

CITY OF NORWICH, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2014
DEPARTMENT OF FINANCE
UNION SQUARE
NORWICH, CONNECTICUT

Comprehensive Annual Financial Report

of the

City of Norwich, Connecticut

Fiscal Year Ended June 30, 2014

Prepared By:

City of Norwich Finance Department

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Comptroller

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Deputy Comptroller

CITY OF NORWICH, CONNECTICUT

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Introductory Section



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December 17, 2014

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Norwich (the “City”) for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

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

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

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations.” Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors’ reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit will be issued separately.

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

Profile of Government

Norwich, founded in 1659, is Connecticut's 24th largest city by population. The City was incorporated in May 1784. The Town and City were consolidated on January 1, 1952. Norwich covers an area of 27.1 square miles located 40 miles southeast of Hartford surrounded by Montville, Preston, Lisbon, Sprague, Franklin and Bozrah.

The City is approximately three hours from New York City by rail or highway transportation. Providence, Rhode Island is approximately an hour from the City and Boston is approximately two hours away. The City is served by interstate, intrastate and local bus lines. The City is served by Interstate 395 from north to south connecting Norwich with 1-95 and 1-90 to Boston and New York. Route 2 links the City with Hartford and 1-91. State Route 82 connects downtown Norwich with 1-395. Rail transportation and freight service is available to major points including New York, Boston, Providence and Montreal. Air services are available at Groton-New London Airport to the south, Green Airport (Providence) to the east and Bradley Airport to the north. Norwich Harbor provides a 600-foot turning basin connecting with the Thames River and Long Island Sound.

The City operates under a Charter adopted in 1952, which was revised April 4, 1995. During fiscal year 2000, a City Charter Revision Committee was appointed for the purpose of reviewing the existing Charter and proposing any changes. A referendum was held on March 13, 2001 for the purpose of voting on the nine recommendations made by the Charter Revision Committee. The significant changes passed by voters were the reduction of City Council members from eleven to six elected at large, and the replacement of the City Council President by a Mayor. 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. The City Council consists of six members and one Mayor, all elected at large. Elections are held during odd calendar years as provided by state statute.

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

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

Local Economy

The City aggressively pursues economic and physical stabilization and revitalization. The City has maintained the quality of services to its citizens while having the ninth lowest per capita tax burdens in the State at \$1,459 for fiscal year 2012. Through the direction of the Mayor and the assistance of the Norwich Community Development Corporation, the City attempts to attract and retain the best combination of business and industry to meet the needs of the City and its citizens. Consequently, the City is involved with projects which will improve both the tax base and quality of life in Norwich.

Commercial/ Industrial Activity

- *Marina at American Wharf.* In 2012 the Marina facility was purchased by Joyal Capital Group and has undergone extensive infrastructure renovations and repairs. Joyal also constructed a new premium Ice Cream Stand across the Yantic River at Howard Brown Park. The new owner an experienced restaurant operator executed a highly successful 2014 summer season and will be expanding operations for next year. Future expansion plans at the Marina property are multi-phased and improvements are expected to continue over the next few years.
- *Route 82 CVS Pharmacy.* A new CVS facility was constructed on the site of the former Olympic Pizza and two adjacent parcels. The former facility owner and owner/operator of Olympic Pizza opened a new restaurant called Fat Cats across the street in the Willow Tree Plaza Shopping Center along with a replacement hair and nail salon for his wife.
- *Norwichtown Commons formerly Norwichtown Mall* was sold by Winstanley Corporation on December 31, 2014 to TKG a Stanley Kronke controlled operation for \$39.31 million. Prior to the sale Winstanley made improvements to the facility of \$7.5 million.
- *Ponemah Mill Adaptive Reuse Project.* This \$72 million project will convert a 19th century Taftville mill into 237 residential apartment units. The first phase is 113 units and approximately \$24 million which is nearing the completion of finance assembly. The first phase of the project is expected to be finished in 2017.
- *Former Friendly's Restaurant next to Marcus Plaza.* Konover Corporation purchased this property and will make site improvements to better facilitate vehicle access to the Plaza. They are also completing a major facelift for the existing center including new signage. They have plans to establish a new sit-down restaurant on an outer portion of the parking lot in the near future.
- *Five Guys Burgers* purchased the former Tim Horton's property in 2012 on Route 82 and renovated the building to meet their corporate standard. The property is seeing much more traffic than it did as a coffee shop.
- *Former Friendly's Restaurant* next to Marcus Plaza. Konover Corporation purchased this property and will make site improvements to better facilitate vehicle access to the Plaza. They are also completing a major facelift for the existing center including new signage. They have approval to establish a new sit-down restaurant on pad site of the parking lot in the future, pending anchor tenant approvals.
- *Starbucks Coffee Company* opened their first store on Salem Turnpike in August 2013.
- *Philly's Cheesesteak*, a local sandwich shop, acquired a lease on a neighboring property in January 2014 and began renovations to expand their facility by a factor of three. The expansion took out an unsightly and problematic establishment and greatly improved the area.

- *US Foods* incorporated some operations of facilities out of the greater Boston area into their Norwich facility and has grown their workforce by more than 100 to 370 and their truck fleet by 52. SYSCO just announced a buyout of US Foods pending federal regulatory approval. The firm anticipates this being achieved in the 3rd quarter of 2014. The City has reached out to US Foods to collaborate on positioning the Norwich facility as a site selected by SYSCO to continue operations due to excellent utility rates, logistical positioning in their service region and a track record of continual improvement and expansion.
- *State of Connecticut Small Business Express*. Five small businesses received funding from this program to expand their operations and add eight employees to their current employee base over the next 24 months.
- *Collins & Jewell*, a long time manufacturing company in the Business Park announced early 2013 that they are unable to continue operating out of their current facility, and having not found a suitable location in Norwich, is moving to Bozrah to construct a new building. Their new facility will be approximately two times as large as their Norwich plant.
- *Dominion Power* acquired a 3.5 acre parcel from Easter Seals in the business park for \$350,000 and constructed an 18,000 square foot emergency operations facility to act as a training center, data warehouse, and emergency operations center during an emergency at the Millstone Nuclear Plant in Waterford, Connecticut, 10 miles to the south. The \$10 million project is expected to be operational sometime before the end of 2014. 100% of the taxes are new to the City and are currently estimated at about \$90,000 per year.
- *Former Decorative Screen Printers building* at 9 Wisconsin Avenue in the Business Park was purchased by new owners who have invested approximately \$1 million in repairs and upgrades to the property in preparation for new tenants. They are working with NCDC to find tenants for the property.
- *Juice bottling facility* - By early 2015, Maple Lane Farms plans to invest \$300,000 in a 26,000-square-foot production facility at 29 Stott Ave. in the Stanley Israelite Business Park, bringing 12 new full-time jobs and giving it room to double capacity while providing room for future expansion.
- *Medical centers*. Several walk-in medical centers have opened in Norwich in the last few years. One opened in Staples Plaza and the Plaza owner expanded the parking lot to accommodate the added demand. Another, Urgent Care, opened further up Main Street across from Marcus Plaza. Also, the Red Cross opened a new blood drawing center in the Staples Plaza on Salem Turnpike.
- A housing development in Taftville section of Norwich, by developer Properties by P&D, is growing at a rate of approximately 20 units per year over the next several years.

Housing Market

The market remains relatively unchanged from last year in terms of total available housing stock, percent of occupied housing units versus vacant units, percent of owner-occupied units versus investor/rental units, and number of construction permits issued.

The median sales prices for homes increased 3.2% over the same time last year. Multiple sources indicate an additional increase of 1.4-1.7% rise within the next year. The projected increase is tied to improved market conditions including national government spending on projects such as the multi-year railroad improvements, military product development, and the ensuing manufacturing associated with these investments.

Foreclosures and short-sales have had a negative impact over the last five years, resulting in an increase in housing inventories. The City, however, continued to see a reduction in foreclosure actions issued for the second year in a row, with a decrease of 19% from the previous year. Despite this decrease housing inventories continue to suppress market value. At the same time, the Norwich market remains more affordable than most. In Norwich, median home prices are equal to about 1.5 times resident income. The national average for this measure is approximately 2.5 times resident income. Having a lower ratio allows Norwich to be considered an advantaged market for both buyers and sellers.

Important to note this year is that the rental vacancy rate has remained unchanged even though there has been an increase in rental prices. Conversely, Norwich remains 36% lower than the national rental cost average. This provides for two positive outlooks. First, the ability to increase rent while maintaining the same vacancy rate shows the available capacity of income. Second, a strengthening of pricing can correlate to a better maintained housing stock. As the economy in Connecticut becomes stronger, Norwich's affordability levels make it prime for improved market stability.

Federal Projects

- *New England Central Rail Line Upgrades* - In September 2014, The State of Connecticut was awarded an \$8.2 million Federal Transportation Investment Generating Economic Recovery program grant. This grant, in addition to \$2 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 increased weight capacity. In addition to the expanded freight rail opportunities, these upgrades will provide opportunities to offer passenger service on the NECR line. The line passes through Norwich, including the Intermodal Transportation Center.

State of Connecticut Projects

- *Route 12 Paving Project*. The Connecticut Department of Transportation resurfaced Route 12 from the Preston town line to the intersection of routes 12 & 97 in the Taftville section of Norwich during September through October 2014.
- *West Town Street/ Washington Street Paving*. The Connecticut Department of Transportation resurfaced a section of these streets in May and June 2013.

Major City Initiatives

- *Downtown Revitalization Initiative*. The residents of the City of Norwich passed a bond referendum item in November 2010 for \$3.38 million for downtown revitalization. Incentives comprised strictly of business and projects of five residential units or more, which includes programs for building code correction assistance, commercial lease rebates, and revolving loan fund. The City's designated development agency - Norwich Community Development Corporation is administering the five-year program. The three Downtown Revitalization programs are designed to both prepare long time vacant spaces for occupancy as well as stimulate the growth of business activity in the downtown area. The programs, launched in August 2011 to date have had 100 applications with a 10% acceptance rate with a payout and encumbered value of over \$800,000. Marketing has expanded throughout the region and is heavily promoted to the brokerage community. The program has helped to place 21 new residential units in the downtown area over the past year.

- *Road Improvement:* The residents of the City of Norwich passed a bond referendum item in November 2013 for \$5 million of infrastructure improvements. The City spent a total of \$1,761,200 of combined bond funds (from a 2009 Road Improvement Bond) and capital funds during fiscal year 2014 to repave or reconstruct 4.83 miles of City roads along with performing preventative maintenance such as crack sealing and chip sealing to extend the expected life of an additional 10.2 miles of moderately deteriorated City roads.
- *Natural Gas Expansion:* Norwich Public Utilities (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, nearly 1,600 new natural gas customers have been added to the NPU network, including 850 since August 2013. This activity has generated an estimated \$2.4 million in new annual revenue for NPU.
- *Natural Gas Modernization:* NPU upgraded its existing underground natural gas pipe services at nearly 70 locations, starting at the Preston / Norwich border near the former State Hospital, through Laurel Hill and along North Main Street and Norwich Avenue into Greeneville. Following an aggressive schedule, NPU and contractor crews completed 18 months of rehabilitation work in 18 weeks in order to accommodate the repaving of the roads along the same route by the State of Connecticut's Department of Transportation. Nearly 9,000 feet of cast iron pipe was taken out of the ground and more than 5,500 feet of new, polyethylene pipe was installed. The estimated lifespan of this new product is 100 years. This reliability improvement work represents a \$1.8 million investment by NPU into its natural gas infrastructure.
- *Deep River IMG Water Storage Tank:* NPU has made substantial progress in completing an important project to strengthen its water infrastructure. Construction began in June 2014 on a new \$1.6 million water tank located in Lebanon, CT that is 69 feet in diameter, 36 feet high and will have a capacity of one million gallons. The tank will go into service in late November after a nearby 24-inch transmission line is fused inside an existing 30-inch pipe. When complete, the tank will improve operating efficiencies of NPU's water treatment plant located less than one mile away and allow for the plant to shut down for short periods of time to allow for maintenance and repairs with no impact to customers. The tank will also provide for the storage of water for use during power outages, water main failures or other NPU system emergencies.
- *APGA Awards:* NPU was honored by the American Public Gas Association (APGA) with two awards recognizing excellence in operations and digital marketing. NPU is one of only 21 public natural gas systems in the United States - out of more than 700 APGA members - to be given the Systems Operational Achievement Recognition (SOAR) award, which is presented to natural gas utilities that demonstrate excellence in the four critical operational areas: worker safety, workforce development, systems integrity, and systems improvement. NPU was also honored as one of the leading marketers in the United States among public natural gas system in the 2014 APGA Marketing & Sales Awards for its Energize Norwich program. NPU was the winner in the category of digital marketing for its extensive efforts to educate and promote natural gas to its customers.
- *Proposed Solar Energy Project:* NPU is pursuing a project that could make the City of Norwich and NPU a leader in renewable energy - in Connecticut and across New England. Working with the Connecticut Municipal Electric Energy Cooperative (CMEEC), NPU identified the former Roger's Road landfill as an ideal location for a Community Solar Garden that could provide its customers with more than 2.75 MW of renewable energy. Through this project, NPU customers would receive renewable energy without paying a premium; this power would be 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 (6%), this proposal would bring the renewable portion of the NPU portfolio to 12%.

- *City Hall Exterior Stairway Rehabilitation.* The Public Works Department secured a 50% matching grant of \$190,000, from the State Historic Preservation Office for the rehabilitation of the two exterior stairways at City Hall. The project was recently completed at a cost of approximately \$380,000. This project preserves the beauty and distinct architecture of City Hall.
- *City Hall Condition Assessment.* The Public Works Department secured a 50% matching grant, up to a maximum of \$10,000, from the Connecticut Trust for Historic Preservation for a Condition Assessment / Master Plan for the study of our historic City Hall. This will enable the City to move forward with additional grants from the State Historic Preservation Office for the preservation of additional features of our landmark structure.
- *Sherman Street Bridge and Sunnyside Street Bridge Rehabilitations.* The Public Works Department previously secured approximately \$5 million in Federal and State grant money to pursue rehabilitation projects to both the Sherman Street bridges and the Sunnyside Street bridge. Design is currently underway with the Sherman Street bridge project and includes assessment and recommendations for the nearby Upper Falls Dam. The Sunnyside Street bridge is in the study phase and is awaiting input from the Federal Highway Administration.
- *School Initiatives.* Norwich Public Schools is an Alliance School District creating the ability to embark on advanced academic initiatives. Stanton and Uncas Schools are Network Schools allowing additional academic initiatives. Moriarty School and Wequonnoc Schools are now Magnet Schools. Bishop and Case Street locations are now Early Learning Centers, allowing greater opportunities for the youngest students in our population. Many full day kindergarten classes have been established throughout the district in order to create early childhood success and future plans are to make full day kindergarten available to the entire district. All children in Norwich Public Schools receive free breakfast (universal free breakfast); all children who qualify for reduced or free meals - receive free meals. We are also participating in some innovative farm to school initiatives to help local farmers and bring fresher produce directly to the children.

Long-Term Financial Planning

The City of Norwich has the following policies with regard to long-term financial planning:

Fund balance - The General Fund unrestricted fund balance shall not fall below 8% of annual operating expenditures.

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

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

Pension & Other Post-Employment Benefits Funding - the City has committed to funding the City Employee Pension Trust Fund, Volunteer Firefighters Relief Fund, and OPEB Fund. Starting with fiscal year 2014-15, the City reviewed its assumptions for these plans, lowered the assumed rate of return, and shortened amortization periods. As a result, the liabilities and actuarially determined employer contributions for these plans will be higher than they would have under the previous sets of assumptions. The city shall contribute the amount recommended by its actuary each fiscal year unless the amount varies by more than 15% +/- from the previous year. This variance shall be calculated by division (e.g.,

Norwich Public Utilities, Norwich Public Schools, Police, Fire, Volunteer Fire, and all other General City). If the contribution recommended by actuary is less than 85% of the previous year's contribution, then the city shall contribute an amount equal to 85% of the previous year's contribution. If the contribution recommended by actuary is greater than 115% of the previous year's contribution, then the city shall contribute an amount equal to 115% of the previous year's contribution.

Relevant Financial Policies

Fund Balance - The City included the use of \$400,000 of General Fund unrestricted fund balance in the City's 2013-14 adopted budget. The Norwich City Council appropriated an additional \$150,000 of unrestricted fund balance towards the cost of School Resource Officers at the two middle schools in September 2013 with Ordinance 1692. The Norwich City Council appropriated an additional \$15,500 of unrestricted fund balance towards the cost of the meals on wheels program in November 2013 with Ordinance 1693.

No unrestricted fund balance was used in the 2014-15 adopted budget.

Awards and Acknowledgements

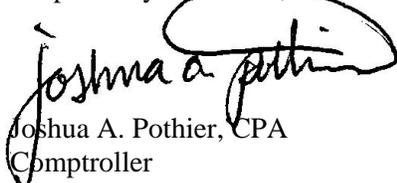
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norwich, Connecticut, for its comprehensive annual financial report for the year ended June 30, 2013. This was the 21st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

For fiscal years beginning July 1, 2000 through 2014, the GFOA awarded the City a "Distinguished Budget Presentation Award" for its adopted budget. The budgets submitted had to satisfy four different criteria: the budget as a Policy Document, the budget as a Financial Plan, the budget as an Operations Guide and the budget as a Communications Device. The award earned by the City is the highest form of recognition in the area of budgeting.

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

Respectfully submitted,


Joshua A. Pothier, CPA
Comptroller



Government Finance Officers Association

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

Presented to

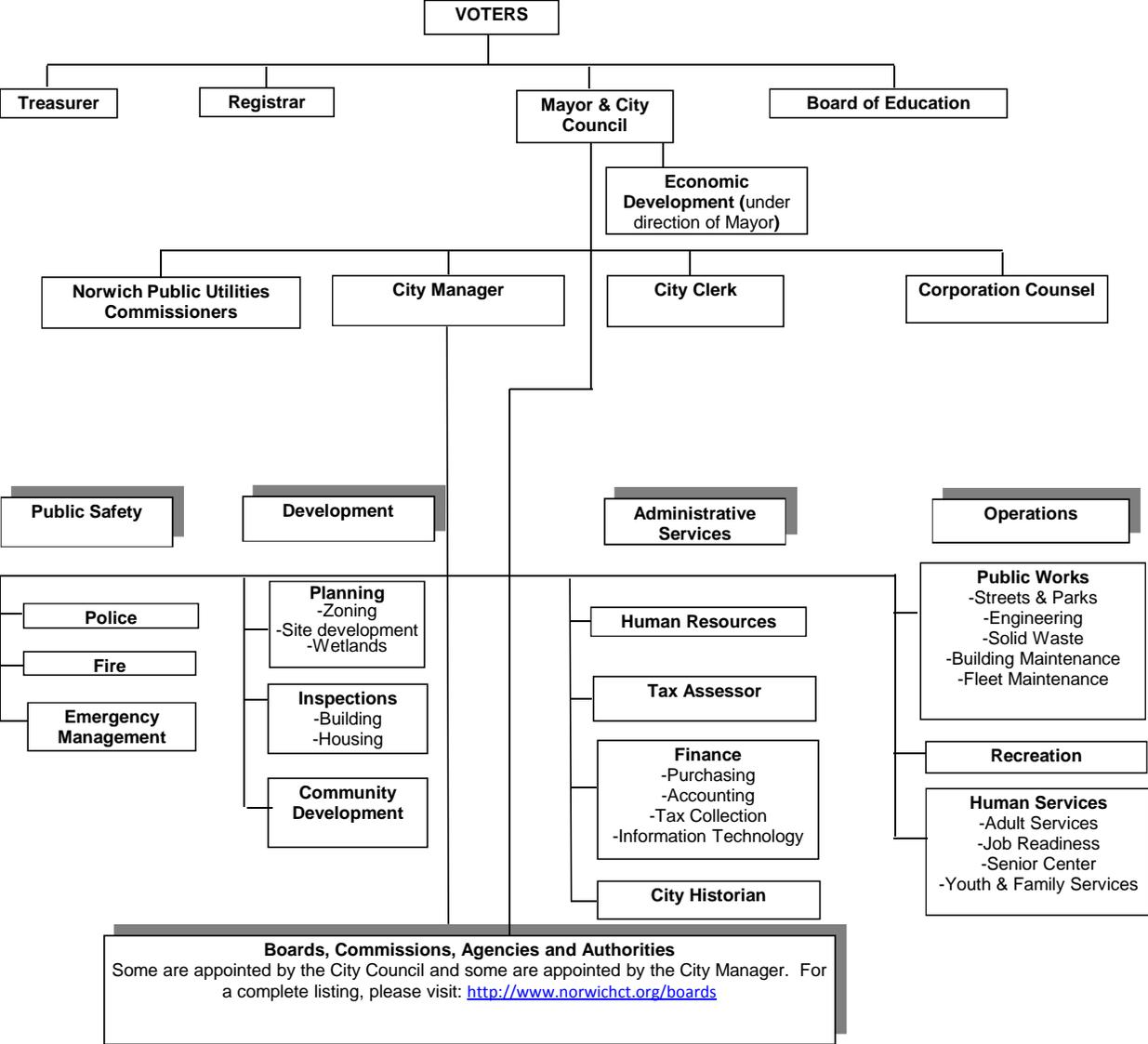
**City of Norwich
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

