

**Annual Financial Report of the
City of New London, Connecticut
For the Year Ended June 30, 2017**

City of New London, Connecticut

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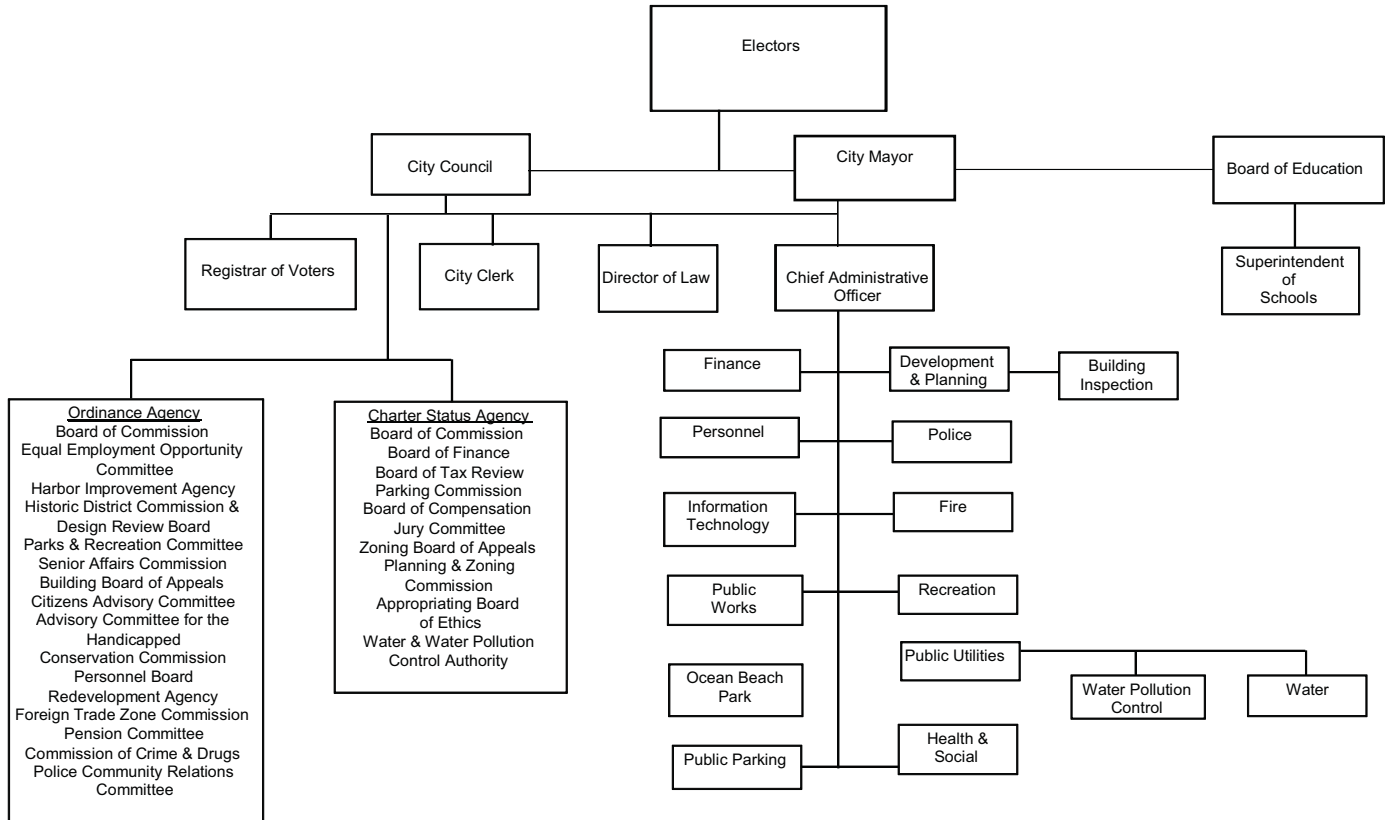
Introductory Section

City of New London, Connecticut
List of Elected and Appointed Officials
June 30, 2017

Mayor	Michael E. Passero
Interim Chief Administrative Officer	Steven Fields
Councilors	Erica L. Richardson Martha E. Marx Efrain Dominguez, Jr. Anthony L. Nolan Don Venditto, Jr. John D. Satti Michael J. Tranchida
Interim Public Works Director	Brian Sear
Director of Finance	Donald E. Gray, Jr.
Assessor	Paige S. Donovan
Chief Accountant/Treasurer	Donna J. Rinehart
Purchasing Agent/Accountant	Alicia Smith
Tax Collector	Maureen A. Farrell
City Clerk	Jonathan Ayala
Fire Chief	Henry E. Kydd, Jr.
Law Director	Jeffery T. Londregan, Esq.
Police Chief	Margaret Ackley
Recreation Director	Thomas Major
Public Utilities	Joseph Lanzafame
Superintendent of Schools	Dr. Manuel J. Rivera

City of New London

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Financial Section



Independent Auditors' Report

**City Council
City of New London, 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 New London, Connecticut ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

**City Council
City of New London, Connecticut**

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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 New London, Connecticut, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 and the pension and other post-employment benefit plan schedules on pages 6 to 15 and pages 77 to 90, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London, Connecticut's basic financial statements. The introductory section, supplemental schedules and trend information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**City Council
City of New London, Connecticut**

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the City of New London, 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 New London, Connecticut's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
February 22, 2018

Department of Finance
13 Masonic Street
New London, CT 06320



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Fax (860) 447-5297

CITY OF NEW LONDON

Management's Discussion and Analysis For the Year Ended June 30, 2017

As management of the City of New London, Connecticut, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

Financial Highlights

- On a government-wide basis, the assets of the City exceeded its liabilities by \$266,301,365. Net position for the governmental activities was \$140,964,884 and net position for business-type activities was \$125,336,481.
- On a government-wide basis, total net position increased by \$14,316,153. Of the total increase, \$14,512,688 was for governmental activities and (\$196,535) for business-type activities. The increase is substantially due to positive operations of the general fund of \$3,466,004, decrease in MERS payable of \$9,017,168 and decrease in pension expense of \$6,196,773 offset by net capital asset activity of \$(3,664,499), and net debt related activity of \$(3,434,181).
- The City's governmental funds reported combined ending fund balances of \$9,913,844, an increase of \$7,113,038 in comparison with the prior year. The increase is substantially due to positive operations of the general fund of \$3,466,004 and the increase in fund balance in the Capital Nonrecurring Fund due to the issuance of bonds for projects that had been completed in prior fiscal years.
- At the end of the current fiscal year, the unassigned fund balance in the General Fund was \$8,216,487 or 9.4% of total general fund expenditures and transfers out.
- The City's total debt increased by \$10,782,338 as the result of the issuance of \$9,620,000 of refunding bonds, \$10,770,000 of general obligation bonds and \$5,534,628 of drinking water notes net of scheduled principal payments on outstanding debt and the debt refunded totaling \$10,100,000.
- The City's total net capital assets decreased by \$5,441,297 during the current fiscal year. The decrease is attributable to depreciation expense in excess of capital replacement.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial health. Other non-financial events such as the impact of changes in the City's tax base or infrastructure should also be considered when evaluating the City's financial health.

The *statement of activities* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid. Therefore, revenues and expenses are reported in this statement for some items whose cash flow may occur in a future fiscal period. Taxes uncollected but levied or vacation leave unused but earned are examples of this.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, public safety, health and welfare, culture and recreation, and education. The business-type activities of the City include the Water Pollution Control Authority, Water Department, Ocean Beach Park and the Water Street Parking Garage.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

Management's Discussion and Analysis (continued)

For governmental funds, the City presents separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital nonrecurring fund, school projects and education grants fund, all of which are considered to be major funds. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget (Exhibit F).

Proprietary Funds - The City uses two different types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to report the activities of the Water Pollution Control Authority, Water Department, Ocean Beach Park and Water Street Parking Garage. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses internal service funds to account for its employees and retirees' self-insured medical benefits as well as other liability insurances. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Pollution Control Authority, Water Department, Ocean Beach Park and the Water Street Parking Garage. The Water Pollution Control Authority and the Water Department are considered major funds, while Ocean Beach Park and the Water Street Parking Garage are not.

The basic proprietary fund financial statements can be found on Exhibits G, H, and I.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits J and K.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on Exhibit L of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and retiree medical benefits to employees. This and other required supplementary information can be found immediately following the notes to financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$266,301,365 at the close of the current fiscal year.

By far, the largest portion of the City's net position is its investment in capital assets. Capital assets include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position is \$(34,813,606).

Summary Statement of Net Position June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 48,583,684	\$ 48,285,664	\$ 22,859,852	\$ 18,430,210	\$ 71,443,536	\$ 66,715,874
Capital assets (net)	236,429,654	240,094,153	117,075,776	118,852,574	353,505,430	358,946,727
Total assets	285,013,338	288,379,817	139,935,628	137,282,784	424,948,966	425,662,601
Deferred outflows of resources	14,645,602	5,647,531	135,280	148,808	14,780,882	5,796,339
Other liabilities outstanding	34,066,985	39,193,433	3,185,438	7,620,854	37,252,423	46,814,287
Long-term liabilities outstanding	117,975,224	104,479,530	11,548,989	4,277,722	129,524,213	108,757,252
Total liabilities	152,042,209	143,672,963	14,734,427	11,898,576	166,776,636	155,571,539
Deferred inflows of resources	6,651,847	2,865,140	-	-	6,651,847	2,865,140
Net position:						
Net investment in capital assets	183,551,413	186,966,539	104,691,597	108,814,321	288,243,010	295,780,860
Restricted for specific purpose	2,525,654	1,561,799	10,346,307	9,700,949	12,871,961	11,262,748
Unrestricted	(45,112,183)	(41,039,093)	10,298,577	7,017,746	(34,813,606)	(34,021,347)
Total net position	\$ 140,964,884	\$ 147,489,245	\$ 125,336,481	\$ 125,533,016	\$ 266,301,365	\$ 273,022,261

Management's Discussion and Analysis (continued)

As detailed below, the City's total net position increased by \$14,316,153 during the current fiscal year:

**Changes in Net Position
Years Ended June 30, 2017 and 2016**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 9,377,189	\$ 9,740,674	\$ 15,629,373	\$ 15,564,510	\$ 25,006,562	\$ 25,305,184
Operating grants and contributions	69,245,189	54,232,519	-	-	69,245,189	54,232,519
Capital grants and contributions	1,226,241	2,106,147	111,485	281,665	1,337,726	2,387,812
General revenues:						
Property taxes	51,457,100	49,908,495	-	-	51,457,100	49,908,495
Grants and contributions not restricted to specific programs	835,361	8,612,399	-	-	835,361	8,612,399
Investment income (loss)	6,095	(135)	595,835	572,517	601,930	572,382
Miscellaneous	275,724	397,655	-	-	275,724	397,655
Total revenues	132,422,899	124,997,754	16,336,693	16,418,692	148,759,592	141,416,446
Expenses:						
General government	8,945,454	14,063,960	-	-	8,945,454	14,063,960
Public safety	5,220,978	46,060,059	-	-	5,220,978	46,060,059
Public works	13,424,329	17,290,673	-	-	13,424,329	17,290,673
Health and welfare	199,556	196,947	-	-	199,556	196,947
Culture and recreation	5,677,853	2,624,338	-	-	5,677,853	2,624,338
Education	82,369,821	79,618,093	-	-	82,369,821	79,618,093
Interest expense	2,072,220	2,092,063	-	-	2,072,220	2,092,063
Water Pollution Control Authority	-	-	6,245,014	6,853,574	6,245,014	6,853,574
Water Department	-	-	6,587,216	7,023,980	6,587,216	7,023,980
Ocean Beach Park	-	-	2,844,329	2,808,444	2,844,329	2,808,444
Water Street Parking Garage	-	-	856,669	626,059	856,669	626,059
Total expenses	117,910,211	161,946,133	16,533,228	17,312,057	134,443,439	179,258,190
Change in net position	14,512,688	(36,948,379)	(196,535)	(893,365)	14,316,153	(37,841,744)
Net position - July 1	147,489,245	184,437,624	125,533,016	126,426,381	273,022,261	310,864,005
Restatement for net OPEB liability	(21,037,049)	-	-	-	(21,037,049)	-
Net position - June 30	\$ 140,964,884	\$ 147,489,245	\$ 125,336,481	\$ 125,533,016	\$ 266,301,365	\$ 273,022,261

Management's Discussion and Analysis (continued)

The main reasons for the increase is as follows:

Of the total increase, \$14,512,688 was for governmental activities and (\$196,535) for business-type activities. The increase is substantially due to positive operations of the general fund of \$3,466,004, decrease in MERS payable of \$9,017,168 and decrease in pension expense of \$6,196,773 offset by net capital asset activity of \$(3,664,499), and net debt related activity of \$(3,434,181).

Governmental Activities

Governmental activities resulted in an increase of the City's net position by \$14,512,688. The major factors for the increase are as follows:

Revenues

Governmental activities revenues totaled \$132,422,899. This represents an increase of \$7,425,145 from the prior year. Operating grants and contributions are the largest revenue source for the City and represent 52.3% of revenues and include grants for education, general government, public safety and public works. Property taxes are the second largest revenue source for the City and represent 38.9 % of revenues. Current tax collections were 98.9% of the adjusted tax levy. Capital grants and contributions revenues, which include grants for school building construction and other general government activities, account for 0.9%. Grants and contributions not restricted to a specific program include payments in lieu of taxes and represent 0.63% of revenues. Charges for services accounted for 7.1% of revenue.

The most significant fluctuations from the prior year were as follows:

- Operating grants and contributions increased by \$15,012,670 due to an increase in education grant funding and on-behalf amounts for the State Teachers' retirement plan.
- Grants and contributions not restricted to specific programs decreased by \$7,777,038 due to completion of certain state funded projects and reduction of State funding.

Expenses

Governmental activity expenses totaled \$117,910,211 for the fiscal year, a decrease of \$44,035,922. Of the expenses, \$82,369,821 or 69.9% is related to education. Public safety expenses were \$5,220,978 or 4.4%, public works expenses amounted to \$13,424,329 or 11.4% and general government expenses were \$8,945,454 or 7.6%.

The most significant fluctuations from the prior year were as follows:

- Education increased by \$2,751,728 due to employee payroll and benefit contractual agreements and increased grant expenditures and on-behalf amounts for the State Teachers' retirement plan.
- Public safety expenditures decreased by \$40,839,081 due to in the prior year the City's joined the State of Connecticut Municipal Employees Retirement System ("MERS") for the firemen pension plan. This resulted in a current year pension asset of approximately \$7,300,000, a pension contribution payable of \$18,641,340, reduction of pension expense of approximately \$5,300,000. In addition, in the prior year there was also an increase heart and hypertension claims of approximately \$5,000,000. In the current year, the contribution payable amount was reduced as a result of the issuance of pension bonds to fund a portion of the MERS contributions payable. This resulted in a reduction of payable amount by \$9,017,168.

Business-Type Activities

Business-type activities resulted in a decrease in the City's net position by \$196,535. General revenues do not support the City's business-type activities; thus, the only source of revenues is from charges for services:

- Water Pollution Control Authority operation resulted in decrease in net position of \$615,089 caused by flat revenues and increased operational costs for contractual services. Total net position at the end of the year was \$56,071,392.
- The Water Department experienced an increase in net position of \$67,974 caused by a slight increase in revenues and decrease in operational costs for contractual services. Total net position at the end of the year was \$64,415,606.
- Ocean Beach Park reported an increase in net position of \$113,120, an increase of \$56,200 over the prior year amount. The increase was attributed to increased park attendance due to favorable weather. At year end, total net position was \$3,643,043.
- Net position in the Water Street Parking Garage was \$1,206,440 at year end. Operations resulted in an increase in net position of \$237,460 as compared to \$133,215 in the prior year due to an increase in parking fee revenues.

Financial Analysis of the City's Funds

As stated earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus on the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$9,913,844 an increase of \$7,113,038 in comparison with the prior year. Of this total amount, \$2,525,654 represents restricted fund balance, \$215,585 constitutes committed fund balance, and \$2,383,339 is assigned. The remainder, unassigned fund balance, stands at \$4,789,266.

General Fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$8,216,487. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 9.4% of total general fund budgetary expenditures and transfers out. The City Council's current policy requires 8.3% in unassigned fund balance of the current year budget. Due to positive operations noted below, the City has returned fund balance to this level.

The City's total fund balance in the general fund increased by \$3,466,004 during the current fiscal year. This was primarily due to revenues exceeding expectations by \$2,354,709 and expenditures coming in \$1,086,295 less than anticipated.

Capital Nonrecurring Fund. This fund accounts for financial resources to be used for capital projects of the City not accounted for in other capital project funds. The capital nonrecurring fund's revenues and other financing sources exceeded expenditures and other financing uses by \$4,795,675 for the fiscal year due to the issuance of bonds to pay for projects completed in prior years.

School Projects Fund. This fund accounts for specially financed school capital projects under grants received from the State. The school projects fund's expenditures and other financing uses exceeded revenues and other financing sources by \$1,039,512 for the fiscal year due to school roof projects that were underway.

Education Grants Fund. This fund accounts for financial resources received from the Federal Government and the State of Connecticut to be used as in accordance with each grant award. The education grant fund's expenditures exceeded revenues by \$371,845 for the fiscal year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has five proprietary funds: the Water Pollution Control Authority, the Water Department, Ocean Beach Park, the Water Street Parking Garage and an Internal Service Fund used for workers' compensation.

Water Pollution Control Authority. There was a decrease in net position of \$615,089 in the Water Pollution Control Authority due to a combined increase in operating costs and a slight increase in operating revenues. Unrestricted net position of the Water Pollution Control Authority was \$8,255,535 at year end.

Water Department. There was an increase in net position of \$67,974 due to a combined decrease in operating costs and an increase in operating revenues. Unrestricted net position of the Water Department was \$1,054,525 at year end.

Ocean Beach Park. Ocean Beach Park net position increased \$113,120 due to an increase in revenues. Unrestricted net position for Ocean Beach Park was \$335,719 at year end.

Water Street Parking Garage. The Water Street Parking Garage net position increased \$237,460. Unrestricted net position of the Water Street Parking Garage was \$652,798 at year end.

Internal Service Funds. The internal service funds are used to account for liability, automotive, property and workers' compensation claims. The internal service funds had a decrease to its net position of \$61,250. This was due to claims exceeding charges for services. The internal service funds had an unrestricted net position deficit of \$2,109,130 at year end. This is mostly due to certain workers' compensation claims liabilities that are long-term liabilities and will be funded in subsequent years.

