

OFFICIAL STATEMENT DATED JANUARY 29, 2014

New Issue & Refunding Issue
Book Entry Only

Ratings (See "Ratings" herein)
Moody's: "Aa2"
Standard & Poor's: "AA"

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the City with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds may be included in the calculation of certain taxes under the Code, including adjusted current earnings for Corporations for purposes of calculating the Federal alternative minimum tax on corporations (as defined for federal income tax purposes). In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B: "Form of Opinions of Bond Counsel and Tax Exemption."



CITY OF NORWICH, CONNECTICUT \$18,145,000 GENERAL OBLIGATION BONDS, ISSUE OF 2014 CONSISTING OF:

\$12,365,000 SERIES A, CAPITAL PROJECT BONDS (the "Series A Bonds")
\$5,780,000 SERIES B, REFUNDING BONDS (the "Series B Bonds", or "Refunding Bonds")

Dated: Date of Delivery

Due: As set out on the inside cover

As used herein, the "Bonds" means the Series A Bonds and the Series B Bonds, collectively.

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

Interest on the Series A Bonds will be payable on August 1, 2014 and semiannually thereafter on February 1 and August 1 in each year until maturity. **The Series A Bonds ARE subject to optional redemption prior to maturity as more fully described herein. See "Optional Redemption" herein.**

Interest on the Series B Bonds will be payable on September 15, 2014 and semiannually thereafter on March 15 and September 15 in each year until maturity. **The Series B Bonds ARE NOT subject to optional redemption prior to maturity.**

Electronic Bids via PARITY® ONLY for the Bonds will be received until 11:00 A.M. (E.S.T.) on Wednesday, January 29, 2014 at the offices of Joseph Fasi LLC, Bond Counsel, 56 Arbor Street, Suite 418, Hartford, Connecticut 06106.

The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the City or its agent to DTC or its nominee as registered owner of the Bonds. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. So long as Cede & Co. is the bond owner, as nominee for DTC, reference herein to the bond owner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The Registrar, Transfer Agent, Certifying Agent, and Paying Agent on the Bonds, and Escrow Agent on the Series B Bonds, will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book entry-only form will be made through the facilities of DTC on or about February 12, 2014.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

\$12,365,000 SERIES A BONDS MATURITY SCHEDULE

Dated: Date of Delivery

Due: February 1,

<u>Maturity</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2015	\$655,000	3.000%	0.200%	669402 TV1	2025	\$595,000	3.000%	2.820%	669402 UF4
2016	655,000	3.000	0.350	669402 TW9	2026	595,000	3.000	3.000	669402 UG2
2017	650,000	3.000	0.550	669402 TX7	2027	595,000	3.125	3.150	669402 UH0
2018	650,000	4.000	0.870	669402 TY5	2028	595,000	3.250	3.300	669402 UJ6
2019	650,000	5.000	1.150	669402 TZ2	2029	595,000	3.250	3.400	669402 UK3
2020	645,000	5.000	1.600	669402 UA5	2030	595,000	3.500	3.500	669402 UL1
2021	645,000	5.000	1.950	669402 UB3	2031	595,000	3.500	3.600	669402 UM9
2022	625,000	5.000	2.230	669402 UC1	2032	595,000	3.500	3.700	669402 UN7
2023	620,000	5.000	2.450	669402 UD9	2033	595,000	3.750	3.800	669402 UP2
2024	620,000	4.500	2.620	669402 UE7	2034	595,000	3.750	3.850	669402 UQ0

ROOSEVELT & CROSS, INC. AND ASSOCIATES

\$5,780,000 SERIES B REFUNDING BONDS MATURITY SCHEDULE

Dated: Date of Delivery

Due: September 15,

<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2014	\$1,400,000	3.000%	0.160%	669402 UR8	2017	\$835,000	5.000%	0.690%	669402 UU1
2015	1,410,000	5.000	0.250	669402 US6	2018	725,000	4.000	1.030	669402 UV9
2016	885,000	5.000	0.400	669402 UT4	2019	525,000	3.000	1.340	669402 UW7

J.P. MORGAN SECURITIES

This Official Statement ("Official Statement") is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

No dealer, broker, salesman or any other person has been authorized to give any information or to make any representations, other than the information and representations contained herein, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy of the Official Statement or, except for the City, approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

The information relating to The Depository Trust Company ("DTC") and the book-entry only system contained in this Official Statement have been furnished by DTC (see "Book-Entry-Only System" herein). No representation is made by the City as to the adequacy or accuracy of such information. The City has not made any independent investigation of DTC or the book-entry only system.

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ISSUE SUMMARY – SERIES A, CAPITAL PROJECT BONDS

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	The City of Norwich, Connecticut (the “City”)
Issue:	\$12,365,000 Series A, Capital Project Bonds (the “Series A Bonds”)
Dated Date:	Date of Delivery
Interest Due:	February and August 1st in each year until maturity, commencing August 1, 2014.
Principal Due Date:	February 1st, as shown on the inside cover of the Official Statement.
Record Date:	The close of business on the fifteenth (15 th) day of January and July in each year (or the preceding business day if the 15 th is not a business day).
Purpose:	The Series A Bonds are being issued to finance various school facilities, road and water system improvements, and other municipal improvements.
Security:	The Series A Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal of and interest on the Series A Bonds when due. See “Security and Remedies” herein
Bank Qualification:	The Series A Bonds shall <u>NOT</u> be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Series A Bonds.
Ratings:	See “Ratings” herein.
Redemption:	The Series A Bonds are subject to redemption prior to maturity as further described herein.
Tax Exemption:	See Appendix B “Form of Opinions of Bond Counsel”.
Certifying Bank, Registrar, Transfer Agent, and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.
Legal Opinion:	Joseph Fasi LLC, Bond Counsel, Hartford, Connecticut.
Financial Advisor:	William Blair & Company, L.L.C., Chicago, Illinois.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the U.S. Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data, notices of listed events and notices of failure to provide required information with respect to the Series A Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix C to this Official Statement.
Delivery:	It is expected that delivery of the Series A Bonds in book entry form to The Depository Trust Company will be made on or about February 12, 2014. Payment must be made in Federal Funds.
Issuer Official:	For further information regarding this Official Statement and the City contact: Mr. Joshua A. Pothier, Comptroller, City Hall, 100 Broadway, Norwich, Connecticut 06360.

ISSUE SUMMARY – SERIES B, REFUNDING BONDS

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	City of Norwich, Connecticut (the “City”)
Issue:	\$5,780,000 Series B, Refunding Bonds (the “Series B Bonds” or “Refunding Bonds”)
Dated Date:	Date of Delivery
Interest Due:	March and September 15th in each year until maturity, commencing September 15, 2014.
Principal Due Date:	September 15th, as shown on the inside cover of the Official Statement.
Record Date:	The close of business on the last business day of February and August in each year
Purpose:	The Series B Bonds are being issued to refund a portion of the outstanding maturities of the City’s General Obligation Bonds, Series 2004B, General Obligation Bonds, Series 2005A and General Obligation Bonds, Series 2005B.
Security:	The Series B Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal of and interest on the Series B Bonds when due. See “Security and Remedies” herein.
Bank Qualification:	The Series B Bonds shall <u>NOT</u> be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Series B Bonds.
Rating:	See “Rating” herein.
Redemption:	The Series B Bonds are <u>NOT</u> subject to redemption prior to maturity as further described herein.
Tax Exemption:	See Appendix B “Form of Opinions of Bond Counsel”.
Certifying Bank, Registrar, Transfer Agent, Paying Agent and Escrow Agent:	U.S. Bank National Association, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.
Legal Opinion:	Joseph Fasi LLC, Bond Counsel, Hartford, Connecticut.
Financial Advisor:	William Blair & Company, Chicago, Illinois.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the U.S. Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data, notices of listed events and notices of failure to provide required information with respect to the Series B Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix C to this Official Statement.
Delivery:	It is expected that delivery of the Series B Bonds in book entry form to The Depository Trust Company will be made on or about February 12, 2014. Payment must be made in Federal Funds.
Issuer Official:	For further information regarding this Official Statement and the City contact: Mr. Joshua A. Pothier, Comptroller, City Hall, 100 Broadway, Norwich, Connecticut 06360.

- **Introduction**
- **Auditor's Disclaimer**
- **Authority to Issue the Bonds**
- **Description of the Series A Bonds**
- **Description of the Series B Bonds**
- **Redemption Provisions**
- **Qualification for Financial Institutions**
- **Security and Remedies**
- **Sources and Uses**
- **Use of Proceeds**
- **Plan of Refunding**
- **Verification of Mathematical Computations**
- **Book Entry Only System**
- **DTC Practices**
- **Ratings**

BOND INFORMATION

Introduction

This Official Statement, including the cover page, inside cover page and appendices, is provided for the purpose of presenting certain information relating to the City of Norwich, Connecticut (the "City"), in connection with the original sale of the City's \$18,145,000 General Obligation Bonds, Issue of 2014 consisting of the \$12,365,000 Series A, Capital Project Bonds (the "Series A Bonds") and the \$5,780,000 Refunding Bonds (the "Series B Bonds", or "Refunding Bonds", and together with the Series A Bonds, the "Bonds").

U.S. Bank National Association, Hartford, Connecticut will act as Registrar, Certifying Agent, Transfer Agent, and Paying Agent for the Bonds. U.S. Bank National Association, Hartford Connecticut will act as Escrow Agent for the Refunded Bonds, hereinafter defined.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the City. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the City.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the placement described herein, and if given or made, such information or representation must not be relied upon as having been authorized. The information in this Official Statement has been provided by the City and from other sources which are believed to be reliable. Neither the delivery of this Official Statement nor the sale of any of the Bonds shall imply that the information herein is correct as of any time subsequent to the date hereof.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion in Appendix B) and they make no representation that they have independently verified the same.

Auditor's Disclaimer

Blum, Shapiro & Company, PC, Certified Public Accountants, West Hartford, Connecticut, the City's independent auditors, are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A, "Financial Statements" herein), and make no representation that they have independently verified the same. The auditors have not been engaged nor performed audit procedures regarding the post audit period. The auditors have not been asked to nor have they provided their written consent to include their Independent Auditors' Report in this Official Statement.

Authority to Issue the Bonds

The Bonds are issued pursuant to the General Statutes of Connecticut, as amended, the Charter of the City of Norwich and various bond ordinances adopted by the City Council.

Description of the Series A Bonds

The Series A Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover, payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2014. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of January and July (or the preceding business day if such fifteenth day is not a business day), in each year by check mailed to the registered owner; or so long as the Series A Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree. The Series A Bonds are issuable only as fully registered bonds in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature as shown on the inside cover of this Official Statement.

Description of the Series B Bonds

The Series B Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover, payable semiannually on March 15 and September 15 in each year until maturity, commencing September 15, 2014. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of February and August in each year by check mailed to the registered owner; or so long as the Series B Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree. The Series B Bonds are issuable only as fully registered bonds in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature as shown on the inside cover of this Official Statement.

Redemption Provisions

Optional Redemption – Series A

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

<u>Redemption Date</u>	<u>Redemption Price</u>
February 1, 2024 and thereafter	100.00%

The Series B Bonds are not subject to redemption.

Notice of Redemption

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

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

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

Redemption of a portion of the Series A Bonds of any maturity by the City will reduce the outstanding principal amount of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by DTC Participants in the Series A Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interest in the Series A Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interest in the Series A Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Series A Bonds and will not be conducted by or the responsibility of the City, the Registrar or Paying Agent.

Qualification for Financial Institutions

The Bonds shall NOT be designated by the City as “qualified tax-exempt obligations” under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Security and Remedies

General

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

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

Payment of the Bonds is not limited to property tax revenue or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds. There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues or City property to secure the Bonds or judgments thereon, in priority to other claims.

Bondholder Remedies

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

Enforcement of a claim for payment of principal of or interest on general obligation bonds and notes of the City would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, and to provisions of other statutes, if any, hereafter enacted by Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Connecticut General Statutes Section 7-566 provides that no Connecticut municipality shall file a petition to become a debtor under Chapter 9 of the Federal Bankruptcy Code, without the express prior written consent of the Governor.

**The City of Norwich has never defaulted in the payment of principal of
or interest on its Bonds or Notes.**

Sources and Uses

<u>Sources:</u>	<u>2014A Bonds</u>	<u>2014B Bonds</u>
Principal Amount of Bonds	\$12,365,000.00	\$5,780,000.00
Net Original Issue Premium	<u>863,025.70</u>	<u>505,207.50</u>
Total Sources	\$13,228,025.70	\$6,285,207.50
<u>Uses:</u>		
Deposit to Capital Project Fund	\$13,032,133.69	
Deposit to Escrow Deposit Fund		\$6,225,641.75
Costs of Issuance ¹	<u>\$195,892.01</u>	<u>59,565.75</u>
Total Uses	\$13,228,025.70	\$6,285,207.50

¹Includes Underwriter's Discount

Use of Proceeds

Series A Bonds and Series B Bonds

<u>Project*</u>	<u>Bonds Authorized</u>	<u>Prior Bonds Issued</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Authorized But Unissued</u>
Demolition (2008)	\$300,000	\$100,000	\$110,000		\$90,000
Infrastructure Improvement Program (2009)	5,000,000	1,300,000	2,785,000		915,000
Greeneville & Buckingham Schools Demolition	675,000		665,000		10,000
Public Safety Communications Improvements	650,000		275,000		375,000
School Technology Improvements	525,000		150,000		375,000
Newton Street Area Sewers	1,600,000	1,000,000	600,000		--
Gas line Extension (2010)	3,000,000	1,000,000	2,000,000		--
Gas line Extension (2012)	8,000,000		5,780,000		2,220,000
Refunding Bonds	<u>7,000,000</u>			<u>\$5,780,000</u>	<u>1,220,000</u>
Total	<u>\$26,750,000</u>	<u>\$3,400,000</u>	<u>\$12,365,000</u>	<u>\$5,780,000</u>	<u>\$5,205,000</u>

* The City may reallocate proceeds to meet its capital cash flow needs.

Plan of Refunding

The Series B Bonds (sometimes here the "Refunding Bonds") are being issued to currently refund a portion of the City's outstanding General Obligation Refunding Bonds, 2004 Series B, which were dated April 15, 2004, a portion of the City's outstanding General Obligation Bonds, 2005 Series A, which were dated March 15, 2005 and a portion of the City's outstanding General Obligation Refunding Bonds, 2005 Series B, which were dated March 15, 2005 (the "Refunded Bonds"), as listed below. The refunding is contingent upon delivery of the Series B Bonds.

<u>Issue</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Amount Refunded</u>	<u>Interest Rate (%)</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
2004B	4/15/2015	\$340,000	\$340,000	3.550	4/15/2014	101.00%	669402-PW3
2004B	4/15/2016	340,000	340,000	3.650	4/15/2014	101.00	669402-PX1
2004B	4/15/2017	355,000	355,000	3.800	4/15/2014	101.00	669402-PY9
2004B	4/15/2018	305,000	305,000	3.900	4/15/2014	101.00	669402-PZ6
2004B	4/15/2019	200,000	200,000	4.000	4/15/2014	101.00	669402-QA0
2005A	9/15/2014	350,000	350,000	3.500	3/14/2014	100.00	669402-QK8
2005A	9/15/2015	350,000	350,000	3.600	3/14/2014	100.00	669402-QL6
2005B	9/15/2014	795,000	795,000	3.625	3/14/2014	100.00	669402-QW2
2005B	9/15/2015	785,000	785,000	3.750	3/14/2014	100.00	669402-QX0
2005B	9/15/2016	580,000	580,000	4.000	3/14/2014	100.00	669402-QY8
2005B	9/15/2017	570,000	570,000	4.000	3/14/2014	100.00	669402-QZ5
2005B	9/15/2018	565,000	565,000	4.000	3/14/2014	100.00	669402-RA9
2005B	9/15/2019	<u>560,000</u>	<u>560,000</u>	4.000	3/14/2014	100.00	669402-RB7
		<u>\$6,095,000</u>	<u>\$6,095,000</u>				

Upon delivery of the Refunding Bonds, a portion of the proceeds of the Refunding Bonds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with US Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") to be dated as of February 12, 2014 between the Escrow Agent and the City. The Escrow Agent will keep such bond proceeds in investments as permitted by the Connecticut General Statutes, which may include United States Treasury State and Local Government Securities ("SLGS") all of which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities"). The proceeds and investment earnings thereon will provide an amount sufficient to pay the principal, interest and redemption premium on the Refunded Bonds to the redemption dates (the "Escrow Requirements"). The balance of the proceeds of the Refunding Bonds will be used to pay costs of issuance and the Underwriter's discount. The Escrow Agreement will require the Escrow Agent to call for redemption of the Refunded Bonds.

The Connecticut General Statutes provide that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal, interest, and call premium payments on the bonds to be funded by such refunding bonds, such bonds are no longer counted in computing the City's debt for statutory debt limitation purposes.

Verification of Mathematical Computations

American Municipal Tax Exempt Compliance Corporation ("AMTEC") will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Refunding Bonds of (1) the computations that the anticipated receipts from the Escrow Securities and cash deposits held in the Escrow Deposit Fund set forth in the Underwriter's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium payment requirements, if any, of the Refunded Bonds, to and including the redemption dates; (2) the Underwriter's computations of yield on the Bonds and on the Escrow Securities and cash deposits contained in the provided schedules, and (3) the Underwriter's computations of net present value savings. Such verification shall be based on information and assumptions supplied by the Underwriter, and such verification, information, assumptions and calculations of net present value savings to the City as a result of issuance of the Refunding Bonds will be relied upon by Bond Counsel in rendering its opinion described herein. AMTEC will express no opinion on the assumptions provided to them.

Book-Entry-Only System

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC participants or beneficial owners of the Bonds, confirmation and transfer of beneficial ownership interest in the Bonds and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds is based solely on information provided on DTC's website and presumed to be reliable. Accordingly, neither the City nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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

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

custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in the beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

DTC Practices

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

Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to the Bonds, and an "Aa2" rating on the City's currently outstanding general obligation bonds.

Standard & Poor's Rating Services ("Standard & Poor's") has assigned a rating of "AA" to the Bonds and raised its rating on the City's general obligation bonds to "AA" from "AA-". The outlook on the bonds is stable.