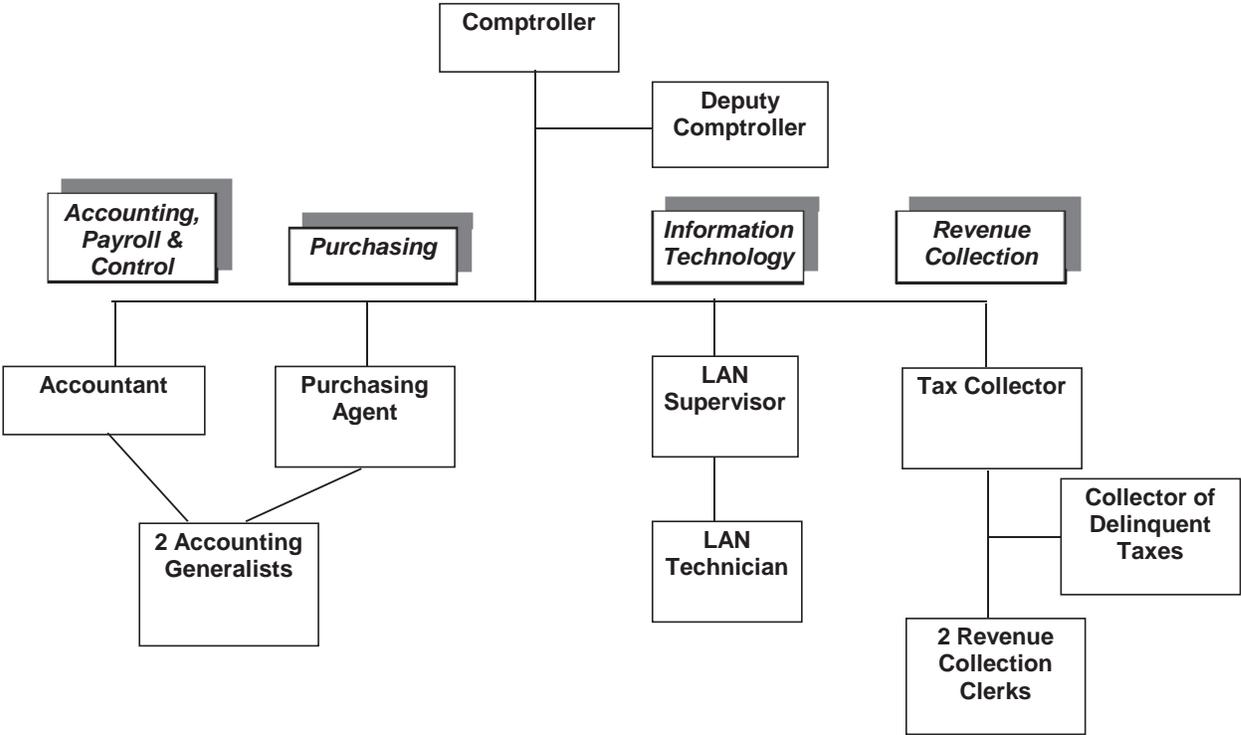
June 30, 2013

Executive Director/CEO

City of Norwich Organization Chart



City of Norwich Finance Department Organization Chart



DIRECTORY OF ELECTED CITY OFFICIALS AND NPU COMMISSIONERS

CITY COUNCIL

	<u>Term Length</u>	<u>Term Expires</u>
Deberey Hinchey, Mayor (D)	4 Years	12/4/17
Peter Desaulniers, President Pro Tempore (D)	2 Years	12/7/15
Mark M. Bettencourt (D)	2 Years	12/7/15
William Eyberse (D)	2 Years	12/7/15
William Nash (R)	2 Years	12/7/15
Sofee Noblick (R)	2 Years	12/7/15
Terell T. Wilson (D)	2 Years	12/7/15

BOARD OF EDUCATION

	<u>Term Length</u>	<u>Term Expires</u>
Dr. Yvette C. Jacaruso, Chairperson (D)	2 Years	11/3/15
John P. LeVangie, Vice Chairperson (D)	2 Years	11/3/15
Cora Lee Boulware, Secretary (D)	2 Years	11/3/15
Robert J. Aldi (D)	2 Years	11/3/15
Jesshua Ballaro-Pina (D)	2 Years	11/3/15
Aaron Daniels (R)	2 Years	11/3/15
Lynn Norris (R)	2 Years	11/3/15
Dennis Slopak (R)	2 Years	11/3/15
Joyce C. Werden (D)	2 Years	11/3/15

TREASURER

	<u>Term Length</u>	<u>Term Expires</u>
Brian Curtin (D)	2 Years	12/7/15

REGISTRAR OF VOTERS

	<u>Term Length</u>	<u>Term Expires</u>
Dianne Daniels (D)	2 Years	1/4/17
Dianne Slopak (R)	2 Years	1/4/17

APPOINTED NPU COMMISSIONERS

	<u>Term Length</u>	<u>Term Expires</u>
James M. Sullivan, Chair (D)	5 Years	3/01/19
Diana Boisclair, Vice Chair (R)	5 Years	3/01/15
Larry Goldman, Secretary (D)	5 Years	3/01/17
Robert Groner, (D)	5 Years	3/01/18
Grace Jones (D) *	5 Years	2/28/16

* Grace Jones was appointed by the Norwich City Council on March 4, 2013 to fill the vacancy on the Board of Public Utilities Commissioners and Sewer Authority created when Alan M. Remondi left.

CITY OF NORWICH
100 BROADWAY
NORWICH, CT 06360-4431
PHONE: (860) 823-3700
FAX: (860) 823-3790
WEBSITE: www.norwichct.org

**DIRECTORY OF CITY ADMINISTRATIVE
OFFICIALS**

Title	Name	Phone
City Manager	Alan H. Bergren	(860) 823-3750
Assessor	Donna Ralston	(860) 823-3722
Building Inspector	James Troeger	(860) 823-3775
City Clerk	Betsy Barrett	(860) 823-3734
Comptroller	Joshua A. Pothier	(860) 823-3720
Deputy Comptroller	Anthony Madeira	(860) 823-3717
Corporation Counsel	Michael E. Driscoll	(860) 889-3321
Emergency Management Director	Gene M. Arters	(860) 887-1018
Engineer	Patrick McLaughlin	(860) 823-3798
Fire Chief, Norwich (CCD)	Ken Scandariato	(860) 892-6080
Fire Chief, East Great Plain VFD	Patrick Daley	(860) 886-0392
Fire Chief, Laurel Hill VFD	Aaron Westervelt	(860) 892-1973
Fire Chief, Occum VFD	Robert Patton	(860) 822-8285
Fire Chief, Taftville VFD	Timothy Jencks	(860) 887-6676
Fire Chief, Yantic VFD	Frank Blanchard	(860) 887-2221
Health Director	Patrick McCormack, MPH	(860) 823-1189
Housing Authority Director	Charles Whitty	(860) 887-1605
Human Resources Director	Brigid Marks	(860) 823-3786
Human Services Director	Lee-Ann Gomes	(860) 823-3778
LAN Supervisor	Leon Barnowski	(860) 859-4404
Parking Administrator	Judy Rizzuto	(860) 889-5586
Planning & Development Director	Peter Davis	(860) 823-3766
Police Chief	Louis J. Fusaro	(860) 886-5561
Public Utilities Manager	John Bilda	(860) 887-2555
Public Works Director	Barry Ellison	(860) 823-3789
Purchasing Agent	William Hathaway	(860) 823-3706
Senior Center Director	Michael Wolak	(860) 889-5960
Superintendent of Schools	Abby I. Dolliver	(860) 823-6284
Tax Collector	Kathy Daley	(860) 823-3760
Zoning Enforcement Officer	Tianne Curtis	(860) 823-3752

Financial Section

BlumShapiro

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of and for the year ended June 30, 2014, 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 of 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, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 61 through 64 and the required schedules of the Pension Trust Funds on pages 65 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Norwich, Connecticut, as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 4, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 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 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 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, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 17, 2014

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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, 2014. 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 \$239.3 million. Total net position for governmental activities at fiscal year-end was \$110.7 million, and total net position for business-type activities was \$128.6 million. Total unrestricted net position at June 30, 2014 was \$40.8 million.
- On a government-wide basis, during the year, the City's net position increased by \$1.7 million from \$237.6 million to \$239.3 million. Governmental activities net position increased by \$1.0 million, and net position increased by \$0.7 million for business-type activities. Governmental activities expenses were \$148.8 million, while total revenues including transfers were \$149.8 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$18.0 million, an increase of \$6.9 million from the prior fiscal year. Of the total fund balance as of June 30, 2014, \$14.3 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 \$11.0 million, a decrease of \$0.2 million from the prior fiscal year. As of June 30, 2014, \$11.0 million of the total fund balance is unrestricted representing 9.47% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt increased by \$9.2 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 \$237.6 million to \$239.3 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 55,885	\$ 46,390	\$ 37,078	\$ 33,863	\$ 92,963	\$ 80,253
Capital assets	127,617	128,901	126,330	124,629	253,947	253,530
Total assets	<u>183,502</u>	<u>175,291</u>	<u>163,408</u>	<u>158,492</u>	<u>346,910</u>	<u>333,783</u>
Deferred charge on refunding	186	207			186	207
Long-term debt outstanding	59,242	52,713	26,496	21,122	85,738	73,835
Unearned revenue	2,354	1,905	207		2,561	1,905
Other liabilities	11,360	11,203	8,127	9,438	19,487	20,641
Total liabilities	<u>72,956</u>	<u>65,821</u>	<u>34,830</u>	<u>30,560</u>	<u>107,786</u>	<u>96,381</u>
Net Position:						
Net investment in capital assets	84,303	95,200	112,277	112,113	196,580	207,313
Restricted	1,667	1,537	228	188	1,895	1,725
Unrestricted	<u>24,762</u>	<u>12,940</u>	<u>16,073</u>	<u>15,631</u>	<u>40,835</u>	<u>28,571</u>
Total Net Position	<u>\$ 110,732</u>	<u>\$ 109,677</u>	<u>\$ 128,578</u>	<u>\$ 127,932</u>	<u>\$ 239,310</u>	<u>\$ 237,609</u>

Net position of the City's governmental activities increased by \$1.0 million (\$110.7 million compared to \$109.7 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 \$12.9 million at June 30, 2013 to \$24.8 million at the end of this year. The net position of business-type activities increased by 0.5% (\$128.6 million compared to \$127.9 million) during 2014.

**Table 2
CHANGES IN NET POSITION**

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 5,386	\$ 6,220	\$ 86,858	\$ 83,799	\$ 92,244	\$ 90,019
Operating grants and contributions	58,277	55,684			58,277	55,684
Capital grants and contributions	1,664	791	1,798	65	3,462	856
General revenues:						
Property taxes	70,539	69,598			70,539	69,598
Grants and contributions not restricted to specific purposes	4,900	5,005			4,900	5,005
Unrestricted investment earnings	247	202	5	6	252	208
Other general revenues	942	1,126			942	1,126
Total revenues	<u>141,955</u>	<u>138,626</u>	<u>88,661</u>	<u>83,870</u>	<u>230,616</u>	<u>222,496</u>
Program expenses:						
General government	8,296	11,905			8,296	11,905
Public safety	23,882	22,840			23,882	22,840
Social services	4,248	4,059			4,248	4,059
Public works	15,989	11,887			15,989	11,887
Education	94,935	92,976			94,935	92,976
Interest on long-term debt	1,488	1,232			1,488	1,232
Department of Public Utilities			77,462	75,476	77,462	75,476
Other enterprise funds			2,615	2,470	2,615	2,470
Total program expenses	<u>148,838</u>	<u>144,899</u>	<u>80,077</u>	<u>77,946</u>	<u>228,915</u>	<u>222,845</u>
Excess (deficiency) before transfers	(6,883)	(6,273)	8,584	5,924	1,701	(349)
Transfers	<u>7,938</u>	<u>8,089</u>	<u>(7,938)</u>	<u>(8,089)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 1,055</u>	<u>\$ 1,816</u>	<u>\$ 646</u>	<u>\$ (2,165)</u>	<u>\$ 1,701</u>	<u>\$ (349)</u>

The City's total revenues were \$230.6 million. The total cost of all programs and services was \$228.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's assets by \$1.0 million during the year compared with an increase of \$1.8 million last year. Total revenues of \$142.0 million and \$7.9 million in transfers from the City's business-type activities provided funding for the City's \$148.8 million of governmental program expenses incurred during the year.

The City's revenues increased \$3.4 million (\$142.0 million compared to \$138.6 million) which was composed of increases in capital grants for the Kelly Middle School renovation project and Intermodal Transportation Center as well as increases in operating grants and property taxes.

Total program expenses were \$148.8 million as compared with \$144.9 million reported last year. The expenses of the Education, Public Safety, and Public Works functions experienced increases primarily attributable to rising pension, OPEB and health insurance as well as increases in operating and capital grant-related expenditures for those functions.

Property tax revenues increased \$1.0 million. Changes in program expenses are mostly tied to increases in expenditures budgeted in the City's General Fund for the cost of current services during 2014 compared with 2013.

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$ 8,296	\$ 11,905	\$ 6,161	\$ 9,892
Public safety	23,882	22,840	23,070	22,385
Social services	4,248	4,059	2,298	1,516
Public works	15,989	17,245	13,325	14,516
Education	94,935	92,976	37,169	38,021
All others	1,488	1,232	1,488	1,232
Totals	<u>\$ 148,838</u>	<u>\$ 150,257</u>	<u>\$ 83,511</u>	<u>\$ 87,562</u>

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$4.8 million during the year (\$88.7 million in 2014 compared to \$83.9 million in 2013) and expenses increased by \$2.0 million. Overall net position increased \$0.7 million in 2014 compared with a decrease of \$2.2 million in 2013. The operating surpluses in the gas, water, and sewer divisions drove the overall increase in the net assets of business-type activities.

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 \$18.0 million, which is an increase of \$6.9 million from last year's total of \$11.1 million. Included in this year's total change in fund balance is a decrease of \$0.2 million in the City's General Fund. The primary reasons for the General Fund's decrease mirror the general fund activities analysis highlighted in RSI-1 and RSI-2.

The Bond Expenditure Fund reported a fund deficit of \$0.9 million at June 30, 2014. The fund balance increased by \$6.9 million during the year. The City will issue bonds during 2015 to replenish the fund.

The other governmental funds have a total fund balance of \$8.0 million - a \$0.2 million increase from last year.

Proprietary Funds

Net position of the Department of Public Utilities was \$119.9 million, as compared to \$118.5 million in the prior year, and City's other nonmajor enterprise funds net position decreased \$700 thousand to \$8.7 million from \$9.4 million.

Unrestricted net position of the Department of Public Utilities was \$16.7 million, and a deficit of \$635 thousand for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$85.0 million from user fees, and other enterprise funds had \$1.8 million. The total increase in net position for the fiscal year ended June 30, 2014 was \$0.7 million.

General Fund Budgetary Highlights

In addition to some interdepartmental budget transfers, the General Fund had supplemental appropriations as follows:

- \$150 thousand for Education resulting from an agreement between the City Council and Board of Education to set aside funds from 2013 and re-appropriate them in 2014 for the purpose of paying for School Resource Officers at the two middle schools
- \$16 thousand for a contribution to Thames Valley Council for Community Action for their Meals on Wheels program.

During the year, actual revenues and other financing sources on a budgetary basis were \$115.8 million, which was \$112 thousand lower than budgetary estimates. The variance was caused primarily by lower than anticipated State of Connecticut Special Education Excess Cost grant revenues (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$116.2 million, which were higher than actual revenues and other financing sources on a budgetary basis by \$357 thousand. Actual expenditures on a budgetary basis were \$321 thousand less than budgeted. Lower than budgeted expenditures were experienced in the General Government, Public Safety, Public Works, Social Services, and Debt Service. The variance in Debt Service was caused by a February 2014 refunding of some 2004 and 2005 bond issues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the City had \$253.9 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 \$0.4 million, or 0.2%, over last year.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 24,495	\$ 24,244	\$ 3,204	\$ 3,204	\$ 27,699	\$ 27,448
Buildings and improvements	35,670	37,548	24,909	27,105	60,579	64,653
Vehicles, machinery, equipment, pumping and distributions systems	7,010	6,625	84,572	83,499	91,582	90,124
Technology upgrade and road infrastructure	19,445	19,253			19,445	19,253
Construction in progress	40,997	41,231	13,645	10,821	54,642	52,052
Totals	\$ 127,617	\$ 128,901	\$ 126,330	\$ 124,629	\$ 253,947	\$ 253,530

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

Gas Line Extensions, Replacements, & Installations	\$ 3,113
Wastewater Treatment Plant	2,452
Road Overlays	2,176
Intermodal Transportation Center	255
Control Room & Data Center	<u>200</u>
Total	\$ <u>8,196</u>

The City's fiscal-year 2014-15 capital budget calls for spending \$1.7 million for road overlays, public works vehicles, police vehicles, fire equipment and other projects. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2014, the City had total bonds and notes outstanding of \$55.4 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt increased by \$11.0 million during fiscal 2014.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 42,377	\$ 33,241	\$ 263	\$ 354	\$ 42,640	\$ 33,595
Serial notes payable			12,773	10,815	12,773	10,815
Total	\$ 42,377	\$ 33,241	\$ 13,036	\$ 11,169	\$ 55,413	\$ 44,410

On September 5, 2013, Fitch Ratings affirmed its AA rating with a stable outlook. In January 17, 2014, Standard & Poor's assigned an AA rating on Norwich's \$18.9 million 2014 bond issue and upgraded its rating for Norwich from AA- to AA on Norwich's outstanding debt as of that date with a stable outlook. On January 17, 2014, Moody's assigned an Aa2 rating on Norwich's \$18.9 million 2014 bond issue and affirmed its Aa2 rating on the Norwich's debt outstanding as of that date.

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 \$501 million. The City's outstanding general obligation debt is at 11.06% 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 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of September 2014, the unemployment rate for the Norwich was 7.2%, down from 8.9% in the prior year. Connecticut's overall unemployment rate stood at 5.9%, compared with 7.5% 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 2015 General Fund budget calls for \$118.5 million in revenues and expenditures, an approximate 1.75% increase in expenditures over fiscal year 2014. On the revenue side, the fiscal year 2014 budgeted tax levy increased 4.66% and the mill rate increased 11.32 mills from 27.23 to 38.55. The large increase is due to a decrease in the assessed values of real estate as a result of the October 1, 2013 revaluation. No unrestricted fund balance was used to balance the adopted budget.

In the City's business-type activities, the Norwich Public Utilities projects an 1.98% increase in revenues from fiscal year 2014 from \$87.6 million to \$89.4 million. This increase is largely due to the expansion of the gas customer base and increases in electric rates. Norwich Public Utilities budgeted \$7.9 million in capital improvements to bolster its infrastructure and operational efficiency.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2014

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 25,980	\$ 17,893	\$ 43,873
Investments	3,554		3,554
Receivables, net	24,617	16,494	41,111
Internal balances	409	(409)	-
Due to Fiduciary Funds	994		994
Inventories	64	1,993	2,057
Other assets	267	1,107	1,374
Capital assets:			
Assets not being depreciated	65,492	16,849	82,341
Assets being depreciated, net	62,125	109,481	171,606
Total assets	<u>183,502</u>	<u>163,408</u>	<u>346,910</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	<u>186</u>		<u>186</u>
Liabilities:			
Accounts and other payables	11,360	8,127	19,487
Unearned revenue	2,354	207	2,561
Noncurrent liabilities:			
Due within one year	7,985	5,416	13,401
Due in more than one year	51,257	21,080	72,337
Total liabilities	<u>72,956</u>	<u>34,830</u>	<u>107,786</u>
Net Position:			
Net investment in capital assets	84,303	112,277	196,580
Restricted for trust purposes:			
Expendable	43		43
Permanent	1,624		1,624
Restricted for energy conservation		228	228
Unrestricted	24,762	16,073	40,835
Total Net Position	<u>\$ 110,732</u>	<u>\$ 128,578</u>	<u>\$ 239,310</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, 2014
(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	\$ 8,296	\$ 2,107	\$ 28	\$	(6,161)	\$	(6,161)
Public safety	23,882	452	360		(23,070)		(23,070)
Social services	4,248	435	1,515		(2,298)		(2,298)
Public works	15,989	811	863	990	(13,325)		(13,325)
Education	94,935	1,581	55,511	674	(37,169)		(37,169)
Interest on long-term debt	1,488				(1,488)		(1,488)
Total governmental activities	<u>148,838</u>	<u>5,386</u>	<u>58,277</u>	<u>1,664</u>	<u>(83,511)</u>	<u>-</u>	<u>(83,511)</u>
Business-type activities:							
Department of Public Utilities:							
Gas	15,619	17,609		23		2,013	2,013
Electric	48,119	51,627		383		3,891	3,891
Water	6,745	8,808		96		2,159	2,159
Sewer	6,979	6,994		1,296		1,311	1,311
Nonmajor Enterprise Funds:							
Golf Course Authority	1,182	1,131				(51)	(51)
Stadium Authority	362	155				(207)	(207)
Ice Rink Authority	1,071	534				(537)	(537)
Total business-type activities	<u>80,077</u>	<u>86,858</u>	<u>-</u>	<u>1,798</u>	<u>-</u>	<u>8,579</u>	<u>8,579</u>
Total	<u>\$ 228,915</u>	<u>\$ 92,244</u>	<u>\$ 58,277</u>	<u>\$ 3,462</u>	<u>(83,511)</u>	<u>8,579</u>	<u>(74,932)</u>
General revenues:							
Property taxes					70,539		70,539
Grants and contributions not restricted to specific programs					4,900		4,900
Unrestricted investment earnings					247	5	252
Miscellaneous					942		942
Total general revenues					<u>76,628</u>	<u>5</u>	<u>76,633</u>
Transfers					<u>7,938</u>	<u>(7,938)</u>	<u>-</u>
Change in Net Position					1,055	646	1,701
Net Position at Beginning of Year, as Restated					<u>109,677</u>	<u>127,932</u>	<u>237,609</u>
Net Position at End of Year					<u>\$ 110,732</u>	<u>\$ 128,578</u>	<u>\$ 239,310</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 25,638	\$ -	\$ 342	\$ 25,980
Investments	1,992	-	1,562	3,554
Receivables, net	7,465	-	8,730	16,195
Due from other funds	4,281	-	6,557	10,838
Other assets	-	-	64	64
Total Assets	<u>\$ 39,376</u>	<u>\$ -</u>	<u>\$ 17,255</u>	<u>\$ 56,631</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 7,649	\$ 596	\$ 2,844	\$ 11,089
Due to other funds	13,853	323	2,101	16,277
Unearned revenue	302	-	853	1,155
Total liabilities	<u>21,804</u>	<u>919</u>	<u>5,798</u>	<u>28,521</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	3,381	-	266	3,647
Unavailable revenue - special assessments	3,210	-	132	3,342
Unavailable revenue - loans receivable	-	-	3,041	3,041
Unavailable revenue - other receivable	-	-	32	32
Total deferred inflows of resources	<u>6,591</u>	<u>-</u>	<u>3,471</u>	<u>10,062</u>
Fund balances:				
Nonspendable	-	-	1,660	1,660
Restricted	-	-	2,096	2,096
Committed	-	-	4,354	4,354
Assigned	498	-	-	498
Unassigned	10,483	(919)	(124)	9,440
Total fund balances	<u>10,981</u>	<u>(919)</u>	<u>7,986</u>	<u>18,048</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,376</u>	<u>\$ -</u>	<u>\$ 17,255</u>	<u>\$ 56,631</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

(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	\$	18,048
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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	\$	193,851	
Less accumulated depreciation		<u>(66,234)</u>	
Net capital assets			127,617

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	2,960
Interest receivable on property taxes	687
Housing rehabilitation loans	1,842
Accounts and other receivables	11,796
Net pension asset	267

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.