General Fund Budgetary Highlights

Revenues and other financing sources exceeded expenditures and other financing uses by \$3,490,698 resulting in an increase in fund balance to \$8,216,487. Overall revenues and transfers in came in \$2,354,709 more than anticipated. In addition, \$1,086,295 less than anticipated was expended.

The most significant item budget variances were as follows:

- Charges for services was \$859,173 in excess of the amount budgeted due to amounts received for ambulance transport fees (\$365,000) and solid waste fees (\$255,000)
- Intergovernmental revenue was \$863,576 under budget due to decreases in State funding (mid-year cuts)
- Finance was underspent by \$196,736 due to savings in personnel costs
- Police was underspent by \$173,611 due to decreases in costs for overtime
- Public Works was underspent by \$138,930 due to savings in personnel cost and snow removal related costs.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities amounted to \$236,429,654 and \$117,075,776 respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was \$5,441,297. This is mainly attributable to depreciation expense in excess of capital replacement.

Major capital asset events during the current fiscal year include the following:

- Governmental activities had construction in process totaling \$7,334,538 relating to various capital improvement projects, including school projects.
- Governmental activities had purchases of equipment totaling \$472,120. Significant purchases were made related to public safety and public works equipment.
- Business-type activities had assets placed in service totaling \$2,222,766. The largest portion, just under \$950,000, was for capital improvements to the water treatment plant.

	Capital Assets - Net June 30, 2017 and 2016					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,263,436	\$ 6,263,436	\$ 2,209,827	\$ 2,209,827	\$ 8,473,263	\$ 8,473,263
Construction in progress	10,366,949	3,032,411	1,582,466	200,000	11,949,415	3,232,411
Land improvements	4,230,592	4,782,883	142,274	179,908	4,372,866	4,962,791
Buildings and improvements	98,526,972	104,065,958	12,345,249	13,150,471	110,872,221	117,216,429
Improvements other than buildings	14,708,756	15,692,082	3,245,025	3,376,952	17,953,781	19,069,034
Machinery and equipment	12,177,798	12,815,434	5,512,073	5,230,873	17,689,871	18,046,307
Infrastructure	90,155,151	93,441,949	92,038,862	94,504,543	182,194,013	187,946,492
Total	\$ 236,429,654	\$ 240,094,153	\$ 117,075,776	\$ 118,852,574	\$ 353,505,430	\$ 358,946,727

Additional information on the City's capital assets can be found in Note III.C.

Management's Discussion and Analysis (continued)

Long-term Debt - At the end of the year, the City had total bonded debt and loans outstanding of \$63,945,650 backed by the full faith and credit of the City.

Outstanding Debt General Obligation Bonds and Notes June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 52,239,000	\$ 49,089,000	\$ 6,031,000	\$ 3,271,000	\$ 58,270,000	\$ 52,360,000
Clean water loans	-	-	631,706	853,605	631,706	853,605
Drinking water loans	-	-	5,162,704	-	5,162,704	-
Notes payable	-	-	512,946	581,413	512,946	581,413
Total	<u>\$ 52,239,000</u>	<u>\$ 49,089,000</u>	<u>\$ 12,338,356</u>	<u>\$ 4,706,018</u>	<u>\$ 64,577,356</u>	<u>\$ 53,795,018</u>

The City's total debt increased by \$10,782,338 during the current fiscal year. The increase is the result of the issuance of \$9,620,000 of refunding bonds, \$10,770,000 of general obligation bonds and \$5,534,628 of drinking water notes net with scheduled principal payments on outstanding debt and the debt refunded of \$10,100,000.

The City maintains an A+ rating from Fitch and an A+ rating from Standard & Poor's.

The overall statutory debt limit for the City is equal to seven times annual receipts from taxation or \$367,826,165. At year end the City had \$66,566,000 of total indebtedness subject to the debt limit, which is well below the statutory debt limit. WPCA clean water notes and water related debt is not subject to the debt limitation statute.

Additional information on the City's long-term debt can be found in Note III.G.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of New London and were considered in developing the 2017-2018 fiscal year budget:

- At June 2017, the unemployment rate for the City was 7.0% as compared to the state's average unemployment rate of 5.90 and a national unemployment rate of 4.4%.
- Employee benefit costs continue to rise.
- State funding continues to be reduced.

The 2017-18 general fund adopted budget totaled \$92,820,730. In response to additional State grant cuts include in the State final budget approve in October 2017, the City Council voted to reduce the adopted budget by approximately \$4,200,000.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, City of New London, 13 Masonic Street, New London, Connecticut 06320.

Basic Financial Statements

City of New London, Connecticut

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 7,896,617	\$ 2,886,341	\$ 10,782,958
Investments	25,190,973	6,624,173	31,815,146
Receivables (net):			
Property taxes	573,958	-	573,958
Accounts	2,596,683	3,345,540	5,942,223
Intergovernmental	3,895,965	-	3,895,965
Loans	680,320	-	680,320
Internal balances	383,333	(383,333)	-
Prepaid expenses	44,422	549,076	593,498
Total current assets	<u>41,262,271</u>	<u>13,021,797</u>	<u>54,284,068</u>
Noncurrent assets:			
Restricted assets:			
Cash	-	110,061	110,061
Investments	-	9,727,994	9,727,994
Total restricted assets	<u>-</u>	<u>9,838,055</u>	<u>9,838,055</u>
Receivables (net):			
Property taxes	1,325,837	-	1,325,837
Loans	1,598,074	-	1,598,074
Total receivables (net)	<u>2,923,911</u>	<u>-</u>	<u>2,923,911</u>
Other noncurrent assets:			
Net pension asset	4,397,502	-	4,397,502
Capital assets (net of accumulated depreciation):			
Land	6,263,436	2,209,827	8,473,263
Construction in progress	10,366,949	1,582,466	11,949,415
Land improvements	4,230,592	142,274	4,372,866
Buildings and improvements	98,526,972	12,345,249	110,872,221
Improvements other than building	14,708,756	3,245,025	17,953,781
Machinery and equipment	12,177,798	5,512,073	17,689,871
Infrastructure	90,155,151	92,038,862	182,194,013
Total capital assets (net of accumulated depreciation)	<u>236,429,654</u>	<u>117,075,776</u>	<u>353,505,430</u>
Total noncurrent assets	<u>243,751,067</u>	<u>126,913,831</u>	<u>370,664,898</u>
Total assets	<u>285,013,338</u>	<u>139,935,628</u>	<u>424,948,966</u>
<u>Deferred Outflows of Resources</u>			
Deferred charges on refunding	-	135,280	135,280
Pension related	14,645,602	-	14,645,602
Total deferred outflows of resources	<u>14,645,602</u>	<u>135,280</u>	<u>14,780,882</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Cash overdraft	\$ 247,821	\$ 808,945	\$ 1,056,766
Accounts payable and accrued liabilities	8,266,467	630,090	8,896,557
Accrued wages payable	2,873,072	-	2,873,072
Accrued interest payable	644,159	64,330	708,489
Unearned revenue	2,998,279	593,412	3,591,691
Overpayments	69,748	118,191	187,939
Bond anticipation notes	14,327,000	-	14,327,000
Bonds and notes payable	3,568,000	970,470	4,538,470
Capital lease obligations	72,530	-	72,530
Heart and hypertension	175,000	-	175,000
Risk management	350,000	-	350,000
Compensated absences	143,041	-	143,041
MERS pension contribution payable	331,868	-	331,868
	<u>34,066,985</u>	<u>3,185,438</u>	<u>37,252,423</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds, notes and related liabilities	49,804,248	11,548,989	61,353,237
Heart and hypertension	4,537,132	-	4,537,132
Risk management	2,502,061	-	2,502,061
Compensated absences	572,163	-	572,163
Capital lease obligations	149,241	-	149,241
Net OPEB liability	27,811,056	-	27,811,056
MERS pension contribution payable	9,292,304	-	9,292,304
Net pension liability	23,307,019	-	23,307,019
	<u>117,975,224</u>	<u>11,548,989</u>	<u>129,524,213</u>
Total noncurrent liabilities			
Total liabilities			
	<u>152,042,209</u>	<u>14,734,427</u>	<u>166,776,636</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	429,728	-	429,728
Deferred charges on refunding	322,709	-	322,709
OPEB related	2,462,039	-	2,462,039
Pension related	3,437,371	-	3,437,371
	<u>6,651,847</u>	<u>-</u>	<u>6,651,847</u>
Total deferred inflows of resources			
<u>Net Position</u>			
Net investment in capital assets	183,551,413	104,691,597	288,243,010
Restricted for			
Education	1,167,932	-	1,167,932
Planning and development	503,744	-	503,744
Public works	406,860	-	406,860
General government	259,500	-	259,500
Health and welfare	78,803	-	78,803
Parks and recreation	108,815	-	108,815
Surcharge fund	-	5,481,858	5,481,858
Sinking fund	-	2,259,483	2,259,483
Capital projects	-	2,604,966	2,604,966
Unrestricted	(45,112,183)	10,298,577	(34,813,606)
	<u>\$ 140,964,884</u>	<u>\$ 125,336,481</u>	<u>\$ 266,301,365</u>
Total net position			

(Concluded)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,945,454	\$ 1,221,941	\$ 34,473,939	\$ 1,226,241	\$ 27,976,667	\$ -	\$ 27,976,667
Public safety	5,220,978	2,751,117	113,361	-	(2,356,500)	-	(2,356,500)
Public works	13,424,329	1,757,350	486,996	-	(11,179,983)	-	(11,179,983)
Health and welfare	199,556	224,134	-	-	24,578	-	24,578
Culture and recreation	5,677,853	592,053	102,391	-	(4,983,409)	-	(4,983,409)
Education	82,369,821	2,830,594	34,068,502	-	(45,470,725)	-	(45,470,725)
Interest expense	2,072,220	-	-	-	(2,072,220)	-	(2,072,220)
Total governmental activities	117,910,211	9,377,189	69,245,189	1,226,241	(38,061,592)	-	(38,061,592)
Business-type activities:							
Water Pollution Control Authority	6,245,014	5,388,803	-	50,000	-	(806,211)	(806,211)
Water Department	6,587,216	6,188,992	-	61,485	-	(336,739)	(336,739)
Ocean Beach Park	2,844,329	2,957,449	-	-	-	113,120	113,120
Water Street Parking Garage	856,669	1,094,129	-	-	-	237,460	237,460
Total business-type activities	16,533,228	15,629,373	-	111,485	-	(792,370)	(792,370)
Total	\$ 134,443,439	\$ 25,006,562	\$ 69,245,189	\$ 1,337,726	(38,061,592)	(792,370)	(38,853,962)
General revenues:							
Property taxes					51,457,100	-	51,457,100
Grants and contributions not restricted to specific programs					835,361	-	835,361
Investment income and net change in fair value of investments					6,095	595,835	601,930
Miscellaneous					275,724	-	275,724
Total general revenues					52,574,280	595,835	53,170,115
Change in net position					14,512,688	(196,535)	14,316,153
Net position - July 1, 2016 (as restated)					126,452,196	125,533,016	251,985,212
Net position - June 30, 2017					\$ 140,964,884	\$ 125,336,481	\$ 266,301,365

City of New London, Connecticut

Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Nonrecurring Fund	School Projects	Education Grants Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 735,354	\$ 770	\$ 41,262	\$ 1,399,478	\$ 5,164,129	\$ 7,340,993
Investments	12,262,278	6,224,852	6,553,026	-	150,817	25,190,973
Receivables:						
Property taxes	1,549,898	-	-	-	-	1,549,898
Loans	-	-	-	-	2,278,394	2,278,394
Accounts	891,399	-	-	120,052	151,661	1,163,112
Intergovernmental	-	221,834	-	3,011,784	662,347	3,895,965
Due from other funds	2,415,844	-	-	-	162,892	2,578,736
Other	-	-	-	-	44,422	44,422
Total assets	\$ 17,854,773	\$ 6,447,456	\$ 6,594,288	\$ 4,531,314	\$ 8,614,662	\$ 44,042,493
<u>Liabilities</u>						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 94,977	\$ 94,977
Accounts payable	4,659,194	701,812	539,337	1,394,141	519,136	7,813,620
Retainage payable	-	210,638	16,319	-	-	226,957
Accrued wages and related liabilities	2,603,204	-	-	240,513	29,355	2,873,072
Due to other funds	389,881	8,625	-	895,072	104,043	1,397,621
Unearned revenue	6,381	129,526	-	2,441,258	421,114	2,998,279
Bond anticipation notes	-	4,195,000	10,132,000	-	-	14,327,000
Total liabilities	7,658,660	5,245,601	10,687,656	4,970,984	1,168,625	29,731,526
<u>Deferred Inflows of Resources</u>						
Unavailable revenue:						
Property taxes	1,549,898	-	-	-	-	1,549,898
Special assessments	-	-	-	-	139,103	139,103
Loans receivable	-	-	-	-	2,278,394	2,278,394
Advance property tax collections	429,728	-	-	-	-	429,728
Total deferred inflows of resources	1,979,626	-	-	-	2,417,497	4,397,123
<u>Fund Balances</u>						
Restricted	-	-	-	-	2,525,654	2,525,654
Committed	-	-	-	-	215,585	215,585
Assigned	-	-	-	-	2,383,339	2,383,339
Unassigned	8,216,487	1,201,855	(4,093,368)	(439,670)	(96,038)	4,789,266
Total fund balances	8,216,487	1,201,855	(4,093,368)	(439,670)	5,028,540	9,913,844
Total liabilities, deferred inflows of resources and fund balances	\$ 17,854,773	\$ 6,447,456	\$ 6,594,288	\$ 4,531,314	\$ 8,614,662	\$ 44,042,493

(Continued)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2017

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C)	\$ 9,913,844
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning net capital assets	240,094,153
Current year capital asset additions	7,835,999
Depreciation expense	(11,500,498)

Other long-term assets are not available resources and, therefore, are not reported in the funds:

Interest receivable on property taxes	764,897
Allowance for doubtful accounts	(415,000)

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

Property tax receivable - accrual basis change	1,549,898
Community development block grant receivables - accrual basis change	2,278,394
Sidewalk assessment receivable - accrual basis change	139,103
Net pension asset	4,397,502
Deferred outflows related to pensions	14,645,602
Deferred charges on refunding	(322,709)

Internal service funds are used by management to charge the cost of workers' compensation, liability, auto and police policy premiums to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(2,109,130)
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(52,239,000)
Premium	(1,133,248)
Capital lease obligation	(221,771)
Compensated absences	(715,204)
Heart and hypertension	(4,712,132)
Net OPEB liability	(27,811,056)
MERS pension contribution payable	(9,624,172)
Net pension liability	(23,307,019)
Accrued interest payable	(644,159)
Deferred inflows related to OPEB	(2,462,039)
Deferred inflows related to pensions	(3,437,371)

Net position of governmental activities	<u>\$ 140,964,884</u>
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(Concluded)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Capital Nonrecurring Fund	School Projects	Education Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 52,113,656	\$ -	\$ -	\$ -	\$ 87,652	\$ 52,201,308
Intergovernmental	40,325,059	1,226,241	-	22,312,866	6,602,279	70,466,445
Charges for services	5,669,330	-	-	2,512,834	1,297,684	9,479,848
Contributions	-	-	-	465,795	100,000	565,795
Investment income and change in fair value of investments	-	-	41	171	5,883	6,095
Other	741,519	-	-	-	-	741,519
Total revenues	98,849,564	1,226,241	41	25,291,666	8,093,498	133,461,010
Expenditures:						
Current:						
General government	5,272,598	-	-	-	2,470,379	7,742,977
Public safety	19,550,653	-	-	-	261,626	19,812,279
Public works	8,473,820	-	-	-	365,940	8,839,760
Health and welfare	199,556	-	-	-	-	199,556
Culture and recreation	1,909,025	-	-	-	613,284	2,522,309
Unallocated insurance and fringe benefits	3,559,808	-	-	-	-	3,559,808
Education	50,532,300	-	-	25,663,511	3,683,135	79,878,946
Capital outlay	-	3,986,188	1,153,931	-	-	5,140,119
Debt service	-	-	-	-	7,107,921	7,107,921
Total expenditures	89,497,760	3,986,188	1,153,931	25,663,511	14,502,285	134,803,675
Excess (deficiency) of revenues over expenditures	9,351,804	(2,759,947)	(1,153,890)	(371,845)	(6,408,787)	(1,342,665)
Other financing sources (uses):						
Issuance of debt	-	7,670,000	-	-	-	7,670,000
Refunding bond proceeds	-	-	-	-	9,620,000	9,620,000
Payment to escrow	-	-	-	-	(10,311,938)	(10,311,938)
Premium on BANs	-	-	-	-	176,795	176,795
Premium (including refunding)	-	-	-	-	1,300,846	1,300,846
Transfers in	25,000	-	114,378	-	5,910,800	6,050,178
Transfers out	(5,910,800)	(114,378)	-	-	(25,000)	(6,050,178)
Net other financing sources (uses)	(5,885,800)	7,555,622	114,378	-	6,671,503	8,455,703
Net change in fund balances	3,466,004	4,795,675	(1,039,512)	(371,845)	262,716	7,113,038
Fund balances - July 1, 2016	4,750,483	(3,593,820)	(3,053,856)	(67,825)	4,765,824	2,800,806
Fund balances - June 30, 2017	\$ 8,216,487	\$ 1,201,855	\$ (4,093,368)	\$ (439,670)	\$ 5,028,540	\$ 9,913,844

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2017**

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different due to:

Net change in fund balances - total governmental funds (Exhibit D) \$ 7,113,038

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	7,835,999
Depreciation expense	<u>(11,500,498)</u>

Total (3,664,499)

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 fund financial statements are not recognized in the statement of activities:

School building grant receipts	(254,630)
Change in property tax receivable, sidewalk assessment, and loan receivable - accrual basis change	(963,162)
Change in property tax interest and lien revenue	19,681
Change in property tax allowance for doubtful accounts	<u>160,000</u>

Total (1,038,111)

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, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of debt	(7,670,000)
Issuance of refunding bonds	(9,620,000)
Premium	(539,753)
Deferred charge	(480,000)
Principal repayments:	
General obligation bonds	4,040,000
Refunding bonds	10,100,000
Premium	468,177
Capital lease	<u>267,395</u>

Total (3,434,181)

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 governmental funds:

Compensated absences	184,347
Heart and hypertension	433,868
Net pension expense	6,196,773
MERS pension contribution payable	9,017,168
Net OPEB expense	(248,644)
Deferred charges on refunding	(119,933)
Accrued interest payable	<u>134,112</u>

Total 15,597,691

Internal service funds are used by management to charge the cost of workers' compensation, liability, auto and police policy premiums to individual departments:

The net revenues of activities of the internal service fund is reported with governmental activities (61,250)

Change in net position of governmental activities (Exhibit B) \$ 14,512,688

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 50,611,350	\$ 50,611,350	\$ 52,113,656	\$ 1,502,306
State and federal governments	33,081,350	33,081,350	32,217,774	(863,576)
Licenses and permits	415,310	415,310	578,426	163,116
Fines and penalties	292,400	292,400	488,251	195,851
Charges for services	3,743,480	3,743,480	4,602,653	859,173
Other	242,030	243,680	741,519	497,839
Total revenues	88,385,920	88,387,570	90,742,279	2,354,709
Other financing sources:				
Cancellation of prior year encumbrances	-	-	24,694	24,694
Transfers in	-	-	25,000	25,000
Total revenues and other financing sources	88,385,920	88,387,570	90,791,973	2,404,403
Expenditures:				
Current:				
City council	297,100	297,100	255,697	41,403
Probate court	25,600	25,600	22,781	2,819
Mayor	720,570	685,570	629,891	55,679
Elections	102,890	102,890	100,704	2,186
Finance	2,611,550	2,544,220	2,347,484	196,736
City clerk	345,970	346,370	326,578	19,792
Law	340,000	340,000	264,623	75,377
Development and planning	1,371,890	1,336,840	1,324,840	12,000
Police	11,475,940	11,246,290	11,072,679	173,611
Fire	8,466,460	8,668,320	8,477,974	190,346
Public works	8,402,170	8,612,750	8,473,820	138,930
Health and welfare	199,560	199,560	199,556	4
Recreation	629,600	634,040	632,272	1,768
Library	787,500	787,500	787,500	-
Senior center	541,660	542,910	489,253	53,657
Unallocated insurance	1,970,230	1,970,230	1,970,230	-
Employee benefit payments	1,741,030	1,691,180	1,589,578	101,602
Education	42,445,400	42,445,400	42,425,015	20,385
Total expenditures	82,475,120	82,476,770	81,390,475	1,086,295
Other financing uses:				
Transfers out	5,910,800	5,910,800	5,910,800	-
Total expenditures and other financing uses	88,385,920	88,387,570	87,301,275	1,086,295
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,490,698	<u>\$ 3,490,698</u>
Fund balance - July 1, 2016			4,725,789	
Fund balance - June 30, 2017			<u>\$ 8,216,487</u>	

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Major Funds		Nonmajor Funds			Internal Service Funds
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Parking Garage		
<u>Assets</u>						
Current assets:						
Cash and cash equivalents	\$ 2,375,086	\$ 150	\$ -	\$ 511,105	\$ 2,886,341	\$ 402,780
Investments	3,758,256	2,179,473	453,750	232,694	6,624,173	-
Receivables, net	1,418,248	1,639,780	287,512	-	3,345,540	14,409
Prepaid expenses	274,538	274,538	-	-	549,076	-
Due from other funds	900,980	-	-	33,868	934,848	633,177
Total current assets	8,727,108	4,093,941	741,262	777,667	14,339,978	1,050,366
Noncurrent assets:						
Restricted assets:						
Cash	110,061	-	-	-	110,061	-
Investments	2,867,282	6,860,712	-	-	9,727,994	-
Total restricted assets	2,977,343	6,860,712	-	-	9,838,055	-
Capital assets (net):						
Land	177,850	1,827,888	54,054	150,035	2,209,827	-
Construction in progress	945,405	637,061	-	-	1,582,466	-
Land improvements	-	-	142,274	-	142,274	-
Buildings and improvements	3,641,331	4,478,337	3,829,819	395,762	12,345,249	-
Improvements other than building	2,744,137	500,888	-	-	3,245,025	-
Machinery and equipment	3,149,493	2,321,546	33,189	7,845	5,512,073	-
Infrastructure	37,912,004	54,126,858	-	-	92,038,862	-
Total capital assets (net)	48,570,220	63,892,578	4,059,336	553,642	117,075,776	-
Total noncurrent assets	51,547,563	70,753,290	4,059,336	553,642	126,913,831	-
Total assets	60,274,671	74,847,231	4,800,598	1,331,309	141,253,809	1,050,366
<u>Deferred Outflows of Resources</u>						
Deferred charges on refunding	-	135,280	-	-	135,280	-

(Continued)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Major Funds		Nonmajor Funds			Internal Service Funds
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Parking Garage		
<u>Liabilities</u>						
Current liabilities:						
Cash overdraft	\$ -	\$ 680,472	\$ 128,473	\$ -	\$ 808,945	\$ -
Accounts payable	15,927	275,396	242,070	96,697	630,090	295,638
Claims and judgments payable	-	-	-	-	-	350,000
Accrued interest payable	35,531	28,799	-	-	64,330	-
Due to other funds	200,014	1,055,567	35,000	27,600	1,318,181	11,797
Overpayments	-	118,191	-	-	118,191	-
Unearned revenue	220,101	372,739	-	572	593,412	-
Bonds and notes payable	376,899	498,722	94,849	-	970,470	-
Total current liabilities	<u>848,472</u>	<u>3,029,886</u>	<u>500,392</u>	<u>124,869</u>	<u>4,503,619</u>	<u>657,435</u>
Noncurrent liabilities:						
Claims and judgments payable	-	-	-	-	-	2,502,061
Bonds, notes and related liabilities	3,354,807	7,537,019	657,163	-	11,548,989	-
Total noncurrent liabilities	<u>3,354,807</u>	<u>7,537,019</u>	<u>657,163</u>	<u>-</u>	<u>11,548,989</u>	<u>2,502,061</u>
Total liabilities	<u>4,203,279</u>	<u>10,566,905</u>	<u>1,157,555</u>	<u>124,869</u>	<u>16,052,608</u>	<u>3,159,496</u>
<u>Net Position</u>						
Net investment in capital assets	44,838,514	55,992,117	3,307,324	553,642	104,691,597	-
Restricted for specific purposes:						
Surcharge fund	-	5,481,858	-	-	5,481,858	-
Sinking fund	2,259,483	-	-	-	2,259,483	-
Capital projects	717,860	1,887,106	-	-	2,604,966	-
Unrestricted	<u>8,255,535</u>	<u>1,054,525</u>	<u>335,719</u>	<u>652,798</u>	<u>10,298,577</u>	<u>(2,109,130)</u>
Total net position	<u>\$ 56,071,392</u>	<u>\$ 64,415,606</u>	<u>\$ 3,643,043</u>	<u>\$ 1,206,440</u>	<u>\$ 125,336,481</u>	<u>\$ (2,109,130)</u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Major Funds		Nonmajor Funds			Internal Service Funds
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Parking Garage		
Operating revenues:						
Charges for services	\$ 5,388,803	\$ 6,188,992	\$ 2,957,449	\$ 1,094,129	\$ 15,629,373	\$ 2,519,215
Operating expenses:						
Personnel services	137,535	137,888	-	117,753	393,176	-
Contractual services	3,883,396	3,599,051	2,615,353	544,291	10,642,091	-
Supplies and materials	-	56,087	-	14,540	70,627	-
Insurance and property taxes	150,000	175,546	-	44,686	370,232	-
Depreciation	1,791,716	1,936,852	222,476	48,520	3,999,564	-
Repairs and maintenance	207,517	263,259	-	86,879	557,655	-
Claims and administration	-	-	-	-	-	2,524,219
Other	4,579	221,429	-	-	226,008	56,246
Total operating expenses	6,174,743	6,390,112	2,837,829	856,669	16,259,353	2,580,465
Operating income (loss)	(785,940)	(201,120)	119,620	237,460	(629,980)	(61,250)
Nonoperating revenues (expenses):						
Investment income	191,122	404,713	-	-	595,835	-
Capital grants and contributions	50,000	61,485	-	-	111,485	-
Interest expense	(70,271)	(197,104)	(6,500)	-	(273,875)	-
Net nonoperating revenues (expenses)	170,851	269,094	(6,500)	-	433,445	-
Change in net position	(615,089)	67,974	113,120	237,460	(196,535)	(61,250)
Total net position - July 1, 2016	56,686,481	64,347,632	3,529,923	968,980	125,533,016	(2,047,880)
Total net position - June 30, 2017	\$ 56,071,392	\$ 64,415,606	\$ 3,643,043	\$ 1,206,440	\$ 125,336,481	\$ (2,109,130)

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

Business-Type Activities
Enterprise Funds

Governmental
Activities

	Major Funds		Nonmajor Funds		Total	Internal Service Funds
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Parking Garage		
Cash flows from operating activities:						
Receipts from customers and users	\$ 5,009,846	\$ 6,012,024	\$ 2,925,133	\$ 1,094,129	\$ 15,041,132	\$ -
Cash received for premiums	-	-	-	-	-	2,496,196
Payments to suppliers	(4,837,308)	(4,469,290)	(2,624,914)	(736,480)	(12,667,992)	120,590
Payments to employees	(137,535)	(137,888)	-	(117,753)	(393,176)	-
Payments to interfund services used	(4,579)	(221,429)	-	(33,868)	(259,876)	-
Cash paid to claimants and administration	-	-	-	-	-	(2,061,162)
Net cash provided by (used in) operating activities	30,424	1,183,417	300,219	206,028	1,720,088	555,624
Cash flows from capital and related financing activities:						
Bonds and notes issued	3,100,000	255,655	-	-	3,355,655	-
Principal payments on debt	(221,899)	(686,924)	(93,467)	-	(1,002,290)	-
Interest paid on debt	(34,740)	(199,571)	(15,763)	-	(250,074)	-
Contributions	50,000	61,485	-	-	111,485	-
Purchase of capital assets	(1,289,405)	(933,362)	-	-	(2,222,767)	-
Net cash provided by (used in) capital and related financing activities	1,603,956	(1,502,717)	(109,230)	-	(7,991)	-
Cash flows from investing activities:						
Purchase of investments	(3,662,951)	(1,497,325)	(325,277)	(232,694)	(5,718,247)	-
Investment income	191,122	404,713	-	-	595,835	-
Net cash provided by (used in) investing activities	(3,471,829)	(1,092,612)	(325,277)	(232,694)	(5,122,412)	-
Net increase (decrease) in cash and cash equivalents	(1,837,449)	(1,411,912)	(134,288)	(26,666)	(3,410,315)	555,624
Cash and cash equivalents (overdraft) - July 1, 2016 (includes restricted cash)	4,322,596	1,412,062	134,288	537,771	6,406,717	(152,844)
Cash and cash equivalents (overdraft) - June 30, 2017 (includes restricted cash)	\$ 2,485,147	\$ 150	\$ -	\$ 511,105	\$ 2,996,402	\$ 402,780
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (785,940)	\$ (201,120)	\$ 119,620	\$ 237,460	\$ (629,980)	\$ (61,250)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,791,716	1,936,852	222,476	48,520	3,999,564	-
(Increase) decrease in:						
Receivables	(349,058)	(302,745)	(32,316)	-	(684,119)	12,127
Prepaid expenses	(274,538)	(274,538)	-	19	(549,057)	-
Due from other funds	-	-	-	(33,868)	(33,868)	(33,417)
Increase (decrease) in:						
Accounts payable	(321,891)	(101,157)	(9,561)	(1)	(432,610)	176,836
Claims and judgments payable	-	-	-	-	-	463,057
Advance collections / overpayments	-	3,038	-	-	3,038	-
Unearned revenue	(29,899)	122,739	-	-	92,840	-
Due to other funds	34	348	-	(46,102)	(45,720)	(1,729)
Net cash provided by (used in) operating activities	\$ 30,424	\$ 1,183,417	\$ 300,219	\$ 206,028	\$ 1,720,088	\$ 555,624

City of New London, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund	Agency Funds
<u>Assets</u>				
Cash	\$ 71,942	\$ -	\$ 259,640	\$ 2,024,144
Investments:				
Mutual funds:				
Equity funds	-	624,982	-	-
Money market	1,096,443	-	-	-
Certificates of deposit	1,981	-	-	-
Asset backed securities	1,163,663	-	-	-
U.S. government securities	3,898,295	-	-	-
Equities	23,954,910	-	-	-
Corporate bonds	1,464,074	-	-	-
Total investments	31,579,366	624,982	-	-
Accounts receivable	43,232	-	-	3,299
Due from other funds	-	-	-	2,500
Total assets	31,694,540	624,982	259,640	2,029,943
<u>Liabilities</u>				
Cash overdraft	-	42,588	-	-
Deposits held for others	-	-	-	2,026,773
Accounts payable	-	1,950	-	1,986
Due to other funds	1,420,471	-	7	1,184
Total liabilities	1,420,471	44,538	7	2,029,943
<u>Net Position</u>				
Restricted for pension benefits, other post-employment benefits and other purposes	\$ 30,274,069	\$ 580,444	\$ 259,633	\$ -

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund
Additions:			
Contributions:			
Employer	\$ 404,486	\$ 1,378,017	\$ -
Plan members	238,894	-	-
Total contributions	<u>643,380</u>	<u>1,378,017</u>	<u>-</u>
Investment income (loss):			
Interest and dividends	352,726	59,991	317
Net change in fair value of investments	<u>2,528,793</u>	<u>-</u>	<u>-</u>
Total investment income (loss)	2,881,519	59,991	317
Less investment expenses	<u>321,972</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>2,559,547</u>	<u>59,991</u>	<u>317</u>
Total additions	<u>3,202,927</u>	<u>1,438,008</u>	<u>317</u>
Deductions:			
Benefits	3,729,174	1,267,017	-
Administration	-	27,230	-
Transfer of assets to MERS	<u>41,119</u>	<u>-</u>	<u>-</u>
Total deductions	<u>3,770,293</u>	<u>1,294,247</u>	<u>-</u>
Changes in net position	(567,366)	143,761	317
Net position - July 1, 2016	<u>30,841,435</u>	<u>436,683</u>	<u>259,316</u>
Net position - June 30, 2017	<u>\$ 30,274,069</u>	<u>\$ 580,444</u>	<u>\$ 259,633</u>

The notes to the financial statements are an integral part of this statement.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**History and organization**

The City of New London, Connecticut (“City”), was founded in 1659 and incorporated in 1784 under the provisions of Special Act No. 330, as amended. The City operates under a Charter first adopted in 1927. The City operated under a City Council - City Manager form of government and provides a full range of services as authorized in its Charter, including, but not limited to, education services, police and fire protection, public works, parks, recreation, sanitation, health and certain social services and general administration services. On November 8, 2011, the City amended its City Charter and now operates under a Mayor - City Council form of government.

I. Summary of significant accounting policies**A. 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 primary government. *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 is 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

B. 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. Agency funds do not have a measurement focus but are reported on the accrual basis of accounting. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure-type reimbursement grants, certain intergovernmental revenues, transfers 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The *Capital Nonrecurring Fund* accounts for the capital projects of the City not accounted for in another capital projects fund.

The *School Projects Fund* accounts for specially financed school capital projects under grants received from the Federal Government and the State of Connecticut.

The *Education Grants Fund* accounts for specially financed school programs under grants received from the Federal Government and the State of Connecticut.

The City reports the following major proprietary funds:

The *Water Pollution Control Authority* controls the operations of the City's water department and wastewater treatment plant, which are accounted for in the WPCA and Water Department funds. Both operations are independent in terms of their relationship to other City functions, and both operations are financed from direct charges to the users of the service. No portion of the funds' appropriations are supported by property taxes or other revenue sources of the City, nor are funds used to subsidize other City functions.

The *Water Department Fund* accounts for the City's water use operations.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for risk financing activities for workers' compensation and liability, automobile and pooled property insurance as allowed by GASB Statement No. 10.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

The *Pension Trust Fund* accounts for the activity of the City's defined benefit pension plan, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post-Employment Benefit ("OPEB") Trust Fund* accounts for the activity of the City's OPEB plan, which accumulates resources for retiree medical benefit payments.

The *Private-Purpose Trust Fund* is used to account for assets held by the City in a trustee capacity for the benefit of various City facilities. There is no requirement that any portion of these resources be preserved as capital.

The *Agency Funds* account for monies held by the City as custodian for student groups and City employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's sewer and water operations and various other functions of the City. 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 all 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 funds and of the City's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund 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.

Pensions. For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the City of New London Retirement Systems, the Connecticut Municipal Employees Retirement System ("MERS") and the Connecticut State Teachers' Retirement System ("TRS") have been determined on the same basis as they are reported by the City of New London Retirement Systems, MERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

1. Deposits and investments

a. Deposits

The City's cash and cash equivalents consists of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

b. Investments

The City's eligible investments are governed by State of Connecticut Statutes which, in general, allow the City to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital and nonrecurring fund, not more than 31% can be invested in equity security. Investment income is recorded in the fund in which it was earned.

The City's pension and OPEB plans have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines and diversification guidelines and fixed income and cash equivalent guidelines.

The investment guidelines are as follows:

<u>Asset Class</u>	<u>Pension</u>	<u>OPEB</u>
Equities	68.79%	87.07%
Fixed income	24.60%	4.98%
Real Estate & REIT's	6.60%	5.06%
Cash equivalents	0.01%	0.93%

c. Method used to value investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

2. Receivables and payables

a. Interfunds

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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)****b. Property taxes and other receivables**

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 4% to 26% of outstanding receivable balances and are calculated based upon prior collections.

The City's property tax is levied each July 1 on the assessed value listed as of the prior October 1 for all real property located in the City. Assessed values are established at 70% of estimated market value. A revaluation of all real property is required to be completed no less than every five years. The last revaluation was completed for the list of October 1, 2013.

All property taxes are due and payable on July 1 of the year except for real estate and personal property taxes greater than \$100, which are due and payable in two installments, July 1 and January 1 of each year. Interest is charged at 18% on all taxes not paid within 30 days of the due date.

In accordance with State Statutes, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years, at which time they cease to be carried as receivables. Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectible. Taxes become uncollectible fifteen years after the due date under State Statutes.

It is the policy of the City to record deferred inflows of resources in the fund financial statements for property taxes receivable at June 30 that have not been collected prior to September 1. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent year's assessment are reflected as advance tax collections in both the fund financial statements and government-wide financial statements.