The City furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement. A rating obtained reflects only the view of each rating agency and will be subject to revision or withdrawal, which could affect the market price of the City's bonds or notes, including the Bonds.

Generally, a rating agency bases its rating upon such information and materials and upon investigations, studies and assumptions by the rating agency. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of outstanding securities, including the Bonds. Each rating agency should be contacted directly for its rating on the Bonds and the explanation of such rating.

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THE ISSUER

Form of Government

Norwich was founded in 1659 and incorporated in May 1784. The town and City were consolidated on January 1, 1952. The City of Norwich operates under a Charter adopted in 1952, which was most recently revised March 13, 2001. The significant changes passed by voters in that referendum were the reduction of the City Council members from eleven to six elected at large and the City Council President was replaced with a Mayor. The City operates under a Council/Manager form of government. The City Council consists of six members and one Mayor, all elected at large. Elections are held during odd calendar years as provided by State statute.

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

The City Manager is appointed by and directly responsible to the Council and serves at the pleasure of the Council. The manager is responsible to the Council for the supervision and administration of City departments.

Geography

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

Community Profile

History

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

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

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

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

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

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

Education

The City's school system includes seven public and three parochial elementary schools, two public middle schools, an alternative high school, a regional adult education program and a privately-endowed high school, Norwich Free Academy, which serves the City. Also located in the City are a Regional State technical high school, Norwich Regional Technical School, and a Regional State Technical/Community College, Three Rivers Community College, offering associate degree programs.

Healthcare

Various health facilities are located within the City including the 213-bed Backus Hospital, which underwent a \$50 million expansion in 2007.

Industry

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

Recreation, Entertainment & Culture

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

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

Principal City Officials

Office	Name	Manner of Selection & Term	Length of Service
City Council:			
Mayor	Deberey Hinchey	Elected – 4 years	4 years
President Pro Tempore	Peter Desaulniers	Elected – 2 years	6 years
Aldersperson	Mark M. Bettencourt	Elected – 2 years	6 years
Aldersperson	William Eyberse	Elected – 2 years	2 months
Aldersperson	William Nash	Elected – 2 years	4 Years
Aldersperson	Sofee Noblick	Elected – 2 years	4 years
Aldersperson	Terell T. Wilson	Elected – 2 year	2 months
City Manager	Alan H. Bergren	Appointed – Indefinite	6 years
Comptroller	Joshua A. Pothier	Appointed – Indefinite	11 years
City Treasurer	Brian Curtin	Appointed – Indefinite	7 years
Tax Collector	Kathy Daley	Elected – 2 years	13 years
Assessor	Donna Ralston	Appointed – Indefinite	5 years
City Clerk	Betsy Barrett	Appointed – Indefinite	4 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	11 years
Superintendent of Schools	Abby I. Dolliver	Appointed – Indefinite	9 years
Board of Education			
Chairperson	Yvette Jacaruso	Elected – 2 years	6 years
Vice Chairperson	John P. LeVangie	Elected – 2 years	18 years
Secretary	Cora Lee Boulware	Elected – 2 years	12 years
Board Member	Robert J. Aldi	Elected – 2 years	1 year
Board Member	Jesshua Ballaro-Pina	Elected – 2 years	5 years
Board Member	Aaron Daniels	Elected – 2 years	4 years
Board Member	Lynn Norris	Elected – 2 years	2 years
Board Member	Dennis Slopak	Elected – 2 years	2 years
Board Member	Joyce Werden	Elected – 2 years	8 years

Municipal Services

Police: Police protection is provided to the City of Norwich by a full-service, municipal police agency with 104 employees. The department is responsible for patrolling 223 miles of roads in nearly a 30 square mile area and operating a combined 911 communications center for dispatching police, fire, and EMS services. The department is particularly proud of its community policing efforts, which actively includes the public in solving crime and quality of life problems. The Department presently administers approximately \$100,000 in federal and state grants. These grants provide funding to enhance police operations in the areas of drug education and enforcement, safe neighborhood patrols, DUI and traffic enforcement, technological improvements.

Fire: Fire protection in the City Consolidation District (CCD) is provided by a 61-employee full-time fire department. The outlying areas of the City are not part of the CCD and are protected by five volunteer fire companies, all of which are connected to the central fire department's switchboard for emergency dispatch.

Utilities: The City owns and operates its own gas, electric, water and wastewater systems through its Norwich Public Utilities. NPU is governed by Chapter 12 of the City Charter that establishes a five-member Board of Public Utilities' Commissioners who are appointed by the City Council, the NPU has continually operated since its purchase in 1904. The General Manager, who is appointed by the Commissioners, is responsible for the management and operations. NPU has 140 employees and serves approximately 20,220 electric customers, 8,000 gas customers, 10,500 water customers and 7,150 wastewater customers. NPU supports general City activities by contributing 10% of its gross revenues (excluding sewer revenues) to the City's general fund. Contributions in fiscal year 2013-14 are equivalent to 3.4 mills of taxes. NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption. NPU consists of three divisions: the Utility Operations Division, the Customer Service Division, and the Business Services Division. Each division has clearly defined goals that were developed as part of the current business plan.

The Utility Operations Division consists of electric operations and distribution, gas production and distribution, water treatment and distribution, and wastewater treatment and collection.

Water

The City is fortunate to have a water supply system that consists of a 10-mgd water filtration plant, and a 4-mgd water filtration plant, four reservoirs, one emergency supply well, and a fully accredited laboratory. Producing 1.9 billion gallons of water in fiscal year 2013-14, NPU produces a yearly water quality report that indicates that NPU consistently exceeds drinking water standards set by the State.

Drinking Water Infrastructure. NPU has embarked on a water infrastructure improvement program. The upgrades will be paid for through a combination of State grants and low interest loans from the Drinking Water Revolving Fund (DWRf). In fiscal year 2013 design work started on the replacement of the main pumps and control systems at the Deep River Drinking Water Treatment Plant, re-lining of approximately 3,500 ft. of transmission main, construction of two new 0.5 million gallon water storage tanks, and installation a micro-turbine for pressure control.

Wastewater

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

Wastewater Infrastructure. In 2010, the Sewer Authority commenced a 7-year, \$96 million upgrade to the wastewater treatment plant. NPU has continued the design of a \$96 million wastewater treatment plant upgrade project. As of fiscal year 2013, the design of the project was at 50% completion. These infrastructure improvements will:

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

Natural Gas

Gas Line Extensions. NPU continues to lead the State in Natural Gas Service expansion with the \$11 million in total bond funding approved by the voters. In fiscal year 2013 NPU installed over 2.3 miles of gas main and 4 miles of services to 285 new residential and commercial customers. NPU has also partnered with CEFIA (The Clean Energy Finance and Investment Authority) and Smart Power to promote the benefits of Natural Gas to Norwich residents through community based initiatives while providing financing options through local lenders and technical assistance. All of this is funded by the State and is in direct alignment with the Governor's Comprehensive Energy Strategy.

Municipal Area Network. Norwich Public Utilities (NPU) continued to build upon and leverage their Municipal Area Network (MAN). The network consists of 32 miles of 144 strand fiber optic cabling around the City in two "loops." The fiber provides high-speed data, video and communications connectivity that is 600 times faster than any other data network available in Norwich. NPU has recently connected the fiber across the entirety of the Norwich MAN with the Connecticut Education Network, as part of the Nutmeg Network's award from the Broadband Technologies Opportunities Program (BTOP) to help improve communications capabilities throughout the State. This implementation has expanded the connectivity opportunities of NPU and the City with a 100% redundancy for internet services and opens the door for improved disaster recovery services and network monitoring. NPU is also using the MAN to support public safety in conjunction with the Norwich Police Department (NPD) with the deployment of four cameras along Central Avenue in Greeneville and four cameras in the City's Intermodal Transportation Center. The MAN provides for high definition resolution video capture from these cameras and subsequent transportation across the network at speeds not possible with copper wire installations. The above camera program has been so successful, that NPU is currently in the process of installing a dozen more cameras across the downtown landscape for the NPD.

Electric

American Public Power Association (APPA) Reliable Public Power Program (RP3) Designation. On May 1, 2013, Norwich Public Utilities (NPU) received APPA's RP3 Platinum Award. The RP3 program recognizes utilities that demonstrate high proficiency in four areas - reliability, safety, work force development and system improvement. Criteria within each of the four RP3 areas are based upon sound business practices and recognized industry best practices. In receiving a Platinum designation, NPU is among a select group of less than 100 utilities out of over 2,000 public power companies nationwide and the only one in the State. Projects completed during fiscal year 2013 that support our ability to maintain this designation include Electric Distribution System upgrades in Taftville-Occum (Rte 97) and Mahan Drive-Reynolds Road. These upgrades improve safety and reliability, implement back up power from other NPU substations that were not previously available, serve new development, and provide future capacity for additional growth.

Low Impact Hydropower Institute (LIHI) Certification. On March 6, 2013, Norwich Public Utilities's (NPU) Greeneville and Occum hydroelectric facilities were certified by LIHI. The Institute's certification process is intended to protect multiple ecosystems qualities, including river flows, water quality, fish and wildlife, and other environmental indicators of a healthy ecosystem around hydropower facilities and dams, as well as meeting recreation and cultural preservation needs. LIHI's criteria and standards are typically based on the most recent, and most stringent, mitigation measures recommended for the dam by expert state and federal resource agencies. There are thousands of hydropower dams in the U.S. with only about 100 presently certified by LIHI. NPU's holds two of the four certifications in the State. NPU is able to use this certification when marketing its hydro facilities, such as obtaining and selling Renewable Energy Certificates (RECs) to generate additional revenues.

The Customer Service Division provides leadership as customer advocates within NPU. The goal for the Customer Service Division is to provide a level of customer service that consistently exceeds customer expectations. Customer Service encompasses energy efficiency, field services, metering, billing, the Customer Service Center, and external affairs. In an effort to promote one-stop shopping, customer service representatives and field service technicians have been cross-trained to serve customers more efficiently. Field service technicians are responsible for providing accurate metering for all services, investigating high bill complaints, and gas service calls. The NPU also provides repair service for gas appliances. In addition, recognizing energy efficiency as a solution to rising energy costs, Norwich Public Utilities successfully developed and implemented comprehensive efficiency programs to benefit residential and commercial electric and natural gas customers.

Administration: The Business Service Division includes human resources, purchasing, information technology, geographic information systems, accounting and financial planning. Business Services is also responsible for anticipating the changes in the utility business, and building an infrastructure that will position NPU to take advantage of technological breakthroughs as they occur. This Division continually provides business support services that promote the NPU's mission strategies.

CMEEC AND MEMBER POWER SALES CONTRACTS

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

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

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

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

THE CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE

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

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

SOLID WASTE

The City has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resources Recovery Authority (the "SCRRRA") pursuant to which it participates with ten other central Connecticut municipalities (the eleven constituting the "Contracting Municipalities"), in the Southeastern Connecticut System (the "System"). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the "Facility") and various improvements and facilities related thereto, including landfills. The Facility is complete and is presently receiving waste from member municipalities. Under the Service Contract, the City is required to deliver or cause to be delivered to the System solid waste generated within its boundaries up to its minimum commitment of 23,367 tons

per year and to pay a uniform per ton Disposal Service Payment (the "Service Payment") therefor. The Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the City must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver the full portion. The current fee is \$58 per ton paid by user fees and property taxes. Pursuant to contracts between the Authority and American REF-FUEL Company of Southeastern Connecticut (the "Company"), the Facility is operated by the Company. The Service Payment applicable in any contract year is calculated by estimating the Net Cost of Operation, which is the Cost of Operation less Revenues other than Service Payments, as such items are defined in the Service Contract. Cost of Operations includes debt service on revenue bonds issued by or on behalf of the SCRRRA to finance the System and expenses of operation and administration of the System, among other things. Revenues mean all revenues, income and receipts derived from the ownership and operation of the System, including from the sale of electricity. The sum of all Service Payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the New Cost of Operations. Service Payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the Facility. The City's obligation to pay the Service Payment, so long as the Authority is accepting the City's solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other right which the City may have against the SCRRRA or any person for any reason whatsoever, and shall not be affected by any defect in title, design, fitness for use, loss or destruction of the System. The City has pledged its full faith and credit to the payment of Service Payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

Economic Development Activity

In 2001, the City of Norwich voted for a Charter Revision that created the position of Mayor for the first time in 50 years and made the Mayor responsible and accountable for economic development. The overriding goal for the City is to increase its grand list through activities which "enhance community life, attract newcomers to Norwich, reduces reliance on government agencies, and attract economic development investment from the State of Connecticut". Objectives identified to achieve this goal include: "revitalized downtown, adaptive reuse of existing structures, increased availability of viable commercial and industrial properties, and maintaining the existing and attracting new educational institutions into the City".

The City's economic development activities are assisted by Norwich Community Development Corporation, (NCDC), a private not-for-profit corporation established 50 years ago to improve the economic well-being of the City. The Mayor now works closely with NCDC as an independent non-profit that is neither directly nor indirectly controlled by the City or any other governmental entity, but by Norwich City Council resolution, is the economic development arm of the City. Many activities are underway which support these objectives, and will move the community toward the City's primary economic development goals.

Commercial/ Industrial Activity

- *Marina at American Wharf.* Last year the Marina facility was purchased by Joyal Capital Group and has undergone extensive infrastructure renovations and repairs. Joyal also constructed a new premium Ice Cream Shop in a standalone retail space across from the Marina at Howard Brown Park. Future expansion plans at the Marina property are multi-phased and improvements are expected to continue over the next several years depending on the economy.
- *Route 82 CVS Pharmacy.* A new CVS facility was constructed on the site of the former Olympic Pizza and two adjacent parcels. The former facility owner and owner/operator of Olympic Pizza opened a new restaurant called Fat Cats across the street in the Willow Tree Plaza Shopping Center along with a replacement hair and nail salon for his wife.
- *Norwichtown Commons.* The former Norwichtown Mall was purchased by Winstanley Corporation and has been rebranded as the Norwichtown Commons. The mall portion of the building has been completely redesigned and repurposed to meet today's trends in retail sales and is no longer an enclosed mall. The project cost \$26M to acquire and complete.
- *Ponemah Mill Adaptive Reuse Project.* This \$51 million project will convert a massive, 650,000 square foot, 19th century mill into 237 residential apartment units. The developer has sought assistance from the City in the form of a tax agreement under the Mill Enhancement Program. The State of Connecticut-Department of Housing and the finance arm- Connecticut Housing Investment Fund- is working with the developer, OneKey to close the project funding gap. The first phase of the project is 113 units and approximately \$24 million, which is nearing the completion of the required tax credits, debt and equity financing to advance the start of the project. The first phase is expected to be completed in 2017-18.

- *Five Guys Burgers* purchased the prior Tim Horton's on Route 82 and renovated the building to meet their corporate standard. The property is seeing much more traffic than it did as a coffee shop.
- The newly vacant Friendly's Restaurant next to Marcus Plaza. Konover Corporation purchased this property and will make site improvements to better facilitate vehicle access to the Plaza. They are also completing a major facelift for the existing center including new signage. They have approval to establish a new sit-down restaurant on pad site of the parking lot in the future, pending anchor tenant approvals.
- *Starbucks Coffee Company* opened their first store on Salem Turnpike this year.
- *Philly's Cheesesteak*, a local sandwich shop, acquired a lease on a neighboring property and began renovations to expand their facility by a factor of three. The expansion took out an unsightly and problematic establishment and greatly improved the area.
- *US Foods* incorporated some operations of facilities out of the greater Boston area into their Norwich facility and has grown their workforce by more than 100 to 370 and their truck fleet by 52. SYSCO just announced a buyout of US Foods pending federal regulatory approval. The firm anticipates this being achieved in the 3rd quarter of 2014. The City has reached out to US Foods to collaborate on positioning the Norwich facility as a site selected by SYSCO to continue operations due to excellent utility rates, logistical positioning in their service region and a track record of continual improvement and expansion.
- *State of Connecticut Small Business Express*. Five small businesses received funding from this program to expand their operations and add eight employees to their current employee base over the next 24 months.
- *Collins & Jewell*, a long time manufacturing company in the Business Park announced early 2013 that they are unable to continue operating out of their current facility, and having not found a suitable location in Norwich, is moving to Bozrah to construct a new building. Their new facility will be approximately two times as large as their Norwich plant.
- *Dominion Power* just closed on the acquisition of a 3.5 acre parcel from Easter Seals in the business park for \$350,000. Their plan is to construct a 16,000 square foot emergency operations facility to act as a training center, data warehouse, and emergency operations center during an emergency at the Millstone Nuclear Plant in Waterford, Connecticut, 10 miles to the south. The project is expected to cost between \$8 and \$10 million to complete sometime before the end of 2014. 100% of the taxes are new to the City and are currently estimated at about \$90,000 per year.
- The former Decorative Screen Printers building at 9 Wisconsin Avenue in the Business Park (went dark in 2011 when DSP went bankrupt) was purchased by new owners who have invested approximately \$1 million in repairs and upgrades to the property in preparation for new tenants. They are working with NCDC to find tenants for the property.
- Several walk-in medical centers have opened in Norwich in the last 12 months. One opened in Staples Plaza and the Plaza owner expanded the parking lot to accommodate the added demand. Another, Urgent Care, opened further up Main Street across from Marcus Plaza.
- The Red Cross opened a new blood drawing center in the Staples Plaza on Salem Turnpike.
- A housing development in Taftville section of Norwich, by developer Properties by P&D, is growing at a rate of approximately 20 units per year over the next several years.
- The downtown continues to suffer from corporate decisions outside the area. People's United Bank just closed their iconic 35,000 square foot facility on the corner of Broadway and Main. It is offered by a regional brokerage firm that is working diligently to move the property into new hands.
- Additionally, due to modernizing and cost cutting, the US Postal Service has announced that they intend to close their 26,000 square foot facility when it sells and find a 1,200 square foot retail outlet to replace it.
- The downtown YMCA has been closed for three years now with no obvious buyers in queue. The facility is likely a tear down due to its specialized nature and the multiple additions over a century of use.
- The former Reid and Hughes department store building, owned by the City for 20 years, has an active request for proposals out to developers. The closing date for responses is January 10, 2014, and to date, there are several interested developers planning on submitting proposals.

