they will be valid and legally binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the City and was duly authorized by the City.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

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

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

In our opinion, under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, for taxable years that began before January 1, 2018, with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in computing the federal alternative minimum tax liability. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the Bonds.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by the ownership or disposition of, or receipt of interest on the Bonds.

The Bonds have been designated by the City to be and are qualified tax exempt obligations of the City under Section 265(b)(3) of the Code.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated _____, 2018 and other offering material relating to the Bonds.

We have not undertaken to advise whether any events after the date of issuance of the Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the Bonds.

Although we have rendered an opinion that interest on the Bonds is not included in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Bonds. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Bonds not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C

Form of Continuing Disclosure Agreement

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**FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS
BY THE CITY OF NORWICH, CONNECTICUT**

**In Connection With The Issuance and Sale of
City of Norwich, Connecticut
\$7,970,000 General Obligation Bonds, Issue of 2018 (Bank Qualified)**

Dated December __, 2018

WHEREAS, the City of Norwich, Connecticut (the “Issuer”) has heretofore authorized the issuance of \$7,970,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2018 (Bank Qualified) (the “Bonds”) to be dated December __, 2018 and to mature in the principal amounts and on the dates set forth in the Issuer’s Official Statement describing the Bonds (the “Official Statement”); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the “Rule”), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Connecticut General Statutes §3-20e enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

“Fiscal Year End” shall mean the last day of the Issuer’s fiscal year, currently June 30.

“Listed Events” shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

Annual Reports.

(a) The Issuer shall provide or cause to be provided to the MSRB, in accordance with the provisions of the Rule and of this Continuing Disclosure Agreement, the following annual financial information and operating data regarding the Issuer:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(C) the percentage and amount of the annual property tax levy collected and uncollected;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt and total overall net debt of the Issuer per capita;

(G) the ratios of total direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list;

(H) a statement of statutory debt limitations and debt margins; and

(I) the funding status of the Issuer's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB or filed with the SEC. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the

presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 2. Timing. The Issuer shall provide the information and data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Final Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.

Section 3. Event Notices.

(a) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- (vii) modification to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) the consummation of a merger, consolidation, acquisition involving the Issuer, other than the ordinary course of business, or the sale of all or substantially all the assets of the Issuer, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms, if material; and

(xiv) the appointment of a successor or additional trustee, or the change in the name of the trustee.

Section 4. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2(a) of this Continuing Disclosure Agreement on or before the date set forth in Section 3 hereof.

Section 5. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 6. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Continuing Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of the Continuing Disclosure Agreement, taking in account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 8. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communications, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Indemnification. The Issuer agrees to indemnify and save its officials, officers and employees harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses

(including attorney's fees) of defending against any claim of liability hereunder, but excluding any such liabilities due to any such person's malicious, wanton, or willful act. The obligations of the Issuer under this Section shall survive, notwithstanding that such person may no longer be serving in such capacity.

Section 10. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Continuing Disclosure Agreement constitute default of the Issuer with respect to the Bonds.

Section 11. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of Connecticut.

Section 13. Method of Filing. To the extent filings are required to be made to the MSRB under this Continuing Disclosure Agreement, the Issuer shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

CITY OF NORWICH, CONNECTICUT

By: _____
John L. Salomone, City Manager

By: _____
Joshua A. Pothier, Comptroller

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Appendix D

Notice of Sale

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NOTICE OF SALE

**CITY OF NORWICH, CONNECTICUT
\$7,970,000 GENERAL OBLIGATION BONDS, ISSUE OF 2018
(the “Bonds”)**

ELECTRONIC BIDS via *PARITY*® will be received by the **CITY OF NORWICH, CONNECTICUT** (the “City”) at the Office of the City Manager, City Hall, 100 Broadway, Norwich, Connecticut 06360, until **11:30 A.M. (Eastern Time), TUESDAY**

NOVEMBER 20, 2018

(the “Bid Date”) for the purchase of all (but not less than all) of \$7,970,000 General Obligation Bonds, Issue of 2018, of the City (the “Bonds”), when issued, at not less than par, which mature on August 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$410,000	2030	\$420,000
2021	\$420,000	2031	\$420,000
2022	\$420,000	2032	\$420,000
2023	\$420,000	2033	\$420,000
2024	\$420,000	2034	\$420,000
2025	\$420,000	2035	\$420,000
2026	\$420,000	2036	\$420,000
2027	\$420,000	2037	\$420,000
2028	\$420,000	2038	\$420,000
2029	\$420,000		

The Issue

The full faith and credit of the City will be pledged for the prompt payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds will be general obligations of the City payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limit as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended. The Bonds will be dated their date of delivery, with interest payable on August 1, 2019 and semiannually thereafter on each February 1 and August 1 in each year until maturity, or earlier redemption. The information in this Notice of Sale is only a brief summary of certain provisions of the Bonds. For further information about the Bonds, reference is hereby made to the Preliminary Official Statement, dated November 13, 2018.

Optional Redemption

The Bonds maturing on August 1, 2025 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after August 1, 2024, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus interest accrued and unpaid to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
August 1, 2024 and thereafter	100%

The City, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption.

Ratings

The City has applied to S&P Global Ratings for a rating on the Bonds. The assigned rating may be obtained from S&P Global Ratings or will be posted through the facilities of **PARITY**[®] prior to sale.