Loan receivables consist of Community Development Block Grant loans. The City provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

3. Restricted assets

The restricted assets for the City's enterprise funds are restricted to be used for debt service and capital projects.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity (continued)

4. 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 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40-50
Land improvements	20
Improvements other than building	20-40
Machinery and equipment	5-20
Infrastructure	50

5. Compensated absences

Employees of the City and the Board of Education earn sick leave, which can accumulate, and vacation leave based on the provisions of negotiated contracts or other personnel policies. In no case do these sick leave rights vest with the employee. The payment of nonvesting accumulated sick pay benefits depends on the future illness of the employee and, therefore, no liability has been accrued in these financial statements for such payments.

Vacation leave vests with the employee and is accrued in the government-wide and proprietary fund financial statements at current salary rates when earned.

6. 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)****6. Long-term obligations (continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

7. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred charge on refunding and deferred outflows related to pensions in this category. The 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.

The deferred outflows applicable to pensions relates to contributions made by the City after the measurement date. Deferred outflows for pension and OPEB (as applicable), are for the differences between expected and actual experience, changes in assumptions, changes in proportional share of employer and the net difference between projected and actual earnings on plan investments. The deferred outflows related to contributions will be recognized in the following year. Deferred outflows for differences between expected and actual experience, changes in assumptions and changes in proportional share of employer will be amortized over the average remaining service life of all plan members. The net difference between projected and actual earnings on plan investments is amortized over a 5 year period.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance collections and deferred inflows related to pensions and OPEB in this category.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity (continued)****7. Deferred outflows/inflows of resources (continued)**

The deferred inflows applicable to pensions relates to contributions made by the City after the measurement date. Deferred inflows for pension and OPEB (as applicable), are for the differences between expected and actual experience, changes in assumptions, changes in proportional share of employer and the net difference between projected and actual earnings on plan investments. Deferred inflows for differences between expected and actual experience, changes in assumptions and changes in proportional share of employer will be amortized over the average remaining service life of all plan members. The net difference between projected and actual earnings on plan investments is amortized over a 5 year period.

For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), special assessments, grants and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net position flow assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund equity and net position

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the City, which is not restricted.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)****9. Fund equity and net position (continued)**

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the City Council or by a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The City Council has adopted a fund balance policy for the General Fund requiring an unassigned fund balance of 8.3% of the following year's adopted budget expenditures.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(Continued)****10. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance and accountability**A. Budgets and budgetary accounting**

The City establishes the budget for its General Fund in accordance with provisions of its Charter and the Connecticut General Statutes.

The Council follows these procedures in establishing the budgetary data reported in the financial statements:

- Prior to April 1, the Mayor submits to the City Council a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The Council holds public deliberations during the month of April and submits the proposed budget and appropriations ordinance to the Board of Finance on or before May 1.
- The Board of Finance holds public deliberations for the budget and appropriations ordinance and submits its recommendations to the City Council on or before May 15.
- A public hearing by the Joint Council and Board of Finance is conducted to obtain taxpayer comments while the appropriations ordinance is under Board of Finance review.
- On or before June 1, the budget is legally enacted through passage of the appropriations ordinance.
- During the year, additional appropriation requests are submitted by the Finance Director to the City Council for approval. There were no additional appropriations in the General Fund during the fiscal year.
- The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level for the General Fund. The City Council may transfer amounts between line items within a department.
- The Board of Education, which is not a separate legal entity, is authorized under state law to make any transfers required within their budget at their discretion. Appropriation of additional funds must have Board of Education and City Council approval.
- Generally, all unencumbered appropriations lapse at year-end and the encumbered appropriations are carried forward to the ensuing year. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

II. Stewardship, compliance and accountability (continued)

B. Basis of budgeting

The City uses a basis of budgeting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. 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 reported in the General Fund statement of revenues, expenditures and changes in fund balance - budget and actual as expenditures in the current year.

Encumbrances outstanding at year end are reported as assigned fund balance in the governmental funds' balance sheet in accordance with GAAP, since they do not constitute expenditures or liabilities. In addition, the liquidation of prior year's encumbrances are reported as expenditures in the current year in the statement of revenues, expenditures and changes in fund balances - governmental funds as required by GAAP.

C. Budget - GAAP reconciliation

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, Exhibit F	\$90,742,279	\$81,390,475
State Teachers' Retirement on-behalf payment	<u>8,107,285</u>	<u>8,107,285</u>
Balance, GAAP Basis, Exhibit D	<u>\$98,849,564</u>	<u>\$89,497,760</u>

D. Deficit fund balance

The following fund had a deficit fund balance at year end:

Special Revenue Funds

Public Safety	\$ 96,038
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The deficit will be eliminated by future charges for services.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

III. Detailed notes

A. Cash and investments

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, \$36,838,450 of the City's bank balance of \$39,243,375 (including certificates of deposit accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 32,991,712
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>3,846,738</u>
Total amount subject to custodial credit risk	<u>\$ 36,838,450</u>

Financial instruments that potentially subject the City to significant concentrations of credit risk consist primarily of cash. From time to time, the City's cash account balances exceed the Federal Deposit Insurance Corporation limit. The City reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

The City's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (In Years)				
		N/A	Less Than 1	1-5 Years	5-10 Years	Over 10 Years
<u>Mutual funds:</u>						
Money market	\$ 1,096,443	\$ -	\$ 1,096,443	\$ -	\$ -	\$ -
Equity	624,982	624,982	-	-	-	-
Bond	1,017,826	-	1,017,826	-	-	-
Certificates of deposit	30,922,489	-	30,922,489	-	-	-
Equities	27,474,905	27,474,905	-	-	-	-
U.S. government securities	7,445,189	-	-	3,040,369	3,091,934	1,312,886
Foreign bonds	30,587	-	-	-	30,587	-
Municipal bonds	71,980	-	-	-	35,034	36,946
Corporate bonds	3,899,424	-	92,586	1,347,121	1,290,400	1,169,317
Asset backed securities	<u>1,163,663</u>	-	-	-	-	<u>1,163,663</u>
Total	<u>\$ 73,747,488</u>	<u>\$ 28,099,887</u>	<u>\$ 33,129,344</u>	<u>\$ 4,387,490</u>	<u>\$ 4,447,955</u>	<u>\$ 3,682,812</u>

Fair value of investments

The City measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted prices; and
- Level 3: Unobservable inputs

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and investments (continued)

The City had the following recurring fair value measurements:

Investments at Fair Value	Amount	Quoted Market Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>Mutual Funds</u>				
Money market	\$ 1,096,443	\$ 1,096,443	\$ -	\$ -
Equity	624,982	624,982	-	-
Bond	1,017,826	1,017,826	-	-
Equities	27,474,905	27,474,905	-	-
U.S. government securities	7,445,189	-	7,445,189	-
Foreign bonds	30,587	-	30,587	-
Municipal bonds	71,980	-	71,980	-
Corporate bonds	3,899,424	-	3,899,424	-
Asset backed securities	1,163,663	-	1,163,663	-
Total investments by fair value level	\$ 42,824,999	\$ 30,214,156	\$ 12,610,843	\$ -
<u>Other Investments</u>				
Certificates of deposit	30,922,489			
Total Investments	\$ 73,747,488			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active.

Interest rate risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The City has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The City's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Corporate Bonds	Foreign Bonds	Municipal Bonds	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds
AAA	\$ 83,036	\$ -	\$ 24,695	\$ -	\$ 1,096,443	\$ -
AA	571,334	-	47,285	-	-	-
A	1,379,325	30,587	-	-	-	-
BBB	1,356,301	-	-	-	-	1,017,826
BB	29,478	-	-	-	-	-
Unrated	479,950	-	-	1,163,663	-	-
Total	\$ 3,899,424	\$ 30,587	\$ 71,980	\$ 1,163,663	\$ 1,096,443	\$ 1,017,826

Foreign currency risk - The City does not have a formal policy with respect the foreign currency risk. Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**A. Cash and investments (continued)**

Custodial credit risk - The City does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The following City investments are held by the counterparty's trust department or agent but not in the City's name and, therefore, are subject to custodial credit risk.

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
Equities	\$ 27,474,905	\$ 500,000	\$ 27,474,905
U.S. government securities	7,445,189	-	6,945,189
Foreign bonds	30,587	-	30,587
Municipal bonds	71,980	-	71,980
Corporate bonds	3,899,424	-	3,899,424
Asset backed securities	<u>1,163,663</u>	<u>-</u>	<u>1,163,663</u>
Total	<u>\$ 40,085,748</u>	<u>\$ 500,000</u>	<u>\$ 39,585,748</u>

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the City's government-wide financial statements with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

Governmental Activities:

	<u>Taxes</u>	<u>Property Taxes Interest and Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 455,359</u>	<u>\$ 118,599</u>	<u>\$ 573,958</u>
Long-term portion	\$ 1,094,539	\$ 646,298	\$ 1,740,837
Less allowance for uncollectibles	<u>(215,000)</u>	<u>(200,000)</u>	<u>(415,000)</u>
Net long-term portion	<u>\$ 879,539</u>	<u>\$ 446,298</u>	<u>\$ 1,325,837</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Receivables (continued)**Business-Type Activities:

	<u>Sewer and Water Use Charges</u>			
	<u>Sewer Use Charges</u>	<u>Interest and Fees</u>	<u>Water Use Charges</u>	<u>Interest and Fees</u>
Receivable amount	\$1,134,825	\$ 353,563	\$ 1,470,185	\$ 239,965
Less allowance for uncollectibles	<u>(49,098)</u>	<u>(21,042)</u>	<u>(55,240)</u>	<u>(15,130)</u>
Net receivable	<u>\$1,085,727</u>	<u>\$ 332,521</u>	<u>\$ 1,414,945</u>	<u>\$ 224,835</u>

C. Capital assets

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 6,263,436	\$ -	\$ -	\$ 6,263,436
Construction in progress	<u>3,032,411</u>	<u>7,334,538</u>	<u>-</u>	<u>10,366,949</u>
Total capital assets, not being depreciated	<u>9,295,847</u>	<u>7,334,538</u>	<u>-</u>	<u>16,630,385</u>
Capital assets, being depreciated:				
Land improvements	15,904,650	-	-	15,904,650
Buildings and improvements	150,004,141	29,341	-	150,033,482
Improvements other than building	20,112,272	-	-	20,112,272
Machinery and equipment	33,367,828	472,120	-	33,839,948
Infrastructure	<u>166,272,571</u>	<u>-</u>	<u>-</u>	<u>166,272,571</u>
Total capital assets, being depreciated	<u>385,661,462</u>	<u>501,461</u>	<u>-</u>	<u>386,162,923</u>
Total capital assets	<u>394,957,309</u>	<u>7,835,999</u>	<u>-</u>	<u>402,793,308</u>
Less accumulated depreciation for:				
Land improvements	11,121,767	552,291	-	11,674,058
Buildings and improvements	45,938,183	5,568,327	-	51,506,510
Improvements other than building	4,420,190	983,326	-	5,403,516
Machinery and equipment	20,552,394	1,109,756	-	21,662,150
Infrastructure	<u>72,830,622</u>	<u>3,286,798</u>	<u>-</u>	<u>76,117,420</u>
Total accumulated depreciation	<u>154,863,156</u>	<u>11,500,498</u>	<u>-</u>	<u>166,363,654</u>
Total capital assets, being depreciated, net	<u>230,798,306</u>	<u>(10,999,037)</u>	<u>-</u>	<u>219,799,269</u>
Governmental activities capital assets, net	<u>\$ 240,094,153</u>	<u>\$ (3,664,499)</u>	<u>\$ -</u>	<u>\$ 236,429,654</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Capital assets (continued)

	Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,209,827	\$ -	\$ -	\$ 2,209,827
Construction in progress	<u>200,000</u>	<u>1,382,466</u>	<u>-</u>	<u>1,582,466</u>
Total capital assets, not being depreciated	<u>2,409,827</u>	<u>1,382,466</u>	<u>-</u>	<u>3,792,293</u>
Capital assets, being depreciated:				
Land improvements	1,166,385	-	-	1,166,385
Buildings and improvements	52,463,650	48,000	-	52,511,650
Improvements other than building	4,369,888	-	-	4,369,888
Machinery and equipment	16,652,463	792,300	-	17,444,763
Infrastructure	<u>154,748,682</u>	<u>-</u>	<u>-</u>	<u>154,748,682</u>
Total capital assets, being depreciated	<u>229,401,068</u>	<u>840,300</u>	<u>-</u>	<u>230,241,368</u>
Total capital assets	<u>231,810,895</u>	<u>2,222,766</u>	<u>-</u>	<u>234,033,661</u>
Less accumulated depreciation for:				
Land improvements	986,477	37,634	-	1,024,111
Buildings and improvements	39,313,179	853,222	-	40,166,401
Improvements other than building	992,936	131,927	-	1,124,863
Machinery and equipment	11,421,590	511,100	-	11,932,690
Infrastructure	<u>60,244,139</u>	<u>2,465,681</u>	<u>-</u>	<u>62,709,820</u>
Total accumulated depreciation	<u>112,958,321</u>	<u>3,999,564</u>	<u>-</u>	<u>116,957,885</u>
Total capital assets, being depreciated, net	<u>116,442,747</u>	<u>(3,159,264)</u>	<u>-</u>	<u>113,283,483</u>
Business-type activities capital assets, net	<u>\$ 118,852,574</u>	<u>\$ (1,776,798)</u>	<u>\$ -</u>	<u>\$ 117,075,776</u>

Depreciation and amortization expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 145,892
Public safety	441,300
Public works	2,781,851
Culture and recreation	2,944,700
Education	<u>5,186,755</u>
Total depreciation expense - governmental activities	<u>\$ 11,500,498</u>
Business-type activities:	
WPCA	\$ 1,791,716
Water	1,936,852
Ocean Beach Park	222,476
Water Street Parking Garage	<u>48,520</u>
Total depreciation expense - business-type activities	<u>\$ 3,999,564</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

<u>Major Funds</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Education grants fund	N/A	\$ 888,197	\$ -
Capital nonrecurring fund	N/A	8,625	-
Water Street parking garage	N/A	-	33,868
Water pollution control authority	N/A	34	-
Water department	N/A	65	-
Cafeteria fund	N/A	67,011	-
Community development	N/A	27,203	-
General government	N/A	3,447	-
Internal service fund	N/A	-	356,013
Pension trust fund	N/A	1,420,471	-
Private-purpose trust fund	N/A	7	-
Agency funds	N/A	<u>784</u>	<u>-</u>
Total general fund		<u>2,415,844</u>	<u>389,881</u>
Capital nonrecurring fund:			
General fund	N/A	<u>-</u>	<u>8,625</u>
Education grants fund:			
General fund	N/A	-	888,197
Recreation grants	N/A	<u>-</u>	<u>6,875</u>
Total education grants fund		<u>-</u>	<u>895,072</u>
Water pollution control authority:			
General fund	N/A	-	34
Water department	N/A	900,980	-
Internal service fund	N/A	-	150,000
Debt service fund	N/A	<u>-</u>	<u>49,980</u>
Total water pollution control authority		<u>900,980</u>	<u>200,014</u>
Water department:			
General fund	N/A	-	65
Water pollution control authority	N/A	-	900,980
Internal service fund	N/A	-	60,682
Debt service fund	N/A	<u>-</u>	<u>93,840</u>
Total water department		<u>-</u>	<u>1,055,567</u>
<u>Nonmajor Funds</u>			
Nonmajor governmental funds:			
General government	General fund	-	3,447
Cafeteria fund	General fund	-	67,011
Community development	Agency fund	-	2,500
Community development	General fund	-	27,203
Community development	Internal service fund	11,797	-
Community development	Agency funds	400	-
Recreation grants	Education grants fund	6,875	-
Recreation grants	Internal service fund	-	3,882
Debt service fund	Water pollution control authority	49,980	-
Debt service fund	Water department	<u>93,840</u>	<u>-</u>
Total nonmajor governmental funds		<u>162,892</u>	<u>104,043</u>
Nonmajor proprietary fund:			
Water Street parking garage	General fund	33,868	-
Water Street parking garage	Internal service fund	-	27,600
Ocean Beach Park	Internal service fund	<u>-</u>	<u>35,000</u>
Total nonmajor proprietary fund		<u>33,868</u>	<u>62,600</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Interfund accounts (continued)****1. Interfund payables and receivables (continued)**

	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
Internal service funds:			
General fund	N/A	\$ 356,013	\$ -
Water pollution control authority	N/A	150,000	-
Water department	N/A	60,682	-
Ocean Beach Park	N/A	35,000	-
Water Street parking garage	N/A	27,600	-
Community development	N/A	-	11,797
Recreation grants	N/A	<u>3,882</u>	<u>-</u>
Total internal service funds		<u>633,177</u>	<u>11,797</u>
Pension trust fund	General fund	<u>-</u>	<u>1,420,471</u>
Private-purpose trust fund	General fund	<u>-</u>	<u>7</u>
Agency funds:			
Miscellaneous deposits	General fund	-	784
Miscellaneous deposits	Community development	-	400
Miscellaneous deposits	Community development	<u>2,500</u>	<u>-</u>
Total agency funds		<u>2,500</u>	<u>1,184</u>
Grand total		<u>\$ 4,149,261</u>	<u>\$ 4,149,261</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

2. Interfund transfers

A summary of interfund transfers is as follows:

	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:			
General fund:			
Community development	N/A	\$ 25,000	\$ -
Debt service fund	N/A	<u>-</u>	<u>5,910,800</u>
Total general fund		<u>25,000</u>	<u>5,910,800</u>
Capital nonrecurring fund	School projects	<u>-</u>	<u>114,378</u>
School projects	Capital nonrecurring fund	<u>114,378</u>	<u>-</u>
Nonmajor governmental funds:			
Special revenue funds:			
Community development	General fund	-	25,000
Debt service fund	General fund	<u>5,910,800</u>	<u>-</u>
Total special revenue funds		<u>5,910,800</u>	<u>25,000</u>
Grand total		<u>\$ 6,050,178</u>	<u>\$ 6,050,178</u>

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

E. Short-term obligations - bond anticipation notes

The City uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year was as follows:

General short-term obligations:

Type of Obligation	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
General purpose	\$ 7,670,000	\$ 4,195,000	\$ 7,670,000	\$ 4,195,000
Schools	<u>12,095,000</u>	<u>10,132,000</u>	<u>12,095,000</u>	<u>10,132,000</u>
Total	<u>\$19,765,000</u>	<u>\$14,327,000</u>	<u>\$19,765,000</u>	<u>\$14,327,000</u>

The bond anticipation notes carry an interest rate of 2% to 3% and mature in March of 2018.