Housing Market

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

The median sales prices for homes seasonally adjusted throughout the year experienced a 0.9% decrease over this same time last year. During 2012, there were 324 residential property sales. In comparison for 2013, the City is experiencing an increase in listings, with a total of 390 active residential properties on the market. From January through August 2013, the City received notice of 64 foreclosure related actions. This represents a slight decrease in foreclosure actions over this time last year.

While construction is traditionally a driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories. One concern is that rising inventories, through construction and distressed sales, will place downward pressure on the median house value. Fortunately, Norwich maintains a market that is more affordable than most, with median home prices being equal to about 1.6 times resident income. Since the national average for housing costs is at approximately 2.5 times resident income, Norwich's affordability levels make it prime for improved market stability as a stronger economy returns to Connecticut.

State of Connecticut Building & Infrastructure Projects

- *West Town Street/Washington Street Paving* - The Connecticut Department of Transportation resurfaced a section of these streets in May and June 2013.
- *Bridge No. 02588* - The Department of Transportation completed the replacement of the bridge that carries Route 97 over Byron Brook in the fall of 2012.
- *Three Rivers Community College* was consolidated into its New London Turnpike location in an \$85.6 million, 295,644 square-foot project which was completed in 2009.

Major City Initiatives

- *Downtown Revitalization Initiative.* The residents of the City of Norwich passed a bond referendum item in November 2010 for \$3.38 million for downtown revitalization. Incentives comprised strictly of business and projects of five residential units or more, which includes programs for building code correction assistance, commercial lease rebates, and revolving loan fund. The City's designated development agency, the Norwich Community Development Corporation, is administering the five-year program. The three Downtown Revitalization programs are designed to both prepare long time vacant spaces for occupancy as well as stimulate the growth of business activity in the downtown area. The programs, launched in August 2011 to date have had 100 applications with a 10% acceptance rate with a payout and encumbered value of over \$800,000. Marketing has expanded throughout the region and is heavily promoted to the brokerage community.
- *Road Improvements.* The residents of the City of Norwich passed a bond referendum item in November 2013 for \$5 million of infrastructure improvements. The City spent a total of \$1,450,600 of combined bond funds (from a 2009 Road Improvement Bond) and capital funds during fiscal year 2013 to repave or reconstruct 6.8 miles of City roads. In addition, the City also expended \$134,500 in preventative maintenance measures such as crack sealing and chip sealing to extend the expected life of an additional 6.0 miles of moderately deteriorated City roads.
- *City Hall Exterior Stairway Rehabilitation.* The Public Works Department secured a 50% matching grant, up to a maximum of \$200,000, from the State Historic Preservation Office for the rehabilitation of the two exterior stairways at City Hall. The project was recently completed at a cost of approximately \$380,000. This project preserves the beauty and distinct architecture of City Hall.
- *City Hall Condition Assessment.* The Public Works Department secured a 50% matching grant, up to a maximum of \$10,000, from the Connecticut Trust for Historic Preservation for a Condition Assessment / Master Plan for the study of our historic City Hall. This will enable the City to move forward with additional grants from the State Historic Preservation Office for the preservation of additional features of our landmark structure.
- *Sherman Street Bridge and Sunnyside Street Bridge Rehabilitations.* The Public Works Department previously secured approximately \$5 million in federal and State grant money to pursue rehabilitation projects to both the Sherman Street bridges and the Sunnyside Street Bridge. Design is currently underway with the Sherman Street bridge project and includes assessment and recommendations for the nearby Upper Falls Dam. The Sunnyside Street Bridge is in the study phase and is awaiting input from the Federal Highway Administration.
- *School Initiatives.* Norwich Public Schools is an Alliance School district creating the ability to embark on advanced academic initiatives. Stanton School is a Network School allowing additional academic initiatives. Moriarty School and Wequonnoc School are working on their Magnet School planning and development. Bishop School has become the district's Early Childhood Education Center, allowing greater opportunities for the youngest students in our population. Many full day kindergarten classes have been established throughout the district in order to create early childhood success. All children in Norwich Public Schools now receive free breakfast (universal free breakfast); all children that qualify for reduced or free meals – receive free meals. We are also participating in some innovative farm to school initiatives to help local farmers and bring fresher produce directly to the children.

Municipal Employees

Full-Time Equivalent

<u>Fiscal Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Public Utilities</u>	<u>Total</u>
2014	290.60	606.70	142.00	1,039.30
2013	297.80	502.50	148.00	948.30
2012	284.20	482.20	152.00	918.40
2011	284.70	561.90	142.50	989.10
2010	293.20	583.90	139.50	1,016.60
2009	309.00	598.20	139.50	1,046.70
2008	309.00	575.30	137.00	1,021.30
2007	299.50	575.40	137.00	1,011.90
2006	299.00	563.90	137.00	999.90
2005	302.00	548.00	137.00	987.00

Source: City of Norwich – Finance Department

Note: Includes full-time, permanent part-time and personal contract employees.

Municipal Employees' Bargaining Organizations

Almost all City employees, with the exception of management, are represented by a bargaining organization as follows:

<u>Collective Bargaining Organization</u>	<u>General Government</u>	<u>Positions Requested</u>	<u>Start Date of Contract</u>	<u>End Date of Contract</u>
General Government				
International Brotherhood of Police Officers (IBPO), Local 38	911 Dispatchers	9	07/01/07	06/30/12 ¹
International Association of Fire Fighters, Local 892	Firefighters	58	07/01/13	06/30/16
Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11	Non-supervisory administrative employees	54	07/01/12	06/30/15
United Public Service Employees Union, Connecticut Organization for Public Safety Division	Police Officers	90	07/01/07	06/30/13 ¹
United Public Service Employees Union, Connecticut Organization for Public Safety Division	Public Works Employees	48	07/01/11	06/30/14
Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4	Public Works Supervisors	5	07/01/13	06/30/16
Municipal Employees Union "Independent" (MEUI)-Supervisors	Supervisory administrative employees	<u>11</u>	07/01/13	06/30/16
	SUBTOTAL	275		
Public Utilities				
Supervisory Employees Association, Inc. AFSCME Local 818, Council 4	Supervisory & Professional Employees	39	07/01/12	06/30/16
International Brotherhood of Electrical Workers Local 457, Norwich Unit	Technical and clerical workers	98	07/01/12	06/30/16
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02	Water distribution employees	<u>4</u>	07/01/12	06/30/16
	SUBTOTAL	141		
Board of Education				
Norwich School Administrators Association	Administrators	16	07/01/12	06/30/15
MEUI Local 506, SEIU, AFL-CIO	Custodians	27	07/01/12	06/30/16
MEUI Local 506, SEIU, AFL-CIO	Paraeducators	97	07/01/12	06/30/16
New England Health Care Employees Union District 1199, SEIU, AFL-CIO	School Nurses	14	07/01/12	06/30/16
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4	Secretaries	23	07/01/12	06/30/15
Norwich Teachers League	Teachers	<u>314</u>	07/01/12	06/30/15
	SUBTOTAL	491		
Non-bargaining Employees				
General Government		17	07/01/12	06/30/15
Department of Public Utilities		1	07/01/12	06/30/16
Board of Education		<u>116</u>	07/01/12	06/30/16
	SUBTOTAL	134		
	GRAND TOTAL	<u>1,041</u>		

(1) In negotiation.

Source: City of Norwich Finance Department

Note: The negotiation of collective bargaining agreements is subject to binding arbitration under Connecticut Statutes.

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

School Facilities

The City's school system consists of ten schools for pupils in grades pre-K through 12. The schools are governed by a nine-member Board of Education.

	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/2013</u>	<u>Rated Capacity</u>
Administration Building		1893	N/A	N/A	N/A
Bishop School	PreK	1925	11	218	220
Hickory Street School	7-12	1890	4	19	50
John B Stanton School	PreK-5	1956	23	399	440
John M Moriarty School	PreK-5	1975	33	416	620
Kelly Middle School	6-8	1962	45	686	1,170
Thames River Academy	9-12	1956	9	--	310
Deborah Tennant-Zinewicz School	7-12	1975	5	29	70
Samuel Huntington School	PreK-5	1928	18	414	450
Teachers' Memorial School	6-8	1975	30	467	760
Thomas W Mahan School	PreK-5	1968	17	275	320
Uncas School	PreK-5	1975	18	282	340
Veterans' Memorial School	PreK-5	1968	17	297	320
Wequonnoc School	PreK-5	1962	17	254	340
Total			247	3,756	5,410

Source: City of Norwich, Board of Education

School Enrollments

<u>Fiscal Year</u>	<u>Elementary Grades Pre-K - 5</u>	<u>Middle School Grades 6 - 8</u>	<u>High School Grades 9 - 12</u>	<u>Total Norwich Public Schools Enrollment</u>	<u>Norwich Students Enrolled at NFA</u>	<u>Total Norwich School Enrollment</u>
2004-2005	2,584	1,237	117	3,938	1,452	5,390
2005-2006	2,534	1,348	33	3,915	1,644	5,559
2006-2007	2,517	1,344	76	3,937	1,638	5,575
2007-2008	2,806	847	80	3,733	1,552	5,285
2008-2009	2,622	1,148	150	3,920	1,599	5,519
2009-2010	2,567	1,151	149	3,867	1,582	5,449
2010-2011	2,520	1,163	123	3,806	1,555	5,361
2011-2012	2,624	1,120	74	3,818	1,512	5,330
2012-2013	2,635	1,100	24	3,759	1,524	5,283
2013-2014	2,574	1,153	29	3,756	1,531	5,287
Projected						
2014-2015	2,621	1,238	90	3,949	1,499	5,448
2015-2016	2,583	1,277	90	3,950	1,504	5,454
2016-2017	2,584	1,178	25	3,787	1,514	5,301
2017-2018	2,599	1,189	25	3,813	1,514	5,327

Source: City of Norwich, Board of Education

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- **Population and Density**
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ECONOMIC AND DEMOGRAPHIC INFORMATION

Population and Density

Year	<u>City of Norwich</u>			<u>New London County</u>		<u>State of Connecticut</u>	
	Population	% Change	Density ¹	Population ¹	% Change	Population ¹	% Change
2010	40,493	12.12	1,494	274,055	5.78	3,574,097	4.95
2000	36,117	-3.41	1,333	259,088	1.62	3,405,565	3.60
1990	37,391	-1.79	1,380	254,957	6.94	3,287,116	5.78
1980	38,074	-7.88	1,405	238,409	3.36	3,107,576	2.49
1970	41,333	---	1,525	230,654	---	3,032,217	---

Source: 1970-2010 U.S. Department of Commerce, Bureau of Census. (DP-01)

1. Per square mile: area 27.1 square miles

Population Distribution by Age

Age	<u>City of Norwich</u>		<u>New London County</u>		<u>State of Connecticut</u>	
	2010	%	2010	%	2010	%
Under 5	2,569	6.3	15,013	5.5	202,106	5.7
5-19	7,544	18.6	52,025	19.0	713,670	19.9
20-44	14,002	34.6	88,259	32.2	1,132,713	31.7
45-64	11,081	27.4	79,763	29.10	1,019,049	28.5
65 and over	<u>5,297</u>	<u>13.1</u>	<u>38,995</u>	<u>14.1</u>	<u>506,559</u>	<u>14.2</u>
Total	40,493	100.0	274,055	100.0	3,574,097	100.0
Median Age (Years)	38.0		40.4		40.0	

Source: U.S. Department of Commerce, Bureau of Census, 2010 (DP-01)

Income Distribution

Income for Families	<u>City of Norwich</u>		<u>New London County</u>		<u>State of Connecticut</u>	
	Families	%	Families	%	Families	%
\$0 – 9,999	468	4.8	1,987	2.9	31,696	3.5
10,000 – 24,999	1,181	12.2	4,761	6.9	69,066	7.7
25,000 – 49,999	2,485	25.7	12,171	17.7	145,877	16.3
50,000 – 74,999	1,802	18.6	12,179	17.7	145,063	16.2
75,000 – 99,999	1,157	11.9	10,881	15.8	130,338	14.5
100,000 – 149,999	1,622	16.7	15,216	22.1	184,285	20.5
150,000 or more	<u>970</u>	<u>10.0</u>	<u>11,738</u>	<u>17.0</u>	<u>191,089</u>	<u>21.3</u>
Total	9,685	100.0	68,933	100.0	897,414	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP03).

Comparative Income Measures

	<u>City of Norwich</u>	<u>New London County</u>	<u>State of Connecticut</u>
Per Capita Income, 2011	\$27,093	\$33,267	\$36,956
Median Family Income, 2011	60,409	82,133	85,544
Median Household Income, 2011	46,109	65,499	67,544
% Families below poverty level, 2011	13.2	6.0	7.7

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP03).

Educational Attainment

Years of School Completed Age 25 & Over

	<u>City of Norwich</u>		<u>New London County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Less than 9th grade	1,345	4.8	5,545	2.9	107,430	4.4
9th to 12th grade	2,469	8.8	11,941	6.3	156,360	6.4
High school graduate	10,024	35.9	59,854	31.8	681,670	27.9
Some college, no degree	6,186	22.1	38,138	20.2	434,888	17.8
Associate's degree	2,058	7.4	14,858	7.9	178,335	7.3
Bachelors' degree	3,612	12.9	31,072	16.5	497,816	20.3
Graduate or professional degree	<u>2,250</u>	<u>8.1</u>	<u>26,949</u>	<u>14.3</u>	<u>389,914</u>	<u>15.9</u>
Total	27,944	100.0	188,357	100.0	2,446,413	100.0
Percent high school graduate or higher	--	86.4	--	90.7	--	89.2
Percent bachelor degree or higher	--	21.0	--	30.8	--	36.3

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP02).

Total Employment by Industry

<u>Sector</u>	<u>City of Norwich</u>		<u>New London County</u>		<u>State of Connecticut</u>		<u>United States</u>	
	<u>Employed</u>	<u>%</u>	<u>Employed</u>	<u>%</u>	<u>Employed</u>	<u>%</u>	<u>Employed</u>	<u>%</u>
Agriculture & forestry	22	0.1	652	0.5	7,234	0.4	2,720,289	1.9
Construction	838	4.3	6,298	4.8	97,167	5.6	8,563,737	6.1
Manufacturing	1,825	9.5	17,071	13	189,835	10.9	14,665,712	10.4
Wholesale trade	282	1.5	2,356	1.8	42,846	2.5	3,894,622	2.8
Retail trade	2,546	13.2	15,030	11.4	190,518	10.9	16,335,831	11.6
Transportation & utilities	585	3	5,442	4.1	65,891	3.8	6,987,923	5.0
Information:	153	0.8	1,986	1.5	41,528	2.4	2,950,890	2.1
Finance, Insurance & Real Estate	421	2.2	5,454	4.1	160,399	9.2	9,233,893	6.6
Services, including Education & Health Care	11,833	61.3	71,019	53.9	886,522	50.7	67,947,936	48.4
Public Administration	<u>801</u>	<u>4.1</u>	<u>6,479</u>	<u>4.9</u>	<u>66,322</u>	<u>3.8</u>	<u>7,098,715</u>	<u>5.1</u>
Total	19,306	100.0	131,787	100.0	1,748,262	100.0	132,692,548	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP03).

Employment Data

<u>Average Annual Period</u>	<u>City of Norwich</u>		<u>City of Norwich</u>	<u>Percentage Unemployed</u>		<u>State of Connecticut</u>
	<u>Employed</u>	<u>Unemployed</u>		<u>Norwich-New London Labor Market Area¹</u>		
Nov 2013	19,439	1,687	8.0	7.3	6.9	
2012	20,092	2,085	9.4	8.6	8.3	
2011	20,692	2,201	9.6	8.7	8.8	
2010	20,839	2,294	9.9	8.9	9.3	
2009	19,310	1,941	9.1	7.9	8.3	
2008	19,690	1,327	6.3	5.4	5.6	
2007	19,414	1,058	5.2	4.3	4.6	
2006	19,503	1,038	5.1	4.2	4.4	
2005	19,288	1,104	5.4	4.5	4.9	
2004	19,001	1,118	5.6	4.5	4.9	

Source: Department of Labor, State of Connecticut, Office of Research, Historical Labor Force Monthly Data
1. Statistics for the Connecticut portion of the Norwich-New London Labor Market Area

Major Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u> <u>2013</u>
William W. Backus Hospital	Medical Center	1,437
City of Norwich	Municipality	948
State of Connecticut	All State Agencies	890
Bob's Discount Furniture	Distribution Center	530
Computer Science Corporation	Computer Products & Services	443
Norwich Free Academy	Quasi-Private High School	275
United Community & Family Services	Healthcare & Community Services	225
The American Group	Ambulance Service & other operations	187
AC Linen Services	Commercial laundry & dry cleaning	185
Dime Bank	Financial Institution	177

Source: Norwich FY 2013 CAFR

Number and Size of Households

	<u>City of Norwich</u>		<u>New London County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Persons in households	39,979	--	261,273	--	3,574,097	--
Persons per household (average)	2.41	--	2.44	--	2.52	--
Persons per family	3.02	--	2.98	--	3.08	--
Family households	9,884	59.5	69,862	65.3	908,661	66.3
Non-family households	<u>6,715</u>	<u>40.5</u>	<u>37,195</u>	<u>34.7</u>	<u>462,426</u>	<u>33.7</u>
All households	16,599	100.0	107,057	100.0	1,371,087	100.0
Family households by type						
Married couple	6,071	61.4	52,173	74.7	672,013	73.9
Female householders, no spouse	2,848	28.8	12,651	18.1	176,973	19.5
Other	<u>965</u>	<u>9.8</u>	<u>5,038</u>	<u>7.2</u>	<u>59,675</u>	<u>6.6</u>
Total family households	9,884	100.0	69,862	100.0	908,661	100.0
Non-family households by type						
Householders living alone	5,192	77.3	29,594	79.6	373,648	80.8
Other	<u>1,523</u>	<u>22.7</u>	<u>7,601</u>	<u>20.4</u>	<u>88,778</u>	<u>19.2</u>
Total non-family households	6,715	100.0	37,195	100.0	462,426	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010 (DP-1)

Age Distribution of Housing

<u>Year Structure Built</u>	<u>City of Norwich</u>		<u>New London County</u>	<u>State of Connecticut</u>
	<u>Units</u>	<u>%</u>	<u>%</u>	<u>%</u>
Built in 1939 or earlier	7,741	41.1	25.2	22.8
Built in 1940-1969	4,731	25.2	30.3	36.0
Built in 1970-1979	2,217	11.8	13.6	13.5
Built in 1980-1989	1,835	9.7	12.3	13.0
Built in 1990-1999	1,005	5.3	9.3	7.5
Built in 2000 - present	<u>1,319</u>	<u>7.0</u>	<u>9.2</u>	<u>7.3</u>
Total:	18,848	100.0	100.0	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP04).