Official Statement and Continuing Disclosure Agreement

The City has prepared a Preliminary Official Statement for the Bonds which is dated November 13, 2018, which is deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), except for omissions permitted thereby, but is subject to revision or amendment. The City will make available to the winning purchaser 25 copies of the Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchaser at delivery of the Bonds or by the 7th business day after the day bids on the Bonds are received. If the City's municipal advisor is provided with the necessary information from the winning purchaser by noon of the date following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, and any corrections. The purchaser shall arrange with the municipal advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

The purchaser agrees to promptly file a final Official Statement with the Municipal Securities Rulemaking Board and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5), (i) annual financial information and operating data including audited financial statements, (ii) notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and (iii) timely notice of a failure by the City to provide the required annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted electronically via **PARITY**[®], in accordance with this Notice of Sale, until 11:30 A.M. (Eastern Time) on Tuesday, November 20, 2018, but no bid will be received after the time for receiving bids specified herein. To the extent any instructions or directions set forth in **PARITY**[®] shall conflict with information in this Notice of Sale, the terms of this

Notice of Sale shall control. For further information about **PARITY**[®], including any fee charged, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, telephone: (212) 849-5021. Any prospective bidder must be a subscriber of i-Deal LLC's BiDCOMP competitive bidding system. The City neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**[®] is communicated to the City, it shall constitute an irrevocable offer, in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. By submitting a bid for the Bonds via **PARITY**[®], the bidder represents and warrants to the City that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the City will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice of Sale. **The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**[®], or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**[®], the use of **PARITY**[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

For the purpose of the electronic bidding process, the time maintained on **PARITY**[®] shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the City, as described under "Award, Delivery and Payment" below, represented by the rate or rates of interest and the bid price specified in their respective bids. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Disclaimer. Each **PARITY**[®] prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY**[®] for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY**[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the City nor **PARITY**[®] shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**[®]. The City is using **PARITY**[®] as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of **PARITY**[®] to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**[®] are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY**[®] at (212) 849-5021.

Bid Requirements

Each proposal for the purchase of the Bonds must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and shall specify in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than three percent (3%). Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than par will be considered.

Establishment of Issue Price

In order to provide the City with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the City at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the City.

The City intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Rule”) because:

- (1) The City shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Acceptance by the City of a bid pursuant to this Notice of Sale shall constitute a written contract between the City and the winning bidder.

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

In the event that the Competitive Sale Rule is not satisfied, the City shall so advise the successful bidder in writing on the sale date. The City may treat the first price at which 10% of a maturity of the Bonds (the “Actual Sale Rule”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis. The successful bidder shall advise the City if any maturity of the Bonds satisfies the Actual Sale Rule as of the Bid Date.

Thereafter until the Actual Sale Rule has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of each maturity have been sold to the Public. That reporting obligation shall continue, whether or not the closing date has occurred, until the Actual Sale Rule has been satisfied for each maturity or until all Bonds of that maturity have been sold.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the

initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (2) *Related Party* generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (3) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds , and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public)

Award, Delivery and Payment

Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid will result in the lowest true interest cost (“TIC”) to the City. The purchase price must be paid in Federal Funds.

Promptly upon verbal notification that a bidder’s proposal may be accepted, the bidder shall confirm to the City the reoffering prices of all the Bonds of each maturity.

Bids will be finally accepted or rejected promptly after opening and not later than 3:00 p.m. (Eastern Time) on the Bid Date in accordance with the provisions herein.

At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with the approving opinion of Pullman & Comley, LLC, of Bridgeport, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement. The successful bidder will also be furnished with a receipt of payment for the Bonds, a Signature and No Litigation Certificate dated as of the date of delivery of the Bonds, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them.

A copy of the final Official Statement prepared for this Bond issue will also be furnished together with a certificate of City Officials relating to the accuracy and completeness of the Official Statement.

The Bonds **SHALL BE** designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for federal income tax purposes of a portion of interest expense allocable to tax exempt obligations.

The City will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the City's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The City shall have no responsibility for such clearance, exemption or preparation.

The Bonds will be delivered to The Depository Trust Company, New York, New York ("DTC") or its agent via Fast Automated Securities Transfer ("FAST") on or about December 6, 2018 against payment in immediately available Federal Funds. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of Phoenix Advisors, LLC to obtain CUSIP numbers for the Bonds prior to delivery, and Phoenix Advisors, LLC will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder or bidders. The City will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of Phoenix Advisors, LLC to obtain such numbers and to supply them to the City in a timely manner. The City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Right to Reject Bids; Waiver

The right is reserved to reject any and all bids or proposals and to reject any bid or proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any bid or proposal.

Postponement; Change of Terms

The City reserves the right to alter any terms of the Bonds or this Notice of Sale and to postpone, from time to time, the date or time established for the receipt of the bids.

Book-Entry-Only Form

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to DTC, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in the principal amount of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the City or its agent to DTC or its nominee as registered owner of the Bonds. Principal,

redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for payments by DTC to its Participants or by DTC Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the City fails to identify another qualified securities depository to replace DTC, or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the City will authenticate and deliver replacement Bonds in the form of fully registered Bond certificates directly to the Beneficial Owners of the Bonds or their nominees. (The record dates for the Bonds will be the close of business on the fifteenth day of November and May in each year, or the preceding business day if such fifteenth day is not a business day.)

Additional Information

For more information regarding the Bonds and the City, reference is made to the Official Statement. Copies of the Official Statement may be obtained from Mr. Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Tel. (203) 878-4945.

JOHN SALOMONE
City Manager

JOSHUA A. POTHIER
Comptroller

November 13, 2018

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