	1,010
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(40,810)
Deferred charge on refunding	186
Unamortized bond premium	(1,567)
Interest payable on bonds and notes	(264)
Compensated absences	(3,470)
Landfill closure	(1,562)
Capital lease	(1,123)
Net pension obligation	(91)
Net OPEB obligation	<u>(4,794)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>110,732</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	General	Bond Expenditure	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes, interest and liens	\$ 66,620	\$	\$ 4,935	\$ 71,555
Intergovernmental revenues	44,891		20,221	65,112
Charges for services	2,097		2,622	4,719
Licenses, permits and fees	543			543
Investment income	39		209	248
Other	1,198		398	1,596
Total revenues	<u>115,388</u>	<u>-</u>	<u>28,385</u>	<u>143,773</u>
Expenditures:				
Current:				
General government	4,933		844	5,777
Public safety	15,586		7,372	22,958
Social services	2,012		2,001	4,013
Public works	9,691		1,424	11,115
Education	77,381		16,939	94,320
Other	5,598			5,598
Capital outlay	617	6,024	2,634	9,275
Debt service	5,340	273		5,613
Total expenditures	<u>121,158</u>	<u>6,297</u>	<u>31,214</u>	<u>158,669</u>
Deficiency of Revenues over Expenditures	<u>(5,770)</u>	<u>(6,297)</u>	<u>(2,829)</u>	<u>(14,896)</u>
Other Financing Sources (Uses):				
Transfers in	7,357		3,389	10,746
Transfers out	(2,418)	(136)	(254)	(2,808)
Issuance of general obligation bonds		12,365		12,365
Issuance of refunding bonds		5,780		5,780
Payment to refunded escrow agent		(6,226)		(6,226)
Bond premiums		1,368		1,368
Proceeds from capital lease issuance	617			617
Total other financing sources	<u>5,556</u>	<u>13,151</u>	<u>3,135</u>	<u>21,842</u>
Net Change in Fund Balances	(214)	6,854	306	6,946
Fund Balances at Beginning of Year	<u>11,195</u>	<u>(7,773)</u>	<u>7,680</u>	<u>11,102</u>
Fund Balances at End of Year	<u>\$ 10,981</u>	<u>\$ (919)</u>	<u>\$ 7,986</u>	<u>\$ 18,048</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, 2014
(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)	\$ 6,946
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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	3,893
Depreciation expense	(5,121)

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. (56)

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	(578)
Property tax interest and lien revenue - accrual basis change	(439)
School building grant receipts	(99)
Housing loan repayments	(97)
Accounts and other receivables - accrual basis change	2,684
Net pension asset	59

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	(12,365)
Premium on bonds	(863)
Bond principal payments	4,330
Issuance of refunding bonds	(5,780)
Payment to refunded escrow agent	6,226
Premium on refunded bonds	(505)
Amortization of deferred charge on refunding	(152)
Amortization of premiums	(48)
Amortization of deferred bond issuance costs	(66)
Capital lease issuances	(617)
Capital lease payments	161

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

Compensated absences	(164)
Accrued interest	(101)
Net OPEB expense	11
Landfill postclosure care	43

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. 3,753

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 1,055</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, 2014
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 17,893	\$	\$ 17,893	\$
Receivables, net:				
User charges	15,768	75	15,843	
Intergovernmental	279		279	
Other	372		372	
Due from other funds		299	299	6,842
Inventories	1,951	42	1,993	
Other assets	1,107		1,107	
Total current assets	<u>37,370</u>	<u>416</u>	<u>37,786</u>	<u>6,842</u>
Capital assets, net	<u>116,834</u>	<u>9,496</u>	<u>126,330</u>	
Total assets	<u>154,204</u>	<u>9,912</u>	<u>164,116</u>	<u>6,842</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	6,788	144	6,932	7
Due to other funds	8	700	708	
Unearned revenue		207	207	
Notes payable - current	3,669		3,669	
Bonds payable - current	15	25	40	
Capital leases payable - current	312		312	
Compensated absences - current	564		564	
Risk management claims - current	389		389	2,387
Cash advances from other funds	442		442	
Total current liabilities	<u>12,187</u>	<u>1,076</u>	<u>13,263</u>	<u>2,394</u>
Noncurrent liabilities:				
Customer deposits	1,195		1,195	
Notes payable	9,104		9,104	
Bonds payable	58	165	223	
Capital leases payable	705		705	
Compensated absences	2,173		2,173	
Risk management claims	895		895	3,438
Cash advances from other funds	7,980		7,980	
Total noncurrent liabilities	<u>22,110</u>	<u>165</u>	<u>22,275</u>	<u>3,438</u>
Total liabilities	<u>34,297</u>	<u>1,241</u>	<u>35,538</u>	<u>5,832</u>
Net Position:				
Net investment in capital assets	102,971	9,306	112,277	
Restricted for energy conservation	228		228	
Unrestricted	<u>16,708</u>	<u>(635)</u>	<u>16,073</u>	<u>1,010</u>
Total Net Position	<u>\$ 119,907</u>	<u>\$ 8,671</u>	<u>\$ 128,578</u>	<u>\$ 1,010</u>

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 FUNDSFOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 83,451	\$ 1,820	\$ 85,271	\$ 17,271
Other revenues			-	3,293
Use of property	1,208		1,208	
Other services	379		379	
Total operating revenues	<u>85,038</u>	<u>1,820</u>	<u>86,858</u>	<u>20,564</u>
Operating Expenses:				
Purchased gas and electric	34,126		34,126	
General and administrative	14,583		14,583	
Depreciation	7,084	396	7,480	
Operations and maintenance	13,042	2,208	15,250	
Customer accounts	2,933		2,933	
Bad debts	2,378		2,378	
Gross revenue and property taxes	2,695		2,695	
Claims			-	15,430
Premiums and administrative charges			-	1,381
Total operating expenses	<u>76,841</u>	<u>2,604</u>	<u>79,445</u>	<u>16,811</u>
Operating Income (Loss)	<u>8,197</u>	<u>(784)</u>	<u>7,413</u>	<u>3,753</u>
Nonoperating Income (Expense):				
Interest income	5		5	
Interest expense	(498)	(6)	(504)	
Loss on disposal of capital assets	(123)	(5)	(128)	
Total nonoperating expense	<u>(616)</u>	<u>(11)</u>	<u>(627)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	7,581	(795)	6,786	3,753
Capital contributions	1,798		1,798	
Transfers in		80	80	
Transfers out	<u>(8,018)</u>		<u>(8,018)</u>	
Change in Net Position	1,361	(715)	646	3,753
Total Net Position at Beginning of Year, as Restated*	<u>118,546</u> *	<u>9,386</u>	<u>127,932</u>	<u>(2,743)</u>
Total Net Position at End of Year	<u>\$ 119,907</u>	<u>\$ 8,671</u>	<u>\$ 128,578</u>	<u>\$ 1,010</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, 2014

(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	\$ 84,828	\$ 1,871	\$ 86,699	\$ 3,119
Cash receipts for interfund services provided			-	13,777
Cash paid to vendors	(55,005)	(990)	(55,995)	(16,896)
Cash paid to employees for services	(14,403)	(862)	(15,265)	
Net cash provided by operating activities	<u>15,420</u>	<u>19</u>	<u>15,439</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,018)		(8,018)	
Customer deposits	55		55	
Advances from (to) other funds	(4)	80	76	
Net cash provided by (used in) noncapital and related financing activities	<u>(7,967)</u>	<u>80</u>	<u>(7,887)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	1,798		1,798	
Purchase of capital assets	(9,263)	(105)	(9,368)	
Proceeds from long-term debt	3,043		3,043	
Principal payment on bonds and notes	(1,127)	(47)	(1,174)	
Principal payment on capital leases	(332)		(332)	
Interest payment on debt	(497)	(6)	(503)	
Proceeds from the sale of capital assets		59	59	
Cash advances from the City of Norwich	3,063		3,063	
Net cash used in capital and related financing activities	<u>(3,315)</u>	<u>(99)</u>	<u>(3,414)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>5</u>		<u>5</u>	
Net Increase in Cash and Cash Equivalents	4,143		4,143	
Cash and Cash Equivalents at Beginning of Year	<u>13,750</u>		<u>13,750</u>	
Cash and Cash Equivalents at End of Year	<u>\$ 17,893</u>	<u>\$ -</u>	<u>\$ 17,893</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 8,197	\$ (784)	\$ 7,413	\$ 3,753
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	7,084	396	7,480	
Provision for uncollectible accounts	2,379		2,379	
(Increase) decrease in receivables	(2,293)	39	(2,254)	461
Decrease in inventories and other assets	515	13	528	
Increase in due from other funds		(8)	(8)	(830)
Increase in due to other funds		285	285	
Increase in unearned revenues		20	20	
Increase (decrease) in accounts payable and accrued liabilities	(462)	58	(404)	(3,384)
Total adjustments	<u>7,223</u>	<u>803</u>	<u>8,026</u>	<u>(3,753)</u>
Net Cash Provided by Operating Activities	<u>\$ 15,420</u>	<u>\$ 19</u>	<u>\$ 15,439</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, 2014

(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 950	\$ 3	\$ 546
Investments:			
Mutual funds	138,538	13,508	
Common stock	21,910		
Other receivables			130
Due from other funds	155		
	<u>161,553</u>	<u>13,511</u>	<u>\$ 676</u>
Total assets			
	<u>161,553</u>	<u>13,511</u>	<u>\$ 676</u>
Liabilities:			
Accounts and other payables		3	\$
Due to other funds		1,149	
Due to student groups and agencies			676
		<u>1,152</u>	<u>676</u>
Total liabilities			
	<u>-</u>	<u>1,152</u>	<u>\$ 676</u>
Net Position:			
Held in Trust for Pension and Other Benefits	<u>\$ 161,553</u>	<u>\$ 12,359</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 6,158	\$ 6,040
Plan members	<u>3,069</u>	<u>1,545</u>
Total contributions	<u>9,227</u>	<u>7,585</u>
Investment income:		
Net appreciation in fair value of investments	19,652	990
Interest and dividends	<u>1,668</u>	<u>372</u>
Total investment income	21,320	1,362
Less investment expense	<u>(758)</u>	<u>(71)</u>
Net investment income	<u>20,562</u>	<u>1,291</u>
Total additions	<u>29,789</u>	<u>8,876</u>
Deductions:		
Benefits	14,139	5,790
Administration	158	410
Lump sum distributions and withdrawals	<u>275</u>	<u></u>
Total deductions	<u>14,572</u>	<u>6,200</u>
Net Increase	15,217	2,676
Net Position Held in Trust for Pension Benefits at Beginning of Year	<u>146,336</u>	<u>9,683</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 161,553</u>	<u>\$ 12,359</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(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.

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 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 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.

The OPEB Trust Fund accounts for 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.

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 \$435 has been established as an allowance for uncollected taxes. At June 30, 2014, this represents 11.0% of property taxes receivable.

F. Inventories and Prepaid Items

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

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

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 are recorded at estimated fair market 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:

<u>Assets</u>	<u>Years</u>
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 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.

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. For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report 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. Long-Term Obligations

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

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

K. 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 reduces this category.

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

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

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

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

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

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

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

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

The City has a policy that does not allow unrestricted fund balance to go below 8% of operating expenditures. 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

During fiscal year 2014 there were additional appropriations of \$166.

B. Deficit Fund Equity

Certain individual funds had fund balance/net position deficits at June 30, 2014 as follows:

Major Fund:	
Bond Expenditure Fund	\$ 919*
Nonmajor Governmental Funds:	
Parking Commission	23***
Dog License	56***
Property Rehabilitation	27****
Intermodal Transportation Center	18**
Nonmajor Enterprise Funds:	
Ice Rink Authority	537***
Internal Service Funds:	
Workers' Compensation	1,221***

* Deficit will be reduced by future transfers and bond issuances.

** Deficit will be reduced by future transfers from the Capital Improvement Fund.

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

**** Deficit will be reduced by future transfers from the Community Development Fund.

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 does 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$43,182 of the City's bank balance of \$45,740 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	38,671
Uninsured and collateral held by the pledging bank's trust department, not in the City's name		<u>4,511</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>43,182</u></u>

Cash Equivalents

At June 30, 2014, the City's cash equivalents amounted to \$9. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

Investments

As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<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:					
Certificates of deposit*	N/A	\$ 1,992	\$ 1,144	\$ 848	\$ _____
Other investments:					
Common stock		22,875			
Mutual funds		<u>152,643</u>			
Total Investments		\$ <u><u>177,510</u></u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A Not applicable

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.

4. 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>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 3,612	\$	\$ 341	\$ 3,953
Accrued interest on taxes	859			859
Intergovernmental	39	279	5,140	5,458
User charges		16,600	75	16,675
Assessments	3,210			3,210
Housing and rehabilitation loans			3,041	3,041
Accounts and other	323	372	367	1,062
Gross receivables	<u>8,043</u>	<u>17,251</u>	<u>8,964</u>	<u>34,258</u>
Less allowance for uncollectibles:				
Taxes	(406)		(29)	(435)
Accrued interest on taxes	(172)			(172)
User charges		(832)		(832)
Total allowance	<u>(578)</u>	<u>(832)</u>	<u>(29)</u>	<u>(1,439)</u>
Net Total Receivables	<u>\$ 7,465</u>	<u>\$ 16,419</u>	<u>\$ 8,935</u>	<u>\$ 32,819</u>

5. 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, 2014 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bond Expenditure Fund	\$ 323
	Department of Public Utilities	8
	Nonmajor Governmental	2,101
	Nonmajor Enterprise	700
	Other Post Employment Benefit Trust	1,149
Nonmajor Governmental	General Fund	6,557
Nonmajor Enterprise	General Fund	299
Internal Service Funds	General Fund	6,842
Pension Trust	General Fund	155
Total		<u>\$ 18,134</u>

A summary of interfund transfers is presented below:

	Transfers In			Total
	General	Nonmajor Enterprise	Nonmajor Governmental	
Transfers out:				
General Fund	\$	\$	\$ 2,418	\$ 2,418
Bond Expenditure			136	136
Department of Public Utilities	7,183		835	8,018
Nonmajor Governmental	<u>174</u>	<u>80</u>		<u>254</u>
Total Transfers Out	<u>\$ 7,357</u>	<u>\$ 80</u>	<u>\$ 3,389</u>	<u>\$ 10,826</u>

Transfers from the General Fund to other nonmajor governmental funds are in support of the City's capital improvement program, fire services 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 parking services and landfill operations accounted for outside of the General Fund. 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.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,244	\$ 251	\$	\$ 24,495
Construction in progress	41,231	850	(1,084)	40,997
Total capital assets not being depreciated	<u>65,475</u>	<u>1,101</u>	<u>(1,084)</u>	<u>65,492</u>
Capital assets being depreciated:				
Buildings and improvements	65,579	559		66,138
Vehicles, machinery and equipment	20,374	1,563	(379)	21,558
Technology upgrade and infrastructure	38,974	1,754	(65)	40,663
Total capital assets being depreciated	<u>124,927</u>	<u>3,876</u>	<u>(444)</u>	<u>128,359</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,031)	(2,437)		(30,468)
Vehicles, machinery and equipment	(13,749)	(1,163)	364	(14,548)
Technology upgrade and infrastructure	(19,721)	(1,521)	24	(21,218)
Total accumulated depreciation	<u>(61,501)</u>	<u>(5,121)</u>	<u>388</u>	<u>(66,234)</u>
Total capital assets being depreciated, net	<u>63,426</u>	<u>(1,245)</u>	<u>(56)</u>	<u>62,125</u>
Governmental Activities Capital Assets, Net	<u>\$ 128,901</u>	<u>\$ (144)</u>	<u>\$ (1,140)</u>	<u>\$ 127,617</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,204	\$	\$	\$ 3,204
Construction in progress	10,821	10,202	(7,378)	13,645
Total capital assets not being depreciated	<u>14,025</u>	<u>10,202</u>	<u>(7,378)</u>	<u>16,849</u>
Capital assets being depreciated:				
Structures and improvements	52,814	211	(1,103)	51,922
Machinery, equipment, pumping and distribution systems	196,297	6,326	(1,362)	201,261
Total capital assets being depreciated	<u>249,111</u>	<u>6,537</u>	<u>(2,465)</u>	<u>253,183</u>
Less accumulated depreciation for:				
Structures and improvements	(25,709)	(1,310)	6	(27,013)
Machinery, equipment, pumping and distribution systems	(112,798)	(6,170)	2,279	(116,689)
Total accumulated depreciation	<u>(138,507)</u>	<u>(7,480)</u>	<u>2,285</u>	<u>(143,702)</u>
Total capital assets being depreciated, net	<u>110,604</u>	<u>(943)</u>	<u>(180)</u>	<u>109,481</u>
Business-Type Activities Capital Assets, Net	<u>\$ 124,629</u>	<u>\$ 9,259</u>	<u>\$ (7,558)</u>	<u>\$ 126,330</u>

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

Governmental activities:	
General government	\$ 169
Public safety	900
Social services	53
Public works	2,985
Education	<u>1,014</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>5,121</u></u>
 Business-type activities:	
Department of Public Utilities	\$ 7,084
Golf Course Authority	61
Stadium Authority	212
Ice Rink Authority	<u>123</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u><u>7,480</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2014. 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, 2014</u>
Kelly Middle School Renovation	\$ 41,250	\$	\$ 40,224	\$ 1,026
Intermodal Transportation Center	22,053	255	22,071	(18)
Dodd Stadium Capital Improvements	610		609	1
Road Improvements - 2010 bonds	5,000	1,540	4,332	668
Control Room & Data Center Facility - Phase II	9,500	200	1,474	8,026
Backus Generation Plant	200		173	27
ConnSmart Program AMI	1,657	84	84	1,573
CNG Station-Otobando Ave	1,595	64	102	1,493
LCTP Phase 2 CWF 607 PG	2,105	35	2,120	(15)
WWTP 100% Design CWF 625 D	5,600	2,452	6,599	(999)
New Pumps & Drive	2,440	198	383	2,057
Stonybrook Backwash Filter	2,110		119	1,991
Deep River Backwash Filter	280	3	120	160
Deep River Transmission Main	1,630	114	224	1,406
Stonybrook Buoyant Media	2,000	268	270	1,730
Royal Oaks Main Replacement	2,600	114	116	2,484
Mohegan Park Tank Replacement	2,800	59	61	2,739
North Sections SB Transmission	2,800	65	67	2,733
South Sections SB Transmission	<u>2,600</u>	<u>50</u>	<u>52</u>	<u>2,548</u>
 Total	 \$ <u><u>108,830</u></u>	 \$ <u><u>5,501</u></u>	 \$ <u><u>79,200</u></u>	 \$ <u><u>29,630</u></u>

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 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	\$ 33,090	\$ 18,145	\$ 10,425	\$ 40,810	\$ 3,900
Add unamortized premiums	151	1,573	157	1,567	
Total bonds payable	<u>33,241</u>	<u>19,718</u>	<u>10,582</u>	<u>42,377</u>	<u>3,900</u>
Compensated absences	3,306	1,604	1,440	3,470	1,529
Landfill closure	1,605		43	1,562	25
Capital leases	667	617	161	1,123	144
Net pension obligation	91	309	309	91	
Net OPEB obligation	4,805	6,029	6,040	4,794	
Risk management claims	9,205	12,050	15,430	5,825	2,387
Governmental Activities					
Long-Term Liabilities	<u>\$ 52,920</u>	<u>\$ 40,327</u>	<u>\$ 34,005</u>	<u>\$ 59,242</u>	<u>\$ 7,985</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 354	\$	\$ 91	\$ 263	\$ 40
State of Connecticut - serial note	10,815	3,043	1,085	12,773	3,669
Total bonds and notes payable	<u>11,169</u>	<u>3,043</u>	<u>1,176</u>	<u>13,036</u>	<u>3,709</u>
Compensated absences	2,753	259	275	2,737	564
Capital leases	1,349		332	1,017	312
Workers' compensation	495	913	124	1,284	389
Cash advances	5,359	3,113	50	8,422	442
Business-Type Activities					
Long-Term Liabilities	<u>\$ 21,125</u>	<u>\$ 7,328</u>	<u>\$ 1,957</u>	<u>\$ 26,496</u>	<u>\$ 5,416</u>

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

A schedule of bonds outstanding at June 30, 2014 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2014
Governmental Activities:					
General purpose bonds payable:					
General purpose	04/15/2004	04/15/2015	2.00-3.55	\$ 3,120	\$ 230
Schools	12/30/2008	12/30/2020		2,940	1,715
General purpose	12/02/2009	12/01/2029	3.0-4.0	9,145	7,725
Schools	12/02/2009	12/01/2029	3.0-4.0	2,000	1,685
General purpose	12/13/2011	12/01/2022	2.0-4.0	4,680	4,445
Schools	12/13/2011	12/01/2022	2.0-4.0	5,000	4,735
Refunding - (04/15/02) bonds	02/15/2012	04/15/2022	2.0	2,725	2,130
General purpose	02/12/2014	02/01/2024	3.0-5.0	12,365	12,365
Refunding - (4/15/2004 and 3/15/2005) bonds	02/12/2014	09/15/2019	3.0-5.0	2,793	2,793
Refunding - (4/15/2004 and 3/15/2005) bonds - Schools	02/12/2014	09/15/2019	3.0-5.0	2,987	2,987
Total					\$ <u>40,810</u>
Business-Type Activities:					
Refunding - (02/12/2014) Stony Brook Reservoir	02/12/2014	09/15/2019	3.0-5.0	\$ 73	\$ 73
Golf course	12/02/2009	12/01/2029	3.0-4.0	265	190
State of Connecticut serial notes payable:					
Clean Water Act 106-C	10/31/1997	10/31/2016	2.00	3,410	467
Clean Water Act 298-C	06/30/2000	06/30/2019	2.00	1,508	377
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	369
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	827
Clean Water Act 200801-C	07/01/2009	07/01/2029	2.27	450	336
Clean Water Act 625-D	12/31/2012	12/31/2031	2.00	1,865	1,655
Clean Water Act 495-C	05/31/2013	06/01/2032	2.00	5,748	5,201
Drinking Water State Revolving Fund 2010-8005	03/31/2010	12/31/2029	2.06	145	112
Drinking Water State Revolving Fund 2010-8006	03/31/2010	06/30/2030	2.06	326	261
Drinking Water State Revolving Fund 2010-7005	04/30/2014	10/31/2032	2.00	160	159
Drinking Water State Revolving Fund 2010-7006	04/30/2014	04/30/2032	2.00	148	147
State of Connecticut interim notes payable:					
Clean Water Act 625-D1	*	*	*	*	2,510
Drinking Water State Revolving Fund 2014-7027	*	*	*	*	352
Total					\$ <u>13,036</u>

* Loans are not permanently financed at this time.