Housing Inventory

<u>Units in Structure</u>	<u>City of Norwich</u>		<u>New London County</u>	<u>State of Connecticut</u>
	<u>Units</u>	<u>%</u>	<u>%</u>	<u>%</u>
1 unit detached	8,185	43.4	65.4	59.2
1 unit attached	1,080	5.7	4.1	5.3
2 to 4 units	4,119	21.8	14.3	17.1
5 to 9 units	2,145	11.4	5.4	5.4
10 or more units	2,636	14.0	8.4	12.1
Mobile home, trailer, other	<u>683</u>	<u>3.6</u>	<u>2.3</u>	<u>0.8</u>
Total Units	18,848	100.0	100.0	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP04).

Owner-Occupied Housing Values

<u>Value</u>	<u>City of Norwich</u>		<u>New London County</u>	<u>State of Connecticut</u>
	<u>Number</u>	<u>%</u>	<u>%</u>	<u>%</u>
Less than \$50,000	647	7.1	3.1	1.9
\$50,000 to \$99,999	498	5.4	3.3	2.7
\$100,000 to \$149,999	1,533	16.8	6.7	7.2
\$150,000 to \$199,999	2,675	29.3	17.0	14.8
\$200,000 to \$299,999	2,910	31.8	35.0	29.3
\$300,000 to \$499,999	762	8.3	25.5	27.2
\$500,000 to \$999,999	104	1.1	7.4	12.4
\$1,000,000 or more	<u>16</u>	<u>0.2</u>	<u>2.0</u>	<u>4.4</u>
Totals	9,145	100.0	100.0	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP04).

Building Permits

<u>Calendar Year Ended</u>	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Other</u>		<u>Total</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2013	1,874	\$15,535,880	214	\$11,602,204	--	\$--	--	\$--	2,088	\$27,138,084
2012	1,427	19,452,636	155	7,761,148	--	--	--	--	1,582	27,213,784
2011	1,518	14,645,754	165	7,046,135	--	--	4	1,250	1,687	21,693,139
2010	1,510	14,605,025	160	15,293,738	--	--	25	5,300	1,695	29,904,063
2009	1,231	17,348,116	269	4,475,596	1	52,000	61	1,430,636	1,562	23,306,348
2008	1,827	13,949,602	312	15,969,375	3	23,360	45	1,999,093	2,187	31,941,430
2007	1,779	25,968,385	295	26,309,884	--	--	19	499,450	2,093	52,777,719
2006	1,545	23,456,782	250	41,858,422	1	1,500	4	850,000	1,800	66,166,704
2005	1,775	34,060,390	262	21,315,948	1	200	9	4,650	2,047	55,381,188
2004	1,694	45,593,530	193	16,004,424	7	827,530	24	3,115,550	1,918	65,541,034

Source: Building Official, City of Norwich

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TAX BASE DATA

- **Property Tax and Assessments**
- **Property Tax Levy and Collection**
- **Comparative Assessed Valuations**
- **Taxable Grand List and Tax Collections**
- **Major Taxpayers**

TAX BASE DATA

Property Tax and Assessments

Section 12-62 et. seq. of the Connecticut General Statutes govern real property assessments and establish the revaluation cycle for Connecticut municipalities of a revaluation every five years and, generally, a physical inspection every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute permits the phase-in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the City for inclusion on the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax exempt real estate, taxable personal property, and motor vehicles located within the City as of October 1. Assessments for real and personal property are computed at seventy percent (70%) of the market value at the time of last revaluation, and at 70% of the annual approval of Motor Vehicles by the Office of Policy and Management. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for the City's annual tax levy. Any property owner may seek to appeal its assessment by filing a written appeal to a City's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a City's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court. The City's last revaluation was implemented on October 1, 2013 (commencing tax fiscal year 2014-2015). The next scheduled revaluation is due October 1, 2018.

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

Motor vehicle lists are furnished to municipalities by the State Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of The Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date are subject to property tax as follows: 1) vehicles registered subsequent to October 1 but prior to the following August 1, are subject to a prorated tax based on the period of time from the date of registration until the following October 1; 2) vehicles purchased in August and September are not taxed until the next October 1 Grand List. With respect to replacement vehicles (as compared to additional vehicles) Section 12-71b provides for similar prorating of taxes on the new vehicle and a credit with respect to taxes due on the replaced vehicle during the assessment year.

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

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

Section 12-170v of the Connecticut General Statutes permits a municipality upon approval by its legislative body to freeze the property taxes due for certain low-income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of total tax relief granted plus interest.

Property Tax Levy and Collection

Property taxes are levied on all taxable assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real and personal property taxes are generally payable in two installments on July 1 and January 1, except that real and personal property taxes under \$100 are payable in one installment on July 1. Motor vehicle tax bills are payable in July and motor vehicle supplemental bills are payable in January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lienied 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 tax accounts are transferred to a suspense account when collection appears unlikely at which time they cease to be carried as receivables by the City, although they remain collectible. Tax accounts unpaid fifteen years after the due date are not collectible in accordance with State statutes.

Comparative Assessed Valuations

FYE 6/30	Grand List 10/1	Real Estate		Personal Property		Total Assessed Value	Less: Exemptions	Total Taxable Assessed Value
		Industrial/ Commercial	Residential	Motor Vehicles	Other			
2014	2012	453,161,300	1,669,949,700	194,509,080	140,057,210	2,457,677,290	33,750,270	2,423,927,020
2013	2011	454,877,200	1,675,445,015	218,925,275	144,144,082	2,493,391,572	38,323,212	2,455,068,360
2012	2010	454,256,500	1,661,420,601	183,848,923	132,757,250	2,432,283,274	41,561,735	2,390,721,539
2011	2009	467,731,000	1,656,684,500	202,208,858	118,062,320	2,444,686,678	36,521,640	2,408,165,038
2010	2008 ¹	433,291,000	1,666,402,137	194,403,183	114,906,447	2,409,002,767	30,891,414	2,378,111,353
2009	2007	344,640,000	1,235,104,300	208,755,740	112,574,765	1,901,074,805	24,841,160	1,876,233,645
2008	2006	341,359,800	1,225,489,388	183,185,660	92,878,143	1,842,912,991	23,383,850	1,819,529,141
2007	2005	326,636,000	1,213,922,970	177,322,860	93,705,966	1,811,587,796	19,837,950	1,791,749,846

1. Revaluation Year

**Taxable Grand List and Tax Collections
(Unaudited)**

FYE 6/30	Mill Rate	Adjusted Tax Levy for Fiscal Year	Collected in the FY of the Levy		Collections in Subsequent Years	Total Collections to Date		
			Amount	Percentage		Amount	Percentage	
General Fund								
2013	26.54	\$64,617,976	\$62,401,066	96.57%	--	\$62,401,066	96.57%	
2012	24.76	59,109,668	57,141,194	96.67	\$1,104,911	58,246,105	98.54	
2011	24.04	57,006,148	54,816,062	96.16	1,558,314	56,374,376	98.89	
2010	23.48	55,162,306	53,056,137	96.18	1,956,936	55,013,073	99.73	
2009	29.24	54,308,632	52,081,267	95.90	2,132,270	54,213,537	99.82	
2008	28.57	51,980,360	50,213,269	96.60	1,730,224	51,943,493	99.93	
2007	27.77	49,972,990	48,323,538	96.70	1,616,284	49,939,822	99.93	
City Consolidated District (CCD) Fire Tax								
2013	4.56	3,994,954	3,809,333	95.35	--	3,809,333	95.35	
2012	4.07	3,495,998	3,329,031	95.22	87,623	3,416,654	97.73	
2011	3.98	3,426,178	3,250,889	94.88	116,874	3,367,763	98.30	
2010	3.63	3,135,998	2,991,472	95.39	133,446	3,124,918	99.65	
2009	4.86	3,154,002	2,980,621	94.50	168,157	3,148,778	99.83	
2008	4.75	3,064,455	2,930,076	95.61	131,067	3,061,143	99.89	
2007	4.25	2,723,851	2,595,428	95.29	125,729	2,721,157	99.90	
Town Consolidated District (TCD) Volunteer Fire Relief Tax								
2013	0.36	566,323	553,745	97.78	--	553,745	97.78	
2012	0.36	555,983	544,300	97.90	7,302	551,602	99.21	
2011	0.36	549,900	536,529	97.57	9,769	546,298	99.34	
2010	0.36	540,412	525,314	97.21	14,141	539,455	99.82	
2009	0.42	509,567	491,156	96.39	17,932	509,088	99.91	
2008	0.36	424,146	410,608	96.81	13,323	423,931	99.95	
2007	0.31	360,641	350,906	97.30	9,564	360,470	99.95	

1. Revaluation Year

Major Taxpayers (Top Ten)

<u>Name</u>	<u>Nature of Business</u>	Property Assessed Value as of <u>October 1, 2012</u>	% of Net Taxable Grand List <u>October 1, 2012</u>
Computer Science Corporation	Computer Products & Services	31,732,220	1.31%
Bob's Discount Furniture	Retail Store & Distribution	22,718,490	0.94%
Plaza Enterprises	Shopping Center	14,782,000	0.61%
EMC Corporation	Computer Leasing	13,416,200	0.55%
US Food Service	Food Service	12,301,770	0.51%
Algonquin Gas Transmissions, LLC	Natural Gas Pipeline	9,868,200	0.41%
Mashantucket Pequot Tribe	Real Estate	9,730,880	0.40%
Wal-Mart Stores, Inc.	Department Store	9,637,260	0.40%
Norwich Community Development	Office Building	9,297,000	0.38%
Norwich Town Commons	Shopping Center	9,241,000	0.38%
TOTAL		142,724,020	5.89%

1. Based on a 10/1/2012 Net Taxable Grand List of \$2,432,158,234.
Source: City of Norwich Assessor's Office

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- **Principal Amount of Indebtedness**
- **Short-Term Debt**
- **Overlapping/Underlying Debt**
- **Aggregate Annual Debt Maturity Schedule**
- **Authorized But Unissued Debt**
- **Debt Statement**
- **Current Debt Ratios**
- **Limitation of Indebtedness**
- **Statement of Statutory Debt Limitation and Debt Margin**
- **Debt Limitation Base**
- **Bond Authorization**
- **Temporary Financing**
- **State of Connecticut School Building Grants**
- **Clean Water Fund Program**

DEBT AND FINANCIAL INFORMATION

Principal Amount of Indebtedness

Pro Forma as of February 12, 2014

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount</u>	<u>Debt Outstanding</u>	<u>Coupon Rates</u>	<u>Final Maturity</u>
General Purpose					
April 1, 2001	Wauregan Hotel Project (taxable)	400,000	100,000	5.50-6.75%	2017
April 15, 2004	General Purpose, Series A	950,000	35,000	2.00-3.55%	2015
December 16, 2009	General Purpose, Series A	8,810,000	7,405,000	3.00-4.00%	2029
December 16, 2009	Refunding 2001, Series B	3,545,000	850,000	2.00-3.00%	2014
December 13, 2011	General Purpose	1,480,000	1,405,000	2.00-4.00%	2031
February 15, 2012	Refunding 2002	1,350,000	1,205,000	2.00%	2022
February 12, 2014	General Purpose, Series A (This Issue)	3,835,000	3,835,000	3.00-5.00%	2034
February 12, 2014	Refunding Bonds, Series B (This Issue)	<u>1,064,962</u>	<u>1,064,962</u>	3.00-5.00%	2019
		21,434,962	15,899,962		
Gas					
December 13, 2011	Gas Line Extension	1,000,000	950,000	2.00-4.00%	2031
February 12, 2014	Gas Line Extension, Series A (This Issue)	<u>7,780,000</u>	<u>7,780,000</u>	3.00-5.00%	2034
		8,780,000	8,730,000		
Schools					
April 15, 2004	Schools Refunding, Series B	2,500,000	162,857	2.00-4.00%	2014
December 30, 2008	QZAB - Kelly Middle School	2,940,000	1,715,000	0%	2020
December 16, 2009	General Purpose, Series A	2,000,000	1,685,000	3.00-4.00%	2029
December 16, 2009	Refunding 2001, Series B	690,000	165,000	2.00-3.00%	2014
December 13, 2011	Kelly Middle School Renovations	5,000,000	4,735,000	2.00-4.00%	2031
February 12, 2014	School Technology, Series A (This Issue)	150,000	150,000	3.00-5.00%	2021
February 12, 2014	Refunding Bonds, Series B (This Issue)	<u>2,852,084</u>	<u>2,852,084</u>	3.00-5.00%	2019
		16,132,084	11,464,941		
Water - General Obligation					
June 30, 2009	DWSRF 200801-C (Business Park)	450,000	345,000	2.27%	2029
December 31, 2010	DWSRF 2010-8005 (Fitch Hill)	144,728	115,179	2.06%	2030
December 31, 2010	DWSRF 2010-8006 (Fairview)	326,250	267,797	2.06%	2030
February 12, 2014	Water Refunding Bonds, Series B (This Issue)	<u>1,040,074</u>	<u>1,040,074</u>	3.00-5.00%	2019
		1,961,052	1,768,050		
Sewer - General Obligation					
April 15, 2004	Sewer Capital Project Bonds, Series A	2,170,000	430,000	2.00-3.55%	2015
April 15, 2004	Sewer Refunding, Series B	3,045,000	177,143	2.00-5.00%	2014
December 16, 2009	Flyers Drive Sewer Improvements	600,000	510,000	3.00-4.00%	2029
December 13, 2011	Flyers Drive and Newton Street Sewers	2,200,000	2,090,000	2.00-4.00%	2031
February 15, 2012	Refunding 2002 Sewers	1,375,000	1,225,000	2.00%	2022
February 12, 2014	Newton Street Sewers, Series A (This Issue)	600,000	600,000	3.00-5.00%	2034
February 12, 2014	Sewers Refunding Bonds, Series B (This Issue)	<u>822,880</u>	<u>822,880</u>	3.00-5.00%	2019
		10,812,880	5,855,023		
Total Outstanding General Obligation Debt					\$43,717,976
Sewer - Revenue Secured Only¹					
October 31, 1997	CWF 106-C	3,239,094	548,233	2.00%	2016
June 30, 2000	CWF 298-C	1,508,000	408,406	2.00%	2019
June 30, 2002	CWF 349-C	881,000	387,463	2.00%	2021
June 1, 2013	CWF 495-C (Digester)	5,747,554	5,301,612	2.00%	2032
December 31, 2013	CWF 625-D (Treatment Plant Design)	1,864,518	1,687,355	2.00%	2032
December 31, 2013	CWF 625-D-1 (Treatment Plant Design) - IFO	<u>2,510,422</u>	<u>2,510,422</u> ²	2.00%	11/30/14
		15,750,588	10,843,491		
Water - Revenue Secured Only¹					
December 31, 2002	CWF 9714-C	1,899,000	867,811	2.77%	2021
October 31, 2013	Deep River Reservoir Pump/Drive - IFO	184,997	184,997 ²	2.00%	4/30/14
December 31, 2013	Deep River Reservoir Transmission Line - IFO	<u>147,989</u>	<u>147,989</u> ²	2.00%	6/30/14
		2,231,986	1,200,797		
Total Outstanding Revenue Secured Debt					\$12,044,288
Total Outstanding Water & Sewer Debt			\$19,667,361		
Total Outstanding Long-Term Debt					\$55,762,264

1. All revenue secured debt is issued through the Clean Water Fund. See "Clean Water Fund Program" herein.

2. These IFO amounts are short-term financing issued through the Clean Water Fund. See "Clean Water Fund Program" herein.

Short Term Debt

As of February 12, 2014, the City does not have any outstanding short term general obligation notes. Please see “Clean Water Fund Program” below for further details.

Overlapping/Underlying Debt

As of February 12, 2014, the City does not have any overlapping or underlying debt.

Aggregate Annual Debt Maturity Schedule

Pro Forma as of February 12, 2014

Fiscal Year Ending (6/30)	GO Principal¹	GO Interest Payments²	GO Principal % Retired	Solely Revenue Secured Principal³	Solely Revenue Secured Interest	Solely Revenue Secured % Retired
2014	\$1,934,186	\$370,103	4.42%	\$285,398	\$69,686	3.10%
2015	3,996,049	1,361,947	13.56%	742,729	177,537	11.17%
2016	3,771,049	1,228,613	22.19%	756,990	161,768	19.40%
2017	3,226,049	1,110,215	29.57%	634,057	146,489	26.29%
2018	3,146,049	1,004,060	36.77%	576,728	133,958	32.56%
2019	3,026,049	900,734	43.69%	587,705	121,471	38.95%
2020	2,816,049	809,022	50.13%	523,533	109,430	44.64%
2021	2,281,049	730,572	55.35%	535,009	97,954	50.45%
2022	2,011,049	657,710	59.95%	458,698	86,685	55.44%
2023	1,766,049	586,434	63.99%	379,264	78,537	59.56%
2024	1,766,049	519,949	68.03%	386,919	70,881	63.77%
2025	1,741,049	454,564	72.01%	394,729	63,072	68.06%
2026	1,766,049	396,854	76.05%	402,696	55,104	72.43%
2027	1,766,049	338,769	80.09%	410,824	46,976	76.90%
2028	1,766,049	279,940	84.13%	419,117	38,684	81.46%
2029	1,764,174	220,367	88.16%	427,576	30,224	86.10%
2030	1,739,930	160,810	92.14%	436,207	21,594	90.84%
2031	1,120,000	111,703	94.70%	445,011	12,789	95.68%
2032	1,125,000	74,063	97.28%	397,690	4,041	100.00%
2033	595,000	--	98.64%	--	--	
2034	595,000	--	100.00%	--	--	
	\$43,717,976	\$11,316,429		\$9,200,800	\$1,526,880	

1. Includes \$8,730,000 general obligation gas line debt that is expected to be paid from natural gas revenues.

2. Includes Interest on the Bonds

3. Excludes interim IFO Clean Water Fund loans from the previous page as final debt service schedules haven't been finalized. These payments are secured solely from water or sewer revenues, and are not secured by the City's general obligation pledge.