F. Short-term obligations - interim funding obligation

The City uses interim funding during the construction period of the Drinking Water Project prior to permanently financing the project when completed.

Short-term obligation activity for the year was as follows:

Enterprise Fund - Water Department:

Type of Obligation	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Interim Funding Obligation: Drinking Water	<u>\$ 5,278,973</u>	<u>\$ 255,655</u>	<u>\$ 5,534,628</u>	<u>\$ -</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Changes in long-term obligations

1. Summary of changes

The following is a summary of changes in long-term obligations during the fiscal year:

Governmental Activities

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2016 (as restated)	Additions	Refunding & Deductions	Balance June 30, 2017	Current Portion
General purpose:									
Improvement bonds	\$10,000,000	08/25/09	08/15/29	2.0-6.375%	\$ 6,655,000	\$ -	\$ 6,100,000	\$ 555,000	\$ 555,000
Refunding bonds	1,518,000	11/10/10	11/01/19	4.0	803,000	-	229,000	574,000	192,000
Improvement bonds	3,450,000	11/10/10	11/01/30	1.87-6.04	2,550,000	-	300,000	2,250,000	300,000
Improvement bonds	2,550,000	11/10/10	11/01/25	1.87-6.04	2,250,000	-	-	2,250,000	-
Refunding bonds	894,000	03/30/12	08/01/26	2.0-3.0	669,000	-	5,000	664,000	5,000
Improvement bonds	4,385,000	11/15/12	08/01/33	4.0	4,385,000	-	200,000	4,185,000	200,000
Refunding bonds	5,420,000	11/15/12	08/01/33	4.0	1,271,000	-	1,271,000	-	-
Improvement bonds	2,835,000	05/13/14	11/01/34	3.0-3.6	2,835,000	-	124,000	2,711,000	124,000
Improvement bonds	1,754,000	05/13/14	11/01/34	3.0-4.5	1,754,000	-	61,000	1,693,000	61,000
Improvement bonds	5,350,000	03/26/15	03/15/30	2.25-4.0	5,350,000	-	-	5,350,000	-
Improvement bonds	1,100,000	03/26/15	03/15/22	2.0-3.0	1,100,000	-	-	1,100,000	-
Refunding bonds	5,271,000	12/13/16	08/15/29	3.0-5.0	-	5,271,000	-	5,271,000	312,000
Improvement bonds	7,165,000	03/15/17	03/15/37	3.0-5.0	-	7,165,000	-	7,165,000	275,000
Total general purpose					<u>29,622,000</u>	<u>12,436,000</u>	<u>8,290,000</u>	<u>33,768,000</u>	<u>2,024,000</u>
School:									
Improvement bonds	7,000,000	08/25/09	08/15/29	2.0-6.375	5,320,000	-	4,950,000	370,000	370,000
Refunding bonds	3,175,000	11/10/10	11/01/19	4.0	1,926,000	-	507,000	1,419,000	472,000
Refunding bonds	2,355,000	03/30/12	08/01/26	2.0-3.0	1,761,000	-	14,000	1,747,000	14,000
Refunding bonds	1,383,000	11/15/12	08/01/33	4.0	989,000	-	69,000	920,000	10,000
Improvement bonds	1,725,000	05/13/14	11/01/34	3.0-3.6	1,725,000	-	76,000	1,649,000	76,000
Improvement bonds	3,746,000	05/13/14	05/15/34	3.0-4.5	3,746,000	-	164,000	3,582,000	164,000
Refunding bonds	4,349,000	12/13/16	08/15/29	3.0-5.0	-	4,349,000	-	4,349,000	258,000
Improvement bonds	505,000	03/15/17	03/15/37	3.0-5.0	-	505,000	-	505,000	30,000
Total school					<u>15,467,000</u>	<u>4,854,000</u>	<u>5,780,000</u>	<u>14,541,000</u>	<u>1,394,000</u>
Pension:									
Pension deficit bonds	4,000,000	12/17/15	12/15/35	1.25-4.6	4,000,000	-	70,000	3,930,000	150,000
Total bonds					49,089,000	17,290,000	14,140,000	52,239,000	3,568,000
Premium					<u>1,061,672</u>	<u>539,753</u>	<u>468,177</u>	<u>1,133,248</u>	-
Total bonds and related liabilities					50,150,672	17,829,753	14,608,177	53,372,248	3,568,000
Capital lease obligation					489,166	-	267,395	221,771	72,530
Compensated absences					899,551	3,790	188,137	715,204	143,041
Heart and hypertension					5,146,000	71,381	505,249	4,712,132	175,000
Net OPEB liability					30,024,451	2,010,291	4,223,686	27,811,056	-
MERS pension contribution payable					18,641,340	-	9,017,168	9,624,172	331,868
Net pension liability					23,810,078	3,385,670	3,888,729	23,307,019	-
Risk management					<u>2,389,004</u>	<u>2,524,219</u>	<u>2,061,162</u>	<u>2,852,061</u>	<u>350,000</u>
Total long-term obligations					<u>\$131,550,262</u>	<u>\$ 25,825,104</u>	<u>\$34,759,703</u>	<u>\$122,615,663</u>	<u>\$ 4,640,439</u>

All long-term liabilities are generally liquidated by the General Fund.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Changes in long-term obligations (continued)

1. Summary of changes (continued)

Enterprise Funds:

The following are the changes in long-term obligations, which will be funded from enterprise fund operations:

<u>Description</u>	<u>Original Amount</u>	<u>Date Of Issue</u>	<u>Date Of Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Water Pollution Control Authority (WPCA)									
Bonds & notes:									
Clean water - 390c	\$ 1,615,141	03/31/00	02/28/21	2.0%	\$ 222,083	\$ -	\$ 80,757	\$ 141,326	\$ 80,757
Clean water - 390cd1	700,861	12/31/01	03/31/19	2.0	111,195	-	40,434	70,761	40,434
Clean water - 455pdc	2,014,170	02/28/02	08/31/21	2.0	520,327	-	100,708	419,619	100,708
Improvement bonds	3,100,000	03/15/17	03/15/37	3.0-5.0	-	<u>3,100,000</u>	-	<u>3,100,000</u>	<u>155,000</u>
Total WPCA bonds & notes					<u>853,605</u>	<u>3,100,000</u>	<u>221,899</u>	<u>3,731,706</u>	<u>376,899</u>
Water Department									
Bonds & notes:									
Refunding bonds	1,977,000	11/10/10	11/01/19	4.0	1,046,000	-	299,000	747,000	251,000
Refunding bonds	2,706,000	03/30/12	08/01/26	2.0-3.0	2,025,000	-	16,000	2,009,000	16,000
Drinking water notes	5,534,628	01/31/17	01/31/36	2.0	-	<u>5,534,628</u>	<u>371,924</u>	<u>5,162,704</u>	<u>231,722</u>
Total Water Department bonds & notes					<u>3,071,000</u>	<u>5,534,628</u>	<u>686,924</u>	<u>7,918,704</u>	<u>498,722</u>
Premium					<u>128,741</u>	-	<u>11,704</u>	<u>117,037</u>	-
Total Water Department bonds, notes, and related liabilities					<u>3,199,741</u>	<u>5,534,628</u>	<u>698,628</u>	<u>8,035,741</u>	<u>498,722</u>
Ocean Beach Park:									
Note payable	883,444	10/28/11	10/28/24	2.0	581,413	-	68,467	512,946	69,849
Improvement bonds	200,000	05/13/14	05/15/34	3.0-4.0	<u>200,000</u>	-	<u>25,000</u>	<u>175,000</u>	<u>25,000</u>
Total Ocean Beach Park bonds and notes					<u>781,413</u>	-	<u>93,467</u>	<u>687,946</u>	<u>94,849</u>
Premium					<u>73,329</u>	-	<u>9,263</u>	<u>64,066</u>	-
Total Ocean Beach Park bonds, notes and related liabilities					<u>854,742</u>	-	<u>102,730</u>	<u>752,012</u>	<u>94,849</u>
Total enterprise fund long-term obligations					<u>\$ 4,908,088</u>	<u>\$8,634,628</u>	<u>\$1,023,257</u>	<u>\$12,519,459</u>	<u>\$ 970,470</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Changes in long-term obligations (continued)

1. Summary of changes (continued)

The following is a summary of debt maturities:

Year Ending June 30,	Debt Maturities									
	Governmental Activities		Business-Type Activities							Interest
	Bonds		WPCA		Water		Ocean Beach Park			
	Principal	Interest	Bonds	Notes	Bonds	Notes	Bonds	Notes		
2018	\$ 3,623,000	\$ 2,504,390	\$ 155,000	\$221,900	\$ 267,000	\$ 231,723	\$ 25,000	\$ 69,849	\$ 334,200	
2019	3,396,000	2,362,099	155,000	191,604	264,000	236,400	25,000	71,259	307,725	
2020	3,676,000	2,190,194	155,000	100,708	264,000	241,171	25,000	72,697	279,971	
2021	3,695,000	2,013,006	155,000	100,709	305,000	246,039	25,000	74,165	254,478	
2022	3,599,000	1,831,654	155,000	16,785	301,000	251,005	25,000	75,662	229,983	
2023	3,381,000	1,657,275	155,000	-	289,000	256,072	25,000	77,189	205,872	
2024	3,127,000	1,491,580	155,000	-	273,000	261,240	25,000	72,125	182,090	
2025	3,275,000	1,327,895	155,000	-	270,000	266,513	-	-	159,324	
2026	3,372,000	1,152,827	155,000	-	268,000	271,893	-	-	138,125	
2027	3,370,000	966,086	155,000	-	255,000	277,381	-	-	117,042	
2028	3,075,000	781,204	155,000	-	-	282,979	-	-	101,418	
2029	3,070,000	604,623	155,000	-	-	288,691	-	-	91,056	
2030	3,075,000	435,533	155,000	-	-	294,518	-	-	80,579	
2031	1,885,000	310,381	155,000	-	-	300,463	-	-	69,791	
2032	1,570,000	243,416	155,000	-	-	306,528	-	-	58,689	
2033	1,595,000	184,732	155,000	-	-	312,715	-	-	47,464	
2034	1,615,000	123,891	155,000	-	-	319,027	-	-	35,921	
2035	695,000	65,348	155,000	-	-	325,466	-	-	24,057	
2036	720,000	37,598	155,000	-	-	192,880	-	-	12,526	
2037	425,000	15,406	155,000	-	-	-	-	-	5,627	
	<u>\$ 52,239,000</u>	<u>\$20,299,138</u>	<u>\$3,100,000</u>	<u>\$631,706</u>	<u>\$2,756,000</u>	<u>\$ 5,162,704</u>	<u>\$175,000</u>	<u>\$512,946</u>	<u>\$2,735,938</u>	

2. Capital leases

The City is committed under capital leases for several vehicles, equipment and software. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Machinery and equipment totaling \$1,832,441, less \$1,610,670 of accumulated depreciation, are recorded under capital leases. This year, \$267,395 was included in depreciation expense.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments:

Year Ending June 30,	
2018	\$ 76,401
2019	76,401
2020	76,401
Less amount representing interest	(7,432)
Present value of minimum lease payments	<u>\$ 221,771</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Changes in long-term obligations (continued)

3. Heart and hypertension

The City has heart and hypertension claims outstanding totaling \$4,712,132 at year end. Payments are made annually as required by State statutes or terms of agreement with the claimant. Claims of \$71,381 were made during the fiscal year.

4. Statutory debt limitations

The City's indebtedness does not exceed the legal debt limitations as required by 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	\$ 118,229,839	\$ 37,963,000	\$ 80,266,839
Schools	236,459,678	24,673,000	211,786,678
Sewers	197,049,731	-	197,049,731
Urban renewal	170,776,434	-	170,776,434
Pension deficit	157,639,785	3,930,000	153,709,785

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$367,826,165.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

5. Authorized/unissued debt

The amount of authorized and unissued bonds as follows:

<u>Project</u>	
21 st Century school building program	\$ 7,517,292
Bennie Dover Middle School	2,295,477
Intake pump – Lake Konomoc	6,500,000
Magnet school project	168,000,000
The Garde Arts Center	31,000,000
Various city and school infrastructure	5,695,100
Refunding and refinancing bonds	<u>5,480,000</u>
Total	<u>\$226,487,869</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Changes in long-term obligations (continued)

6. Current Year Advance Refunding

In December 2016, the Town issued \$9,620,000 of general obligation refunding bonds with an interest rate of 3.0% to 5.0%. These refunding bonds were issued to advance and defease bonds issued in August 2009. The refunding resulted in an economic gain of \$342,967 with a total savings of \$359,743.

H. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$2,525,654.

I. Fund balance classifications

Fund balances are classified as follows:

Fund Balance Component	General Fund	Capital Nonrecurring Fund	School Projects	Education Grants Fund	Other Governmental Funds	Total
<u>Restricted:</u>						
General government	\$ -	\$ -	\$ -	\$ -	\$ 763,244	\$ 763,244
Public works	-	-	-	-	406,860	406,860
Health and welfare	-	-	-	-	78,803	78,803
Culture and recreation	-	-	-	-	108,815	108,815
Education	-	-	-	-	1,167,932	1,167,932
Total restricted	-	-	-	-	2,525,654	2,525,654
<u>Committed:</u>						
General government	-	-	-	-	153,220	153,220
Culture and recreation	-	-	-	-	62,365	62,365
Total committed	-	-	-	-	215,585	215,585
<u>Assigned:</u>						
Debt service	-	-	-	-	2,383,339	2,383,339
Unassigned	8,216,487	1,201,855	(4,093,368)	(439,670)	(96,038)	4,789,266
Total	\$ 8,216,487	\$ 1,201,855	\$ (4,093,368)	\$ (439,670)	\$ 5,028,540	\$ 9,913,844

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

IV. Other information

A. Risk management

Except for the purchase of commercial insurance coverage for all City buildings (flood, fire and casualty), with a deductible of \$100,000, errors and omissions, general liability umbrella policy with a retention limit of \$500,000 per incident, law enforcement liability insurance policy with a retention limit of \$350,000, workers' compensation with a retention limit of \$500,000 per incident and an excess policy with a stop loss at \$1,500,000, the City is exposed to various risks for which it has retained the risk of loss including torts; theft of, damage to and destruction of assets; natural disaster; general liability; and workers' compensation. Settled claims have not exceeded commercial coverage in any of the past three years. There has not been any significant reductions in insurance coverage from amounts held in prior years.

The City utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

City departments and agencies are charged premiums by the Internal Service Fund, which are included in department and agency expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the City's best estimate based on available information.

The claims liability reported in the fund is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims <u>Paid</u>	Claims Payable <u>June 30</u>
2015-2016	\$ -	\$3,149,334	\$ 760,330	\$2,389,004
2016-2017	2,389,004	2,524,219	2,061,162	2,852,061

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Commitments and litigation**

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Employee retirement systems and pension plansPlan administration

The City of New London is the administrator of two single-employer Defined Benefit Public Employee Retirement System ("PERS"), The City of New London Noncontributory Pension Program and The City of New London Contributory Pension Program. The PERS are established and administered by the City to provide pension benefits for its non-teacher employees. The PERS contributory plan is considered to be part of the City of New London's financial reporting entity and is included in the City's financial statements as a pension trust fund. The PERS noncontributory plan is funded on a pay-as-you-go basis from the General Fund of the City. These plans do not issue stand-alone financial reports, nor are they included in the report of a public employee's retirement system. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by the City Council and can only be amended by the Pension Committee.

1. Plan descriptionNoncontributory Pension Plan

The plan's membership is open to City employees hired prior to May 1, 1971, with the exception of certified teachers and administrative personnel at the Board of Education. The plan was established through City ordinance. The plan is closed to employees hired subsequent to May 1, 1971.

Contributory Pension Plan

The plan's membership includes substantially all City employees hired after May 1, 1971, with the exception of certified teachers and administrative personnel at the Board of Education and police officers. The plan was established through City ordinance. The plan remains open only to members of the Public Works Union, certain Department Heads and General Unaffiliated individuals, and Board of Education Unaffiliated, Custodian and Secretarial members who have elected to continue plan membership.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Employee retirement systems and pension plans (continued)

2. Valuation of Investments

Investments are valued at fair value. Securities traded on a national exchange are valued at the reported sales price.

There were no investments in any one issuer that represents 5% or more of the plans net position at year end.

3. Participant data

As of July 1, 2015, membership in the plans is comprised of the following:

	Noncontributory Pension <u>Plan</u>	Contributory Pension <u>Plan</u>
Retirees and beneficiaries currently receiving benefits	33	220
Vested terminated employees	-	24
Active employees	<u>-</u>	<u>66</u>
Total participants	<u><u>33</u></u>	<u><u>310</u></u>

4. Plan provisions

Noncontributory Plan

All members who were hired prior to May 1, 1971 who elected coverage are eligible to participate in the plan. The Plan provides retirement and disability benefits. Participants in the Plan are eligible to retire at age 60 with the completion of 15 years of service. Non-officer firemen are eligible to retire at age 55 with 15 years of service. Normal retirement benefits are equal to 33 1/3% of compensation for the first 15 years of service plus an additional 1 2/3% of compensation for each of the next 10 years of service. The maximum normal retirement benefit is 50% of compensation. Compensation is defined as base pay plus longevity received at retirement. The disability benefit for a service-connected, permanent disability is one half of compensation less workmen's compensation. There is no cost-of-living provision in the plan.

Contributory Plan

Participating units of the plan are Police, Unaffiliated General Salaried and Board of Education, Firefighters, MEU, Nurses, Public Works, Board of Education Custodians and Secretaries. All full time members of Units hired subsequent to May 1, 1971 are eligible to participate; however, Firefighters employed after November 1, 1996, Nurses employed after July 1, 1998, Policemen employed after December 22, 1999, General Salaried Unaffiliated and Board of Education Unaffiliated hired after March 6, 2000 and MEU members hired after February 29, 2000 are not eligible to participate in the plan. The plan provides retirement, death and disability benefits.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Employee retirement systems and pension plans (continued)****4. Plan provisions (continued)**

Normal retirement age is as follows:

- General Salaried Unaffiliated and Board of Education Unaffiliated - Age 54 with 15 years of service.
- All Others - Age 57 with 15 years of service. Maximum retirement age for Firefighters is age 65.

Normal retirement benefit is as follows:

- Board of Education Custodians and Secretaries, Fire, MEU and Public Works - 2% of average compensation multiplied by years of service up to a maximum of 30 years. Maximum normal retirement benefit is 60% of average compensation.
- General Salaried Unaffiliated and Board of Education Unaffiliated - 3% of average compensation multiplied by years of service up to a maximum of 20 years. Maximum normal benefit is 60% of average compensation.