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>
2015	\$ 3,900	\$ 1,344	\$ 5,244
2016	3,675	1,273	4,948
2017	3,130	1,140	4,270
2018	3,075	982	4,057
2019	2,950	883	3,833
2020-2024	10,350	3,271	13,621
2025-2029	8,575	1,683	10,258
2030-2034	<u>5,155</u>	<u>414</u>	<u>5,569</u>
Total	<u>\$ 40,810</u>	<u>\$ 10,990</u>	<u>\$ 51,800</u>

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issue used for school construction. The amount of principal and interest reimbursements for the year ended June 30, 2014 was \$99.

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>
2015	\$ 3,709	\$ 207	\$ 3,916
2016	859	188	1,047
2017	733	171	904
2018	676	155	831
2019	692	140	832
2020-2024	2,668	505	3,173
2025-2029	2,369	258	2,627
2030-2033	<u>1,330</u>	<u>40</u>	<u>1,370</u>
Total	<u>\$ 13,036</u>	<u>\$ 1,664</u>	<u>\$ 14,700</u>

General Obligation Bonds - Current Refunding

On January 29, 2014, the City issued \$5,780 of general obligation refunding bonds with interest rates ranging from 3.0 to 4.0%. The proceeds were used to advance refund the outstanding principal amount, or portions thereof, of \$1,540,000 of general obligation bonds, Series 2004B, dated April 15, 2004 and \$700,000 and \$3,855,000 of general obligation bonds, Series 2005A and 2005B respectively, dated March 15, 2005. The net proceeds of \$6,285 (including a premium of \$505 and issuance costs of \$51) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment of the refunded bonds. As a result, the Series 2004A, Series 2005A, and Series 2005B general obligation bonds, or a portion thereof, are considered defeased and the liability for those bonds has been removed from the statement of net position. The refunding will reduce total debt service payments over the next six years by approximately \$419 and represents an economic gain (difference between present values of the debt service payments on the old and the new debt) of \$382.

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 2014 fiscal year were \$161. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$1,123 at June 30, 2014. The following is a summary of capital lease commitments as of June 30, 2014.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2015	\$ 184
2016	184
2017	184
2018	184
2019	183
2020-2023	<u>372</u>
Total payments	1,291
Less interest	<u>(168)</u>
Principal Balance	<u>\$ 1,123</u>

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 2013-2014 were \$332. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$1,017 at June 30, 2014. The following is a summary of capital lease commitments as of June 30, 2014.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2015	\$ 347
2016	337
2017	286
2018	<u>118</u>
Total payments	1,088
Less interest	<u>(71)</u>
Principal Balance	<u>\$ 1,017</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	\$	1,136
Vacation		692
Other		277
Nonvested:		
Sick		1,338 *
Other		27 *
		<u> </u>
Total	\$	<u>3,470</u>

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

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 \$1,562 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, 2014. 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 \$1,902 has been drawn down. The Landfill Closure fund has been used to liquidate landfill closure and postclosure liabilities.

Bonds Authorized/Unissued

Bonds authorized/unissued with outstanding debt at June 30, 2014 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	\$ 9,940	\$ 29,250	\$ 2,060
Road Improvements	5,000	4,431		569
Gas Line Extensions	11,000	8,780		2,220
Demolition - Greenville & Buckingham Schools	675	665		10
Wawecus Street Bridge	800	500		300
Dodd Stadium	610	580		30
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>59,335</u>	\$ <u>24,896</u>	\$ <u>29,250</u>	\$ <u>5,189</u>

* 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	\$ 161,008	\$ 30,597	\$ 130,411
Schools	322,016	13,182	308,834
Sewers	268,346	12,799	255,547
Urban renewal	232,567		232,567
Pension deficit	214,677		214,677

The total of the City's net statutory indebtedness of \$56.6 million does not exceed the legal debt limitation of \$501 million (seven times the base for debt limitation computation).

8. FUND EQUITY

A. Fund Balance

The components of fund balance at June 30, 2014 are as follows:

	<u>General Fund</u>	<u>Bond Expenditure Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 64	\$ 64
Trust			1,596	1,596
Restricted for:				
Trust			71	71
Grants			831	831
Fire districts			1,194	1,194
Committed to:				
Public safety			12	12
Public works			2,301	2,301
Social services			707	707
General government			214	214
Education			1,120	1,120
Assigned to:				
General government - encumbrances	7			7
Public works - encumbrances	73			73
Public safety - encumbrances	20			20
Other - encumbrances	16			16
Education - encumbrances	382			382
Unassigned	<u>10,483</u>	<u>(919)</u>	<u>(124)</u>	<u>9,440</u>
Total Fund Balances	<u>\$ 10,981</u>	<u>\$ (919)</u>	<u>\$ 7,986</u>	<u>\$ 18,048</u>

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 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, 2014 on behalf of the Department were \$228. 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.

9. 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 2014 for hospitalization with a maximum aggregate for all claims of approximately \$15,971.

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 \$500 and a \$10,000 aggregate maximum per year.

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
Medical:				
2013-2014	\$ 1,380	\$ 13,203	\$ 13,290	\$ 1,293
2012-2013	1,177	14,259	14,056	1,380
Workers' Compensation:				
2013-2014	7,825	(1,153)	2,140	4,532
2012-2013	6,873	3,963	3,011	7,825

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

The Department of Public Utilities accounts for the self-insured component of workers' compensation benefits for the Department's employees within the Department of Public Utilities Enterprise Fund. The Department has accrued \$1,284 for estimated unpaid accrued losses on reported claims as of June 30, 2014.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Norwich Retirement System

A. Plan Description

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 are elected by plan members, three are 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. General City 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. City employees receive a retirement benefit of 2.2% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 74.8% of average earnings. Police who retire at normal retirement (after 20 years of service) receive 48% of average annual pay (highest 3 years out of last 10 consecutive years) for the first 20 years of service plus 2.2% of pay in excess of 20 years with a maximum benefit of 70% of average annual pay. Firefighters who retire at normal retirement after 20 years of service regardless of age will receive 48% of average earnings plus 2.2% of average earnings for each year over 20 with a maximum of 70% of pay. Average earnings for firefighters is defined as the average of the highest 3-year period out of the last consecutive 10-year period prior to retirement. If an employee leaves employment or dies before meeting the vesting requirements, accumulated contributions and interest are refunded. Effective benefits and contributions are established by the City as negotiated with the various unions. The General Fund and the Fire Districts Fund are used to liquidate net pension obligations.

At July 1, 2013, the plan members consisted of:

Retirees and beneficiaries currently receiving benefits	532
Terminated employees not yet receiving benefits	52
Active plan members	<u>553</u>
 Total	 <u><u>1,137</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 market 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. City employees are required to contribute 8%. Police and firefighter participants are required to contribute 8%. Board of Education participants are required to contribute 7%. The City's funding policy provides for periodic employer contributions at actuarially determined rates. The City's current contribution percentage is 25.69% of covered payroll.

Administrative costs of the plan are financed through investment earnings.

D. Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Personnel and Pension Board by a majority vote of its members. It is the policy of the Personnel and Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014.

<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	2.00%	0.50%	0.01%
Total Portfolio	100.00%		4.18%
Long-Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			7.18%

* 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.19%. 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

In accordance with GASB Statement No. 67, the components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$	233,799
Plan fiduciary net position		<u>(159,456)</u>
Net Pension Liability	\$	<u><u>74,343</u></u>
Plan fiduciary net position as a percentage of the total pension liability		68.20%

The City’s net pension liability will be required to be recorded on the government wide statement of net position at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Ranges from 2.5% to 10.5%, based on age
Investment rate of return	7.75%, including inflation

Mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment for annuitants, projected to the valuation date with Scale AA.

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.

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, 2014	\$ 100,086	\$ 74,343	\$ 52,504

F. Annual Pension Cost and Net Pension Obligations

In accordance with GASB No. 27, the City's annual pension cost and net pension obligation to the plan for the year ended June 30, 2014 were as follows:

Annual required contribution	\$ 5,789
Interest on net pension obligation	(17)
Adjustment to annual required contribution	<u>18</u>
Annual pension cost	5,790
Contributions made	<u>5,849</u>
Increase in net pension asset	(59)
Net pension asset, beginning of year	<u>(208)</u>
Net Pension Asset, End of Year	<u><u>\$ (267)</u></u>

The following is a summary of certain significant actuarial assumptions and other plan information:

Actuarial valuation date July 1, 2013
 Actuarial cost method Entry Age Normal
 Amortization method Level Dollar, closed
 Remaining amortization period 25 years
 Asset valuation method Actuarial Value
 Actuarial assumptions:
 Investment rate of return* 7.75%
 Projected salary increases* See graded table below:

<u>General City</u>		<u>Police and Fire</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
25	10.5%	25	10.5%
35	7.5%	35	7.0%
45	4.0%	45	3.5%
55	4.0%	55	2.5%
65	2.5%	65	2.5%

Contribution rates:
 City Determined by valuation
 Plan member General City 8%; Police 8%; Fire 8%; BOE 7%

Turnover assumption:
 Age 20: 5% males, 7.5% females;
 Age 30: 3.75% males, 5% females;
 Age 35: 2.75% males, 3.75% females;
 Age 40: 1.5% males, 2.5% females;
 Age 45: .75% males, 1.25% females;
 Age 50: None

Mortality table:
 Actives: 1994 Uninsured Pensioners Mortality Table
 Projected to 2023
 Police and Fire Disabled: RP2000 Healthy Annuitant
 Mortality Table projected to 2023
 General Retirees: RP2000 Healthy Annuitant Mortality
 Table projected to 2023
 Term Vested: RP2000 Healthy Annuitant Mortality Table
 projected to 2023

Retirement age: Age 55 with 25 years of service; age 60 with 5 years service, or 34 years of service.

Death benefits: Liabilities for police and fire employees are included in recognition of in-service death benefits

Disability assumptions:
 Age 20: .029% males, .03% females
 Age 30: .048% males, .08% females
 Age 40: .12% males, .21% females
 Age 50: .36% males, .53% females

Expenses: Estimate based on the prior year's actual expenses

*Inflation rate included 3%

G. Trend Information

<u>Fiscal Year Ended</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>	<u>Actual Contribution</u>
6/30/14	\$	5,790	101%	\$ (267)	\$ 5,849
6/30/13		5,728	100%	(208)	5,730
6/30/12		4,714	94%	(206)	4,407

Schedule of Funding Progress - City Employees

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded Frozen Actuarial Liability (UFAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a % of Covered Payroll ((b-a)/c)</u>
7/1/13	\$ 144,789	\$ 227,932	\$ 83,143	63.5%	\$ 37,572	221.3%
7/1/11	148,332	195,652	47,320	75.8%	33,523	141.2%
1/1/10	149,304	184,161	34,857	81.1%	32,509	107.2%
1/1/09	153,090	175,726	22,636	87.1%	31,690	71.4%
1/1/08	157,020	165,406	8,386	94.9%	30,696	27.3%
1/1/07	145,881	167,259	21,378	87.2%	24,248	88.2%

City of Norwich Volunteer Firefighters' Relief Plan

A. Plan Description

The City is the administrator of a Volunteer Firefighters Relief Plan (the 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.

The City provides benefits to Volunteer Firefighters who are at least 55 years old and have at least 20 years of credited service. Credited service is defined as a member who has responded to at least 20% of all emergency calls and 20% of all training sessions and drills. "Retirees" from the plan receive a monthly benefit of \$18 multiplied by the years of credited service (to a maximum of 40 years).

Management of the plans rest with the Volunteer Firefighters' Relief Fund Committee (VFFRF), which consists of 12 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. The City Treasurer shall have the care and custody of all pension funds and with the approval of the VFFRF, 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 VFFRF, may designate and appoint a corporate trustee or trustees to manage the pension funds.

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$216 for each calendar year of credited service.

At January 1, 2014, the plan members consisted of:

Retirees and beneficiaries receiving benefits	50
Active plan members	<u>137</u>
Total	<u><u>187</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 \$216 for each calendar year of credited service.

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 Committee's adopted asset allocation policy as of June 30, 2014.

<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)	13.00%	5.25%	0.68%
Emerging International Equities	5.00%	6.00%	0.30%
Core Bonds	49.00%	2.00%	0.98%
Commodities	2.00%	5.00%	0.10%
Cash	1.00%	0.50%	0.01%
Total Portfolio	100.00%		3.54%
Long-Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			6.54%

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

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.86%. 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

In accordance with GASB Statement No. 67, the components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$	5,091
Plan fiduciary net position		<u>(2,098)</u>
Net Pension Liability	\$	<u><u>2,993</u></u>
Plan fiduciary net position as a percentage of the total pension liability		41.21%

The City’s net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2013, 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%, including inflation

Mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment for annuitants, projected to the valuation date with Scale AA.

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.

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, 2014	\$ 3,659	\$ 2,993	\$ 2,445

F. Annual Pension Cost and Net Pension Obligations

In accordance with GASB Statement No. 27, the City's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2014 were as follows:

Annual required contribution	\$ 309
Interest on net pension obligation	7
Adjustment to annual required contribution	<u>(7)</u>
Annual pension cost	309
Contributions made	<u>309</u>
Change in net pension obligation	-
Net pension obligation, beginning of year	<u>91</u>
Net Pension Obligation, End of Year	<u><u>\$ 91</u></u>

The following is a summary of certain significant actuarial assumptions:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry Age
	Normal Cost
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7%
Inflation rate	3%

G. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/14	\$ 309	100%	\$ 91	\$ 309
6/30/13	308	100	91	310
6/30/12	254	111	93	281

Schedule of Funding Progress - Volunteer Firefighters' Relief Plan*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Frozen Actuarial Liability (UFAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
1/1/14	\$ 2,139	\$ 5,041	\$ 2,902	42.4%	\$ N/A
1/1/12	1,639	4,804	3,165	34.1%	N/A
1/1/08	1,404	3,962	2,558	35.4%	N/A
1/1/06	1,299	3,810	2,511	34.1%	N/A

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

Pension Trust Funds

The City maintains two pension trust funds (City and Volunteer Fire) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2014 and the changes in net position for the year then ended.

	Combining Schedule of Fiduciary Net Position		
	City Employees	Volunteer Fire	Total
Assets:			
Cash and cash equivalents	\$ 928	\$ 22	\$ 950
Investments:			
Mutual funds	136,452	2,086	138,538
Other receivable			
Common stock	21,910		21,910
Due from other funds	165	(10)	155
Total assets	<u>159,455</u>	<u>2,098</u>	<u>161,553</u>
Net Position:			
Held in Trust for Pension Benefits	\$ <u>159,455</u>	\$ <u>2,098</u>	\$ <u>161,553</u>

	Combining Schedule of Changes in Fiduciary Net Position		
	City	Volunteer	
	Employees	Fire	Total
Additions:			
Contributions:			
Employer	\$ 5,849	\$ 309	\$ 6,158
Plan members	3,057	12	3,069
Total contributions	<u>8,906</u>	<u>321</u>	<u>9,227</u>
Investment income:			
Net appreciation in fair value of investments	19,466	186	19,652
Interest and dividends	1,595	73	1,668
Total	<u>21,061</u>	<u>259</u>	<u>21,320</u>
Less investment expense	(752)	(6)	(758)
Net investment income	<u>20,309</u>	<u>253</u>	<u>20,562</u>
Total additions	<u>29,215</u>	<u>574</u>	<u>29,789</u>
Deductions:			
Benefits	13,879	260	14,139
Administrative expense	147	11	158
Lump-sum distributions and withdrawals	267	8	275
Total deductions	<u>14,293</u>	<u>279</u>	<u>14,572</u>
Net increase	14,922	295	15,217
Net position held in trust for pension benefits, beginning of year	<u>144,533</u>	<u>1,803</u>	<u>146,336</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 159,455</u>	<u>\$ 2,098</u>	<u>\$ 161,553</u>

Teacher Retirement

The faculty and professional personnel of the Board of Education participate in the State of Connecticut Teachers' Retirement System, a cost-sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$21,909 or 77.6% of the total Board of Education payroll of \$28,238.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The City does not have any liability for teacher pensions. For the year ended June 30, 2014, the City has recorded in the General Fund (Exhibit IV), intergovernmental revenue and education expenditures in the amount of \$4,920 as payments made by the State of Connecticut on behalf of the City.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

11. OTHER POST EMPLOYMENT BENEFITS

City of Norwich, Retiree Health Plan

Plan Description

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. 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 and the Fire Districts Fund are used to liquidate net other post employment benefit obligations.

At July 1, 2013, plan membership consisted of the following:

Active plan members	833
Retired plan members	<u>387</u>
Total Participants	<u><u>1,220</u></u>

Summary of Significant Accounting Policies

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

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

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

Funding Policy

The City had established a funding plan to incrementally increase the City's annual contribution to full funding of the annual required contribution over six years and began funding the full amount in fiscal year 2014. 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

The City funds full cost of insurance for the retiree up to age 67. 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.

Police Retirees

The City funds full cost of insurance for the retiree up to age 67. 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.

Fire Retirees

Retiree annually contributes 1% of final compensation up to age 65 for retiree and spousal coverage. Participation in the plan ends at age 65 for both the retiree and the retiree's spouse.

Retired Board of Education Administrators

The City funds full cost of insurance for the retiree and spouse hired before 1998 and 50% of the cost if retiree was hired between 1998 and 2004. City funds full cost for post-65 coverage. Spouse coverage continues on after the death of the retiree up to age 70.

Retired Teachers

The City funds full cost of insurance for the retiree and spouse hired before September 1, 1995 and 50% of the cost if hired between September 1, 1995 and July 1, 2004. Participation in the plan ends at age 70 for both the retiree and the retiree's spouse.

Retired Board of Education Custodians

The City funds full cost of insurance for the retiree and spouse hired before 1998 and 50% of the cost if retiree was hired between 1998 and 2004. Spouse coverage ends upon death of the retiree.

Retired Board of Education Nurses

The City funds 50% of the cost depending on the plan selected. Coverage ends at age 65.

Retired Board of Education Secretaries

The City funds full cost of insurance for the retiree and spouse hired before September 1, 1995 and 50% of the cost if hired between September 1, 1995 and July 1, 2004. City funds full cost for post-65 coverage. Participation in the plan ends at age 70 for both the retiree and the retiree's spouse.

Retired Board of Education Teamsters

The City funds full cost of insurance for the retiree and spouse hired before July 1, 2006 and 50% of the cost if hired after July 1, 2006. Participation in the plan ends at age 65 for both the retiree and the retiree's spouse.

For the year ended June 30, 2014, plan members contributed \$1,545. 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, 2014 totaled \$6,040.

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)	\$	6,040
Interest on net OPEB obligation		384
Adjustment to annual required contribution		(395)
Annual OPEB cost		6,029
Contributions made		6,040
Decrease in net OPEB obligation		(11)
Net OPEB obligation, beginning of year		4,805
Net OPEB Obligation, End of Year	\$	<u>4,794</u>

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>
6/30/14	\$ 6,029	\$ 6,040	100.0%	\$ 4,794
6/30/13	5,907	5,592	95.0	4,805
6/30/12	6,174	6,114	99.0	4,490

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. Data is only presented for July 1, 2007, 2009, 2011 and 2013 because they are the only valuations done since implementing the standard.