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Authorized But Unissued Debt
Pro Forma as of February 12, 2014

Project	Date Authorized	Original Authorization	Prior Bonds / Pay downs	Estimated Grants/ CWF Note financing¹	This Issue	Remaining Authorization
<u>General Purpose</u>						
NL Tpke & Pleasant St Bridges	06/21/04 ¹	530,000	-	215,000	-	315,000
Dodd Stadium Improvements	09/04/07	610,000	580,000	-	-	30,000
Demolition (2008)	09/15/08	300,000	100,000	-	110,000	90,000
Infrastructure Improvement Program (2009)	11/03/09	5,000,000	1,300,000	-	2,785,000	915,000
Greeneville & Buckingham Schools Demolition	10/03/11	675,000	-	-	665,000	10,000
Public Safety Communications Improvements	05/07/12	650,000	-	-	275,000	375,000
Infrastructure Improvement Program (2013)	11/05/13	5,000,000	-	-	-	5,000,000
<u>Urban Renewal</u>						
Downtown Revitalization	11/02/10	3,380,000	-	-	-	3,380,000
<u>Schools</u>						
Renovation & Expansion of Kelly Middle School	11/06/07	40,250,000	9,940,000	29,250,000	-	1,060,000
School Technology Improvements	07/01/13	525,000	-	-	150,000	375,000
<u>Sewers</u>						
Newton Street Area	10/19/09	1,600,000	1,000,000	-	600,000	-
<u>Gas</u>						
Gas line extensions Referendum – 11/02/10	08/16/10	3,000,000	1,000,000	-	2,000,000	-
Gas line extensions Referendum – 11/06/12	08/06/12	8,000,000	-	-	5,780,000	2,220,000
General Obligation Bond Total		69,520,000	13,920,000	29,465,000	12,365,000	13,770,000
<u>Revenue Secured Sewers</u>						
Wastewater Treatment Plant Digester	04/19/10	9,000,000	1,820,046	7,179,954	-	--
Design of WTP Improvements	05/06/13	6,000,000	-	5,824,983	-	175,017
<u>Revenue Secured Water</u>						
Backwash systems for Stony Brook reservoir	09/20/10	1,830,000	-	1,780,000	-	50,000
Deep River reservoir transmission line replacement	09/20/10	1,630,000	-	1,570,000	-	60,000
Deep River reservoir pump and drive system	09/20/10	2,440,000	-	2,390,000	-	50,000
Replacement of Stony Brook contact clarifier	03/04/13	2,000,000	-	1,828,000	-	172,000
Mohegan Park Water Storage Tank	03/04/13	2,800,000	-	2,498,184	-	301,816
Decommission Royal Oaks pump station and connection of Royal Oaks zone to Industrial Park Tank Service Zone	03/04/13	2,600,000	-	2,317,050	-	282,950
Rehab/Replace Stony Brook North transmission main	03/04/13	2,800,000	-	2,495,500	-	304,500
Rehab/Replace Stony Brook South transmission main	03/04/13	2,600,000	-	2,367,000	-	233,000
Revenue Bond Total		33,700,000	-	30,819,777	-	19,165,223

¹ Amended on January 16, 2007

Debt Statement

Pro Forma as of February 12, 2014

GENERAL OBLIGATION

LONG TERM DEBT

General Purpose	\$15,899,962
Schools	11,464,941
Sewers & Water	7,623,073
Gas ¹	<u>8,730,000</u>

TOTAL LONG TERM DEBT **\$43,717,976**

SHORT-TERM DEBT **\$0**

TOTAL DIRECT DEBT **\$43,717,976**

Less:	
Self-Supporting Debt ¹	(8,730,000)

TOTAL DIRECT NET DEBT **\$34,987,976**

OVERLAPPING/UNDERLYING DEBT **\$ 0**

TOTAL NET DIRECT DEBT **\$34,987,976**

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

Current Debt Ratios

Pro Forma as of February 12, 2014

(Grand List \$ in thousands)

Population (2010) ¹	40,493
Net Taxable Grand List 10/1/12 at 70% of Full Value ²	\$2,423,927
Estimated Full Value	\$3,462,752
Equalized Net Taxable Grand List (10/1/11) ³	\$3,147,981
Income per Capita (2011) ⁴	\$27,093
Estimated Full Value per Capita	\$77,741

	Total <u>Direct Debt</u>	Total Direct <u>Net Debt</u>	Total Net <u>Direct Debt</u>
Debt per Capita	\$1,080	\$864	\$864
Ratio to Net Taxable Grand List (%)	1.80%	1.44%	1.44%
Ratio to Estimated Full Value (%)	1.26%	1.01%	1.01%
Ratio to Equalized Net Taxable Grand List (%)	1.39%	1.11%	1.11%
Debt per Capita to Income per Capita (%)	3.98%	3.19%	3.19%

1. U.S. Department of Commerce, Bureau of Census, 2010
2. Assessor's Office, City of Norwich
3. State of Connecticut, Fiscal Indicators
4. U.S. Department of Commerce, Bureau of Census, American Community Survey, 2010-2012 (DP03).

Limitation on Indebtedness

In accordance with the Connecticut General Statutes, the aggregate indebtedness of a municipality shall not exceed seven (7) times the annual receipts from taxation.

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

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

"Annual receipts from taxation", (the "base") is defined as total tax collections of the municipality and only coterminous municipalities (including interest, penalties and late payments) plus State payments for revenue loss under CGS Section 12-129d and State payments under CGS Section 7-528.

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

Statement of Statutory Debt Limitation and Debt Margin

Presented below is the statutory debt limitation for the City of Norwich:

Debt Limitation Base

Pro Forma as of February 12, 2014

Total tax collections (including interest and lien fees) for the fiscal year ended June 30, 2013.	\$69,360,000
Tax Relief for Certain Elderly Persons	<u>4,000</u>
Debt Limitation Base	\$69,364,000

<u>Debt Limitation</u>	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
FACTOR MULTIPLIED BY BASE					
2 ¼ times base	156,069,000	-	-	-	-
4 ½ times base	-	312,138,000	-	-	-
3 ¾ times base	-	-	260,115,000	-	-
3 ¼ times base	-	-	-	225,433,000	-
3 times base	-	-	-	-	208,092,000
Total debt limitation	\$156,069,000	\$312,138,000	\$260,115,000	\$225,433,000	\$208,092,000
Debt as defined by statute					
Bonds Payable	11,000,000	8,462,857	4,432,143	--	--
This Issue, Series A and Series B	4,899,962	3,002,084	1,422,880	--	--
Notes Payable:	--	--	--	--	--
Capital leases	1,227,043	--	--	--	--
School Construction Grants	--	(99,131)	--	--	--
Bonds authorized and unissued:	6,735,000	1,435,000	--	--	--
Total Indebtedness¹	\$23,862,005	\$12,800,810	\$5,855,023	\$0	\$0
Debt Limitation in Excess of Outstanding and Authorized Limit	\$132,206,995	\$299,337,190	\$254,259,977	\$225,433,000	\$208,092,000
Percent of Limitation	<u>15.29%</u>	<u>4.10%</u>	<u>2.25%</u>	<u>0.00%</u>	<u>0.00%</u>

Note: In no case shall total indebtedness exceed \$485,548,000 or seven times annual receipt from taxation.

Bond Authorization

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

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bonds issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

State of Connecticut School Building Grants

Pursuant to Section 10-287i of the Connecticut General Statutes, the State will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996 (the "Current Program"). Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996 (the "Prior Program"). Under the Prior Program, a municipality issued bonds for the entire amount of the school construction project and the State reimbursed the City for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project. Under the Current Program, the State will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

As of January 15, 2014, the City expects to receive principal grant reimbursements under the Prior Program from the State over the remaining life of its outstanding school bonds in the total amount of \$101,000. Under the Current Program the State will advance school building construction reimbursements to the City of Norwich for eligible costs at a reimbursement rate of approximately 77%. The Kelly School project will be reimbursed at approximately 77%.

Clean Water Fund Program

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

The CWF Program includes a drinking water component. Eligible drinking water projects receive State loans from the Drinking Water State Revolving Fund (DWSRF) established pursuant to the CWF, which bear interest at no more than one-half of the average net interest cost incurred by the State's previous similar bond issue. State water grant funding is not generally available; however the State administers federal grant funding such as the Long Island Sound Restoration Act (LISRA) and American Recovery and Reinvestment Act (ARRA) through the DWSRF.

CWF and DWSRF loans are made pursuant to Project Grant and Project Loan Agreements ("Loan Agreements"). Construction costs are funded with temporary draw down loans called Interim Funding Obligations (IFO), which enables municipalities to borrow only what is required for project costs. The IFO is permanently financed through the issuance of a Project Loan Obligation ("PLO") at the conclusion of the project. IFOs and PLOs are secured by either the full faith and credit of the municipality and/or a dedicated source of revenue. Most of the City's CWF and DWSRF loans are secured only by sewer and water revenues.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each PLO is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The City has the following Clean Water Fund loans outstanding:

General Obligation Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Business Park Water	PLO	06/30/2009	\$450,000.00	2.27%	\$345,000
Fitch Hill Water	PLO	12/31/2010	\$144,727.64	2.06%	\$115,179
Fairview Res. Tank	PLO	12/31/2010	326,250	2.06%	\$267,797

Sewer Revenue Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Combined Sewer Overflow (106-C)	PLO	10/31/1997	\$3,239,094.11	2.09%	\$928,445
Combined Sewer Overflow (298-C)	PLO	6/30/2000	\$1,508,000	2.00%	\$408,406
Combined Sewer Overflow (349-C)	PLO	6/30/2002	\$880,593	2.00%	\$387,463
Treatment Plant Design (625-D)	PLO	6/29/2012	\$1,864,518	2.00%	\$1,687,355
Treatment Plant Digester (495-C)	PLO	5/31/2013	\$5,747,554.21	2.00%	\$5,301,612
Treatment Plant Design ¹ (625-D-1)	IFO	7/31/2013	\$2,510,422.00	2.00%	\$2,510,422

1. This project is in progress. The maximum available loan is under "Principal Loan".

The City will finance the construction of a new sewage treatment plant, currently being designed, through the Clean Water Fund with additional loans totaling approximately \$64,000,000 based on an estimated \$80,000,000 construction cost.

Water Revenue Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Yantic Water Improvement	PLO	12/31/2002	\$1,898,651.36	2.77%	\$1,058,586
Deep River Reservoir (Pump/Drive ¹) (2011-7005)	IFO	10/31/2013	\$184,996.55	2.00%	\$184,996.55
Deep River Reservoir Transmission Line ¹ (2011-7006)	IFO	12/31/2013	\$147,989.25	2.00%	\$147,989.25

1. These projects are in progress. The maximum available loan is under "Principal Loan". While the actual loan to date may be less than the maximum, it is expected that upon design completion the borrowing authorizations will be fully utilized and increased to provide for construction.

- **Fiscal Year**
- **Basis of Accounting and Accounting Policies**
- **Annual Audit**
- **Budgetary Procedures**
- **Investment Policy**
- **Summary of Cash and Cash Equivalents**
- **Pension Programs**
- **OPEB Funding Policy**
- **General Fund Revenues and Expenditures**

FINANCIAL ADMINISTRATION

Fiscal Year

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

Basis of Accounting and Accounting Policies

The financial statements of the City of Norwich, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Please refer to Appendix A "Financial Statements" herein for compliance and implementation details.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

The new reporting model includes the following segments:

Management's Discussion and Analysis ("MD&A") provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government-wide financial statements - consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

Fund financial statements - provide information about the City's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting.

The general fund is the general operating fund of the City government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the City, which were not paid through a special fund.

The City reports the following major proprietary funds:

Sewer-Use, Sewer Assessment and Street Extension funds account for the activities of the Water Pollution Control Authority. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service. The Authority operates the sewage pumping stations and collection systems.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements.

The fiduciary funds are as follows:

Internal Service funds account for general insurance, medical insurance and workers' compensation insurance provided to other departments or agencies of the government.

Agency funds account for monies held as a custodian for outside groups and agencies.

Required supplementary information - in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A under "Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements of the City.

Annual Audit

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

For the fiscal year ended June 30, 2013, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, PC, Certified Public Accountants, West Hartford, Connecticut. The fiscal year ending 2013 Comprehensive Annual Financial Report (“CAFR”), including the Auditors' opinion, the Federal and State Single Audit Reports and the Report on Compliance and Internal Control over Financial Reporting were filed with OPM prior to December 31, 2013.

Budgetary Procedures

The City of Norwich adheres to the following procedures in establishing the budgetary data reported in the financial statements for the general fund. On or before the first Monday in April, the City Manager submits to the City Council a proposed operating budget for the year commencing the following July 1. Before the third Monday in April, the City Council holds a Public Hearing on the City Manager’s proposed budget. On or before the second Monday in May, the City Council tentatively adopts a budget. The City Council holds a second Public Hearing on or before the third Monday in May. No later than the second Monday in June, the City Council adopts a budget for the next fiscal year.

Investment Policy

The City Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the City is permitted to acquire. Generally, the City may invest in certificates of deposit, repurchase agreements, municipal Bonds and notes, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, and money market mutual funds. The City’s investments do not include derivative products.

The investment practices of the City are in compliance with the Connecticut General Statutes.

Summary of Cash and Cash Equivalents – November 30, 2013

Total Cash and Cash Equivalents	\$28,064,000
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Pension Programs: Employee Retirement Systems and Pension Plans Overview

The City of Norwich is the administrator of the City’s Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system (PERS) established and administered by the City to provide pension benefits to all full-time non-certified employees. The Plan is considered to be part of the City of Norwich’s financial reporting entity and is included in the City’s financial reports as a pension trust fund. The plan does not issue a stand-alone report. The City is committed to funding 100% of the annual required contribution (ARC).

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. City employees are required to contribute 8.0%. Police and firefighter participants are required to contribute 8.0%. The City’s funding policy provides for periodic employer contributions at actuarially determined rates. The City’s current contribution percentage is 10.95% of covered payroll.

For the year ended June 30, 2013, the Town’s annual pension contribution of \$5,730,128 was in excess of the City’s required contribution of \$5,728,000. The discount rate used for the calculation of the unfunded accrued liability in the plan is 8.25% per year, compounded annually. The City has budgeted \$5,789,000 for the fiscal year ending June 30, 2014 contribution. Below is a schedule of funding progress for the City of Norwich Retirement System.

The City will be reducing the assumed rate of return from 8.25% to 7.75% and changing the amortization from 30 years open to a closed 25-year period for unfunded liabilities that existed July 1, 2013 and 20-years for any unfunded liabilities thereafter. In order to mitigate the impact on the operating budget, the City will increase its contribution by 15% each year starting in fiscal year 2014-15 to build up to the full actuarially determined contribution (ADC) over four to five years.

(In Thousands)

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Percent Funded	Annual Covered Payroll	Unfunded Accrued Liability as a % of Covered Payroll
7/1/2011	148,332	195,652	47,321	75.8	33,523	141.2
1/1/2010	149,304	184,161	34,857	81.1	32,509	107.2
1/1/2009	153,090	175,726	22,636	87.1	33,280	71.4
1/1/2008	157,020	165,406	8,386	94.9	30,696	27.3
1/1/2007	145,881	167,259	21,378	87.2	24,248	88.2
1/1/2006	136,011	156,516	20,505	86.9	24,540	83.6

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

Teachers within the City's school system participate in a retirement plan administered by the Connecticut State Teachers' Retirement Board. The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$20,357,000 or 70.0% of the total Board of Education payroll of \$29,106,000.

For further details on the plans, please refer to Appendix A, under "Financial Statements" herein.

OPEB Funding Policy

The City and the Board of Education provide post-employment benefits for retirees who meet certain requirements regarding age and years of service. This benefit is provided based on union agreements and is fully funded by the City. The City is required to provide health, medical and life insurance to 387 retired City and Board of Education employees. The City's actuarial firm, Hooker & Holcombe, Inc., estimates the City's actuarial OPEB liability at \$55.5 million with an ARC of \$6 million.

With the July 1, 2013 valuation, the City will be reducing the assumed rate of return from 8% to 7.75% and changing the amortization from 30 years open to a closed 25-year period for unfunded liabilities that existed July 1, 2013 and 20-years for any unfunded liabilities thereafter. In order to mitigate the impact on the operating budget, the City will increase its contributions over the course of two to three years and will return to funding 100% of the ARC by fiscal year 2016-17.

For further details on the plans, please refer to Appendix A, under "Financial Statements" herein.

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General Fund Revenues and Expenditures
(Budget Numbers in 000s)

The General Fund revenues, expenditures and changes in fund balance for the fiscal years ended June 30, 2009 through 2013 have been derived from the City's audited financial statements. The budget for 2013-14 is stated on a budgetary basis, which is different from the audited financial statements presentation. The City's independent auditors have not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assumes no responsibility for them. The financial information presented herein is the responsibility of the City's management. ("Appendix A – Financial Statements" was taken from the City's General Purpose Financial Statements for the Fiscal Year ended June 30, 2013).