Compensation is defined as base pay plus longevity. Employees covered by the plan are required to contribute 6% of their base salary plus longevity. The disability benefit for a service-connected, permanent disability is the greater of (i) or (ii), less Workers' Compensation.

- i. General Salaried Unaffiliated, Board of Education Unaffiliated, MEU, Fire: One-half of average of highest 3 years' compensation. Board of Education Secretaries and Custodians, Public Works: One-half of average of highest 5 years' compensation.
- ii. Accrued benefit based on normal retirement benefit formula.

Contributions requiredNoncontributory plan

Participants are not required to contribute.

The plan is funded on a pay-as-you-go basis.

Contributory plan

Participants are required to contribute 6% of their base pay plus longevity.

The City contributes 10% of payroll for plan members.

City of New London, Connecticut

Notes to Financial Statements
June 30, 2017

C. Employee retirement systems and pension plans (continued)

4. Plan provisions (continued)

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City's Pension Committee. The Pension Committee periodically reviews the asset allocation and strategic objectives in light of market conditions, benefit payments, expenses, and expected contributions from the City. In the Contributory Plan, the current policy translates into the following allocations:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	36.00%	6.50%
Mid Cap Domestic Equity	13.49%	7.50%
Small Cap Domestic Equity	8.10%	8.30%
International Equity Developed	7.90%	6.50%
Emerging Markets Equity	3.30%	9.30%
Broad Fixed Income	24.60%	0.80%
REIT (Real Estate)	6.60%	6.30%
Cash	<u>0.01%</u>	0.00%
Total	<u>100.00%</u>	

Long-term rate of return

The long-term expected rate of return on the pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are also summarized above.

The assumed inflation rate is 2.50% per annum.

The long-term weighted average expected nominal rate of return is 7.96%.

Rate of return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Noncontributory plan:	0.00%
Contributory plan:	8.70%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Employee retirement systems and pension plans (continued)

4. Plan provisions (continued)

Net pension liability

The components of the net pension liability are as follows:

	<u>Noncontributory</u>	<u>Contributory</u>
Total pension liability	\$ 6,877,435	\$ 46,703,653
Plan fiduciary net position	<u>-</u>	<u>(30,274,069)</u>
Net pension liability	<u>\$ 6,877,435</u>	<u>\$ 16,429,584</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>	<u>64.82%</u>

5. Actuarial assumptions

	<u>Noncontributory</u>	<u>Contributory</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage	Level percentage
Asset valuation method	Fair value	Fair value
Inflation	3.00%	2.75%
Investment rate of return	3.58%	6.13%
Mortality rates	RP-2000 Mortality Table with separate male and female rates with no collar adjustment projected to the valuation date with Scale BB	RP-2000 Mortality Table with separate male and female rates with no collar adjustment projected to the valuation date with Scale AA

Noncontributory and Contributory Actuarial Assumptions

Salary increases - Graded scale 5% at age 20 down to 3% at age 60 and beyond.

Cost of living increases -

Police - ½% per year starting at age 62 following retirement from active service.

Others - Cost of living adjustments as negotiated.

6. Discount rate

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 Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

The discount rate used to measure the total pension liability was as follows:

Noncontributory plan: 3.58%. Since the plan has no assets, a discount rate was used which is consistent with current high quality municipal bond rates.

Contributory plan: 6.13%. Since the plan is projected to not have a sufficient net position to cover future benefit payments and administrative expenses, a blended single equivalent discount rate was applied.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Employee retirement systems and pension plans (continued)

7. Changes in the net pension liability

The City's net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The changes in net pension liability for each plan for the fiscal year were as follows:

Noncontributory	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 7,285,337	\$ -	\$ 7,285,337
Interest	180,561	-	180,561
Differences between expected and actual experience	584,300	-	584,300
Changes in assumptions	(486,961)	-	(486,961)
Contributions - employer	-	685,802	(685,802)
Benefit payments, including refunds of member contributions	(685,802)	(685,802)	-
Net change	(407,902)	-	(407,902)
Balance at June 30, 2017	\$ 6,877,435	\$ -	\$ 6,877,435

Contributory	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 47,366,176	\$30,841,435	\$ 16,524,741
Service cost	973,451	-	973,451
Interest	2,965,655	-	2,965,655
Differences between expected and actual experience	(3,280,839)	-	(3,280,839)
Changes in assumptions	2,449,503	-	2,449,503
Contributions - employer	-	404,486	(404,486)
Contributions - member	-	238,894	(238,894)
Net investment income (loss)	-	2,559,547	(2,559,547)
Benefit payments, including refunds of member contributions	(3,770,293)	(3,770,293)	-
Net change	(662,523)	(567,366)	(95,157)
Balance at June 30, 2017	\$46,703,653	\$30,274,069	\$ 16,429,584

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Employee retirement systems and pension plans (continued)

8. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 3.58% and 6.13% for the Noncontributory and the Contributory plans, respectively, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate for the plan:

	1% Decrease (2.58%)	Current Discount (3.58%)	1% Increase (4.58%)
<u>Noncontributory plan</u>			
Net pension liability	<u>\$ 7,390,529</u>	<u>\$ 6,877,435</u>	<u>\$ 6,426,460</u>
	1% Decrease (5.13%)	Current Discount (6.13%)	1% Increase (7.13%)
<u>Contributory plan</u>			
Net pension liability	<u>\$ 20,693,214</u>	<u>\$ 16,429,584</u>	<u>\$ 12,774,105</u>

9. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

The City recognized pension expense of \$2,341,513. The City reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,894	\$ (1,718,535)
Changes in assumptions	1,283,073	-
Net difference between projected and actual earnings on pension plan investments	<u>1,251,885</u>	<u>-</u>
Totals	<u>\$ 2,731,852</u>	<u>\$ (1,718,535)</u>
Net amount of deferred inflows and outflows		<u>\$ 1,013,317</u>

Differences between expected and actual experience are amortized over the average remaining service period of actives and inactive, which was 0 years for the noncontributory plan and 4 years for the Contributory Plan.

Actual investment earnings below (or above) projected earnings are amortized over the next 4 years.

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

Year Ending June 30,	
2018	\$ 232,879
2019	567,285
2020	351,166
2021	<u>(138,013)</u>
Total	<u>\$ 1,013,317</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Connecticut Municipal Employees Retirement System (MERS)****1. Plan description**

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System (MERS). This designation may be the result of collective bargaining. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has four sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

2. Benefit provisions

The plan provides retirement, disability and death benefits.

General Employees

Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service.

Policemen and Firemen

Compulsory retirement age for police and fire members is age 65.

Normal Retirement: For members not covered by social security, the benefit is 2% of average final compensation times years of service.

For members covered by social security, the benefit is 1 ½% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement: Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Connecticut Municipal Employees Retirement System (MERS) (continued)****2. Benefit provisions (Continued)**

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for nonservice-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

3. ContributionsEmployer

Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions.

Employees

For employees not covered by social security, each person is required to contribute 5% of compensation.

For employees covered by social security, each person is required to contribute 2 ¼% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The City reported a pension asset of \$4,397,502 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based upon the City's 2016 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2016, the City's proportional share was 7.81% for the Police and Fire sub plan and 1.77% for the Public Works employees' sub plan. This represents a decrease of 0.25% and 1.77% increase in the proportional share as compared to the prior year, respectively.

Subsequent to the measurement date, there were no changes in benefit terms or any expected changes that will have an impact on the measurement of net pension liability.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**D. Connecticut Municipal Employees Retirement System (MERS) (continued)**

The City recognized pension expense of \$2,433,201. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of outflows/inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,308,737	\$ -
Changes in proportional share - prior years	77,724	1,677,215
Changes in proportional share - current year	2,006,876	41,621
Net difference between projected and actual earnings on pension plan investments	4,110,515	-
City contributions subsequent to measurement date	2,409,898	-
Totals	\$ 11,913,750	\$ 1,718,836
Net amount of deferred outflows and (inflows) excluding City contributions subsequent to measurement date		\$ 7,785,016

The \$2,409,898 amount reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	\$ 1,754,691
2019	1,754,694
2020	2,234,532
2021	2,041,099
Total	\$ 7,785,016

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Connecticut Municipal Employees Retirement System (MERS) (continued)

5. Actuarial assumptions

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

Inflation	3.25%
Salary increases	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, the maximum is 6%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (Non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	0.4%
Total	100.0%	

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Connecticut Municipal Employees Retirement System (MERS) (continued)

6. Discount rate

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

7. Sensitivity of the net pension (asset) liability to changes in the discount rate

The following presents the City's proportional share of the net pension (asset) liability of the MERS, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
City's proportional share of the net pension (asset) liability	<u>\$ 4,308,576</u>	<u>\$ (4,397,502)</u>	<u>\$(11,636,727)</u>

8. Plan fiduciary net position

Detailed information about MERS plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016

9. Payable to the Pension Plan

The City had \$9,624,172 of contributions payable to MERS plan outstanding for the City's liability for prior service costs relative to the firemen's entry into MERS.

E. Connecticut State Teachers' Retirement System

1. Plan description

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

2. Benefit provisions

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

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

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**E. Connecticut State Teachers' Retirement System (continued)**

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

3. ContributionsState of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

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

Employees

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

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

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

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>74,342,205</u>
Total	<u>\$ 74,342,205</u>

City of New London, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

E. Connecticut State Teachers' Retirement System (continued)

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

For the fiscal year ended, the City recognized pension expense and revenue of \$8,107,285 for on-behalf amounts for the benefits provided by the State.

5. Actuarial assumptions

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

Inflation	2.75%
Salary increase	3.25-6.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2,020 using the BB improvement scale.

Future cost-of-living increases – For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**E. Connecticut State Teachers' Retirement System (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	<u>6.0%</u>	0.4%
Total	<u>100.0%</u>	

6. Discount rate

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

7. Sensitivity of the net pension liability to changes in the discount rate

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement System plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**F. MEU and Unaffiliated Employees Defined Contribution Plan****1. Plan description**

The City has established a single employer, defined contribution plan for all MEU and unaffiliated employees hired after December 1, 2000. The City and plan members are both required to make contributions. The plan is administered by the ICMA Retirement Trust Corporation. The authority for establishing and amending plan provisions rests with the City Council.

The employee and City required contributions to the plan are 6% and 10% of covered payroll, respectively. Actual contributions for the plan for the year totaled \$339,290, which consisted of \$162,123 contributed by employees and \$177,167 recognized as pension expense by the City. The current year covered payroll for the plan is \$1,964,281.

The participant's interest in employer contributions to their account and amounts rolled from the defined benefit plan are vested after 5 years of service. The City's and employee's contributions are determined by union contract for the MEU and through City Council authorization for unaffiliated employees.

G. Other Post-Employment Benefit Plan**1. Plan description**

The City administers one single-employer, post retirement healthcare plan for the City of New London Other Post-Employment Benefit ("OPEB") plan. The plan provides medical and dental benefits for eligible retirees and their spouses. The plan does not issue stand alone financial reports.

2. Benefit provisions and contributions**a. Benefit provisions**

The plan provides for medical and dental benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations.

b. Employer contributions

The City's contributions are actuarially determined on an annual basis using the projected unit credit method. The City's total plan contribution was \$1,378,017.

c. Employee contributions

There are no employee contributions to the plan.

Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the City's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These teachers are required to contribute the cost of the insurance to the City.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Other Post-Employment Benefit Plan (continued)

d. Employees Covered by Benefit Terms

As of July 1, 2016 the following employees are covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	250
Active plan members	<u>568</u>
Total	<u>818</u>

3. Investments

a. Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the City's Retirement 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 following was the Board's adopted asset allocation policy for the OPEB plan:

<u>Asset Class</u>	<u>Target Allocation</u>
US equity market	54.60%
Global equity	32.47%
Global REITs	5.06%
US core fixed income	4.98%
Commodities	1.96%
US cash	<u>0.93%</u>
Total	<u>100.00%</u>

b. Concentrations

There were no investments in any one organization that represents 5% or more of the OPEB plans' net position.

4. Rate of Return

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 10.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Other Post-Employment Benefit Plan (continued)

5. Net OPEB Liability

The City's total OPEB liability of \$27,811,056 was measured as of June 30, 2017, and was determined by an actuarial valuation as July 1, 2016.

Total OPEB liability	\$ 28,391,500
Plan fiduciary net position	<u>(580,444)</u>
Net OPEB liability	<u>\$ 27,811,056</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.04%</u>

6. Actuarial methods and assumptions

The total OPEB liability was determined based upon a July 1, 2016 actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.58%
Inflation	2.70%
<u>Healthcare cost trend rates:</u>	
Medical trend rate	5.40-4.40% - over 61 years
Ultimate medical trend rate	4.40%

The discount rate was based on the S&P municipal bond 20 year high grade index as of the measurement date.

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

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Other Post-Employment Benefit Plan (continued)

6. Actuarial methods and assumptions (continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US cash	0.58%
US core fixed income	2.52%
US government bonds	1.78%
US equity market	3.81%
Global equity	4.59%
Global REITs	3.71%
Commodities	1.41%

The assumed rate of inflation is 2.70%.

The long-term weighted average expected nominal rate of return is 4.00%.

7. Discount rate

The discount rate used to measure the total OPEB liability was 3.58% for the OPEB plan. 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Other Post-Employment Benefit Plan (continued)

8. Changes in the net OPEB liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 30,461,134	\$ 436,683	\$ 30,024,451
Service cost	1,101,455		1,101,455
Interest	881,606		881,606
Changes in assumptions	(2,785,678)		(2,785,678)
Contributions - employer	-	1,378,017	(1,378,017)
Net investment income	-	59,991	(59,991)
Benefit payments, including refunds of member contributions	(1,267,017)	(1,267,017)	-
Administrative expenses	-	(27,230)	27,230
Net change	(2,069,634)	143,761	(2,213,395)
Balance at June 30, 2017	\$ 28,391,500	\$ 580,444	\$ 27,811,056

9. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability			
City Employees' OPEB Plan	\$ 31,731,702	\$ 27,811,056	\$ 24,569,406

10. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability			
City Employees' OPEB Plan	\$ 24,016,892	\$ 27,811,056	\$ 32,575,693

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

G. Other Post-Employment Benefit Plan (continued)

11. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year the City recognized OPEB expense of \$1,602,710. The City reported deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Inflows of Resources
Changes in assumptions	\$ 2,433,061
Net difference between projected and actual earnings on OPEB plan investments	<u>28,978</u>
Total	<u>\$ 2,462,039</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes in assumptions are amortized over 7.9 years

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

Year Ending June 30,	
2018	\$ 359,862
2019	359,862
2020	359,862
2021	359,860
2022	352,617
2023	352,617
2024	<u>317,359</u>
Total	<u>\$ 2,462,039</u>

City of New London, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

H. Prior period adjustment

The government-wide net position was restated as follows:

	Government - Wide
	<u> </u>
Net position as previously reported at June 30, 2016	\$ 147,489,245
To remove net OPEB obligation previously recorded	8,987,402
To record beginning net OPEB liability (NOL)	<u>(30,024,451)</u>
Net position as restated at July 1, 2016	<u><u>\$ 126,452,196</u></u>

**Required
Supplementary
Information**

City of New London, Connecticut

Required Supplementary Information
Last Four YearsSchedule of Changes in Net Pension Liability

	Noncontributory Plan				Contributory Plan			
	2017	2016	2015	2014	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ -	\$ -	\$ 7,103	\$ 6,830	\$ 973,451	\$ 958,923	\$ 991,266	\$ 953,140
Interest	180,561	264,692	282,631	299,650	2,965,655	3,128,487	3,452,051	3,442,146
Changes of benefit terms	-	-	-	-	-	3,100,047	-	-
Differences between expected and actual experience	584,300	(219,084)	-	-	(3,280,839)	415,666	-	-
Change of assumptions	(486,961)	542,846	-	-	2,449,503	-	-	-
Benefit payments, including refunds of member contributions	(685,802)	(716,518)	(804,770)	(717,176)	(3,770,293)	(16,374,591)	(3,777,054)	(3,787,233)
Net change in total pension liability	(407,902)	(128,064)	(515,036)	(410,696)	(662,523)	(8,771,468)	666,263	608,053
Total pension liability - July 1	7,285,337	7,413,401	7,928,437	8,339,133	47,366,176	56,137,644	55,471,381	54,863,328
Total pension liability - June 30 (a)	<u>\$ 6,877,435</u>	<u>\$ 7,285,337</u>	<u>\$ 7,413,401</u>	<u>\$ 7,928,437</u>	<u>\$ 46,703,653</u>	<u>\$ 47,366,176</u>	<u>\$ 56,137,644</u>	<u>\$ 55,471,381</u>
Plan fiduciary net position:								
Contributions - employer	\$ 685,802	\$ 716,518	\$ 804,770	\$ 717,176	\$ 404,486	\$ 525,279	\$ 685,986	\$ 685,356
Contributions - member	-	-	-	-	238,894	2,237,452 (1)	433,527	395,777
Net investment income (loss)	-	-	-	-	2,559,547	(35,053)	1,958,493	6,608,248
Benefit payments, including refunds of member contributions	(685,802)	(716,518)	(804,770)	(717,176)	(3,770,293)	(16,374,591) (2)	(3,777,054)	(3,787,233)
Net change in plan fiduciary net position	-	-	-	-	(567,366)	(13,646,913)	(699,048)	3,902,148
Plan fiduciary net position - July 1	-	-	-	-	30,841,435	44,488,348	45,187,396	41,285,248
Plan fiduciary net position - June 30 (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,274,069</u>	<u>\$ 30,841,435</u>	<u>\$ 44,488,348</u>	<u>\$ 45,187,396</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 6,877,435</u>	<u>\$ 7,285,337</u>	<u>\$ 7,413,401</u>	<u>\$ 7,928,437</u>	<u>\$ 16,429,584</u>	<u>\$ 16,524,741</u>	<u>\$ 11,649,296</u>	<u>\$ 10,283,985</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

(1) Includes \$1,951,342 of buyback contributions.

(2) Includes \$41,119 and \$12,552,845 of assets transferred to the State of Connecticut MERS plan for fiscal years 2017 and 2016 respectively.