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 % of Covered Payroll ((b-a)/c)</u>
7/1/13	\$ 9,683	\$ 55,483	17.5%	\$ 52,400	87.4%
7/1/11	4,405	57,618	7.6	50,093	106.2
7/1/09	2,594	58,239	4.7	50,374	110.5
7/1/07	-	46,595	0.0	44,921	103.7

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 6,040	100%
6/30/2013	5,917	95
6/30/2012	6,184	99
6/30/2011	6,065	87
6/30/2010	5,352	69
6/30/2009	5,352	63

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 9% initially, decreasing .5% per year to an ultimate rate of 5% for 2021 and later. The dental inflation rate is 5%. The general inflation assumption is 3.0%. The UAAL is being amortized as a level dollar basis. The amortization period at July 1, 2013 was 25 years.

12. 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. The bylaws were amended in 1995 to allow for participation of representation from the Town of Wallingford on the Board of Directors. CMEEC's Board is comprised of nineteen (19) 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, 2014 was \$27.48 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 2014 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 (CO₂) cap and trading program as proposed by the RGGI in Connecticut. During the 2014 fiscal year, the Department's contributions to the fund totaled \$207 and drawdowns were \$86. The balance of the Department's funds held by CMEEC for the RGGI was \$194 for the year ended June 30, 2014.

13. 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 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, 2014 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 23,274
Department - rate stabilization funds on deposit with CMEEC	<u>(4,584)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 18,690</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net position. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,967.

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.

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.

14. 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.

15. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

The Norwich Department of Public Utilities Fund had historically been accounting for cash advances from the City associated with the Gas Bond Expansion project as contributed capital, although there is a resolution that the City will be repaid through reimbursement of principal payments on the Gas Bond annually by the Department. As of June 30, 2013, the cumulative amount of cash advances was \$5,358. The elimination of the previously recognized contributed capital and establishment of the liability for these cash advances resulted in a decrease in beginning net position of the Department of Public Utilities Fund in the amount of \$5,358 from \$123,904 to \$118,546. The Business-Type Activities opinion unit (which includes the Department of Public Utilities Fund) also had a decrease in beginning net position of \$5,358 from \$133,290 to \$127,932. The Governmental Activities opinion unit had historically not been accounting for the repayment of gas bond debt long-term receivables as assets. The recognition of the cumulative amount of cash advances as a receivable as of June 30, 2013 resulted in an increase to the beginning net position of \$5,358 from \$104,319 to \$109,677.

The following represents the effects of these restatements:

	Opinion Unit			
	Governmental Activities	Business-Type Activities	Department of Public Utilities	Total
Net position as reported in 2013 financial statements	\$ 104,319	\$ 133,290	\$ 123,904	\$ 361,513
Prior period adjustment - recognition of cash advances as a liability for Department of Public Utilities and as an asset for Governmental Activities	<u>5,358</u>	<u>(5,358)</u>	<u>(5,358)</u>	
Net Position, Beginning of Year, as Restated	<u>\$ 109,677</u>	<u>\$ 127,932</u>	<u>\$ 118,546</u>	<u>\$ 361,513</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, 2014
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General property taxes:				
Current tax levy	\$ 63,189	\$ 63,189	\$ 63,258	\$ 69
Motor vehicle supplement	515	515	681	166
Prior years levy	1,428	1,428	1,697	269
Interest and liens	800	800	984	184
Total	<u>65,932</u>	<u>65,932</u>	<u>66,620</u>	<u>688</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	<u>550</u>	<u>550</u>	<u>543</u>	<u>(7)</u>
Intergovernmental revenues:				
Building maintenance	280	280	305	25
City housing	82	82	112	30
Municipal revenue sharing	651	651	630	(21)
Pequot funds	1,112	1,112	1,112	-
Payment in lieu of taxes	1,543	1,543	1,504	(39)
Elderly taxes	134	134	135	1
Youth Services	88	88	89	1
School bond interest	104	104	104	-
Federal DCPA match funds	20	20	20	-
Health services	65	65	121	56
Transportation	666	666	656	(10)
Special education	1,200	1,200	57	(1,143)
Education cost sharing	32,317	32,317	32,259	(58)
Town aid road	503	503	502	(1)
COPS grant			84	84
Telecommunications fund	90	90	64	(26)
Total	<u>38,855</u>	<u>38,855</u>	<u>37,754</u>	<u>(1,101)</u>
Charges for services:				
Town Clerk - recording fees	350	350	367	17
Town Clerk - conveyance tax	390	390	566	176
Land recording capital improvement fee	18	18	18	-
Probate court	23	23	23	-
Landfill	1,000	1,000	1,050	50
City property - relocation	80	80		(80)
Senior Citizens Center	18	18	18	-
Tuition	109	109	55	(54)
Total	<u>1,988</u>	<u>1,988</u>	<u>2,097</u>	<u>109</u>
Use of money:				
Interest from investments	<u>30</u>	<u>30</u>	<u>39</u>	<u>9</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, 2014

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other revenue:				
Sewer assessments	\$ 520	\$ 520	\$ 500	\$ (20)
In lieu of taxes/telephone	110	110	126	16
NGCA debt service	31	31	31	-
DPU - City service	92	92	92	-
Bond and note payments	165	165	165	-
Traffic violations	7	7	8	1
Miscellaneous	235	235	462	227
Total	<u>1,160</u>	<u>1,160</u>	<u>1,384</u>	<u>224</u>
 Total revenues	 <u>108,515</u>	 <u>108,515</u>	 <u>108,437</u>	 <u>(78)</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	58	58	59	1
Department of Public Utilities	7,183	7,183	7,183	-
Police	150	150	115	(35)
Total	<u>7,391</u>	<u>7,391</u>	<u>7,357</u>	<u>(34)</u>
 Total	 <u>\$ 115,906</u>	 <u>\$ 115,906</u>	 115,794	 <u>\$ (112)</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.

4,920

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

2,217

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

(186)

The City does not budget for capital lease issuances in the general fund. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

617Total Revenues and Other Financing Sources as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV\$ 123,362

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, 2014

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
City Manager	\$ 297	\$ 297	\$ 287	\$ 10
Finance	1,401	1,407	1,394	13
City Treasurer	229	229	222	7
Assessment	412	414	392	22
Personnel	456	456	446	10
Law	446	496	486	10
City Clerk	369	372	370	2
City Council	182	182	177	5
Election	117	117	114	3
Planning and Neighborhood Services	967	974	971	3
Emergency Management	77	77	77	-
Total general government	<u>4,953</u>	<u>5,021</u>	<u>4,936</u>	<u>85</u>
Public safety:				
Police	12,976	13,055	13,047	8
Fire:				
East Great Plain	118	118	105	13
Laurel Hill	51	54	54	-
Occum	60	60	57	3
Taftville	128	130	130	-
Yantic	137	141	141	-
Fire Central	1,935	2,017	2,013	4
Total public safety	<u>15,405</u>	<u>15,575</u>	<u>15,547</u>	<u>28</u>
Social Services:				
Recreation	688	689	685	4
Human services	595	596	596	-
Senior Citizens Center	542	543	525	18
Youth and Family Services	207	206	206	-
Total social services	<u>2,032</u>	<u>2,034</u>	<u>2,012</u>	<u>22</u>
Public works:				
Engineering and administration	580	552	549	3
Fleet maintenance	1,276	1,307	1,305	2
Solid waste	2,686	2,636	2,631	5
Maintenance and cleaning	3,917	3,943	3,940	3
Building maintenance	1,166	1,193	1,189	4
Parking maintenance	132	135	135	-
Total public works	<u>9,757</u>	<u>9,766</u>	<u>9,749</u>	<u>17</u>
Board of Education	<u>70,535</u>	<u>70,535</u>	<u>70,535</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, 2014
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other	\$ 5,825	\$ 5,667	\$ 5,614	\$ 53
Debt Service:				
Principal	4,420	4,495	4,466	29
Interest	961	961	874	87
Total debt service	5,381	5,456	5,340	116
Transfers out	2,418	2,418	2,418	-
Total	\$ 116,306	\$ 116,472	116,151	\$ 321

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.

4,920

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

2,217

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.

(488)

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.

159

The City does not budget for capital lease issuances in the general fund. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

617

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

\$ 123,576

CITY OF NORWICH, CONNECTICUT

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR - CITY EMPLOYEES
(In Thousands)**

	<u>2014</u>
Total pension liability:	
Service cost	\$ 2,679
Interest	17,334
Benefit payments, including refunds of member contributions	<u>(14,146)</u>
Net change in total pension liability	5,867
Total pension liability - beginning	<u>227,932</u>
Total pension liability - ending	<u>233,799</u>
 Plan fiduciary net position:	
Contributions - employer	5,849
Contributions - member	3,057
Net investment income	20,194
Benefit payments, including refunds of member contributions	(14,146)
Administrative expense	<u>(31)</u>
Net change in plan fiduciary net position	14,923
Plan fiduciary net position - beginning	<u>144,533</u>
Plan fiduciary net position - ending	<u>159,456</u>
 Net Pension Liability - Ending	\$ <u><u>74,343</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	68.20%
 Covered-employee payroll	\$ 37,752
 Net pension liability as a percentage of covered-employee payroll	196.92%

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - CITY EMPLOYEES

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 5,790	\$ 5,728	\$ 4,713	\$ 3,644	\$ 2,397	\$ 3,037	\$ 2,921	\$ 2,662	\$ 1,862	\$ 1,214
Contributions in relation to the actuarially determined contribution	5,849	5,730	4,407	3,752	2,771	3,216	3,098	2,830	2,006	1,446
Contribution Deficiency (Excess)	\$ (59)	\$ (2)	\$ 306	\$ (108)	\$ (374)	\$ (179)	\$ (177)	\$ (168)	\$ (144)	\$ (232)
Covered-employee payroll	\$ 37,752	\$ 36,302	\$ N/A							
Contributions as a percentage of covered-employee payroll	15.49%	15.78%	N/A							

Notes to Schedule

Valuation date: July 1, 2013
Measurement date: June 30, 2014
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, closed
Remaining amortization period 25 years, closed
Asset valuation method 5-year smoothed market
Inflation 3.0%
Salary increases Ranges from 2.5% to 10.5%, 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 20 years of service

Mortality - Actives 1994 Uninsured Pensioners Mortality Table with separate male and female rates, projected to the valuation date with Scale AA

Mortality - Retirees and Terminated Vested RP-2000 Mortality Table with separate male and female rates, with no collar adjustment for annuitants, projected to the valuation date with Scale AA

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF INVESTMENT RETURNS - CITY EMPLOYEES

LAST FISCAL YEAR

2014

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

14.19%

CITY OF NORWICH, CONNECTICUT

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR - VOLUNTEER FIRE
(In Thousands)**

	<u>2014</u>
Total pension liability:	
Service cost	\$ 49
Interest	367
Benefit payments, including refunds of member contributions	<u>(268)</u>
Net change in total pension liability	148
Total pension liability - beginning	<u>4,943</u>
Total pension liability - ending	<u>5,091</u>
 Plan fiduciary net position:	
Contributions - employer	309
Contributions - member	12
Net investment income	253
Benefit payments, including refunds of member contributions	(268)
Administrative expense	<u>(11)</u>
Net change in plan fiduciary net position	295
Plan fiduciary net position - beginning	<u>1,803</u>
Plan fiduciary net position - ending	<u>2,098</u>
 Net Pension Liability - Ending	\$ <u>2,993</u>
 Plan fiduciary net position as a percentage of the total pension liability	41.21%
 Covered-employee payroll*	\$ -
 Net pension liability as a percentage of covered-employee payroll	N/A

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

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - VOLUNTEER FIRE

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 309	\$ 309	\$ 255	\$ 255	\$ 255	\$ 247	\$ 213	\$ 213	\$ 151	\$ 151
Contributions in relation to the actuarially determined contribution	<u>309</u>	<u>310</u>	<u>281</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>213</u>	<u>160</u>	<u>120</u>	<u>120</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (26)</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 31</u>	<u>\$ 31</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, 2014

Measurement date: June 30, 2014

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, closed
Remaining amortization period	25 years, closed
Asset valuation method	5-year smoothed market
Inflation	3.0%
Investment rate of return	7.00%

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

Mortality: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants projected to the valuation date with Scale AA

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF INVESTMENT RETURNS - VOLUNTEER FIRE

LAST FISCAL YEAR

2014

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

15.86%

**Combining and Individual
Fund Statements and Schedules**

General Fund

GENERAL FUND

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

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2014 AND 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 25,638	\$ 15,815
Investments	1,992	1,975
Receivables:		
Property taxes receivable, net	3,206	3,610
Property taxes accrued interest receivable, net	687	1,126
Intergovernmental receivable:		
School building grants receivable		99
Other grants receivable	39	557
Assessment receivable	3,210	3,628
Accounts receivable, net	323	396
Due from other funds	<u>4,281</u>	<u>13,444</u>
Total Assets	<u>\$ 39,376</u>	<u>\$ 40,650</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,649	\$ 7,683
Due to other funds	13,853	13,320
Unearned revenue	302	458
Total liabilities	<u>21,804</u>	<u>21,461</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	3,381	4,365
Unavailable revenue - special assessments	3,210	3,628
Advance property tax collections		1
Total deferred inflows of resources	<u>6,591</u>	<u>7,994</u>
Fund balances:		
Assigned	498	920
Unassigned	<u>10,483</u>	<u>10,275</u>
Total fund balances	<u>10,981</u>	<u>11,195</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,376</u>	<u>\$ 40,650</u>

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Capital Projects Funds

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

Permanent Funds

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

CITY OF NORWICH, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014
(In Thousands)

Special Revenue

	<u>Dog License</u>	<u>School Lunch Program</u>	<u>Sidewalk</u>	<u>Fire Districts</u>	<u>Education Grants</u>	<u>Adult Education</u>	<u>Parking Commission</u>	<u>Youth Services</u>	<u>C.O.P.S. Grant</u>	<u>Lead Paint Abatement</u>	<u>Other Grants and Programs</u>	<u>Economic Development</u>	<u>Community Development Fund</u>
ASSETS													
Cash and cash equivalents	\$	\$ 325	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments													
Receivables, net:													
Property taxes				312									
Intergovernmental		395			1,034			8		83	349		101
Loans										1,199			
Other			132				32						
Due from other funds			72	1,257	2,019	77		49	71		160	13	
Other assets		64											
Total Assets	\$ -	\$ 784	\$ 204	\$ 1,569	\$ 3,053	\$ 77	\$ 32	\$ 57	\$ 71	\$ 1,282	\$ 509	\$ 13	\$ 101
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
Liabilities:													
Accounts and other payables	\$ 13	\$ 185	\$	\$ 109	\$ 1,960	\$	\$ 9	\$ 6	\$	\$ 42	\$ 295	\$	\$ 5
Due to other funds	43						14			32			96
Unearned revenue					771				71			7	
Total liabilities	<u>56</u>	<u>185</u>	<u>-</u>	<u>109</u>	<u>2,731</u>	<u>-</u>	<u>23</u>	<u>6</u>	<u>71</u>	<u>74</u>	<u>295</u>	<u>7</u>	<u>101</u>
Deferred inflows of resources:													
Unavailable revenue - special assessments			132										
Unavailable revenue - loans receivable										1,199			
Unavailable revenue - property taxes				266									
Unavailable revenue - other receivables							32						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>132</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>1,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:													
Nonspendable		64											
Restricted				1,194						9		6	
Committed		535	72		322	77		51			214		
Unassigned	(56)						(23)						
Total fund balances	<u>(56)</u>	<u>599</u>	<u>72</u>	<u>1,194</u>	<u>322</u>	<u>77</u>	<u>(23)</u>	<u>51</u>	<u>-</u>	<u>9</u>	<u>214</u>	<u>6</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 784	\$ 204	\$ 1,569	\$ 3,053	\$ 77	\$ 32	\$ 57	\$ 71	\$ 1,282	\$ 509	\$ 13	\$ 101

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014
(In Thousands)

Special Revenue

	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Sachem Fund	Property Rehabilitation	Brown Park	Total
ASSETS												
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 325
Investments												-
Receivables, net:												
Property taxes												312
Intergovernmental				123								2,093
Loans									1,842			3,041
Other							1					165
Due from other funds	192	4	148		137	77	56	119	285		43	4,779
Other assets												64
Total Assets	\$ 192	\$ 4	\$ 148	\$ 123	\$ 137	\$ 77	\$ 57	\$ 119	\$ 285	\$ 1,842	\$ 43	\$ 10,779
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES												
Liabilities:												
Accounts and other payables	\$ 6	\$	\$ 17	\$ 22	\$ 15	\$	\$ 4	\$	\$	\$ 11	\$	\$ 2,699
Due to other funds				89						16		290
Unearned revenue				4								853
Total liabilities	6	-	17	115	15	-	4	-	-	27	-	3,842
Deferred inflows of resources:												
Unavailable revenue - special assessments												132
Unavailable revenue - loans receivable									1,842			3,041
Unavailable revenue - property taxes												266
Unavailable revenue - other receivables												32
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	1,842	-	3,471
Fund balances:												
Nonspendable												64
Restricted			131								43	1,383
Committed	186	4		8	122	77	53	119	285			2,125
Unassigned										(27)		(106)
Total fund balances	186	4	131	8	122	77	53	119	285	(27)	43	3,466
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 192	\$ 4	\$ 148	\$ 123	\$ 137	\$ 77	\$ 57	\$ 119	\$ 285	\$ 1,842	\$ 43	\$ 10,779

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014
(In Thousands)

	Capital Projects					Permanent				Total Nonmajor Governmental Funds
	Capital Improvement	Intermodal Transportation Center	School Projects	Landfill Closure	Total	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	Total	
ASSETS										
Cash and cash equivalents	\$	\$	\$	\$	\$ -	\$	\$	\$ 17	\$ 17	\$ 342
Investments					-			1,562	1,562	1,562
Receivables, net:										
Property taxes					-				-	312
Intergovernmental	308	859	1,525	355	3,047				-	5,140
Loans					-				-	3,041
Other		72			72				-	237
Due from other funds	1,733				1,733	40	5		45	6,557
Other assets					-				-	64
Total Assets	\$ 2,041	\$ 931	\$ 1,525	\$ 355	\$ 4,852	\$ 40	\$ 5	\$ 1,579	\$ 1,624	\$ 17,255
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts and other payables	\$ 71	\$ 74	\$	\$	\$ 145	\$	\$	\$	\$ -	\$ 2,844
Due to other funds		875	840	96	1,811				-	2,101
Unearned revenue					-				-	853
Total liabilities	<u>71</u>	<u>949</u>	<u>840</u>	<u>96</u>	<u>1,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,798</u>
Deferred inflows of resources:										
Unavailable revenue - special assessments					-				-	132
Unavailable revenue - loans receivable					-				-	3,041
Unavailable revenue - property taxes					-				-	266
Unavailable revenue - other receivables					-				-	32
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,471</u>
Fund balances:										
Nonspendable					-	12	5	1,579	1,596	1,660
Restricted			685		685	28			28	2,096
Committed	1,970			259	2,229				-	4,354
Unassigned		(18)			(18)				-	(124)
Total fund balances	<u>1,970</u>	<u>(18)</u>	<u>685</u>	<u>259</u>	<u>2,896</u>	<u>40</u>	<u>5</u>	<u>1,579</u>	<u>1,624</u>	<u>7,986</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,041	\$ 931	\$ 1,525	\$ 355	\$ 4,852	\$ 40	\$ 5	\$ 1,579	\$ 1,624	\$ 17,255