	Budget 2013-14	Actual 2012-13	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09
REVENUES						
Property Taxes	\$65,932	\$64,821	\$59,244	\$56,857	\$55,495	\$53,978
Intergovernmental Revenue	38,965	43,580	42,703	38,103	37,742	44,021
Charges for services	2,090	2,023	2,012	1,978	2,343	1,220
Licenses, permits and fees	550	671	495	624	512	484
Investment income	30	32	7	47	193	418
Other	948	1,023	1,135	1,727	1,360	868
Total Revenues	\$108,515	\$112,150	\$105,596	\$99,336	\$97,645	\$100,989
EXPENDITURES						
General Government	\$4,876	\$4,901	\$4,493	\$5,350	\$5,243	\$6,043
Public Safety	15,483	14,730	13,278	12,608	11,785	12,588
Social Services	2,032	2,025	1,858	1,775	2,079	2,297
Public Works	9,757	9,467	8,955	9,091	8,990	7,917
Education	70,535	75,394	72,021	67,160	66,152	70,164
Other	5,989	4,943	4,795	3,411	3,461	3,693
Capital Outlay	0	0	0	804	0	0
Debt Service	5,381	5,164	4,908	4,772	4,243	4,034
Total Expenditures	\$114,053	\$116,624	\$110,308	\$104,971	\$101,953	\$106,736
OTHER FINANCING SOURCES (USES)						
Transfers In	\$7,391	\$7,690	\$7,222	\$8,091	\$6,976	\$7,321
Transfers (Out)	(2,418)	(2,656)	(2,702)	(2,535)	(2,535)	(2,659)
Other				804	70	
Total Sources (Uses)	\$4,973	\$5,034	\$4,520	\$6,360	\$4,511	\$4,662
Revenues and other financing sources (under) expenditures	(565)	560	(192)	725	203	(1,085)
Fund Balance, July 1,	\$11,195	\$10,635	\$10,827	\$10,102	\$9,899	\$10,984
Fund Balance, June 30	\$10,630	\$11,195	\$10,635	\$10,827	\$10,102	\$9,899

1. Excludes State of Connecticut on behalf contributions to the Connecticut State Teachers' Retirement Systems
2. Includes annual debt service funding requirement for general purpose, education, and pension obligation bonds

Source: City's Financial Statements from 2009-2013; City Approved Budget 2013-14

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LEGAL AND OTHER INFORMATION

- **Litigation**
- **Availability of Continuing Disclosure Information**
- **Transcript and Closing Documents**
- **Legal Matters**
- **Concluding Statement**

LEGAL AND OTHER INFORMATION

Litigation

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

Availability of Continuing Disclosure Information

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, in connection with the issuance of the Bonds, the City will agree to provide or cause to be provided, (i) annual financial information and operating data, (ii) notice of certain events with respect to the Bonds, and (iii) timely notice of a failure of the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form attached as Appendix C to this Official Statement.

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

Transcript and Closing Documents

Upon delivery of the Bonds, the Underwriter will be furnished with the following:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay the principal of and the interest on the Bonds.
2. A Certificate on behalf of the City signed by the City Manager and the Comptroller, which will be dated the date of delivery and attached to a confirmed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds.
4. The approving opinions of Joseph Fasi LLC, Hartford, Connecticut for the Bonds in substantially the form set out in Appendix B to this Official Statement.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form set out in Appendix C of this Official Statement.
6. Within seven (7) business days after the award, the City will make available to the winning bidder of each series of Bonds 15 copies of the Official Statement at the City's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer.

A record of the proceedings taken by the City in authorizing the Bonds will be kept on file at the principal office of the Registrar and Paying Agent, U.S. Bank National Association of Hartford, Connecticut and may be examined upon reasonable request.

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APPENDIX A - FINANCIAL STATEMENTS

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CITY OF NORWICH, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2013
DEPARTMENT OF FINANCE
UNION SQUARE
NORWICH, CONNECTICUT

Comprehensive Annual Financial Report

of the

City of Norwich, Connecticut

Fiscal Year Ended June 30, 2013

Prepared By:

City of Norwich Finance Department

Joshua A. Pothier, CPA
Comptroller

Anthony Madeira
Accountant

CITY OF NORWICH, CONNECTICUT

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Introductory Section



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December 4, 2013

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Norwich (the "City") for the fiscal year ended June 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

Profile of Government

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

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

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

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

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

Local Economy

The City aggressively pursues economic and physical stabilization and revitalization. The City has maintained the quality of services to its citizens while having one of the lowest per capita tax burdens in the State at \$1,411 for fiscal year 2011, the ninth lowest in the State. Through the direction of the Mayor and the assistance of the Norwich Community Development Corporation, the City attempts to attract and retain the best combination of business and industry to meet the needs of the City and its citizens. Consequently, the City is involved with projects which will improve both the tax base and quality of life in Norwich.

Commercial/Industrial Activity

- *Marina at American Wharf.* Last year the Marina facility was purchased by Joyal Capital Group and has undergone extensive infrastructure renovations and repairs. Joyal also constructed a new premium Ice Cream Stand across the Yantic River at Howard Brown Park. Future expansion plans at the Marina property are multi-phased and improvements are expected to continue over the next few years.
- *Route 82 CVS Drug Store.* A new CVS facility was constructed on the site of the former Olympic Pizza and two adjacent parcels. The former owner/operator of Olympic Pizza opened a new restaurant called Fat Cats across the street in the Surplus Unlimited Center.
- *The former Norwichtown Mall* was purchased by Winstanley Corporation and has been renamed Norwichtown Commons. The mall portion of the building has been completely redesigned and repurposed to meet today's trends in retail sales and is no longer an enclosed mall.
- *Ponemah Mill Adaptive Reuse Project.* This \$51 million project will convert a 19th century Taftville mill into 237 residential apartment units. The first phase is 113 units and approximately \$24 million which is nearing the completion of finance assembly. The first phase of the project is expected to be finished in 2017.
- *Five Guys Burgers* purchased the prior Tim Hortons on Route 82 and renovated the building to meet their corporate standard.
- *Former Friendly's Restaurant next to Marcus Plaza.* Konover Corporation purchased this property and will make site improvements to better facilitate vehicle access to the Plaza. They are also completing a major facelift for the existing center including new signage. They have plans on establishing a new sit-down restaurant on an outer portion of the parking lot in the near future.
- *Philly's Cheesesteak* acquired a lease on a neighboring property and began renovations to expand their facility by a factor of three.
- *US Foods-* Norwich incorporated some operations of facilities out of the greater Boston area, growing their workforce by 100 and their truck fleet by 52.
- *State of Connecticut Small Business Express.* Five small businesses received funding from this program to expand their operations and add eight employees over the next 24 months.
- *The former Decorative Screen Printers* building at 9 Wisconsin Ave in the Business Park was purchased by new owners who have invested approximately \$1 million in upgrades to the property in preparation for new tenants.

- *A walk-in medical center* opened in Staples Plaza and the Plaza owner expanded the parking lot to accommodate the added demand.
- *The Red Cross* opened a new blood drawing center in the Staples Plaza.

Housing Market

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

The median sales prices for homes seasonally adjusted throughout the year and experienced a 0.9% decrease over this same time last year. During 2012, there were 324 residential property sales. In comparison for 2013, the City is experiencing an increase in listings, with a total of 390 active residential properties on the market. From January through August 2013, the City received notice of 64 foreclosure related actions. This represents a slight decrease in foreclosure actions over this time last year.

While construction is traditionally a driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories. One concern is that rising inventories, through construction and distressed sales, will place downward pressure on the median house value. Fortunately, Norwich maintains a market that is more affordable than most, with median home prices being equal to about 1.6 times resident income. Since the national average for housing costs is at approximately 2.5 times resident income, Norwich's affordability levels make it prime for improved market stability as a stronger economy returns to Connecticut.

State of Connecticut Building & Infrastructure Projects

- *West Town Street/ Washington Street Paving.* The Connecticut Department of Transportation resurfaced a section of these streets in May and June 2013.
- *Bridge No. 02588.* The Department of Transportation completed the replacement of the bridge that carries Route 97 over Byron Brook in the fall of 2012.
- *Three Rivers Community College.* The college was consolidated into its New London Turnpike location in an \$85.6 million, 295,644 square-foot project which was completed in 2009.

Major City Initiatives

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

- *Gas Line Extensions.* Norwich Public Utilities (NPU) continues to lead the state in Natural Gas Service expansion with the \$11 million in total bond funding approved by the voters. In FY13 NPU installed over 2.3 miles of gas main and 4 miles of services to 285 new residential and commercial customers. NPU has also partnered with CEFIA (The Clean Energy Finance and Investment Authority) and Smart Power to promote the benefits of Natural Gas to Norwich residents through community based initiatives while providing financing options through local lenders and technical assistance. All of this is funded by the State of Connecticut and is in direct alignment with the Governor's Comprehensive Energy Strategy.
- *Road Improvements.* The residents of the City of Norwich passed a bond referendum item in November 2013 for \$5 million of infrastructure improvements. The City spent a total of \$1,450,600 of combined bond funds (from a 2009 Road Improvement Bond) and capital funds during fiscal year 2013 to repave or reconstruct 6.8 miles of City roads. In addition, the City also expended \$134,500 in preventative maintenance measures such as crack sealing and chip sealing to extend the expected life of an additional 6.0 miles of moderately deteriorated City roads.
- *Municipal Area Network.* Norwich Public Utilities (NPU) continued to build upon and leverage their Municipal Area Network (MAN). The network consists of 32 miles of 144 strand fiber optic cabling around the city in two "loops." The fiber provides high-speed data, video and communications connectivity that is 600 times faster than any other data network available in Norwich. NPU has recently connected the fiber across the entirety of the Norwich MAN with the Connecticut Education Network, as part of the Nutmeg Network's award from the Broadband Technologies Opportunities Program (BTOP) to help improve communications capabilities throughout the State of Connecticut. This implementation has expanded the connectivity opportunities of NPU and the City with a 100% redundancy for internet services and opens the door for improved disaster recovery services and network monitoring. NPU is also using the MAN to support public safety in conjunction with the Norwich Police Department (NPD) with the deployment of four cameras along Central Avenue in Greeneville and four cameras in the City's Intermodal Transportation Center. The MAN provides for high definition resolution video capture from these cameras and subsequent transportation across the network at speeds not possible with copper wire installations. The above camera program has been so successful, that NPU is currently in the process of installing a dozen more cameras across the downtown landscape for the NPD.
- *Drinking Water Infrastructure.* Norwich Public Utilities has embarked on a water infrastructure improvement program. The upgrades will be paid for through a combination of state grants and low interest loans from the Drinking Water Revolving Fund (DWRF). In FY13 design work started on the replacement of the main pumps and control systems at the Deep River Drinking Water Treatment Plant, re-lining of approximately 3,500 ft. of transmission main, construction of two new 0.5 million gallon water storage tanks, and installation a micro-turbine for pressure control.
- *Wastewater Infrastructure.* Norwich Public Utilities has continued the design of a \$96 million wastewater treatment plant upgrade project. As of FY13, the design of the project was at 50% completion. These infrastructure improvements will:
 - Bring Norwich current with state and federal environmental mandates
 - Upgrade the city's aging wastewater infrastructure to reduce treatment plant odors
 - Reduce nitrogen from sewage discharge, making our rivers, harbor and Long Island Sound cleaner
 - Power the sewer plant using recaptured methane gas, reducing Norwich's energy costs
 - Prepare Norwich to meet current growth and future local and regional business development needs.

- *American Public Power Association (APPA) Reliable Public Power Program (RP3) Designation.* On May 1, 2013, Norwich Public Utilities (NPU) received APPA's RP3 Platinum Award. The RP3 program recognizes utilities that demonstrate high proficiency in four areas - reliability, safety, work force development and system improvement. Criteria within each of the four RP3 areas are based upon sound business practices and recognized industry best practices. In receiving a Platinum designation, NPU is among a select group of less than 100 utilities out of over 2,000 public power companies nationwide and the only one in the State of Connecticut. Projects completed during FY13 that support our ability to maintain this designation include Electric Distribution System upgrades in Taftville-Occum (Rte 97) and Mahan Drive-Reynolds Road. These upgrades improve safety and reliability, implement back up power from other NPU substations that were not previously available, serve new development, and provide future capacity for additional growth.
- *Low Impact Hydropower Institute (LIHI) Certification.* On March 6, 2013, Norwich Public Utilities's (NPU) Greeneville and Occum hydroelectric facilities were certified by LIHI. The Institute's certification process is intended to protect multiple ecosystems qualities, including river flows, water quality, fish and wildlife, and other environmental indicators of a healthy ecosystem around hydropower facilities and dams, as well as meeting recreation and cultural preservation needs. LIHI's criteria and standards are typically based on the most recent, and most stringent, mitigation measures recommended for the dam by expert state and federal resource agencies. There are thousands of hydropower dams in the U.S. with only about 100 presently certified by LIHI. NPU's holds two of the four certifications in the State of Connecticut. NPU is able to use this certification when marketing its hydro facilities, such as obtaining and selling Renewable Energy Certificates (RECs) to generate additional revenues.
- *City Hall Exterior Stairway Rehabilitation.* The Public Works Department secured a 50% matching grant, up to a maximum of \$200,000, from the State Historic Preservation Office for the rehabilitation of the two exterior stairways at City Hall. The project was recently completed at a cost of approximately \$380,000. This project preserves the beauty and distinct architecture of City Hall.
- *City Hall Condition Assessment.* The Public Works Department secured a 50% matching grant, up to a maximum of \$10,000, from the Connecticut Trust for Historic Preservation for a Condition Assessment / Master Plan for the study of our historic City Hall. This will enable the City to move forward with additional grants from the State Historic Preservation Office for the preservation of additional features of our landmark structure.
- *Sherman Street Bridge and Sunnyside Street Bridge Rehabilitations.* The Public Works Department previously secured approximately \$5 million in Federal and State grant money to pursue rehabilitation projects to both the Sherman Street bridges and the Sunnyside Street bridge. Design is currently underway with the Sherman Street bridge project and includes assessment and recommendations for the nearby Upper Falls Dam. The Sunnyside Street bridge is in the study phase and is awaiting input from the Federal Highway Administration.
- *School Initiatives.* Norwich Public Schools is an Alliance School district creating the ability to embark on advanced academic initiatives. Stanton School is a Network School allowing additional academic initiatives. Moriarty School and Wequonnoc School are working on their Magnet School planning and development. Bishop School has become the district's Early Childhood Education Center, allowing greater opportunities for the youngest students in our population. Many full day kindergarten classes have been established throughout the district in order to create early childhood success. All children in Norwich Public Schools now receive free breakfast (universal free breakfast); all children that qualify for reduced or free meals - receive free meals. We are also participating in some innovative farm to school initiatives to help local farmers and bring fresher produce directly to the children.

Long-Term Financial Planning

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

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

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

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

Pension Funding - the City has committed to funding 100% of the annual required contribution (ARC) for both the City Employee Pension Trust Fund and Volunteer Firefighters Relief Fund.

Other Post-Employment Benefits - the City has committed to increase its contribution to the OPEB fund over six years. In fiscal year 2013-14, the City will be funding 100% of the ARC.

Relevant Financial Policies

Fund Balance - No unrestricted fund balance was used in the 2012-13 adopted budget. The City included the use of \$400,000 of General Fund unrestricted fund balance in the City's 2013-14 adopted budget. The Norwich City Council appropriated an additional \$150,000 of unrestricted fund balance towards the cost of School Resource Officers at the two middle schools on September 3, 2013 with Ordinance 1692.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norwich, Connecticut, for its comprehensive annual financial report for the year ended June 30, 2012. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

For fiscal years beginning July 1, 2000 through 2013, the GFOA awarded the City a "Distinguished Budget Presentation Award" for its adopted budget. The budgets submitted had to satisfy four different criteria: the budget as a Policy Document, the budget as a Financial Plan, the budget as an Operations Guide and the budget as a Communications Device. The award earned by the City is the highest form of recognition in the area of budgeting.

For fiscal year ended June 30, 2005, the GFOA awarded the City for its first Popular Annual Financial Report (PAFR). The PAFR is intended to be a condensed and simplified presentation of the highlights of the CAFR. Upon receiving the PAFR award, Norwich became only the second Connecticut municipality to achieve all three GFOA awards.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joshua A. Pothier". The signature is written in a cursive style with a large, looping initial "J".