City of New London, Connecticut

Required Supplementary Information
Last Four YearsSchedule of Net Pension Liability

	<u>Noncontributory Plan</u>				<u>Contributory Plan</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 6,877,435	\$ 7,285,337	\$ 7,413,401	\$ 7,928,437	\$ 46,703,653	\$ 47,366,176	\$ 56,137,644	\$ 55,471,381
Plan fiduciary net position	-	-	-	-	(30,274,069)	(30,841,435)	(44,488,348)	(45,187,396)
Net pension liability	<u>\$ 6,877,435</u>	<u>\$ 7,285,337</u>	<u>\$ 7,413,401</u>	<u>\$ 7,928,437</u>	<u>\$ 16,429,584</u>	<u>\$ 16,524,741</u>	<u>\$ 11,649,296</u>	<u>\$ 10,283,985</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>64.82%</u>	<u>65.11%</u>	<u>79.25%</u>	<u>81.46%</u>
Covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 56,818</u>	<u>\$ 2,809,411</u>	<u>\$ 6,353,404</u>	<u>\$ 6,804,000</u>	<u>\$ 6,348,480</u>
Net pension liability as a percentage of covered payroll	<u>N/A</u>	<u>N/A</u>	<u>12355.67%</u>	<u>13954.09%</u>	<u>584.81%</u>	<u>260.09%</u>	<u>171.21%</u>	<u>161.99%</u>

Schedule of Investment Returns

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net investment expense	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>8.70%</u>	<u>-0.09%</u>	<u>4.45%</u>	<u>16.49%</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

City of New London, Connecticut

Noncontributory Plan

Required Supplementary Information
Last Ten YearsSchedule of Contributions

<u>Fiscal year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 877,000	\$ 685,802	\$ (191,198)	\$ -	N/A
2016	819,000	716,518	(102,482)	-	N/A
2015	604,000	804,770	200,770	60,000	1341.28%
2014	633,000	717,176	84,176	56,818	1262.23%
2013	661,000	802,125	141,125	345,000	232.50%
2012	694,000	777,878	83,878	399,000	194.96%
2011	723,000	746,173	23,173	389,000	191.82%
2010	810,000	893,695	83,695	448,000	199.49%
2009	849,000	839,340	(9,660)	660,000	127.17%
2008	878,000	773,107	(104,893)	705,000	109.66%

City of New London, Connecticut

Contributory Plan

Required Supplementary Information
Last Ten Years

Schedule of Contributions

<u>Fiscal year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 979,000	\$ 404,486	\$ (574,514)	\$ 2,809,411	14.40%
2016	903,000	525,279	(377,721)	6,353,404	8.27%
2015	973,000	685,986	(287,014)	6,804,000	10.08%
2014	1,108,000	685,356	(422,644)	6,348,480	10.80%
2013	978,000	665,031	(312,969)	7,251,000	9.17%
2012	1,013,000	753,825	(259,175)	7,454,000	10.11%
2011	802,000	789,714	(12,286)	7,185,000	10.99%
2010	860,000	771,998	(88,002)	7,162,000	10.78%
2009	784,000	715,215	(68,785)	6,791,000	10.53%
2008	968,000	764,292	(203,708)	5,963,000	12.82%

City of New London, Connecticut

Noncontributory Plan

Notes to Required Supplementary Information
 Schedule of Contributions
 Last Four Years

Changes of benefit terms
Changes of assumptions
Method and assumptions used in calculations of actuarially determined contribution

None
None
Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contribution are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method
Amortization method
Inflation
Salary increases
Cost of living increases
Investment rate of return

Entry age normal
Level percentage
3.00%
Graded scale 5% at age 20 down to 3% at age 60 and beyond.
Police - 1/2% per year starting at age 62 following retirement from active service Others - cost of living adjustments as negotiated
3.75%, net of investment expenses, including inflation

Note: These schedules are intended to present information for 10 years.
 Additional years will be presented as they become available.

City of New London, Connecticut

Contributory Plan

Notes to Required Supplementary Information
Schedule of Contributions
Last Four Years

Changes of benefit terms	None
Changes of assumptions	2015 - Decreased the discount rate from 7.5% to 6.38%
Method and assumptions used in calculations of actuarially determined contribution	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contribution are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage
Asset valuation method	Fair value, adjusted to phase in gains and losses over a five-year period at a rate of 20% per year.
Inflation	3.00%
Salary increases	Graded scale 5% at age 20 down to 3% at age 60 and beyond.
Cost of living increases	Police - 1/2% per year starting at age 62 following retirement from active service Others - cost of living adjustments as negotiated
Investment rate of return	6.38%, net of investment expenses, including inflation

Note: These schedules are intended to present information for 10 years.
Additional years will be presented as they become available.

City of New London, Connecticut
Connecticut Municipal Employees Retirement System

Required Supplementary Information
Last Three Years

Schedule of Proportionate Share of the Net Pension Liability

	2017	2016	2015 (as restated)
City's proportion of the net pension liability for the policemen without social security sub plan	<u>4.367%</u>	<u>4.468%</u>	<u>4.634%</u>
City's proportion of the net pension liability for the firemen without social security sub plan	<u>3.440%</u>	<u>3.587%</u>	<u>N/A</u>
City's proportionate share of the net pension (asset) liability	<u>\$ (4,397,502)</u>	<u>\$ (6,778,002)</u>	<u>\$ (4,424,739)</u>
Covered payroll	<u>\$ 11,935,826</u>	<u>\$ 11,361,100</u>	<u>\$ 6,044,716</u>
City's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	<u>(36.8%)</u>	<u>(59.7%)</u>	<u>(59.7%)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

Schedule of Contributions

	2017	2016	2015
Contractually required contribution	<u>\$ 1,787,986</u>	<u>\$ 1,018,621</u>	<u>\$ 967,517</u>
Contributions in relation to the contractually required contribution	<u>1,787,986</u>	<u>1,018,621</u>	<u>967,517</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 11,935,826</u>	<u>\$ 11,361,100</u>	<u>\$ 11,361,100</u>
Contributions as a percentage of covered payroll	<u>14.98%</u>	<u>8.97%</u>	<u>8.97%</u>

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

City of New London, Connecticut

Connecticut Municipal Employees Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Changes of assumptions	None
Actuarial Cost Method	Entry age
Amortization Method	Level dollar, closed
Remaining Amortization Period	25 years
Asset Valuation Method	5 year smoothed market (20% recognition of investment gains and losses)
Inflation	3.25%
Salary Increases	4.25%-11.00%, average, including inflation
Cost-of-living Adjustments	After January 1, 2002 2.5% Prior to January 1, 2002. 2.5% up to age 65. 3.25% afterwards
Social Security Wage Base	3.50%
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Note: These schedules are intended to present information for 10 years.
Additional years will be presented as they become available.

City of New London, Connecticut
Connecticut State Teachers' Retirement System
Required Supplementary Information
Last Three Years

Schedule of Proportionate Share of the Net Pension Liability

	2017	2016	2015
City's proportion of the net pension liability (asset)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
City's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with City	<u>74,342,205</u>	<u>55,834,897</u>	<u>51,608,173</u>
Total	<u>\$ 74,342,205</u>	<u>\$ 55,834,897</u>	<u>\$ 55,834,897</u>
Covered payroll	(2) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Schedule of Contributions

	2017	2016	2015
Contractually required contribution	(1) \$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	(2) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employees are not required to contribute to plan.

(2) Not applicable since 0% proportional share of the net pension liability.

Note: This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

City of New London, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Change of assumptions	<p>2016:</p> <ol style="list-style-type: none"> 1. Reduce the inflation assumption from 3.00% to 2.75% 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males.
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.50%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

City of New London, Connecticut
Other Post-Employment Benefit (OPEB) Plan

Required Supplementary Information
For the Year Ended June 30, 2017

Schedule of Changes in Net OPEB Liability

Total OPEB liability:	
Service cost	\$ 1,101,455
Interest	881,606
Differences between expected and actual experience	(2,785,678)
Benefit payments, including refunds of member contributions	<u>(1,267,017)</u>
Net change in total OPEB liability	(2,069,634)
Total OPEB liability - July 1	<u>30,461,134</u>
Total OPEB liability - June 30 (a)	<u>\$ 28,391,500</u>
Plan fiduciary net position:	
Contributions - employer	\$ 1,378,017
Net investment income	59,991
Benefit payments, including refunds of member contributions	(1,267,017)
Administration	<u>(27,230)</u>
Net change in plan fiduciary net position	143,761
Plan fiduciary net position - July 1	<u>436,683</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 580,444</u>
Net OPEB liability (asset) - June 30 (a)-(b)	<u>\$ 27,811,056</u>

Note: These schedules are intended to present information for 10 years.
Additional years will be presented as they become available.

City of New London, Connecticut
Other Post-Employment Benefit (OPEB) Plan

Required Supplementary Information
As of and For the Year Ended June 30, 2017

Schedule of Net OPEB Liability

Total OPEB liability	\$ 28,391,500
Plan fiduciary net position	(580,444)
Net OPEB liability	<u>\$ 27,811,056</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.04%</u>
Covered payroll	<u>\$ 33,301,669</u>
Net OPEB liability as a percentage of covered payroll	<u>83.51%</u>

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	<u>10.15%</u>
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Note: These schedules are intended to present information for 10 years.
 Additional years will be presented as they become available.

City of New London, Connecticut
Other Post-Employment Benefit (OPEB) Plan

Required Supplementary Information
Last Nine Years

Schedule of Employer Contributions

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 2,120,720	\$ 1,378,017	\$ (742,703)	\$ 33,301,669	4.14%
2016	2,017,079	1,363,311	(653,768)	33,301,669	4.09%
2015	2,623,239	1,297,277	(1,325,962)	42,451,000	3.06%
2014	2,467,000	1,158,000	(1,309,000)	42,451,000	2.73%
2013	2,289,000	1,079,000	(1,210,000)	N/A	N/A
2012	2,160,000	1,099,000	(1,061,000)	N/A	N/A
2011	2,355,000	1,231,200	(1,123,800)	N/A	N/A
2010	2,263,000	1,061,000	(1,202,000)	N/A	N/A
2009	2,175,000	982,000	(1,193,000)	N/A	N/A

N/A - Not available

Note: These schedules are intended to present information for 10 years.
Additional years will be presented as they become available.

City of New London, Connecticut

Other Post-Employment Benefit Plan

Notes to Required Supplementary Information
Schedule of Contributions
Last Three Years

Changes of benefit terms	<p>2015 - Upon retirement, vested employees with years of service prior to July 1, 2011 shall have \$1,000 per year of prior service credited into their retirement savings arrangement.</p> <p>2015 - The City/Board of Education approved various retirement incentive agreements which set forth special retirement provisions for certain eligible groups.</p>
Changes of assumptions	<p>2017 - Healthcare inflation rate was reduced from 5.7% to 5.4%</p> <p>2017 - Inflation rate was reduced from 4.0% to 2.7%</p> <p>2015 - Medical age curves were updated with respect to expected claim costs.</p> <p>2015 - the amortization growth rate was lowered to 3.25% down from 4.00%</p> <p>2015 - the retirement assumption has been updated for Police based on more recent assumptions for the CMERS.</p>

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period	21 years decreasing, closed
Asset valuation method	Fair value
Investment rate of return	4.0%
Healthcare inflation rate - initial	5.4%
Healthcare inflation rate - ultimate	4.4%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Supplemental Schedules

General Fund

The general fund is the principal fund of the City and is used to account for all activities of the City, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

City of New London, Connecticut

Report of Tax Collector
For the Year Ended June 30, 2017

Grand List Year	Uncollected Taxes July 1, 2016	Current Year Levy	Lawful Corrections			Adjusted Amount Collectible	Collections			Uncollected Taxes June 30, 2017
			Additions	Deductions	Transfers to Suspense		Taxes	Interest, Liens & Other Fees	Total	
2007	\$ 11,825	\$ -	\$ -	\$ -	\$ -	\$ 11,825	\$ 11,825	\$ -	\$ 11,825	\$ -
2008	76,801	-	-	-	-	76,801	76,801	-	76,801	-
2009	74,668	-	-	-	-	74,668	74,668	-	74,668	-
2010	82,136	-	-	-	-	82,136	82,136	-	82,136	-
2011	299,709	-	177	81,156	209,539	9,191	9,103	2,195	11,298	88
2012	400,617	-	437	90,638	268,261	42,155	10,460	5,969	16,429	31,695
2013	641,810	-	1,668	74,324	473,115	96,039	30,333	27,997	58,330	65,706
2014	<u>1,125,526</u>	-	<u>7,512</u>	<u>117,653</u>	-	<u>1,015,385</u>	<u>501,779</u>	<u>120,296</u>	<u>622,075</u>	<u>513,606</u>
Total Prior Years	2,713,092	-	9,794	363,771	950,915	1,408,200	797,105	156,457	953,562	611,095
2015	<u>-</u>	<u>52,699,265</u>	<u>85,848</u>	<u>475,962</u>	<u>-</u>	<u>52,309,151</u>	<u>51,370,348</u>	<u>222,685</u>	<u>51,593,033</u>	<u>938,803</u>
Total All Years	<u>\$ 2,713,092</u>	<u>\$ 52,699,265</u>	<u>\$ 95,642</u>	<u>\$ 839,733</u>	<u>\$ 950,915</u>	<u>\$ 53,717,351</u>	<u>\$ 52,167,453</u>	<u>\$ 379,142</u>	<u>\$ 52,546,595</u>	<u>\$ 1,549,898</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cafeteria Fund

To account for the Child Nutrition Program, including funds received from the Federal Government and the State of Connecticut for reimbursement of school cafeteria expenditures.

Veolia Fund

To account for programs funded by the contributions received from Veolia Water.

Community Development

To account for specially financed community development programs under grants received from the Federal Government to be used for capital expenditures or for the acquisition of capital facilities, improvements and/or equipment.

General Government

To account for miscellaneous funds received for specific expenditures relating to the operations of the City.

Public Works

To account for specially financed public works programs under grants received from the Federal Government and the State of Connecticut.

Public Safety

To account for specially financed public safety programs under grants received from the Federal Government and the State of Connecticut.

Health & Welfare

To account for specially financed health and welfare programs under grants received from the Federal Government and the State of Connecticut.

Nonmajor Governmental Funds (Continued)

Planning & Development

To account for specially financed planning and development programs under grants received from the Federal Government and the State of Connecticut.

Recreation

To account for specially financed recreation programs under grants received from the Federal Government and the State of Connecticut.

Miscellaneous Fund

To account for miscellaneous grants and contributions received by the City.

Debt Service Fund

To account for the accumulation of resources that are assigned for the payment of principal and interest on long-term obligations of governmental funds.

City of New London, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Special Revenue Funds

	Cafeteria Fund	Veolia Fund	Community Development	General Government	Public Works	Public Safety	Health & Welfare
<u>Assets</u>							
Cash and cash equivalents	\$ 1,039,224	\$ 553,220	\$ 166,079	\$ 264,152	\$ 410,506	\$ -	\$ 1,262
Investments	72,934	-	-	-	-	-	77,883
Receivables:							
Loans	-	-	2,278,394	-	-	-	-
Accounts	-	-	11,444	1,114	139,103	-	-
Intergovernmental	420,244	-	232,214	-	-	9,889	-
Due from other funds	-	-	6,198	-	-	-	-
Other	44,422	-	-	-	-	-	-
Total assets	<u>\$ 1,576,824</u>	<u>\$ 553,220</u>	<u>\$ 2,694,329</u>	<u>\$ 265,266</u>	<u>\$ 549,609</u>	<u>\$ 9,889</u>	<u>\$ 79,145</u>
<u>Liabilities</u>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,977	\$ -
Accounts payable	341,881	-	123,113	1,205	3,646	8,634	-
Accrued wages and related liabilities	-	-	17,508	-	-	2,316	-
Due to other funds	67,011	-	29,361	3,447	-	-	342
Unearned revenue	-	400,000	-	1,114	-	-	-
Total liabilities	<u>408,892</u>	<u>400,000</u>	<u>169,982</u>	<u>5,766</u>	<u>3,646</u>	<u>105,927</u>	<u>342</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Sidewalk special assessments	-	-	-	-	139,103	-	-
Loans receivable	-	-	2,278,394	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,278,394</u>	<u>-</u>	<u>139,103</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>							
Restricted	1,167,932	-	245,953	259,500	406,860	-	78,803
Committed	-	153,220	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(96,038)	-
Total fund balances	<u>1,167,932</u>	<u>153,220</u>	<u>245,953</u>	<u>259,500</u>	<u>406,860</u>	<u>(96,038)</u>	<u>78,803</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,576,824</u>	<u>\$ 553,220</u>	<u>\$ 2,694,329</u>	<u>\$ 265,266</u>	<u>\$ 549,609</u>	<u>\$ 9,889</u>	<u>\$ 79,145</u>

(Continued)

City of New London, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

CG

	Special Revenue Funds			Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Planning & Development	Recreation	Miscellaneous Fund			
<u>Assets</u>						
Cash and cash equivalents	\$ 287,850	\$ 138,042	\$ 62,365	\$ 2,922,700	\$ 2,241,429	\$ 5,164,129
Investments	-	-	-	150,817	-	150,817
Receivables:						
Loans	-	-	-	2,278,394	-	2,278,394
Accounts	-	-	-	151,661	-	151,661
Intergovernmental	-	-	-	662,347	-	662,347
Due from other funds	5,999	6,875	-	19,072	143,820	162,892
Other	-	-	-	44,422	-	44,422
Total assets	\$ 293,849	\$ 144,917	\$ 62,365	\$ 6,229,413	\$ 2,385,249	\$ 8,614,662
<u>Liabilities</u>						
Cash overdraft	\$ -	\$ -	\$ -	\$ 94,977	\$ -	\$ 94,977
Accounts payable	16,058	22,689	-	517,226	1,910	519,136
Accrued wages and related liabilities	-	9,531	-	29,355	-	29,355
Due to other funds	-	3,882	-	104,043	-	104,043
Unearned revenue	20,000	-	-	421,114	-	421,114
Total liabilities	36,058	36,102	-	1,166,715	1,910	1,168,625
<u>Deferred Inflows of Resources</u>						
Unavailable revenue:						
Sidewalk special assessments	-	-	-	139,103	-	139,103
Loans receivable	-	-	-	2,278,394	-	2,278,394
Total deferred Inflows of resources	-	-	-	2,417,497	-	2,417,497
<u>Fund Balances</u>						
Restricted	257,791	108,815	-	2,525,654	-	2,525,654
Committed	-	-	62,365	215,585	-	215,585
Assigned	-	-	-	-	2,383,339	2,383,339
Unassigned	-	-	-	(96,038)	-	(96,038)
Total fund balances	257,791	108,815	62,365	2,645,201	2,383,339	5,028,540
Total liabilities, deferred inflows of resources and fund balances	\$ 293,849	\$ 144,917	\$ 62,365	\$ 6,229,413	\$ 2,385,249	\$ 8,614,662