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	<u>Special Revenue</u>											
	<u>Dog License</u>	<u>School Lunch Program</u>	<u>Sidewalk</u>	<u>Fire Districts</u>	<u>Education Grants</u>	<u>Adult Education</u>	<u>Parking Commission</u>	<u>Youth Services</u>	<u>C.O.P.S. Grant</u>	<u>Lead Paint Abatement</u>	<u>Other Grants and Programs</u>	<u>Economic Development</u>
Revenues:												
Property taxes, interest and liens	\$	\$	\$	\$ 4,935	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues		2,349		1,195	12,299	539		99	9	532	434	184
Charges for services	22	349	39	17	319	857	260					
Investment income				3		1						
Other								62		4	56	
Total revenues	<u>22</u>	<u>2,698</u>	<u>39</u>	<u>6,150</u>	<u>12,618</u>	<u>1,397</u>	<u>260</u>	<u>161</u>	<u>9</u>	<u>536</u>	<u>490</u>	<u>184</u>
Expenditures:												
Current:												
General government							212				284	191
Public safety	45			6,723				9			8	
Social services								192		578	31	
Public works			129	689							456	
Education		2,667			12,697	1,393						
Capital outlay												
Total expenditures	<u>45</u>	<u>2,667</u>	<u>129</u>	<u>7,412</u>	<u>12,697</u>	<u>1,393</u>	<u>212</u>	<u>192</u>	<u>9</u>	<u>578</u>	<u>779</u>	<u>191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23)</u>	<u>31</u>	<u>(90)</u>	<u>(1,262)</u>	<u>(79)</u>	<u>4</u>	<u>48</u>	<u>(31)</u>	<u>-</u>	<u>(42)</u>	<u>(289)</u>	<u>(7)</u>
Other Financing Sources (Uses):												
Transfers in				920	47						342	
Transfer out												
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>920</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342</u>	<u>-</u>
Net Change in Fund Balances	(23)	31	(90)	(342)	(32)	4	48	(31)	-	(42)	53	(7)
Fund Balances at Beginning of Year	(33)	568	162	1,536	354	73	(71)	82	-	51	161	13
Fund Balances at End of Year	<u>\$ (56)</u>	<u>\$ 599</u>	<u>\$ 72</u>	<u>\$ 1,194</u>	<u>\$ 322</u>	<u>\$ 77</u>	<u>\$ (23)</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 214</u>	<u>\$ 6</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Special Revenue											Total	
	Community Development Fund	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Sachem Fund	Property Rehabilitation		Brown Park
Revenues:													
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 4,935
Intergovernmental revenues	575	114		34	230	4	59	12					18,668
Charges for services					422	131		64			142		2,622
Investment income										1		1	6
Other		80	1			3	70		50				326
Total revenues	<u>575</u>	<u>194</u>	<u>1</u>	<u>34</u>	<u>652</u>	<u>138</u>	<u>129</u>	<u>76</u>	<u>-</u>	<u>51</u>	<u>142</u>	<u>1</u>	<u>26,557</u>
Expenditures:													
Current:													
General government													687
Public safety	10			21	556								7,372
Social services	502					206	134	126			232		2,001
Public works	2												1,276
Education		182											16,939
Capital outlay													-
Total expenditures	<u>514</u>	<u>182</u>	<u>-</u>	<u>21</u>	<u>556</u>	<u>206</u>	<u>134</u>	<u>126</u>	<u>-</u>	<u>-</u>	<u>232</u>	<u>-</u>	<u>28,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>61</u>	<u>12</u>	<u>1</u>	<u>13</u>	<u>96</u>	<u>(68)</u>	<u>(5)</u>	<u>(50)</u>	<u>-</u>	<u>51</u>	<u>(90)</u>	<u>1</u>	<u>(1,718)</u>
Other Financing Sources (Uses):													
Transfers in													1,350
Transfer out	(61)				(115)						41		(176)
Total other financing sources (uses)	<u>(61)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>1,174</u>
Net Change in Fund Balances	-	12	1	13	(19)	(68)	(5)	(50)	-	51	(49)	1	(544)
Fund Balances at Beginning of Year	-	174	3	118	27	190	82	103	119	234	22	42	4,010
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ 4</u>	<u>\$ 131</u>	<u>\$ 8</u>	<u>\$ 122</u>	<u>\$ 77</u>	<u>\$ 53</u>	<u>\$ 119</u>	<u>\$ 285</u>	<u>\$ (27)</u>	<u>\$ 43</u>	<u>\$ 3,466</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	<u>Capital Projects</u>					<u>Permanent</u>				<u>Total Nonmajor Governmental Funds</u>	
	<u>Capital Improvement</u>	<u>Intermodal Transportation Center</u>	<u>School Projects</u>	<u>Landfill Closure</u>	<u>Total</u>	<u>Public Parks & Gardens</u>	<u>Fred Abbot Summer Concert</u>	<u>Cemetery Trust</u>	<u>Total</u>		<u>Interfund Eliminations</u>
Revenues:											
Property taxes, interest and liens	\$		\$	\$	\$ -	\$	\$	\$	\$ -	\$	\$ 4,935
Intergovernmental revenues	746		659	148	1,553				-		20,221
Charges for services					-				-		2,622
Investment income					-			203	203		209
Other		72			72				-		398
Total revenues	<u>746</u>	<u>72</u>	<u>659</u>	<u>148</u>	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>203</u>	<u>-</u>	<u>28,385</u>
Expenditures:											
Current:											
General government		142			142			15	15		844
Public safety					-				-		7,372
Social services					-				-		2,001
Public works				148	148				-		1,424
Education					-				-		16,939
Capital outlay	2,307	327			2,634			15	-		2,634
Total expenditures	<u>2,307</u>	<u>469</u>	<u>-</u>	<u>148</u>	<u>2,924</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>-</u>	<u>31,214</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,561)</u>	<u>(397)</u>	<u>659</u>	<u>-</u>	<u>(1,299)</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>188</u>	<u>-</u>	<u>(2,829)</u>
Other Financing Sources (Uses):											
Transfers in	2,320				2,320				-	(281)	3,389
Transfer out	(300)				(300)			(59)	(59)	281	(254)
Total other financing sources (uses)	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>(59)</u>	<u>(59)</u>	<u>-</u>	<u>3,135</u>
Net Change in Fund Balances	459	(397)	659	-	721	-	-	129	129	-	306
Fund Balances at Beginning of Year	1,511	379	26	259	2,175	40	5	1,450	1,495	-	7,680
Fund Balances at End of Year	<u>\$ 1,970</u>	<u>\$ (18)</u>	<u>\$ 685</u>	<u>\$ 259</u>	<u>\$ 2,896</u>	<u>\$ 40</u>	<u>\$ 5</u>	<u>\$ 1,579</u>	<u>\$ 1,624</u>	<u>\$ -</u>	<u>\$ 7,986</u>

7:

CITY OF NORWICH, CONNECTICUT

**FIRE DISTRICTS FUND REVENUES
BUDGETARY BASIS - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Taxes, interest and lien fees:				
Fire	\$ 4,319	\$ 4,319	\$ 4,366	\$ 47
Volunteer fire	552	552	569	17
Total taxes, interest and lien fees	<u>4,871</u>	<u>4,871</u>	<u>4,935</u>	<u>64</u>
Intergovernmental:				
City Housing	190	190	190	-
In lieu of taxes - fire	49	49	49	-
Elderly reimbursement	85	85	85	-
Mashantucket Pequot	871	871	871	-
Total intergovernmental	<u>1,195</u>	<u>1,195</u>	<u>1,195</u>	<u>-</u>
Charges for services:				
Conveyance fees	<u>14</u>	<u>14</u>	<u>17</u>	<u>3</u>
Other:				
Other fund transfers	<u>920</u>	<u>920</u>	<u>920</u>	<u>-</u>
Investment income	<u>5</u>	<u>5</u>	<u>3</u>	<u>(2)</u>
Total	<u>\$ 7,005</u>	<u>\$ 7,005</u>	<u>\$ 7,070</u>	<u>\$ 65</u>

CITY OF NORWICH, CONNECTICUT

**FIRE DISTRICTS FUND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Fire and Refuse:				
Employees	\$ 3,003	\$ 3,003	\$ 2,953	\$ 50
Overtime	40	40	29	11
Replacement costs	873	873	741	132
Hospitalization	689	689	689	-
Fringe benefits	2,448	2,448	2,456	(8)
Workers compensation	158	158	158	-
Volunteer firefighter tax credit	85	85	77	8
Volunteer firefighter trust fund	309	309	309	-
	<u>7,605</u>	<u>7,605</u>	<u>7,412</u>	<u>193</u>
Total	\$ <u>7,605</u>	\$ <u>7,605</u>	\$ <u>7,412</u>	\$ <u>193</u>

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF FIRE DISTRICT TAXES
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

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Grand List	Uncollected Taxes July 1, 2013	Lawful Corrections		Transfers to Suspend	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2014**
		Additions	Deductions			Taxes	Interest	Fees	Total	
2012	\$ 4,977	\$ 5	\$ 22	\$ 17	\$ 4,943	\$ 4,724	\$ 27	\$ -	\$ 4,751	\$ 219
2011	199	2	7	16	178	99	22	-	121	79
2010	83	1	4	39	41	21	8	-	29	20
2009	62		4	37	21	6	3	-	9	15
2008	12		3	4	5	1	-	-	1	4
2007	6		1	3	2	-	-	-	-	2
2006	3			3	-	-	-	-	-	-
2005	2	2	1	3	-	-	-	-	-	-
2004	2		1	1	-	-	-	-	-	-
2003	3			3	-	-	-	-	-	-
2002	2			2	-	-	-	-	-	-
2001	2	1		2	1	-	-	-	-	1
2000	1	1		2	-	-	-	-	-	-
1999	2			2	-	-	-	-	-	-
1998	5		5 *		-	-	-	-	-	-
	<u>\$ 5,361</u>	<u>\$ 12</u>	<u>\$ 48</u>	<u>\$ 134</u>	<u>\$ 5,191</u>	<u>4,851</u>	<u>60</u>	<u>-</u>	<u>4,911</u>	<u>\$ 340</u>
				Suspend collections		<u>8</u>	<u>7</u>	<u>-</u>	<u>15</u>	
				Total Tax Collections		<u>\$ 4,859</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>4,926</u>	
				Property taxes receivable considered available:						
				June 30, 2013					(38)	
				June 30, 2014					<u>47</u>	
				Total					<u>\$ 4,935</u>	

*Operation of law

**Represents gross receivable of \$341 net of overpayments of \$1 recorded as a liability.

**Nonmajor
Enterprise Funds**

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDSJUNE 30, 2014
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Assets:				
Current assets:				
Receivables, net:				
User charges	\$	\$ 42	\$ 33	\$ 75
Due from other funds	230	69		299
Inventories			42	42
Total current assets	<u>230</u>	<u>111</u>	<u>75</u>	<u>416</u>
Capital assets, net	<u>2,263</u>	<u>7,103</u>	<u>130</u>	<u>9,496</u>
Total assets	<u>2,493</u>	<u>7,214</u>	<u>205</u>	<u>9,912</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	86	16	42	144
Bonds payable	25			25
Due to other funds			700	700
Unearned revenue	<u>207</u>			<u>207</u>
Total current liabilities	<u>318</u>	<u>16</u>	<u>742</u>	<u>1,076</u>
Noncurrent liabilities:				
Bonds payable	<u>165</u>			<u>165</u>
Total liabilities	<u>483</u>	<u>16</u>	<u>742</u>	<u>1,241</u>
Net Position:				
Net investment in capital assets	2,073	7,103	130	9,306
Unrestricted	<u>(63)</u>	<u>95</u>	<u>(667)</u>	<u>(635)</u>
Total Net Position	<u>\$ 2,010</u>	<u>\$ 7,198</u>	<u>\$ (537)</u>	<u>\$ 8,671</u>

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Operating Revenues:				
Charges for services	\$ 1,131	\$ 155	\$ 534	\$ 1,820
Operating Expenses:				
Operations and maintenance	1,115	150	943	2,208
Depreciation	61	212	123	396
Total operating expenses	1,176	362	1,066	2,604
Operating Loss	(45)	(207)	(532)	(784)
Nonoperating income (expense):				
Interest expense	(6)			(6)
Loss on disposal of capital assets			(5)	(5)
Net loss before transfers	(51)	(207)	(537)	(795)
Transfers in			80	80
Change in Net Position	(51)	(207)	(457)	(715)
Net Position at Beginning of Year	2,061	7,405	(80)	9,386
Net Position at End of Year	\$ 2,010	\$ 7,198	\$ (537)	\$ 8,671

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDSFOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 1,149	\$ 209	\$ 513	\$ 1,871
Cash paid to vendors	(476)	(135)	(379)	(990)
Cash paid to employees for services	(603)		(259)	(862)
Net cash provided by (used in) operating activities	<u>70</u>	<u>74</u>	<u>(125)</u>	<u>19</u>
Cash Flows from Noncapital Financing Activities:				
Advances from other funds			80	80
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(47)			(47)
Interest payments on long-term debt	(6)			(6)
Purchase of capital assets	(17)	(74)	(14)	(105)
Proceeds from the sale of capital assets			59	59
Net cash provided by (used in) capital and related financing activities	<u>(70)</u>	<u>(74)</u>	<u>45</u>	<u>(99)</u>
Net Decrease in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of Year	-	-	-	-
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating loss	\$ (45)	\$ (207)	\$ (532)	\$ (784)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	61	212	123	396
Decrease (increase) in receivables	6	54	(21)	39
Decrease in inventories and other assets			13	13
Increase in due from other funds	(8)			(8)
Increase in due to other funds		7	278	285
Increase in unearned revenues	20			20
Increase in accounts payable and accrued liabilities	36	8	14	58
Total adjustments	<u>115</u>	<u>281</u>	<u>407</u>	<u>803</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 70</u>	<u>\$ 74</u>	<u>\$ (125)</u>	<u>\$ 19</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

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

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDSJUNE 30, 2014
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets:			
Current:			
Due from other funds	\$ 3,526	\$ 3,316	\$ 6,842
Total assets	<u>3,526</u>	<u>3,316</u>	<u>6,842</u>
Liabilities:			
Current:			
Accounts payable	2	5	7
Risk management claims	<u>1,293</u>	<u>1,094</u>	<u>2,387</u>
Total current liabilities	<u>1,295</u>	<u>1,099</u>	<u>2,394</u>
Noncurrent:			
Risk management claims	<u> </u>	<u>3,438</u>	<u>3,438</u>
Total liabilities	<u>1,295</u>	<u>4,537</u>	<u>5,832</u>
Net Position:			
Unrestricted	<u>\$ 2,231</u>	<u>\$ (1,221)</u>	<u>\$ 1,010</u>

CITY OF NORWICH, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 14,909	\$ 2,362	\$ 17,271
Other		3,293	3,293
Total operating revenues	<u>14,909</u>	<u>5,655</u>	<u>20,564</u>
Operating Expenses:			
Claims expense	13,290	2,140	15,430
Premiums and administrative expenses	<u>1,142</u>	<u>239</u>	<u>1,381</u>
Total operating expenses	<u>14,432</u>	<u>2,379</u>	<u>16,811</u>
Operating Income	477	3,276	3,753
Net Position at Beginning of Year	<u>1,754</u>	<u>(4,497)</u>	<u>(2,743)</u>
Net Position at End of Year	<u>\$ 2,231</u>	<u>\$ (1,221)</u>	<u>\$ 1,010</u>

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from charges for services	\$ 3,040	\$ 79	\$ 3,119
Cash receipts for interfund services provided	11,477	2,300	13,777
Cash paid to vendors	<u>(14,517)</u>	<u>(2,379)</u>	<u>(16,896)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ <u>477</u>	\$ <u>3,276</u>	\$ <u>3,753</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in receivables	461		461
Decrease (increase) in due from other funds	(853)	23	(830)
Decrease in accounts payable and accrued liabilities	<u>(85)</u>	<u>(3,299)</u>	<u>(3,384)</u>
Total adjustments	<u>(477)</u>	<u>(3,276)</u>	<u>(3,753)</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiduciary Funds

FIDUCIARY FUNDS

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

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

The City's Agency Funds are listed below:

Student Activities

Rehabilitation Deposits

Bid Deposit

Performance Bonds

CITY OF NORWICH, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

(In Thousands)

	<u>Student Activities</u>	<u>Rehabilitation Deposits</u>	<u>Bid Deposit</u>	<u>Performance Bonds</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 51	\$	\$	\$ 495	\$ 546
Other		<u>2</u>	<u>128</u>		<u>130</u>
Total Assets	<u>\$ 51</u>	<u>\$ 2</u>	<u>\$ 128</u>	<u>\$ 495</u>	<u>\$ 676</u>
Liabilities:					
Due to student groups and agencies	<u>\$ 51</u>	<u>\$ 2</u>	<u>\$ 128</u>	<u>\$ 495</u>	<u>\$ 676</u>

CITY OF NORWICH, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ <u>68</u>	\$ <u>101</u>	\$ <u>118</u>	\$ <u>51</u>
Liabilities:				
Due to student groups and agencies	\$ <u>68</u>	\$ <u>101</u>	\$ <u>118</u>	\$ <u>51</u>
Rehabilitation Deposits				
Assets:				
Other	\$ <u>2</u>	\$ <u>2</u>	\$ <u>2</u>	\$ <u>2</u>
Liabilities:				
Due to student groups and agencies	\$ <u>2</u>	\$ <u>2</u>	\$ <u>2</u>	\$ <u>2</u>
Bid Deposit				
Assets:				
Other	\$ <u>14</u>	\$ <u>255</u>	\$ <u>141</u>	\$ <u>128</u>
Liabilities:				
Due to student groups and agencies	\$ <u>14</u>	\$ <u>255</u>	\$ <u>141</u>	\$ <u>128</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>431</u>	\$ <u>84</u>	\$ <u>20</u>	\$ <u>495</u>
Liabilities:				
Due to student groups and agencies	\$ <u>431</u>	\$ <u>84</u>	\$ <u>20</u>	\$ <u>495</u>
Total - All Funds				
Assets:				
Cash and cash equivalents	\$ 499	\$ 185	\$ 138	\$ 546
Other	<u>16</u>	<u>257</u>	<u>143</u>	<u>130</u>
Total	\$ <u>515</u>	\$ <u>442</u>	\$ <u>281</u>	\$ <u>676</u>
Liabilities:				
Due to student groups and agencies	\$ <u>515</u>	\$ <u>442</u>	\$ <u>281</u>	\$ <u>676</u>

Supplemental Schedules

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF BONDS AND SERIAL NOTES PAYABLE
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

Description	Interest Rate (%)	Issue Date	Maturity Date	Original Amount Issued	Balance Beginning of Year	Issued During Year	Paid During Year	Balance End of Year
Governmental Activities:								
General purpose bonds payable:								
General purpose - Wauregan Hotel	5.50-6.75	04/01/2001	04/01/2017	\$ 400	\$ 100		\$ 100	\$ -
General purpose	2.00-3.55	04/15/2004	04/15/2015	3,120	465		235	230
Refunding - (11/15/1997 and 11/01/1999) bonds	2.0-4.0	04/15/2004	04/15/2019	4,520	1,880		1,880	-
General purpose and water main	3.0-5.0	03/15/2005	09/15/2015	3,520	1,050		1,050	-
Refunding - (02/01/1996 and 04/01/2001) bonds	3.0-4.0	03/15/2005	09/15/2019	8,570	4,547		4,547	-
Schools	-	12/30/2008	12/30/2020	2,940	1,960		245	1,715
Refunding - (04/01/2001) bonds	2.0-3.0	12/02/2009	04/01/2014	4,235	1,015		1,015	-
General purpose	3.0-4.0	12/02/2009	12/01/2029	9,145	8,175		450	7,725
Schools	3.0-4.0	12/02/2009	12/01/2029	2,000	1,788		103	1,685
General purpose	2.0-4.0	12/13/2011	12/01/2022	4,680	4,680		235	4,445
Schools	2.0-4.0	12/13/2011	12/01/2022	5,000	5,000		265	4,735
Refunding - (04/15/02) bonds	2.0	02/15/2012	04/15/2022	2,725	2,430		300	2,130
General Purpose	3.0-5.0	02/12/2014	09/15/2019	12,365		12,365		12,365
Refunding - (4/15/2004 series B and 3/15/2005) bonds	3.0-5.0	02/12/2014	09/15/2019	2,793		2,793		2,793
Refunding - (4/15/2004 series B and 3/15/2005) bonds - Schools	3.0-5.0	02/12/2014	09/15/2019	2,987		2,987		2,987
Total				<u>69,000</u>	<u>33,090</u>	<u>18,145</u>	<u>10,425</u>	<u>40,810</u>
Business-Type Activities:								
General purpose bonds payable:								
Refunding - (02/01/1996) Stony Brook Reservoir	3.0-4.0	03/15/2005	09/15/2015	368	117		117	-
Refunding - (02/12/2014) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	73		73		73
Golf course	3.0-4.0	12/02/2009	12/01/2029	265	237		47	190
State of Connecticut serial notes payable:								
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	663		196	467
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	452		75	377
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	414		45	369
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	925		98	827
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	358		22	336
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,733		78	1,655
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	5,748		547	5,201
Clean Water Act 625-D1	*	*	*	*		2,510		2,510
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	119		7	112
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	277		16	261
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	55	105	1	159
Drinking Water State Revolving Fund 2010-7006	2.00	4/30/2014	04/30/2032	148	71	77	1	147
Drinking Water State Revolving Fund 2014-7027	*	*	*	*		352		352
Total				<u>17,246</u>	<u>11,169</u>	<u>3,117</u>	<u>1,250</u>	<u>13,036</u>
Total				<u>\$ 86,246</u>	<u>\$ 44,259</u>	<u>\$ 21,262</u>	<u>\$ 11,675</u>	<u>\$ 53,846</u>

* Loans are not permanently financed at this time.