Joshua A. Pothier, CPA
Comptroller



Government Finance Officers Association

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

Presented to

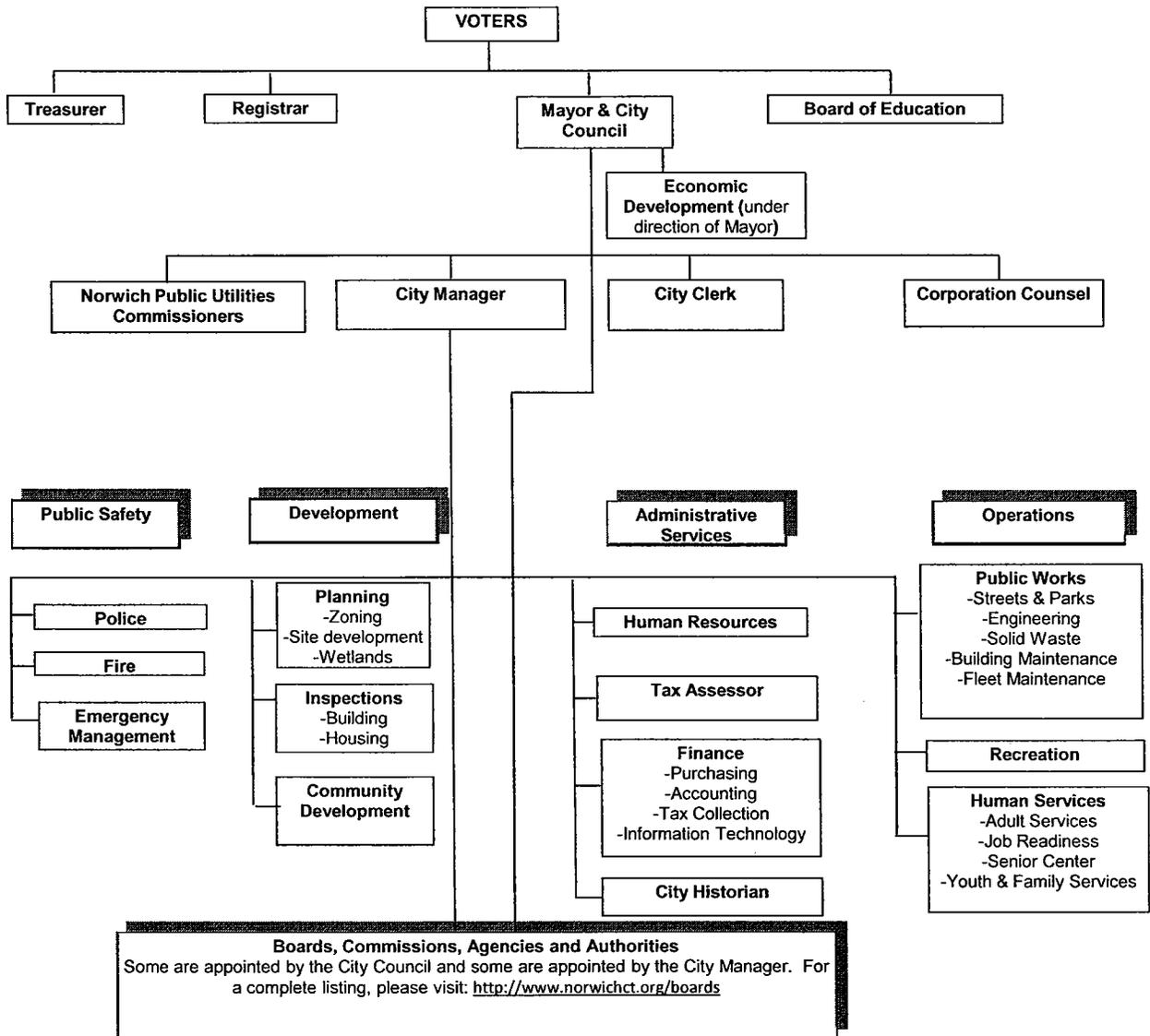
**City of Norwich
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

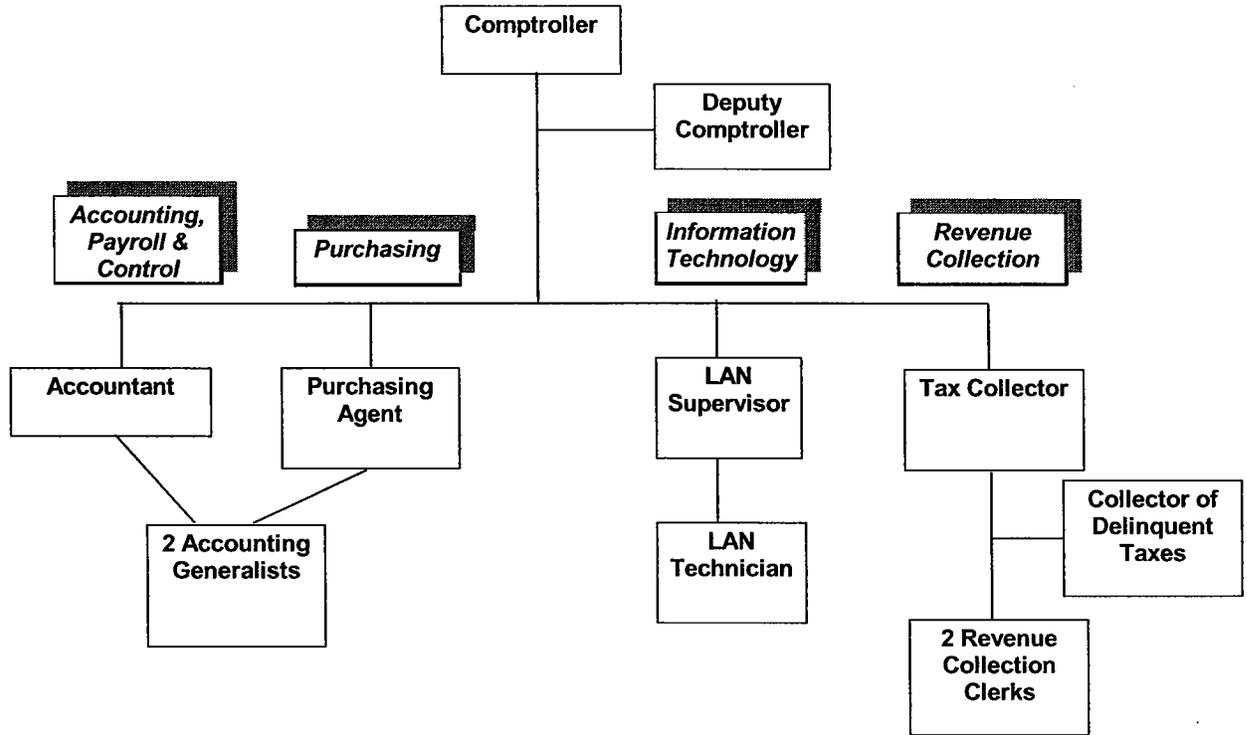
June 30, 2012

Executive Director/CEO

City of Norwich Organization Chart



City of Norwich Finance Department Organization Chart



**DIRECTORY OF ELECTED CITY OFFICIALS
AND NPU COMMISSIONERS
AS OF DECEMBER 4, 2013**

CITY COUNCIL

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

BOARD OF EDUCATION

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

TREASURER

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

REGISTRAR OF VOTERS

	<u>Term Length</u>	<u>Term Expires</u>
Dianne Daniels (D)	2 Years	1/14/15
Dianne Slopak (R)	2 Years	1/14/15

APPOINTED NPU COMMISSIONERS

	<u>Term Length</u>	<u>Term Expires</u>
James M. Sullivan, Chair (D)	5 Years	3/01/14
Diana Boisclair, Vice Chair (R)	5 Years	3/01/15
Larry Goldman, Secretary (D)	5 Years	3/01/17
Robert Groner, (D)	5 Years	3/01/18
Grace Jones (D) *	5 Years	2/28/16

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

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

DIRECTORY OF CITY ADMINISTRATIVE
OFFICIALS
AS OF DECEMBER 4, 2013

Title	Name	Phone
City Manager	Alan H. Bergren	(860) 823-3750
Assessor	Donna Ralston	(860) 823-3722
Building Inspector	James Troeger	(860) 823-3775
City Clerk	Betsy Barrett	(860) 823-3734
Comptroller	Joshua A. Pothier	(860) 823-3720
Corporation Counsel	Michael E. Driscoll	(860) 889-3321
Emergency Management Director	Gene M. Arters	(860) 887-1018
Engineer	Patrick McLaughlin	(860) 823-3798
Fire Chief, Norwich (CCD)	Ken Scandariato	(860) 892-6080
Fire Chief, East Great Plain VFD	Patrick Daley	(860) 886-0392
Fire Chief, Laurel Hill VFD	Aaron Westervelt	(860) 892-1973
Fire Chief, Occum VFD	Robert Patton	(860) 822-8285
Fire Chief, Taftville VFD	Timothy Jencks	(860) 887-6676
Fire Chief, Yantic VFD	Frank Blanchard	(860) 887-2221
Health Director	Patrick McCormack, MPH	(860) 823-1189
Housing Authority Director	Charles Whitty	(860) 887-1605
Human Resources Director	Brigid Marks	(860) 823-3786
Human Services Director	Beverly Goulet	(860) 823-3778
LAN Supervisor	Leon Barnowski	(860) 859-4404
Parking Administrator	Judy Rizzuto	(860) 889-5586
Planning & Development Director	Peter Davis	(860) 823-3766
Police Chief	Louis J. Fusaro	(860) 886-5561
Public Utilities Manager	John Bilda	(860) 887-2555
Public Works Director	Barry Ellison	(860) 823-3789
Purchasing Agent	William R. Block	(860) 823-3706
Recreation Director	Vacant	(860) 823-3791
Senior Center Director	Michael Wolak	(860) 889-5960
Superintendent of Schools	Abby I. Dolliver	(860) 823-6284
Tax Collector	Kathy Daley	(860) 823-3760
Zoning Enforcement Officer	Tianne Curtis	(860) 823-3752

Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Norwich, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 57 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the City of Norwich, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 4, 2013

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

This discussion and analysis of the City of Norwich, Connecticut's (the City) financial performance is offered by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the City exceeded its liabilities, resulting in total net position at the close of the fiscal year of \$237.6 million. Total net position for governmental activities at fiscal year-end was \$104.3 million, and total net position for business-type activities was \$133.3 million. Total unrestricted net position at June 30, 2013 was \$28.6 million.
- On a government-wide basis, during the year, the City's net position decreased by \$0.4 million from \$238.0 million to \$237.6 million. Governmental activities net position decreased by \$3.6 million, and net position increased by \$3.2 million for business-type activities. Governmental activities expenses were \$150.2 million, while total revenues including transfers were \$146.7 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$11.1 million, a decrease of \$5.5 million from the prior fiscal year. Of the total fund balance as of June 30, 2013, \$8.6 million represents the combined unrestricted fund balance in the General Fund, Special Revenue Funds and Capital Projects Funds.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$11.2 million, an increase of \$0.6 million from the prior fiscal year. As of June 30, 2013, \$11.2 million of the total fund balance is unrestricted representing 9.81% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt decreased by \$3.9 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position decreased from a year ago from \$238.0 million to \$237.6 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 41,239	\$ 44,944	\$ 33,863	\$ 35,940	\$ 75,102	\$ 80,884
Capital assets	128,901	129,710	124,629	120,243	253,530	249,953
Total assets	<u>170,140</u>	<u>174,654</u>	<u>158,492</u>	<u>156,183</u>	<u>328,632</u>	<u>330,837</u>
Long-term debt outstanding	52,713	55,289	15,764	16,288	68,477	71,577
Unearned revenue	1,905	1,621	479	509	2,384	2,130
Other liabilities	11,203	9,883	8,959	9,289	20,162	19,172
Total liabilities	<u>65,821</u>	<u>66,793</u>	<u>25,202</u>	<u>26,086</u>	<u>91,023</u>	<u>92,879</u>
Net Position:						
Net investment in capital assets	95,200	92,031	112,113	107,495	207,313	199,526
Restricted	1,537	1,457	188	361	1,725	1,818
Unrestricted	<u>7,582</u>	<u>14,373</u>	<u>20,989</u>	<u>22,241</u>	<u>28,571</u>	<u>36,614</u>
Total Net Position	<u>\$ 104,319</u>	<u>\$ 107,861</u>	<u>\$ 133,290</u>	<u>\$ 130,097</u>	<u>\$ 237,609</u>	<u>\$ 237,958</u>

Net position of the City's governmental activities decreased by \$3.6 million (\$104.3 million compared to \$107.9 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$14.4 million at June 30, 2012 to \$7.6 million at the end of this year. The net position of business-type activities increased by 2.5% (\$133.3 million compared to \$130.1 million) during 2013.

Table 2
CHANGES IN NET POSITION

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 6,220	\$ 5,377	\$ 83,799	\$ 89,107	\$ 90,019	\$ 94,484
Operating grants and contributions	55,684	53,139			55,684	53,139
Capital grants and contributions	791	10,749	5,423	6,798	6,214	17,547
General revenues:						
Property taxes	69,598	63,198			69,598	63,198
Grants and contributions not restricted to specific purposes	5,005	4,315			5,005	4,315
Unrestricted investment earnings	202	51	6	11	208	62
Other general revenues	1,126	890			1,126	890
Total revenues	<u>138,626</u>	<u>137,719</u>	<u>89,228</u>	<u>95,916</u>	<u>227,854</u>	<u>233,635</u>
Program expenses:						
General government	11,905	10,300			11,905	10,300
Public safety	22,840	20,571			22,840	20,571
Social services	4,059	4,201			4,059	4,201
Public works	17,245	13,444			17,245	13,444
Education	92,976	86,764			92,976	86,764
Interest on long-term debt	1,232	1,109			1,232	1,109
Department of Public Utilities			75,476	75,620	75,476	75,620
Other enterprise funds			2,470	2,495	2,470	2,495
Total program expenses	<u>150,257</u>	<u>136,389</u>	<u>77,946</u>	<u>78,115</u>	<u>228,203</u>	<u>214,504</u>
Excess (deficiency) before transfers	(11,631)	1,330	11,282	17,801	(349)	19,131
Transfers	8,089	7,439	(8,089)	(7,493)	-	(54)
Increase (decrease) in Net Position	\$ <u>(3,542)</u>	\$ <u>8,769</u>	\$ <u>3,193</u>	\$ <u>10,308</u>	\$ <u>(349)</u>	\$ <u>19,077</u>

The City's total revenues were \$227.8 million. The total cost of all programs and services was \$228.2 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's assets by \$3.5 million during the year compared with an increase of \$8.8 million last year. Total revenues of \$138.6 million and \$8.1 million in transfers from the City's business-type activities provided funding for the City's \$150.3 million of governmental program expenses incurred during the year.

The City's revenues increased \$0.9 million (\$138.6 million compared to \$137.7 million). Decreases in capital grants for the Kelly Middle School renovation project and Intermodal Transportation Center were offset by increases in operating grants and property taxes.

Total program expenses were \$150.3 million as compared with \$136.4 million reported last year. The expenses of the Education, Public Safety, and Public Works functions experienced increases primarily attributable to rising pension, OPEB and health insurance.

Property tax revenues increased \$6.4 million. Changes in program expenses are mostly tied to increases in budgeted actual expenditures in the City's General Fund for the cost of current services during 2013 compared with 2012.

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

Table 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General government	\$ 11,905	\$ 10,300	\$ 9,892	\$ 899
Public safety	22,840	20,571	22,385	19,881
Social services	4,059	4,201	1,516	1,383
Public works	17,245	13,444	14,516	11,707
Education	92,976	86,764	38,021	32,145
All others	1,232	1,109	1,232	1,109
Totals	\$ 150,257	\$ 136,389	\$ 87,562	\$ 67,124

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$6.7 million during the year (\$89.2 million in 2013 compared to \$95.9 million in 2012) and expenses decreased by \$.1 million. Overall net position increased \$3.2 million in 2013 compared with an increase of \$10.3 million in 2012. The primary cause of the change in net position for business-type activities was the capital contributions from gas line extension projects.

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$11.1 million, which is a decrease of \$5.5 million from last year's total of \$16.6 million. Included in this year's total change in fund balance is an increase of \$0.6 million in the City's General Fund. The primary reasons for the General Fund's increase mirror the general fund activities analysis highlighted in RSI-1 and RSI-2.

The Bond Expenditure Fund reported a fund deficit of \$7.8 million at June 30, 2013. The fund balance decreased by \$5.1 million during the year. The City will issue bonds during 2014 to replenish the fund.

The other governmental funds have a total fund balance of \$7.7 million - a \$1.0 million decrease from last year.

Proprietary Funds

Net position of the proprietary funds consisting of the Department of Public Utilities were \$123.9 million, as compared to \$120.2 million in the prior year, and City’s other nonmajor enterprise funds net position decreased \$541 thousand to \$9.4 million from \$9.9 million.

Unrestricted net position of the Department of Public Utilities was \$21.2 million, and a deficit of \$288 thousand for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$81.9 million from user fees, and other enterprise funds had \$1.9 million. The total increase in net position for the fiscal year ended June 30, 2013 was \$3.2 million.

General Fund Budgetary Highlights

While there were some interdepartmental budget transfers, the General Fund did not have any supplemental appropriations during 2013.

During the year, actual revenues and other financing sources on a budgetary basis were \$114.6 million, which was \$120 thousand lower than budgetary estimates. The variance was caused primarily by lower than anticipated State of Connecticut Special Education Excess Cost grant revenues (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$114.1 million, which were lower than actual revenues and other financing sources on a budgetary basis by \$467 thousand. Actual expenditures on a budgetary basis were \$587 thousand less than budgeted. Lower than budgeted expenditures were experienced in the General Government, Public Safety, Public Works, Social Services, and Education. The variances in Public Safety and Public Works were largely caused by FEMA reimbursements for Hurricane Sandy and Blizzard Charlotte/Nemo. The \$150 thousand variance in Education resulted from an agreement between the City Council and Board of Education to set aside funds from 2013 and re-appropriate them in 2014 for the purpose of paying for School Resource Officers at the two middle schools.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the City had \$253.5 million invested in a broad range of capital assets, including land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges - Table 4. This amount represents a net increase (including additions, deductions and depreciation) of \$3.5 million, or 1.4%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 24,244	\$ 24,244	\$ 3,204	\$ 2,922	\$ 27,448	\$ 27,166
Buildings and improvements	37,548	17,812	27,105	34,193	64,653	52,005
Vehicles, machinery, equipment, pumping and distributions systems	6,625	6,596	83,499	61,220	90,124	67,816
Technology upgrade and road infrastructure	19,253	18,767			19,253	18,767
Construction in progress	41,231	62,291	10,821	21,908	52,052	84,199
Totals	\$ 128,901	\$ 129,710	\$ 124,629	\$ 120,243	\$ 253,530	\$ 249,953

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

Gas Line Extensions, Replacements, & Installations	\$	5,460
Road Overlays		1,957
Wastewater Treatment Plant		1,616
Control Room & Data Center		1,158
Intermodal Transportation Center		597
Kelly Middle School Renovation		<u>394</u>
Total	\$	<u><u>11,182</u></u>

The City's fiscal-year 2013-14 capital budget calls for spending \$2.6 million for road overlays, public works vehicles, police vehicles, fire equipment and other projects. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2013, the City had total bonds and notes outstanding of \$44.2 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt decreased by \$3.9 million during fiscal 2013.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 33,034	\$ 36,935	\$ 352	\$ 394	\$ 33,386	\$ 37,329
Serial notes payable			<u>10,815</u>	<u>10,768</u>	<u>10,815</u>	<u>10,768</u>
Total	<u>\$ 33,034</u>	<u>\$ 36,935</u>	<u>\$ 11,167</u>	<u>\$ 11,162</u>	<u>\$ 44,201</u>	<u>\$ 48,097</u>

In January 2013, Standard & Poor's affirmed its AA- ratings with a stable outlook. On September 5, 2013, Fitch Ratings affirmed its AA rating with a stable outlook. On January 20, 2012, Moody's assigned an Aa2 rating to Norwich's 2012 \$2.7 million General Obligation refunding bond issue and affirmed its Aa2 rating on the Norwich's debt outstanding as of that date.

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the City of Norwich is \$485 million. The City's outstanding general obligation debt is at 11.99% of this limitation. Table 9 presents more detailed information about the debt limitation.