(Concluded)

City of New London, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

Special Revenue Funds

	Cafeteria Fund	Veolia Fund	Community Development	General Government	Public Works	Public Safety	Health & Welfare
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ 87,652	\$ -	\$ -	\$ -
Intergovernmental	2,971,391	-	1,434,016	364,515	386,996	113,361	-
Charges for services	317,760	-	224,134	65,518	-	82,131	-
Contributions	-	100,000	-	-	-	-	-
Investment income and change in fair value of investments	117	-	-	-	-	-	5,713
Total revenues	3,289,268	100,000	1,658,150	517,685	386,996	195,492	5,713
Expenditures							
Current:							
General government	-	-	1,660,477	351,106	-	-	5,342
Public safety	-	-	-	-	-	261,626	-
Public works	-	-	-	-	365,940	-	-
Education	3,683,135	-	-	-	-	-	-
Total expenditures	3,683,135	-	1,660,477	351,106	365,940	261,626	5,342
Excess (deficiency) of revenues over expenditures	(393,867)	100,000	(2,327)	166,579	21,056	(66,134)	371
Other financing sources (uses):							
Refunding bond proceeds	-	-	-	-	-	-	-
Payment to escrow	-	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-
Premium on BANS	-	-	-	-	-	-	-
Premium (including refunding)	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(25,000)	-	-	-	-
Net other financing sources (uses):	-	-	(25,000)	-	-	-	-
Net change in fund balances	(393,867)	100,000	(27,327)	166,579	21,056	(66,134)	371
Fund balances - July 1, 2016	1,561,799	53,220	273,280	92,921	385,804	(29,904)	78,432
Fund balances - June 30, 2017	\$ 1,167,932	\$ 153,220	\$ 245,953	\$ 259,500	\$ 406,860	\$ (96,038)	\$ 78,803

(Continued)

City of New London, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Planning & Development	Recreation	Miscellaneous Fund			
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ 87,652	\$ -	\$ 87,652
Intergovernmental	394,248	102,391	-	5,766,918	835,361	6,602,279
Charges for services	41,400	566,741	-	1,297,684	-	1,297,684
Contributions	-	-	-	100,000	-	100,000
Investment income and change in fair value of investments	-	-	53	5,883	-	5,883
Total revenues	<u>435,648</u>	<u>669,132</u>	<u>53</u>	<u>7,258,137</u>	<u>835,361</u>	<u>8,093,498</u>
Expenditures:						
Current:						
General government	453,454	-	-	2,470,379	-	2,470,379
Public safety	-	-	-	261,626	-	261,626
Public works	-	-	-	365,940	-	365,940
Culture and recreation	-	613,284	-	613,284	-	613,284
Education	-	-	-	3,683,135	-	3,683,135
Debt service	-	-	-	-	7,107,921	7,107,921
Total expenditures	<u>453,454</u>	<u>613,284</u>	<u>-</u>	<u>7,394,364</u>	<u>7,107,921</u>	<u>14,502,285</u>
Excess (deficiency) of revenues over expenditures	<u>(17,806)</u>	<u>55,848</u>	<u>53</u>	<u>(136,227)</u>	<u>(6,272,560)</u>	<u>(6,408,787)</u>
Other financing sources (uses):						
Refunding bond proceeds	-	-	-	-	9,620,000	9,620,000
Payment to escrow	-	-	-	-	(10,311,938)	(10,311,938)
Premium on BANS	-	-	-	-	176,795	176,795
Premium (including refunding)	-	-	-	-	1,300,846	1,300,846
Transfers in	-	-	-	-	5,910,800	5,910,800
Transfers out	-	-	-	(25,000)	-	(25,000)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>6,696,503</u>	<u>6,671,503</u>
Net change in fund balances	(17,806)	55,848	53	(161,227)	423,943	262,716
Fund balances - July 1, 2016	<u>275,597</u>	<u>52,967</u>	<u>62,312</u>	<u>2,806,428</u>	<u>1,959,396</u>	<u>4,765,824</u>
Fund balances - June 30, 2017	<u>\$ 257,791</u>	<u>\$ 108,815</u>	<u>\$ 62,365</u>	<u>\$ 2,645,201</u>	<u>\$ 2,383,339</u>	<u>\$ 5,028,540</u>

(Concluded)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Unemployment Compensation Escrow

To account for funds used to pay the State for claims by employees who worked under the Community Development Program.

Student Activity

To account for funds used for after-school activities.

Good Faith Deposits

To account for funds that represent deposits from private redevelopers for performance of obligations to be performed.

Miscellaneous Deposits

To account for deposits held in escrow.

City of New London, Connecticut

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Assets</u>				
Cash:				
Unemployment compensation escrow	\$ 33,466	\$ -	\$ 795	\$ 32,671
Student activity	1,014,182	1,892,179	1,383,279	1,523,082
Good faith deposits	55,040	6	-	55,046
Miscellaneous deposits	<u>422,598</u>	<u>111,451</u>	<u>120,704</u>	<u>413,345</u>
Total cash	1,525,286	2,003,636	1,504,778	2,024,144
Accounts receivable:				
Miscellaneous deposits	-	3,299	-	3,299
Due from other funds:				
Miscellaneous deposits	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total assets	<u>\$ 1,527,786</u>	<u>\$ 2,006,935</u>	<u>\$ 1,504,778</u>	<u>\$ 2,029,943</u>
<u>Liabilities</u>				
Deposits held for others:				
Unemployment compensation escrow	\$ 33,466	\$ -	\$ 795	\$ 32,671
Student activity	1,014,182	1,892,179	1,383,279	1,523,082
Good faith deposits	55,040	6	-	55,046
Miscellaneous deposits	<u>419,609</u>	<u>113,966</u>	<u>117,601</u>	<u>415,974</u>
Total deposits held for others	1,522,297	2,006,151	1,501,675	2,026,773
Accounts payable:				
Miscellaneous deposits	4,086	-	2,100	1,986
Due to other funds:				
Miscellaneous deposits	<u>1,403</u>	<u>784</u>	<u>1,003</u>	<u>1,184</u>
Total liabilities	<u>\$ 1,527,786</u>	<u>\$ 2,006,935</u>	<u>\$ 1,504,778</u>	<u>\$ 2,029,943</u>

Trend Information

This part of the City's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends (Tables 1 - 2)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Debt Capacity (Table 3)

This schedule presents information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

City of New London, Connecticut

**Net Position by Component
Last Ten Years
(Unaudited)**

	Fiscal Year									
	2017	2016 (as restated)	2015 (as restated)	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Net investment in capital assets	\$ 183,551,413	\$ 186,966,539	\$ 190,740,367	\$ 195,211,659	\$ 196,390,712	\$ 183,990,139	\$ 185,683,563	\$ 176,388,714	\$ 179,410,190	\$ 172,629,259
Restricted	2,525,654	1,561,799	1,482,840	1,272,165	919,113	550,323	562,671			
Unrestricted	(45,112,183)	(41,039,093)	(7,785,583)	(7,601,369)	13,097,904	20,931,037	13,652,192	13,382,537	11,603,159	17,158,956
Total Governmental Activities Net Position	<u>140,964,884</u>	<u>147,489,245</u>	<u>184,437,624</u>	<u>188,882,455</u>	<u>210,407,729</u>	<u>205,471,499</u>	<u>199,898,426</u>	<u>189,771,251</u>	<u>191,013,349</u>	<u>189,788,215</u>
Business-Type Activities:										
Net investment in capital assets	104,691,597	108,814,321	111,361,733	113,152,436	115,929,469	119,099,897	121,954,883	125,011,166	126,745,679	124,036,381
Restricted	10,346,307	9,700,949	8,859,765	7,447,339	8,167,126	8,154,758	8,232,812	7,426,080	9,453,492	11,419,159
Unrestricted	10,298,577	7,017,746	6,204,883	7,111,329	5,016,636	4,486,240	3,991,202	5,774,243	3,881,296	4,808,706
Total Business-type Activities Net Position	<u>125,336,481</u>	<u>125,533,016</u>	<u>126,426,381</u>	<u>127,711,104</u>	<u>129,113,231</u>	<u>131,740,895</u>	<u>134,178,897</u>	<u>138,211,489</u>	<u>140,080,467</u>	<u>140,264,246</u>
Total Net Position:										
Net investment in capital assets	288,243,010	295,780,860	302,102,100	308,364,095	312,320,181	303,090,036	307,638,446	301,399,880	306,155,869	296,665,640
Restricted	12,871,961	11,262,748	10,342,605	8,719,504	9,086,239	8,705,081	8,232,812	7,426,080	9,453,492	11,419,159
Unrestricted	(34,813,606)	(34,021,347)	(1,580,700)	(490,040)	18,114,540	25,417,277	17,643,394	19,156,780	15,484,455	21,967,662
Total Net Position	<u>\$ 266,301,365</u>	<u>\$ 273,022,261</u>	<u>\$ 310,864,005</u>	<u>\$ 316,593,559</u>	<u>\$ 339,520,960</u>	<u>\$ 337,212,394</u>	<u>\$ 333,514,652</u>	<u>\$ 327,982,740</u>	<u>\$ 331,093,816</u>	<u>\$ 330,052,461</u>

City of New London, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities:										
General government	\$ 8,945,454	\$ 14,063,960	\$ 8,453,148	\$ 8,142,186	\$ 8,089,580	\$ 8,861,595	\$ 6,718,353	\$ 9,837,035	\$ 8,659,902	\$ 8,191,668
Public safety	5,220,978	46,060,059	21,444,239	20,649,445	20,784,414	23,212,879	20,162,984	21,261,813	21,065,673	15,381,018
Public works	13,424,329	17,290,673	19,014,401	15,209,903	14,967,352	15,143,530	14,978,165	16,134,004	17,212,793	19,716,193
Health and welfare	199,556	196,947	203,900	204,868	189,355	184,360	212,591	213,549	212,668	225,684
Culture and recreation	5,677,853	2,624,338	2,966,138	2,404,318	2,081,457	2,436,909	1,900,252	1,892,641	1,937,011	1,849,318
Education	82,369,821	79,618,093	72,202,747	68,086,277	61,839,151	58,928,033	57,747,782	56,501,354	57,109,850	65,093,001
Interest expense	2,072,220	2,092,063	2,062,742	1,877,653	2,268,575	2,000,294	2,082,195	1,476,545	1,138,756	1,225,640
Total governmental activities expenses	117,910,211	161,946,133	126,347,315	116,574,650	110,219,884	110,767,600	103,802,322	107,316,941	107,336,653	111,682,522
Business-type activities:										
Water Pollution Control Authority	6,245,014	6,853,574	6,660,452	6,556,740	6,582,346	6,460,232	6,243,772	6,064,143	5,212,571	6,746,310
Water Department	6,587,216	7,023,980	6,883,249	6,888,960	6,575,201	6,886,232	6,605,767	6,203,807	7,401,043	5,645,144
Ocean Beach Park	2,844,329	2,808,444	2,393,472	2,352,629	2,181,543	2,208,983	2,625,516	2,442,571	2,814,571	2,414,106
Water Street Parking Garage	856,669	626,059	542,494	558,442	455,411	621,633	1,082,062	511,253	560,862	473,085
Total business-type activities expenses	16,533,228	17,312,057	16,479,667	16,356,771	15,794,501	16,177,080	16,557,117	15,221,774	15,989,047	15,278,645
Total expenses	134,443,439	179,258,190	142,826,982	132,931,421	126,014,385	126,944,680	120,359,439	122,538,715	123,325,700	126,961,167
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,221,941	2,642,680	1,100,878	1,100,878	1,031,133	1,110,889	1,156,872	1,510,899	1,832,533	2,055,720
Public safety	2,751,117	2,683,429	2,682,515	2,682,515	2,281,134	2,282,374	2,036,260	2,591,808	987,597	1,149,140
Public works	1,757,350	1,232,864	1,469,123	1,469,123	1,386,548	1,477,256	1,475,254	1,096,520	1,989,742	1,924,472
Health and welfare	224,134	123,041	84,602	84,602	119,460	106,488	95,238	-	-	-
Culture and recreation	592,053	550,248	144,199	144,199	123,775	7,801	6,952	27,645	48,120	45,578
Education	2,830,594	2,508,412	1,762,403	1,762,403	284,850	1,947,117	1,098,820	144,829	194,703	169,512
Operating grants and contributions	69,245,189	54,232,519	49,525,228	48,277,519	43,935,369	43,818,348	41,313,700	42,502,193	40,390,424	49,417,493
Capital grants and contributions	1,226,241	2,106,147	1,316,612	4,713,550	13,731,236	15,770,965	15,748,630	5,338,745	8,666,117	8,872,155
Total governmental activities program revenues	79,848,619	66,079,340	58,085,560	60,234,789	62,893,505	66,521,238	62,931,726	53,212,639	54,109,236	63,634,070
Business-type activities:										
Charges for services:										
Water Pollution Control Authority	5,388,803	5,990,029	5,893,147	5,893,147	4,922,499	5,682,279	4,329,060	5,472,665	4,638,707	4,056,568
Water Department	6,188,992	5,949,843	6,033,923	6,033,923	5,483,624	4,825,283	5,292,878	4,656,424	4,291,982	4,264,765
Ocean Beach Park	2,957,449	2,865,364	2,167,290	2,167,290	1,907,902	2,143,582	2,046,170	2,326,924	2,438,394	2,181,813
Water Street Parking Garage	1,094,129	759,274	622,052	622,052	547,467	506,895	485,857	539,060	544,309	573,692
Capital grants and contributions	111,485	281,665	104,000	104,000	100,000	338,625	-	101,255	-	-
Total business-type activities program revenues	15,740,858	15,846,175	14,820,412	14,820,412	12,961,492	13,496,664	12,153,965	13,096,328	11,913,392	11,076,838

(Continued)

City of New London, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total program revenues	\$ 95,589,477	\$ 81,925,515	\$ 72,905,972	\$ 75,055,201	\$ 75,854,997	\$ 80,017,902	\$ 75,085,691	\$ 66,308,967	\$ 66,022,628	\$ 74,710,908
Net revenue (expense):										
Governmental activities	(38,061,592)	(95,866,793)	(68,261,755)	(56,339,861)	(47,326,379)	(44,246,362)	(40,870,596)	(54,104,302)	(53,227,417)	(48,048,452)
Business-type activities	(792,370)	(1,465,882)	(1,659,255)	(1,536,359)	(2,833,009)	(2,680,416)	(4,403,152)	(2,125,446)	(4,075,655)	(4,201,807)
Total governmental net revenue (expense)	(38,853,962)	(97,332,675)	(69,921,010)	(57,876,220)	(50,159,388)	(46,926,778)	(45,273,748)	(56,229,748)	(57,303,072)	(52,250,259)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	51,457,100	49,908,495	47,906,977	41,831,951	41,831,951	39,015,046	38,290,046	39,331,642	39,774,806	35,513,017
Grants and contributions not restricted to specific programs	835,361	8,612,399	8,642,616	9,022,637	9,022,637	10,235,088	11,136,103	10,491,650	11,674,558	11,752,212
Investment income (loss) and net change in fair value of investments	6,095	(135)	(266)	75,604	75,604	47,664	85,008	208,497	169,473	646,189
Miscellaneous	275,724	397,655	642,151	1,382,917	1,382,917	1,827,794	1,631,697	1,989,703	2,183,177	1,154,308
Transfers	-	-	(87,050)	(50,500)	(50,500)	(175,500)	(145,083)	(118,104)	(522,784)	(152,530)
Total governmental activities	52,574,280	58,918,414	57,104,428	52,262,609	52,262,609	50,950,092	50,997,771	51,903,388	53,279,230	48,913,196
Business-type activities:										
Investment income (loss) and net change in fair value of investments	595,835	572,517	77,555	154,845	154,845	66,914	195,060	138,364	196,544	746,993
Transfers	-	-	87,050	50,500	50,500	175,500	175,500	118,104	522,784	152,530
Total business-type activities	595,835	572,517	164,605	205,345	205,345	242,414	370,560	256,468	719,328	899,523
Total general revenues	53,170,115	59,490,931	57,269,033	52,467,954	52,467,954	51,192,506	51,368,331	52,159,856	53,998,558	49,812,719
Change in net position:										
Governmental activities	14,512,688	(36,948,379)	(11,157,327)	(4,077,252)	4,936,230	6,703,730	10,127,175	(2,200,914)	51,813	864,744
Business-type activities	(196,535)	(893,365)	(1,494,650)	(1,331,014)	(2,627,664)	(2,438,002)	(4,032,592)	(1,868,978)	(3,356,327)	(3,302,284)
Total change in net position	\$ 14,316,153	\$ (37,841,744)	\$ (12,651,977)	\$ (5,408,266)	\$ 2,308,566	\$ 4,265,728	\$ 6,094,583	\$ (4,069,892)	\$ (3,304,514)	\$ (2,437,540)

(Concluded)

City of New London, Connecticut
Schedule of Debt Limitation
Connecticut Statutes, Section 7-374(b)
For the Year Ended June 30, 2017
(Unaudited)

Tax Base:

Total tax collections (including interest and lien fees) for current year \$ 52,546,595

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 118,229,839	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	236,459,678	-	-	-
3 3/4 times base	-	-	197,049,731	-	-
3 1/4 times base	-	-	-	170,776,434	-
3 times base	-	-	-	-	157,639,785
Total debt limitation	<u>118,229,839</u>	<u>236,459,678</u>	<u>197,049,731</u>	<u>170,776,434</u>	<u>157,639,785</u>
Indebtedness:					
Bonds payable	33,768,000	14,541,000	-	-	3,930,000
Bond anticipation notes	4,195,000	10,132,000	-	-	-
Total indebtedness	<u>37,963,000</u>	<u>24,673,000</u>	<u>-</u>	<u>-</u>	<u>3,930,000</u>
Debt limitation in excess of outstanding debt	<u>\$ 80,266,839</u>	<u>\$ 211,786,678</u>	<u>\$ 197,049,731</u>	<u>\$ 170,776,434</u>	<u>\$ 153,709,785</u>

The total net indebtedness above amounts to: \$ 66,566,000

In no event shall total indebtedness exceed seven time the base for debt limitation computation: \$ 367,826,165

There is no overlapping debt for the City of New London.