CITY OF NORWICH, CONNECTICUT
BOND AND SERIAL NOTES PAYABLE
SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	General Obligation Bonds		General Obligation Bonds And Serial Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ 3,900	\$ 1,344	\$ 3,709	\$ 207	\$ 7,609	\$ 1,551
2016	3,675	1,273	859	188	4,534	1,461
2017	3,130	1,140	733	171	3,863	1,311
2018	3,075	982	676	155	3,751	1,137
2019	2,950	883	692	140	3,642	1,023
2020	2,740	796	626	126	3,366	922
2021	2,205	722	628	112	2,833	834
2022	1,965	653	522	98	2,487	751
2023	1,720	583	442	89	2,162	672
2024	1,720	517	450	80	2,170	597
2025	1,695	452	458	71	2,153	523
2026	1,720	395	466	61	2,186	456
2027	1,720	337	474	52	2,194	389
2028	1,720	279	482	42	2,202	321
2029	1,720	220	489	32	2,209	252
2030	1,720	161	473	23	2,193	184
2031	1,120	112	462	13	1,582	125
2032	1,125	74	392	4	1,517	78
2033	595	45	3		598	45
2034	595	22			595	22
Total	\$ 40,810	\$ 10,990	\$ 13,036	\$ 1,664	\$ 53,846	\$ 12,654

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

CITY OF NORWICH, CONNECTICUT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets	\$ 84,303	\$ 95,200	\$ 92,031	\$ 87,252 *	\$ 60,432	\$ 53,165	\$ 50,696	\$ 44,114	\$ 38,680	\$ 34,514
Restricted	1,667	1,537	1,457	1,544	1,405	1,351	1,608	1,725	1,590	1,610
Unrestricted	24,762	12,940 *	14,373	10,296	14,414	6,088	9,884	13,808	16,460	15,074
Total governmental activities net position	<u>110,732</u>	<u>109,677</u>	<u>107,861</u>	<u>99,092</u>	<u>76,251</u>	<u>60,604</u>	<u>62,188</u>	<u>59,647</u>	<u>56,730</u>	<u>51,198</u>
Business-type activities:										
Net investment in capital assets	112,277	112,113	107,495	97,874 *	88,174	87,763	84,439	83,363	83,151	81,679
Restricted	228	188	361	334	287	758	758	876	643	279
Unrestricted	16,073	15,631 *	22,241	20,129	23,441	22,903	21,159	24,307	19,927	17,083
Total business-type activities net position	<u>128,578</u>	<u>127,932</u>	<u>130,097</u>	<u>118,337</u>	<u>111,902</u>	<u>111,424</u>	<u>106,356</u>	<u>108,546</u>	<u>103,721</u>	<u>99,041</u>
Primary government:										
Net investment in capital assets	196,580	207,313	199,526	185,126	148,606	140,928	135,135	127,477	121,831	116,193
Restricted	1,895	1,725	1,818	1,878	1,692	2,109	2,366	2,601	2,233	1,889
Unrestricted	40,835	28,571	36,614	30,425	37,855	28,991	31,043	38,115	36,387	32,157
Total Primary Government Net Position	<u>\$ 239,310</u>	<u>\$ 237,609</u>	<u>\$ 237,958</u>	<u>\$ 217,429</u>	<u>\$ 188,153</u>	<u>\$ 172,028</u>	<u>\$ 168,544</u>	<u>\$ 168,193</u>	<u>\$ 160,451</u>	<u>\$ 150,239</u>

Notes:

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

* as restated

CITY OF NORWICH, CONNECTICUT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
Governmental activities:										
General government	\$ 8,296	\$ 11,905	\$ 10,300	\$ 10,760	\$ 9,114	\$ 10,473	\$ 12,116	\$ 11,926	\$ 9,638	\$ 8,958
Public safety	23,882	22,840	20,571	20,336	18,063	20,326	18,271	16,108	15,754	14,105
Social services	4,248	4,059	4,201	4,664	5,602	4,954	4,852	3,984	4,048	3,037
Public works	15,989	11,887	13,444	9,133	9,449	15,819	11,617	11,504	11,109	13,781
Education	94,935	92,976	86,764	84,263	84,898	85,661	91,664	75,171	71,268	64,819
Interest on long-term debt	1,488	1,232	1,109	2,008	1,323	1,444	1,380	1,454	1,476	1,646
Total governmental activities expenses	<u>148,838</u>	<u>144,899</u>	<u>136,389</u>	<u>131,164</u>	<u>128,449</u>	<u>138,677</u>	<u>139,900</u>	<u>120,147</u>	<u>113,293</u>	<u>106,346</u>
Business-type activities:										
Department of Public Utilities	77,462	75,476	75,620	80,977	74,716	77,192	74,114	66,885	67,275	57,133
Other enterprise funds	2,615	2,470	2,495	2,425	2,413	2,529	2,568	2,373	2,583	2,505
Total business-type activities expenses	<u>80,077</u>	<u>77,946</u>	<u>78,115</u>	<u>83,402</u>	<u>77,129</u>	<u>79,721</u>	<u>76,682</u>	<u>69,258</u>	<u>69,858</u>	<u>59,638</u>
Total primary government expenses	<u>228,915</u>	<u>222,845</u>	<u>214,504</u>	<u>214,566</u>	<u>205,578</u>	<u>218,398</u>	<u>216,582</u>	<u>189,405</u>	<u>183,151</u>	<u>165,984</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	2,107	1,907	1,866	1,860	1,778	1,602	2,078	2,861	3,097	2,682
Public works	811	1,684	771	1,250	819	2,962	3,017	2,994	2,730	2,988
Education	1,581	1,620	1,708	1,570	2,051	2,184	1,864	1,935	1,674	1,447
Other	887	1,009	1,032	1,076	1,012	1,171	970	694	747	717
Operating grants and contributions	58,277	55,684	53,139	54,051	54,424	52,034	62,359	47,469	47,561	41,727
Capital grants and contributions	1,664	791	10,749	22,962	11,163	5,810	1,635	934	1,736	1,907
Total governmental activities program revenues	<u>65,327</u>	<u>62,695</u>	<u>69,265</u>	<u>82,769</u>	<u>71,247</u>	<u>65,763</u>	<u>71,923</u>	<u>56,887</u>	<u>57,545</u>	<u>51,468</u>
Business-type activities:										
Charges for services:										
Gas	17,609	14,893	13,370	16,282	16,508	21,596	16,961	16,612	18,999	15,099
Electric	51,627	51,396	60,151	58,283	52,303	55,152	49,265	49,607	46,158	38,706
Water	8,808	8,376	6,656	6,794	6,117	6,027	5,790	5,115	5,099	4,970
Sewer	6,994	7,252	6,876	7,185	7,580	5,536	5,641	5,340	5,384	4,077
Other nonmajor enterprise funds	1,820	1,882	2,054	2,081	2,081	2,188	2,245	2,168	2,269	2,299
Capital grants and contributions	1,798	65	6,798	6,704	200	1,315	1,216	1,037	1,696	2,115
Total business-type activities program revenues	<u>88,656</u>	<u>83,864</u>	<u>95,905</u>	<u>97,329</u>	<u>84,789</u>	<u>91,814</u>	<u>81,118</u>	<u>79,879</u>	<u>79,605</u>	<u>67,266</u>
Total primary government program revenues	<u>153,983</u>	<u>146,559</u>	<u>165,170</u>	<u>180,098</u>	<u>156,036</u>	<u>157,577</u>	<u>153,041</u>	<u>136,766</u>	<u>137,150</u>	<u>118,734</u>
Net (expense) revenue:										
Governmental activities	(83,511)	(82,204)	(67,124)	(48,395)	(57,202)	(72,914)	(67,977)	(63,260)	(55,748)	(54,878)
Business-type activities	8,579	5,918	17,790	13,927	7,660	12,093	4,436	10,621	9,747	7,628
Total Primary Government Net Expense	<u>\$ (74,932)</u>	<u>\$ (76,286)</u>	<u>\$ (49,334)</u>	<u>\$ (34,468)</u>	<u>\$ (49,542)</u>	<u>\$ (60,821)</u>	<u>\$ (63,541)</u>	<u>\$ (52,639)</u>	<u>\$ (46,001)</u>	<u>\$ (47,250)</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 70,539	\$ 69,598	\$ 63,198	\$ 61,307	\$ 59,956	\$ 57,897	\$ 56,456	\$ 52,327	\$ 49,726	\$ 45,426
Grants and contributions not restricted to specific programs	4,900	5,005	4,315	4,391	4,372	5,480	5,407	5,522	4,786	5,030
Unrestricted investment earnings	247	202	51	283	321	262	998	1,199	843	488
Miscellaneous	942	1,126	890	1,414	998	558	631	910	540	1,217
Transfers	7,938	8,089	7,439	8,277	7,202	7,133	7,026	6,219	5,385	5,006
Total governmental activities	<u>84,566</u>	<u>84,020</u>	<u>75,893</u>	<u>75,672</u>	<u>72,849</u>	<u>71,330</u>	<u>70,518</u>	<u>66,177</u>	<u>61,280</u>	<u>57,167</u>
Business-type activities:										
Investment earnings	5	6	11	14	20	108	400	423	318	204
Transfers	(7,938)	(8,089)	(7,493)	(8,277)	(7,202)	(7,133)	(7,026)	(6,219)	(5,385)	(5,006)
Total business-type activities	<u>(7,933)</u>	<u>(8,083)</u>	<u>(7,482)</u>	<u>(8,263)</u>	<u>(7,182)</u>	<u>(7,025)</u>	<u>(6,626)</u>	<u>(5,796)</u>	<u>(5,067)</u>	<u>(4,802)</u>
Total Primary Government	<u>\$ 76,633</u>	<u>\$ 75,937</u>	<u>\$ 68,411</u>	<u>\$ 67,409</u>	<u>\$ 65,667</u>	<u>\$ 64,305</u>	<u>\$ 63,892</u>	<u>\$ 60,381</u>	<u>\$ 56,213</u>	<u>\$ 52,365</u>
Changes in Net Position:										
Governmental activities	\$ 1,055	\$ 1,816	\$ 8,769	\$ 27,277	\$ 15,647	\$ (1,584)	\$ 2,541	\$ 2,917	\$ 5,532	\$ 2,289
Business-type activities	646	(2,165)	10,308	5,664	478	5,068	(2,190)	4,825	4,680	2,826
Total Primary Government	<u>\$ 1,701</u>	<u>\$ (349)</u>	<u>\$ 19,077</u>	<u>\$ 32,941</u>	<u>\$ 16,125</u>	<u>\$ 3,484</u>	<u>\$ 351</u>	<u>\$ 7,742</u>	<u>\$ 10,212</u>	<u>\$ 5,115</u>

Notes:

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

CITY OF NORWICH, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund:										
Reserved	\$	\$	\$	\$	\$ 268	\$ 283	\$ 308	\$ 425	\$ 259	\$ 398
Unreserved					9,834	9,616	10,676	11,651	11,030	10,573
Assigned	498	920	264	178						
Unassigned	10,483	10,275	10,371	10,649						
Total General Fund	<u>\$ 10,981</u>	<u>\$ 11,195</u>	<u>\$ 10,635</u>	<u>\$ 10,827</u>	<u>\$ 10,102</u>	<u>\$ 9,899</u>	<u>\$ 10,984</u>	<u>\$ 12,076</u>	<u>\$ 11,289</u>	<u>\$ 10,971</u>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$ 1,776	\$ 1,729	\$ 2,095	\$ 3,170	\$ 3,077	\$ 2,475
Unreserved, reported in:										
Special revenue funds					2,915	2,183	2,487	2,746	2,577	2,532
Capital projects funds					3,911	(1,898)	(1,493)	(541)	2,460	3,265
Nonspendable	1,660	1,484	1,443	1,523						
Restricted	2,096	2,193	3,179	1,421						
Committed	4,354	4,107	4,271	4,344						
Unassigned	(1,043)	(7,877)	(2,878)	(7,208)						
Total All Other Governmental Funds	<u>\$ 7,067</u>	<u>\$ (93)</u>	<u>\$ 6,015</u>	<u>\$ 80</u>	<u>\$ 8,602</u>	<u>\$ 2,014</u>	<u>\$ 3,089</u>	<u>\$ 5,375</u>	<u>\$ 8,114</u>	<u>\$ 8,272</u>

Notes:

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

CITY OF NORWICH, CONNECTICUT

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Property taxes, interest and liens	\$ 71,555	\$ 69,360	\$ 63,286	\$ 60,817	\$ 59,214	\$ 57,623	\$ 55,893	\$ 52,976	\$ 49,704	\$ 47,652
Intergovernmental	65,112	61,368	68,137	81,439	69,937	63,116	69,880	53,909	53,572	48,159
Charges for services, licenses, permits, fees and other	6,858	6,686	6,816	7,292	7,353	8,508	9,135	10,097	9,283	10,296
Investment income	248	202	50	283	321	260	991	1,171	813	462
Total revenues	<u>143,773</u>	<u>137,616</u>	<u>138,289</u>	<u>149,831</u>	<u>136,825</u>	<u>129,507</u>	<u>135,899</u>	<u>118,153</u>	<u>113,372</u>	<u>106,569</u>
Expenditures:										
General government	5,777	5,473	5,008	5,822	6,466	6,716	7,339	5,782	5,290	5,262
Public safety	22,958	21,672	19,685	19,447	17,832	18,606	17,348	16,163	15,634	13,736
Social services	4,013	3,616	4,125	4,029	4,261	4,640	4,313	4,272	4,273	3,782
Public works	11,115	10,121	10,187	9,633	9,421	10,359	10,944	10,412	9,964	10,095
Education	94,320	91,108	84,067	84,690	83,893	82,866	91,194	74,223	70,592	65,363
Other	5,598	4,943	4,795	3,411	3,461	3,693	4,365	4,286	3,531	3,529
Capital outlay	9,275	9,156	16,954	34,905	18,274	10,826	6,102	6,337	3,707	3,929
Debt service:										
Principal	4,330	3,906	3,915	3,475	3,530	2,835	3,356	3,616	3,975	3,928
Interest	1,283	1,258	1,075	1,297	713	1,199	1,342	1,425	1,631	1,759
Total expenditures	<u>158,669</u>	<u>151,253</u>	<u>149,811</u>	<u>166,709</u>	<u>147,851</u>	<u>141,740</u>	<u>146,303</u>	<u>126,516</u>	<u>118,597</u>	<u>111,383</u>
Excess of revenues over (under) expenditures	<u>(14,896)</u>	<u>(13,637)</u>	<u>(11,522)</u>	<u>(16,878)</u>	<u>(11,026)</u>	<u>(12,233)</u>	<u>(10,404)</u>	<u>(8,363)</u>	<u>(5,225)</u>	<u>(4,814)</u>
Other financing sources (uses):										
Transfers in	10,746	11,092	11,701	18,424	12,404	10,686	10,505	9,885	8,760	8,246
Transfers out	(2,808)	(3,003)	(4,262)	(10,147)	(5,202)	(3,553)	(3,479)	(3,666)	(3,375)	(3,240)
Issuance of capital leases	617			804				192		
Bonds issued	12,365		9,680		10,545	2,940				2,810
Bond premium	1,368		181		125					
Refunding bonds issued	5,780		2,725		4,240					8,202
Payment to refunding bond escrow agent	(6,226)		(2,760)		(4,295)					(8,128)
Total other financing sources	<u>21,842</u>	<u>8,089</u>	<u>17,265</u>	<u>9,081</u>	<u>17,817</u>	<u>10,073</u>	<u>7,026</u>	<u>6,411</u>	<u>5,385</u>	<u>7,890</u>
Net change in fund balances	6,946	(5,548)	5,743	(7,797)	6,791	(2,160)	(3,378)	(1,952)	160	3,076
Fund Balances at Beginning of Year	<u>11,102</u>	<u>16,650</u>	<u>10,907</u>	<u>18,704</u>	<u>11,913</u>	<u>14,073</u>	<u>17,451</u>	<u>19,403</u>	<u>19,243</u>	<u>16,167</u>
Fund Balances at End of Year	<u>\$ 18,048</u>	<u>\$ 11,102</u>	<u>\$ 16,650</u>	<u>\$ 10,907</u>	<u>\$ 18,704</u>	<u>\$ 11,913</u>	<u>\$ 14,073</u>	<u>\$ 17,451</u>	<u>\$ 19,403</u>	<u>\$ 19,243</u>
Debt Service as a Percentage of Noncapital Expenditures	3.63%	3.52%	3.69%	3.57%	3.32%	2.98%	3.36%	4.20%	4.91%	5.27%

Notes:

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

CITY OF NORWICH, CONNECTICUT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Grand List Year	Real Property				Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Grand List	Total Adjusted Tax Levy (General Fund, CCD Fire Taxes and TCD Taxes)	Average Direct Rate (In Mills)	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	State Equalized Net Grand List
		Industrial and Commercial	Residential	Motor Vehicle	Personal Property								
2014	2012	\$ 453,582	\$ 1,669,529	\$ 194,509	\$ 140,057	\$ 2,457,677	\$ 33,750	\$ 2,423,927	\$ 70,865	\$ 29.24	\$ 3,462,753	70.00 %	\$ 2,936,728
2013	2011	454,877	1,675,445	218,925	144,144	2,493,391	38,323	2,455,068	69,179	28.18	3,507,240	70.00	2,432,705
	2010	453,611	1,663,064	186,880	132,490	2,436,045	41,816	2,394,229	63,162	26.38	3,420,327	70.00	2,942,694
	2009	467,731	1,656,685	202,209	118,062	2,444,687	36,522	2,408,165	60,982	25.32	3,440,236	70.00	3,147,981
	2008	433,291	1,666,402	194,403	114,906	2,409,002	30,891	2,378,111	58,839	24.74	3,397,301	70.00	3,400,922
	2007	344,640	1,235,104	208,756	112,575	1,901,075	24,841	1,876,234	57,972	30.90	2,680,334	70.00	3,615,569
	2006	341,360	1,225,489	183,186	92,878	1,842,913	23,384	1,819,529	55,469	30.49	2,599,327	70.00	3,559,366
	2005	326,636	1,213,923	177,323	93,706	1,811,588	19,898	1,791,690	53,057	29.61	2,559,557	70.00	3,592,741
	2004	326,235	1,190,123	165,690	90,463	1,772,511	27,325	1,745,186	49,389	28.30	2,493,123	70.00	3,276,807
	2003	408,784	1,095,366	153,492	100,570	1,758,212	24,916	1,733,296	46,563	26.86	2,476,137	70.00	2,502,936

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

Notes:

- (1) 2008 Real property grand list is adjusted to reflect statutory revaluation. The next revaluation will be on the October 1, 2013.
- (2) Property is assessed at approximately 70% of its market value. Assessed Value is 70% of Estimated Actual Value.

TABLE 6

CITY OF NORWICH, CONNECTICUT
PRINCIPAL PROPERTY TAXPAYERS
OCTOBER 1, 2012 AND OCTOBER 1, 2003

Business Name	Nature of Business	October 1, 2012			October 1, 2003		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Computer Science Corporation	Computer Products & Services	\$ 30,731	1	1.27%	\$ 12,547	2	0.72%
Bob's Discount Furniture	Retail Store & Distribution Warehouse	19,114	2	0.79%	4,837	8	0.28%
Plaza Enterprises	Shopping Center	14,782	3	0.61%			
EMC Corporation	Computer Products & Services	13,416	4	0.55%			
Algonquin Gas Transmissions LLC	Natural Gas Pipeline	9,840	5	0.41%			
Mashantucket Pequot Tribe	Real Estate	9,704	6	0.40%	7,640	3	0.44%
Norwich Community Development Corporation	Office Building	9,297	7	0.38%			
NorwichTown Commons	Shopping Center	9,241	8	0.38%	7,256	4	
Wal-Mart Stores, Inc.	Department Store	8,038	9	0.33%	4,482	9	0.26%
Norwich Realty Associates LP	Real Estate	7,874	10	0.32%	4,902	7	0.28%
Freeport-McMoran (fka Phelps Dodge)	Manufacturing - Copper				13,790	1	0.80%
Hamilton Park Wequonnoc Village	Apartments				6,151	5	0.35%
Kalimian Elias as Trustee	Apartments				5,190	6	0.30%
US Foodservice	Food Distributors				4,138	10	0.24%
Total		\$ 132,037		5.45%	\$ 70,933		3.67%

Source: City of Norwich Assessor's Office

Note:

(1) The October 1, 2012 grand list was the base grand list utilized for the tax bills issued July 1, 2013 for the 2014 fiscal year.

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

Fiscal Year Ended June 30,	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy	Collections Within the Fiscal Year of Levy		Tax Collections In Subsequent Years	Tax Collections To Date		Total Direct Rates	
				Amount	Percentage of Levy		Amount	Percentage of Levy	City Consolidated District	Town Consolidated District
General Fund										
2014	\$ 2,423,927	27.23	\$ 65,922	\$ 63,721	96.66%	\$ -	\$ 63,721	96.66%	32.27	27.59
2013	2,455,068	26.54	64,618	62,401	96.57%	1,323	63,724	98.62%	31.10	26.54
2012	2,394,228	24.76	59,110	57,141	96.67%	1,767	58,908	99.66%	28.83	25.12
2011	2,408,165	24.04	57,006	54,816	96.16%	2,059	56,875	99.77%	28.02	24.40
2010	2,378,111	23.48	55,162	53,056	96.18%	2,055	55,111	99.91%	27.11	23.84
2009	1,876,234	29.24	54,309	52,081	95.90%	2,197	54,278	99.94%	34.10	29.66
2008	1,819,529	28.57	51,980	50,213	96.60%	1,755	51,968	99.98%	33.32	28.93
2007	1,791,750	27.77	49,971	48,324	96.70%	1,638	49,962	99.98%	32.02	28.08
2006	1,745,186	26.72	46,541	44,977	96.64%	1,550	46,527	99.97%	30.75	27.02
2005	1,733,296	25.69	43,999	42,681	97.00%	1,316	43,997	100.00%	29.53	25.90
City Consolidated District (CCD) Fire Tax										
2014	\$ 864,925	5.04	\$ 4,378	\$ 4,172	95.29%	\$ -	\$ 4,172	95.29%		
2013	896,123	4.56	3,995	3,329	83.33%	111	3,440	86.11%		
2012	870,134	4.07	3,496	3,251	92.99%	146	3,397	97.17%		
2011	870,134	3.98	3,426	2,991	87.30%	160	3,151	91.97%		
2010	870,088	3.63	3,136	2,981	95.06%	141	3,122	99.55%		
2009	650,100	4.86	3,154	2,930	92.90%	173	3,103	98.38%		
2008	641,583	4.75	3,064	2,595	84.69%	134	2,729	89.07%		
2007	633,603	4.25	2,724	2,399	88.07%	128	2,527	92.77%		
2006	620,505	4.03	2,511	2,233	88.93%	112	2,345	93.39%		
2005	614,657	3.84	2,332	2,142	91.85%	99	2,241	96.10%		
Town Consolidated District (TCD) Volunteer Fire Relief Tax										
2014	\$ 1,559,002	0.36	\$ 564	\$ 552	97.87%	\$ -	\$ 552	97.87%		
2013	1,558,945	0.36	566	554	97.88%	8	562	99.29%		
2012	1,524,094	0.36	556	544	97.84%	11	555	99.82%		
2011	1,538,031	0.36	545	537	98.53%	13	550	100.92%		
2010	1,508,023	0.36	536	525	97.95%	15	540	100.75%		
2009	1,226,134	0.42	510	491	96.27%	18	509	99.80%		
2008	1,177,946	0.36	424	411	96.93%	13	424	100.00%		
2007	1,158,147	0.31	361	351	97.23%	10	361	100.00%		
2006	1,124,681	0.30	337	326	96.74%	11	337	100.00%		
2005	1,118,639	0.21	232	226	97.41%	6	232	100.00%		

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

Fiscal Year	Governmental Activities		Business-Type Activities			Total Debt			
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Notes	Capital Leases	Total Primary Government	Ratio of Debt to Taxable Assessed Value	Ratio of Debt to Total Personal Income ²	Debt Per Capita ²
2014	\$ 42,377	\$ 1,123	\$ 263	\$ 12,773	\$ 1,017	\$ 57,553	2.37%	5.62%	\$ 1,426
2013	33,034	667	352	10,815	1,349	46,217	1.88%	4.39%	1,145
2012	29,951	730	7,454	3,744	1,621	43,500	1.82%	4.12%	1,074
2011	26,736	804	4,904	4,269	1,717	34,355	1.43%	3.58%	848
2010	29,582	42	5,264	4,481	2,020	41,389	1.74%	4.31%	1,022
2009	21,936	80	5,624	4,027	2,688	34,355	1.83%	3.58%	944
2008	21,596	115	5,937	4,995	3,174	35,817	1.97%	4.78%	983
2007	24,952	146	6,576	5,430	1,402	38,506	2.15%	5.14%	1,058
2006	28,568		7,217	5,854	1,617	43,256	2.48%	5.77%	1,179
2005	32,700 *		7,795 *	6,269	2,222	48,986	2.83%	6.54%	1,353

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* Sewer extension bonds converted to business-type activity

Notes:

- (1) 2008 Real property taxable assessed value adjusted to reflect statutory revaluation.
- (2) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Property Tax Assessment schedule

² See Demographic Statistics schedule

CITY OF NORWICH, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2014

(In Thousands)

Total Tax Collections, Including Interest and Lien Fees					\$ 66,620
Total Tax Collections, Norwich Fire District					4,935
Reimbursement for Loss on:					
Tax relief for elderly - freeze					<u>4</u>
Base					<u>\$ 71,559</u>
	<u>General</u>			<u>Urban</u>	<u>Pension</u>
	<u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Renewal</u>	<u>Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 161,008	\$	\$	\$	\$
4-1/2 times base		322,016			
3-3/4 times base			268,346		
3-1/4 times base				232,567	
3 times base					<u>214,677</u>
Total debt limitation	<u>161,008</u>	<u>322,016</u>	<u>268,346</u>	<u>232,567</u>	<u>214,677</u>
Indebtedness:					
Bonds and serial					
notes payable	29,688	11,122	10,579		
Bonds authorized and					
unissued	<u>909</u>	<u>2,060</u>	<u>2,220</u>		
Total indebtedness	<u>30,597</u>	<u>13,182</u>	<u>12,799</u>	<u>-</u>	<u>-</u>
Debt Limitation in					
Excess of Outstanding					
and Authorized Debt	<u>\$ 130,411</u>	<u>\$ 308,834</u>	<u>\$ 255,547</u>	<u>\$ 232,567</u>	<u>\$ 214,677</u>

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$501 million.

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

Note 3: Bonds and serial notes payable do not include Water bonds of \$73 and State of Connecticut serial notes payable of \$2,194.

CITY OF NORWICH, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Legal Debt Limit:										
Seven times taxable base	\$ 500,913	\$ 485,548	\$ 443,058	\$ 427,106	\$ 416,010	\$ 416,010	\$ 391,216	\$ 369,635	\$ 348,698	\$ 333,578
Indebtedness:										
Bonds and serial notes payable	53,656	44,259	48,173	35,909	39,596	39,631	32,528	36,958	41,639	46,764
Bonds authorized and unissued	5,189	15,890	7,590	18,265	17,290	15,990	7,240	2,705	2,705	2,705
Total indebtedness	58,845	60,149	55,763	56,886	55,621	39,768	39,663	44,344	49,469	52,139
Less:										
Water bonds and serial notes payable	(2,267)	(1,922)	(2,066)	(3,151)	(3,964)	(3,968)	(4,350)	(4,729)	(3,045)	(3,357)
School building grants	(99)	(99)	(198)	(300)	(402)	(507)	(612)	(722)	(988)	(1,262)
Net indebtedness applicable to legal debt limit (1)	56,578	58,128	53,499	52,520	51,146	34,806	34,212	40,311	44,850	49,253
Debt Limitation in Excess of Outstanding and Authorized Debt (1)	\$ 444,335	\$ 427,420	\$ 389,559	\$ 363,490	\$ 364,864	\$ 356,410	\$ 335,423	\$ 308,387	\$ 288,728	\$ 280,180
Total net debt applicable to the limit as a percentage of debt limit	11.29%	11.97%	12.07%	12.62%	12.29%	8.90%	9.26%	11.56%	13.45%	14.95%
Total indebtedness as a percentage of net taxable assessed value (1)	2.33%	2.37%	2.11%	2.21%	2.726%	1.913%	1.909%	2.310%	2.588%	4.224%
Total indebtedness per capita (1)	\$ 1,402	\$ 1,441	\$ 1,321	\$ 1,297	\$ 1,263	\$ 957	\$ 939	\$ 1,107	\$ 1,222	\$ 1,360
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 58,845	\$ 60,149	\$ 55,763	\$ 56,886	\$ 55,621	\$ 39,768	\$ 39,663	\$ 44,344	\$ 49,469	\$ 52,139
Less authorized and unissued debt	(5,189)	(15,890)	(7,590)	(18,265)	(17,290)	(15,990)	(7,240)	(2,705)	(2,705)	(2,705)
Total direct debt	53,656	44,259	48,173	39,596	39,631	32,528	36,958	41,639	46,764	47,499
Less water and sewer indirect self-funding debt	(16,283)	(10,926)	(10,926)	(9,650)	(9,745)	(9,650)	(10,932)	(12,006)	(13,071)	(14,064)
Less school building grants	(99)	(99)	(198)	(402)	(507)	(612)	(722)	(988)	(1,262)	(1,842)
Total Net Direct Debt	\$ 37,373	\$ 33,234	\$ 37,049	\$ 29,449	\$ 29,474	\$ 20,984	\$ 24,230	\$ 27,580	\$ 31,438	\$ 38,568
Total direct debt as a percentage of State Equalized grand list	1.827%	1.819%	1.141%	1.164%	1.096%	0.914%	1.029%	1.271%	1.868%	1.891%
Total direct debt per capita	\$ 1,330	\$ 1,097	\$ 887	\$ 1,081	\$ 1,089	\$ 893	\$ 1,015	\$ 1,135	\$ 1,291	\$ 1,311
Total net debt as a percentage of State Equalized grand list	1.273%	1.366%	0.825%	0.866%	0.815%	0.590%	0.674%	0.842%	1.256%	1.535%
Total net debt per capita	\$ 926	\$ 824	\$ 915	\$ 727	\$ 728	\$ 577	\$ 665	\$ 758	\$ 857	\$ 1,065
Ratio of net general bonded debt to State Equalized grand list	1.827%	1.815%	1.630%	1.131%	1.152%	1.082%	0.897%	1.009%	1.241%	1.818%
Total net general bonded debt per capita	1,330	1,095	1,185	879	968	1,075	876	995	1,108	1,256

(1) Total and net indebtedness calculated in accordance with Connecticut General Statutes.

(2) The City has no overlapping debt.

(3) The Equalized Net Grand List is calculated annually by the State of Connecticut Office of Policy & Management.

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

Fiscal Year	Population (1)	(in thousands)		School Enrollment (3)	Employed (4)	Unemployed (4)	Median Household Income (6)	Percentage Unemployed (3)			
		Total Personal Income (2)						City of Norwich (4)	New London/ Norwich Market (4)	State of Connecticut (4)	United States (5)
2014	40,347	\$ 1,024,941		5,304	20,126	1,698	\$ 45,876	7.8%	6.6%	6.5%	6.1%
2013	40,347	1,052,796		5,304	19,999	1,929	51,225	8.8%	8.2%	8.1%	7.3%
2012	40,502	1,055,463		5,330	20,719	2,110	52,186	9.2%	8.6%	8.4%	8.2%
2011	40,493	960,133		5,363	19,386	2,177	51,436	10.1%	8.7%	9.0%	9.1%
2010	40,493	960,133		5,449	19,315	2,090	47,851	9.8%	8.6%	8.9%	9.6%
2009	36,388	960,133		5,519	19,231	1,858	48,505	8.8%	7.6%	7.9%	9.5%
2008	36,432	749,139		5,285	19,706	1,448	48,064	6.8%	5.9%	5.9%	6.0%
2007	36,408	749,139		5,575	20,083	1,033	46,907	4.9%	4.2%	4.6%	4.6%
2006	36,693	749,139		5,559	20,284	1,044	43,608	4.9%	4.2%	4.4%	4.6%
2005	36,218	749,139		5,390	20,033	1,248	42,656	5.9%	4.9%	5.3%	4.9%

Sources:

- (1) State of Connecticut Department of Public Health, US Census Bureau
- (2) U.S. Census Bureau, 2000 Census and 2011-2013 American Community Survey
- (3) School enrollment includes Norwich students attending the quasi-private high school, Norwich Free Academy.
- (4) Labor Department, State of Connecticut.
- (5) U.S. Department of Labor Bureau of Labor Statistics
- (6) Connecticut Economic Resource Center, Inc. and 2011-2013 American Community Survey

CITY OF NORWICH, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND 2005

Business Name	Nature of Business	2014			2005		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
William W. Backus Hospital	Medical Center	1437	1	7.14%	1,650	1	8.24%
City of Norwich (incl. NPU & BOE)	Municipality	948	2	4.71%	978	2	4.88%
State of Connecticut	All State agencies	890	3	4.42%			
Bob's Discount Furniture	Distribution Center	530	4	2.63%	202	9	1.01%
Computer Science Corporation	Computer Products & Services	443	5	2.20%	700	3	3.49%
Norwich Free Academy	Quasi-private high school	275	6	1.37%			
United Community & Family Services	Healthcare & community services	225	7	1.12%			
The American Group	Ambulance Service and other operations	187	8	0.93%	200	10	1.00%
AC Linen Services	Commercial laundry & dry cleaning	185	9	0.92%			
Dime Bank	Financial institution	177	10	0.88%			
Shop Rite	Grocery Store				418	4	2.09%
Interim Healthcare of Eastern CT	Healthcare				400	5	2.00%
Spa at Norwich Inn	Spa				300	6	1.50%
Daticon	Legal document storage				300	7	1.50%
US Foodservice	Food Distributors				223	8	1.11%
Total		5,297		26.32%	5,371		26.81%

Source: October 2013 Survey by Norwich Finance Department. Not all companies responded.

CITY OF NORWICH, CONNECTICUT
BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General City:										
City Manager	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	12.0	12.0	12.0	12.0	12.0	14.0	15.0	14.0	14.0	14.0
Treasurer	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Assessment	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.5	3.5
Personnel	4.6	4.6	3.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5
City Clerk	4.0	4.0	4.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0
City Council	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Police	104.0	107.0	100.0	94.0	96.0	98.0	98.0	100.0	100.0	101.0
Fire	61.0	62.6	59.6	59.5	59.5	59.5	59.5	55.5	55.5	55.5
Recreation	6.0	6.0	5.5	6.0	6.0	7.0	7.0	7.0	7.0	7.0
Human Services	5.0	7.0	7.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Senior Citizens Center	7.0	7.6	6.5	6.5	6.5	7.0	7.0	6.0	6.0	6.0
Youth Service Bureau	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
PW Engineering and Administration	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0
PW Fleet Maintenance	7.0	7.0	7.0	7.0	7.0	9.0	9.0	9.0	9.0	9.0
PW Solid Waste	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	3.0
PW Street Maintenance	36.0	36.0	36.0	38.0	39.0	41.0	41.0	32.0	32.0	33.0
PW Parks & Cemeteries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	9.0	10.0
PW Building Maintenance	9.0	9.0	8.0	8.0	9.0	9.0	9.0	7.0	6.0	7.0
PW Parking Maintenance	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Election	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5	2.5
Planning and Neighborhood Services	10.0	10.0	10.0	12.0	13.0	14.5	14.5	13.0	13.0	12.0
Economic Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tourism	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Total General City	<u>290.6</u>	<u>297.8</u>	<u>284.2</u>	<u>287.0</u>	<u>293.0</u>	<u>308.0</u>	<u>309.0</u>	<u>299.5</u>	<u>299.0</u>	<u>303.0</u>
Board of Education:										
General Fund - funded positions	357.2	358.8	342.5	286.4	392.1	406.4	387.5	384.2	373.8	386.3
State and federal grant - funded positions	159.8	65.7	65.7	193.0	125.3	125.3	111.3	117.1	114.1	99.8
School Lunch (state and federal grant)	39.0	37.5	37.5	46.0	30.0	30.0	39.0	39.0	39.0	39.0
Adult Education (state and federal grant)	22.3	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0
Family Resource Center (state grant)	24.5	28.5	24.5	24.5	24.5	24.5	25.5	22.0	24.0	10.0
Total Board of Education	<u>602.8</u>	<u>502.5</u>	<u>482.2</u>	<u>561.9</u>	<u>583.9</u>	<u>598.2</u>	<u>575.3</u>	<u>575.3</u>	<u>563.9</u>	<u>548.0</u>
Norwich Public Utilities	<u>142.0</u>	<u>148.0</u>	<u>152.0</u>	<u>142.5</u>	<u>139.5</u>	<u>139.5</u>	<u>137.0</u>	<u>137.0</u>	<u>137.0</u>	<u>137.0</u>
Total	<u>1,035.4</u>	<u>948.3</u>	<u>918.4</u>	<u>991.4</u>	<u>1,016.4</u>	<u>1,045.7</u>	<u>1,021.3</u>	<u>1,011.8</u>	<u>999.9</u>	<u>988.0</u>

Source: City Adopted Budget documents

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

Function	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Finance:										
Number of tax and refuse bills mailed +	49,587	49,767	50,175	49,950	50,000	68,000	68,000	68,144	68,182	67,225
Number of internal control reviews performed	2	2	2	2	3	3	3	7	2	7
Assessor:										
Number of deeds processed	1,401	1,301	982	1,132	1,500	2,550	1,500	1,310	2,100	1,800
Personal property declarations	1,792	1,754	1,795	1,856	1,650	1,130	1,200	1,234	1,400	N/A
Board of assessment appeals adjustments	110	33	37	77	147	100	230	240	150	225
Human Resources:										
Number of applications processed	1,372	1,521	1,475	476	960	1,067	2,339	1,149	1,518	1,850
Vacancies filled through promotion	6	12	14	4	6	11	35	15	24	12
Vacancies filled through new hires	15	34	19	2	8	21	39	28	23	33
Employee turnover rate	2.0%	9.5%	7.0%	6.0%	5.6%	2.0%	4.6%	6.0%	4.2%	5.4%
City Clerk:										
Land records recorded	6,823	7,018	6,154	5,753	6,364	6,486	7,891	9,532	11,124	11,397
Marriage licenses issued	285	312	301	270	323	326	305	331	357	353
Death certificates recorded	433	484	509	520	472	508	458	550	561	638
Birth certificates recorded	894	842	940	884	978	960	1,070	1,037	998	1,210
Management Information Systems:										
Help desk calls	2,615	2,124	1,995	2,360	1,900	1,600	1,380	1,800	1,700	1,700
Website visits	219,706	246,421	200,043	170,527	165,923	149,317	130,000	256,817	94,797	27,500
Election:										
Voters added	465	2,255	667	1,060	438	3,289	1,202	580	567	1,200
Voters removed	1,043	2,786	683	1,235	1,001	813	964	651	87	800
Voter changes	6,258	6,873	2,021	3,049	2,376	2,303	1,139	1,425	1,648	650
Total voters	21,343	21,005	20,474	20,951	21,126	21,689	18,129	17,891	18,346	19,000
Planning and Neighborhood Services:										
Site development plans	6	7	4	15	7	16	31	27	19	18
Zoning permit applications	266	303	672	398	327	370	446	482	503	471
Zoning complaints	80	84	351	185	167	240	248	170	130	142
Code violations	349	368	572	1,975	1,285	1,361	1,633	250	1,170	475
Citations issued	61	88	375	225	287	240	180	229	165	119
Education:										
Average Class Size - Kindergarten	19.7	20.5	18.5	18.4	18.3	18.3	17.5	17.7	18.0	16.4
Average Class Size - Grade 2	19.6	20.2	19.4	18.1	17.9	18.8	18.9	20.0	18.6	19.5
Average Class Size - Grade 5	20.2	21.9	20.3	21.2	21.0	19.1	18.9	19.1	20.0	20.5
Average Class Size - Grade 7	21.3	18.7	19.8	17.1	20.1	21.1	19.0	23.7	22.0	21.9
Total expenditure per student	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 13,398	\$ 13,142	\$ 12,616	\$ 11,594	\$ 10,771	\$ 9,816

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CITY OF NORWICH, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)

LAST TEN FISCAL YEARS

Function	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety:										
Police:										
911 calls*	22,032	23,663	23,064	21,825	20,548	20,291	21,330	19,212	19,160	19,575
Non-emergency calls*	34,280	33,672	32,499	36,078	35,815	38,846	30,329	33,740	35,664	20,932
DWI arrests*	206	192	207	241	212	252	158	155	150	188
Fire:										
Central Fire Department Service Calls	2,359	2,460	2,422	2,330	2,659	2,442	2,627	2,629	2,942	2,503
East Great Plain VFD Service Calls	875	904	936	961	855	912	1,015	864	866	800
Laurel Hill VFD Service Calls	77	91	106	121	85	117	102	75	105	126
Occum VFD Service Calls	228	184	N/A	191	182	199	192	202	232	238
Taftville VFD Service Calls	639	644	713	706	717	614	698	631	539	538
Yantic VFD Service Calls	604	645	621	643	658	544	604	593	580	568
Emergency Management:										
Hours of emergency training	1,171	875	1,145	1,075	775	725	875	715	870	1,250
Shelters maintained	16	16	94	19	19	19	19	19	19	19
Flood assistance calls	541	1,014	642	217	176	74	74	122	73	41
Social Services:										
Recreation:										
Number of youth registrations	2,035	2,343	3,671	4,500	4,600	4,618	3,870	4,510	4,750	4,732
Number of youth program hours	1,500	3,526	3,530	1,900	1,900	1,980	2,045	2,205	2,000	1,970
Adults & Seniors registrations	239	115	86	N/R						
Adults & Seniors program hours	350	384	401	N/R						
Human Services:										
General Human Services:										
Job placements	243	259	251	185	206	190	190	243	153	119
Individuals relocated due to condemnation	88	56	50	78	49	77	72	36	30	85
Rent and housing assistance cases	123	112	107	92	117	139	94	83	79	80
Senior Center:										
Preventative health clinic services	9,836	10,000	10,059	8,560	2,500	2,550	2,500	3,450	3,206	4,500
Outreach services	997	851	627	890	970	978	753	976	836	200
Youth and Family Services:										
Counseling cases	83	87	95	97	126	130	142	143	117	168
Young parent cases	-	-	37	18	40	35	78	98	92	107
Youth employment	169	174	121	152	148	94	N/A	N/A	N/A	N/A
Juvenile justice / diversion	67	86	33	37	31	44	N/A	N/A	N/A	N/A
Public Works:										
Engineering and Administration:										
Road miles paved	4.83	6.8	4.8	6.4	4.8	6.4	4.7	5.3	4.2	3.0
Road miles chip sealed or crack sealed	10.65	6.0	3.0	N/R						
Department of Public Utilities:										
Gas service calls	4,057	5,230	3,989	4,131	4,229	5,004	4,967	6,136	5,552	6,294
Electric service calls	1,228	1,106	3,570	1,771	1,640	1,830	1,508	3,125	2,406	3,010
Water service calls	2,635	982	1,910	3,053	2,988	3,653	3,440	3,434	4,717	4,542
Sewer service calls	162	116	120	80	78	164	402	423	341	250

* Statistics are reported on a calendar year basis. For example, in the fiscal year 2014 column, these are the statistics for calendar year 2013.

+ The City stopped sending separate refuse bills in 2009.

Source: The respective City Departments

N/A - not available

N/R - Not reported previously

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

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Education:										
School buildings	13	13	13	13	13	15	15	15	15	15
Administrative buildings	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	39	39	39	39	39	39	39	39	39	39
Fire:										
Firefighting/rescue vehicles	27	27	27	27	27	27	26	26	26	26
Other vehicles	11	11	11	11	11	11	11	11	11	11
Fire stations	7	7	7	7	7	7	7	7	7	7
Social Services:										
Recreation:										
Number of basketball courts	16	16	16	16	16	16	16	16	16	16
Number of football fields	1	1	1	1	1	1	1	1	1	1
Number of multi-use fields	15	15	15	15	15	15	15	15	15	15
Number of playgrounds	14	14	14	14	14	14	14	14	14	14
Number of soccer fields	4	4	4	4	4	4	4	4	4	4
Number of softball fields	5	5	5	5	5	5	5	5	5	5
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Mowers	5	5	5	5	5	5	5	5	5	5
Other vehicles	5	5	5	5	5	5	4	4	4	4
Public Works:										
Street Maintenance:										
Dump trucks	24	24	23	23	23	23	23	25	25	25
Sweepers	3	3	3	4	4	4	4	4	4	4
Parks and Cemeteries:										
Parks	10	10	7	7	7	7	7	7	7	7
Cemeteries	8	8	8	8	8	8	8	8	8	8
Mowers	16	12	11	10	10	10	10	8	8	7

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CITY OF NORWICH, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Building Maintenance:										
Parking lots	13	13	12	12	12	12	12	9	9	9
Parking garages	4	4	4	3	3	3	3	3	3	3
Utilities:										
Gas:										
Gas distribution main (miles)	149	142	141	133	133	131	130	129	127	126
Electric:										
Distribution lines	235	233	229	231	230	229	228	228	228	250
Street lights	4292	4292	4290	4290	4103	4109	4109	4099	4291	4291
Water:										
Water distribution system (miles)	195	195	190	194	188	188	187	187	164	150
Sewer:										
Sewer distribution system (miles)	129	127	121	124	117	119	118	118	118	118
Fiber Optic:										
Fiber optic cable (miles)	72	72	65	65	68	67				

Source: The respective City Departments