Other obligations include net OPEB obligation, accrued vacation pay and sick leave, and risk management claims. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of June 2013, the unemployment rate for the Norwich Labor Market Area was 8.8%, down from 9.2% in the prior year. Connecticut's overall unemployment rate stood at 8.1%, compared with 8.4% for the same time last year. The State of Connecticut's education and non-education formula grants have not kept pace with inflation. This, coupled with increased employee benefit costs, creates a challenge for Norwich. The City, however, is poised to overcome such challenges with its commitments to economic development; cost reduction, including negotiation of reductions in OPEB benefits for future employees; and funding its long-term liabilities. The effects of these efforts are exemplified in the initiatives noted in the transmittal letter.

The fiscal year 2014 General Fund budget calls for \$116.5 million in revenues and expenditures, an approximate 1.5% increase in expenditures over fiscal year 2013. On the revenue side, the fiscal year 2014 budgeted tax levy increased 2.67% and the mill rate increased 0.69 mills from 26.54 to 27.23. The increase is largely due to increases in fringe benefit costs. \$400 of unrestricted fund balance was used to balance the original adopted budget. In September 2013, an additional \$150 thousand was appropriated by the City Council to fund School Resource Officers at Norwich's two middle schools.

In the City's business-type activities, the Norwich Public Utilities projects an 4.63% decrease in revenues from fiscal year 2013 from \$91.9 million to \$87.6 million. This decrease is largely due to decreases in gas and electric rates. Norwich Public Utilities budgeted \$22.3 million in capital improvements to bolster its infrastructure and operational efficiency.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**Basic Financial
Statements**

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 16,744	\$ 13,750	\$ 30,494
Investments	2,819		2,819
Receivables, net	21,250	16,619	37,869
Internal balances	135	(135)	-
Inventories	17	2,196	2,213
Other assets	274	1,433	1,707
Capital assets:			
Assets not being depreciated	65,475	14,025	79,500
Assets being depreciated, net	63,426	110,604	174,030
Total assets	<u>170,140</u>	<u>158,492</u>	<u>328,632</u>
Liabilities:			
Accounts and other payables	10,171	8,959	19,130
Due to Fiduciary Funds	1,032		1,032
Unearned revenue	1,905	479	2,384
Noncurrent liabilities:			
Due within one year	9,275	7,195	16,470
Due in more than one year	43,438	8,569	52,007
Total liabilities	<u>65,821</u>	<u>25,202</u>	<u>91,023</u>
Net Position:			
Net investment in capital assets	95,200	112,113	207,313
Restricted for trust purposes:			
Expendable	42		42
Permanent	1,495		1,495
Restricted for energy conservation		188	188
Unrestricted	7,582	20,989	28,571
Total Net Position	<u>\$ 104,319</u>	<u>\$ 133,290</u>	<u>\$ 237,609</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position			
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General government	\$ 11,905	\$ 1,907	\$ 44	\$ 62	\$ (9,892)	\$ -	\$ (9,892)	
Public safety	22,840	373	82		(22,385)		(22,385)	
Social services	4,059	636	1,907		(1,516)		(1,516)	
Public works	17,245	1,684	336	709	(14,516)		(14,516)	
Education	92,976	1,620	53,315	20	(38,021)		(38,021)	
Interest on long-term debt	1,232				(1,232)		(1,232)	
Total governmental activities	<u>150,257</u>	<u>6,220</u>	<u>55,684</u>	<u>791</u>	<u>(87,562)</u>	<u>-</u>	<u>(87,562)</u>	
Business-type activities:								
Department of Public Utilities:								
Gas	11,988	14,893		3,564		6,469	6,469	
Electric	50,423	51,396		1,363		2,336	2,336	
Water	6,504	8,376		95		1,967	1,967	
Sewer	6,561	7,252		401		1,092	1,092	
Nonmajor Enterprise Funds:								
Golf Course Authority	1,260	1,163				(97)	(97)	
Stadium Authority	293	151				(142)	(142)	
Ice Rink Authority	917	568				(349)	(349)	
Total business-type activities	<u>77,946</u>	<u>83,799</u>	<u>-</u>	<u>5,423</u>	<u>-</u>	<u>11,276</u>	<u>11,276</u>	
Total	\$ <u>228,203</u>	\$ <u>90,019</u>	\$ <u>55,684</u>	\$ <u>6,214</u>	\$ <u>(87,562)</u>	\$ <u>11,276</u>	\$ <u>(76,286)</u>	
General revenues:								
Property taxes					69,598		69,598	
Grants and contributions not restricted to specific programs					5,005	6	5,005	
Unrestricted investment earnings					202		208	
Miscellaneous					1,126		1,126	
Total general revenues					<u>75,931</u>	<u>6</u>	<u>75,937</u>	
Transfers					8,089	(8,089)	-	
Change in Net Position					(3,542)	3,193	(349)	
Net Position at Beginning of Year					107,861	130,097	237,958	
Net Position at End of Year					\$ <u>104,319</u>	\$ <u>133,290</u>	\$ <u>237,609</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013
(In Thousands)

	General	Bond Expenditure	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,815	\$	\$ 929	\$ 16,744
Investments	1,975		844	2,819
Receivables, net	9,416		11,373	20,789
Due from other funds	13,444		5,898	19,342
Other assets			17	17
	<u>40,650</u>	<u>-</u>	<u>19,061</u>	<u>59,711</u>
Total Assets	\$ <u>40,650</u>	\$ <u>-</u>	\$ <u>19,061</u>	\$ <u>59,711</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 7,683	\$ 267	\$ 2,047	\$ 9,997
Due to other funds	13,320	7,506	5,425	26,251
Deferred revenue	8,452		3,909	12,361
Total liabilities	<u>29,455</u>	<u>7,773</u>	<u>11,381</u>	<u>48,609</u>
Fund balances:				
Nonspendable			1,484	1,484
Restricted			2,193	2,193
Committed			4,107	4,107
Assigned	920			920
Unassigned	10,275	(7,773)	(104)	2,398
Total fund balances	<u>11,195</u>	<u>(7,773)</u>	<u>7,680</u>	<u>11,102</u>
Total Liabilities and Fund Balances	\$ <u>40,650</u>	\$ <u>-</u>	\$ <u>19,061</u>	\$ <u>59,711</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

(In Thousands)

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

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

Fund balances - total governmental funds	\$	11,102
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	190,402	
Less accumulated depreciation		<u>(61,501)</u>	
Net capital assets			128,901

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

Property tax receivables greater than 60 days	3,538
Interest receivable on property taxes	1,126
Housing rehabilitation loans	1,939
Receivable from the state for school construction projects	99
Accounts and other receivables	3,754
Net pension asset	208
Deferred bond issuance costs	66

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

(2,743)

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

Bonds and notes payable	(33,090)
Deferred charges on refunding	207
Unamortized bond premium	(151)
Interest payable on bonds and notes	(163)
Compensated absences	(3,306)
Landfill closure	(1,605)
Capital lease	(667)
Net pension obligation	(91)
Net OPEB obligation	<u>(4,805)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u>104,319</u>
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The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes, interest and liens	\$ 64,821	\$	\$ 4,539	\$ 69,360
Intergovernmental revenues	43,580		17,788	61,368
Charges for services	2,023		2,496	4,519
Licenses, permits and fees	671			671
Investment income	32		170	202
Other	1,023		473	1,496
Total revenues	<u>112,150</u>	<u>-</u>	<u>25,466</u>	<u>137,616</u>
Expenditures:				
Current:				
General government	4,901		572	5,473
Public safety	14,730		6,942	21,672
Social services	2,025		1,591	3,616
Public works	9,467		654	10,121
Education	75,394		15,714	91,108
Other	4,943			4,943
Capital outlay		4,933	4,223	9,156
Debt service	5,164			5,164
Total expenditures	<u>116,624</u>	<u>4,933</u>	<u>29,696</u>	<u>151,253</u>
Deficiency of Revenues over Expenditures	<u>(4,474)</u>	<u>(4,933)</u>	<u>(4,230)</u>	<u>(13,637)</u>
Other Financing Sources (Uses):				
Transfers in	7,690		3,402	11,092
Transfers out	(2,656)	(108)	(239)	(3,003)
Total other financing sources (uses)	<u>5,034</u>	<u>(108)</u>	<u>3,163</u>	<u>8,089</u>
Net Change in Fund Balances	560	(5,041)	(1,067)	(5,548)
Fund Balances at Beginning of Year	<u>10,635</u>	<u>(2,732)</u>	<u>8,747</u>	<u>16,650</u>
Fund Balances at End of Year	<u>\$ 11,195</u>	<u>\$ (7,773)</u>	<u>\$ 7,680</u>	<u>\$ 11,102</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (5,548)

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

Capital outlay	4,530
Depreciation expense	(4,953)

In the statement of activities, only the gain on the sale of capital assets is reported. However,
in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in
net position differs from the change in fund balance by the cost of the assets sold. (386)

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

Property tax receivable - accrual basis change	204
Property tax interest and lien revenue - accrual basis change	34
School building grant receipts	(99)
Housing loan repayments	14
Accounts and other receivables - accrual basis change	529
Net pension asset	2

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

Bond principal payments	3,906
Amortization of deferred charge on refunding	(49)
Amortization of premiums	44
Amortization of deferred bond issuance costs	(8)
Capital lease issuances	
Capital lease payments	77

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

Compensated absences	24
Accrued interest	39
Net pension expense	2
Net OPEB expense	(315)
Landfill postclosure care	42

Internal service funds are used by management to charge costs to individual funds. The net
revenue of certain activities of internal services funds is reported with governmental activities. (1,631)

Change in Net Position of Governmental Activities (Exhibit II) \$ (3,542)

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 13,750	\$	\$ 13,750	\$
Receivables, net:				
User charges	15,604	114	15,718	
Intergovernmental	355		355	
Other	546		546	461
Due from other funds		298	298	6,012
Inventories	2,141	55	2,196	
Other assets	1,433		1,433	
Total current assets	<u>33,829</u>	<u>467</u>	<u>34,296</u>	<u>6,473</u>
Capital assets, net	<u>114,778</u>	<u>9,851</u>	<u>124,629</u>	
Total assets	<u>148,607</u>	<u>10,318</u>	<u>158,925</u>	<u>6,473</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	7,732	86	7,818	11
Due to other funds	11	422	433	
Unearned revenue	292	187	479	
Notes payable - current	6,409		6,409	
Bonds payable - current	41	14	55	
Capital leases payable - current	332		332	
Compensated absences - current	275		275	
Risk management claims - current	124		124	3,311
Total current liabilities	<u>15,216</u>	<u>709</u>	<u>15,925</u>	<u>3,322</u>
Noncurrent liabilities:				
Customer deposits	1,141		1,141	
Notes payable	4,405		4,405	
Bonds payable	75	223	298	
Capital leases payable	1,017		1,017	
Compensated absences	2,478		2,478	
Risk management claims	371		371	5,894
Total noncurrent liabilities	<u>9,487</u>	<u>223</u>	<u>9,710</u>	<u>5,894</u>
Total liabilities	<u>24,703</u>	<u>932</u>	<u>25,635</u>	<u>9,216</u>
Net Position:				
Net investment in capital assets	102,499	9,614	112,113	
Restricted for energy conservation	188		188	
Unrestricted	<u>21,217</u>	<u>(228)</u>	<u>20,989</u>	<u>(2,743)</u>
Total Net Position	<u>\$ 123,904</u>	<u>\$ 9,386</u>	<u>\$ 133,290</u>	<u>\$ (2,743)</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 80,670	\$ 1,882	\$ 82,552	\$ 16,655
Use of property	793		793	
Other services	454		454	
Total operating revenues	<u>81,917</u>	<u>1,882</u>	<u>83,799</u>	<u>16,655</u>
Operating Expenses:				
Purchased gas and electric	36,839		36,839	
General and administrative	16,272		16,272	
Depreciation	6,988	409	7,397	
Operations and maintenance	11,085	2,056	13,141	
Customer accounts	1,690		1,690	
Gross revenue and property taxes	2,164		2,164	
Claims				17,067
Premiums and administrative charges				1,219
Total operating expenses	<u>75,038</u>	<u>2,465</u>	<u>77,503</u>	<u>18,286</u>
Operating Income (Loss)	<u>6,879</u>	<u>(583)</u>	<u>6,296</u>	<u>(1,631)</u>
Nonoperating Income (Expense):				
Interest income	6		6	
Interest expense	(252)		(252)	
Loss on disposal of capital assets	(186)	(5)	(191)	
Total nonoperating expense	<u>(432)</u>	<u>(5)</u>	<u>(437)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	6,447	(588)	5,859	(1,631)
Capital contributions	5,423		5,423	
Transfers in		47	47	
Transfers out	<u>(8,136)</u>		<u>(8,136)</u>	
Change in Net Position	3,734	(541)	3,193	(1,631)
Total Net Position at Beginning of Year	<u>120,170</u>	<u>9,927</u>	<u>130,097</u>	<u>(1,112)</u>
Total Net Position at End of Year	<u>\$ 123,904</u>	<u>\$ 9,386</u>	<u>\$ 133,290</u>	<u>\$ (2,743)</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 80,560	\$ 1,919	\$ 82,479	\$ 1,859
Cash receipts for interfund services provided				15,265
Cash paid to vendors	(54,676)	(967)	(55,643)	(17,124)
Cash paid to employees for services	(14,272)	(782)	(15,054)	
Net cash provided by operating activities	<u>11,612</u>	<u>170</u>	<u>11,782</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,136)		(8,136)	
Customer deposits	180		180	
Advances from other funds	11	42	53	
Net cash provided by (used in) noncapital and related financing activities	<u>(7,945)</u>	<u>42</u>	<u>(7,903)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	5,423		5,423	
Purchase of capital assets	(11,713)	(214)	(11,927)	
Proceeds from long-term debt	718		718	
Principal payment on bonds and notes	(708)	(3)	(711)	
Principal payment on capital leases	(314)		(314)	
Interest payment on debt	(252)		(252)	
Net cash used in capital and related financing activities	<u>(6,846)</u>	<u>(217)</u>	<u>(7,063)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>6</u>		<u>6</u>	
Net Decrease in Cash and Cash Equivalents	(3,173)	(5)	(3,178)	-
Cash and Cash Equivalents at Beginning of Year	<u>16,923</u>	<u>5</u>	<u>16,928</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,750</u>	<u>\$ -</u>	<u>\$ 13,750</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 6,879	\$ (583)	\$ 6,296	\$ (1,631)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	6,988	409	7,397	
Provision for uncollectible accounts	2,124		2,124	
Increase in receivables	(3,116)	(81)	(3,197)	(461)
(Increase) decrease in inventories and other assets	(531)	4	(527)	
Decrease in due from other funds		122	122	930
Increase in due to other funds		365	365	
Decrease in unearned revenues	(26)	(4)	(30)	
Decrease in accounts payable and accrued liabilities	(706)	(62)	(768)	1,162
Total adjustments	<u>4,733</u>	<u>753</u>	<u>5,486</u>	<u>1,631</u>
Net Cash Provided by Operating Activities	<u>\$ 11,612</u>	<u>\$ 170</u>	<u>\$ 11,782</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 818	\$ 31	\$ 499
Investments:			
Mutual funds	125,725	9,781	
Common stock	18,650		
Other receivables	31		16
Due from other funds	<u>1,112</u>		
 Total assets	 <u>146,336</u>	 <u>9,812</u>	 <u>\$ 515</u>
Liabilities:			
Accounts and other payables		49	\$
Due to other funds		80	
Due to student groups and agencies			<u>515</u>
 Total liabilities		 <u>129</u>	 <u>\$ 515</u>
Net Position:			
Held in Trust for Pension and Other Benefits	\$ <u>146,336</u>	\$ <u>9,683</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 6,040	\$ 5,592
Plan members	2,993	1,463
Total contributions	<u>9,033</u>	<u>7,055</u>
Investment income:		
Net appreciation in fair value of investments	13,600	328
Interest and dividends	652	249
Total investment income	<u>14,252</u>	<u>577</u>
Less investment expense	<u>(947)</u>	<u>(40)</u>
Net investment income	<u>13,305</u>	<u>537</u>
Total additions	<u>22,338</u>	<u>7,592</u>
Deductions:		
Benefits	13,025	4,716
Administration	10	320
Lump sum distributions and withdrawals	248	
Total deductions	<u>13,283</u>	<u>5,036</u>
Net Increase	9,055	2,556
Net Position Held in Trust for Pension Benefits at Beginning of Year	<u>137,281</u>	<u>7,127</u>
Net Position Held in Trust for Pension and Other Post-Employment Benefits at End of Year	<u>\$ 146,336</u>	<u>\$ 9,683</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

The Pension Trust Funds account for the activities of the City's two defined benefit pension plans, which accumulate resources for pension benefit payments to qualified retired employees.

The OPEB Trust Fund accounts for the activities of the City's other post employment benefit plan, which accumulate resources for medical and life insurance benefits provided to qualified retired employees.

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

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

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

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

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

D. Deposits and Investments

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

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

Investments for the City are reported at fair value.

E. Receivables and Payables

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

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. The City is not a part of any overlapping government which assesses separate property taxes. An amount of \$615 has been established as an allowance for uncollected taxes. At June 30, 2013, this represents 14.5% of property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

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

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

J. Fund Equity and Net Position

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

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

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

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

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

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

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

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

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes the resources to be used to liquidate encumbered purchase orders and amounts appropriated for subsequent budget years. Encumbrances are authorized by an approval process, which includes the department head, the purchasing agent and the Comptroller. Appropriations for subsequent budget years are approved by ordinance by the City Council.

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

The City has a policy that does not allow unrestricted fund balance to go below 8% of operating expenditures. The City is assumed to use restricted resources first if both restricted and unrestricted resources are to be used for the same purpose. In addition, when committed, assigned and unassigned resources are available, it is assumed that committed resources are used first, then assigned, and lastly, unassigned.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

B. Deficit Fund Equity

Certain individual funds had fund balance/net position deficits at June 30, 2013 as follows:

Major Fund:	
Bond Expenditure Fund	\$ 7,773*
Nonmajor Governmental Funds:	
Parking Commission	71**
Dog License	33***
Nonmajor Enterprise Funds:	
Ice Rink Authority	80***
Internal Service Funds:	
Workers' Compensation	4,497**

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

** Deficit will be reduced by future contributions from the General Fund adopted as part of the budget process.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$31,880 of the City's bank balance of \$34,216 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,520
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>3,360</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 31,880</u>

Cash Equivalents

At June 30, 2013, the City's cash equivalents amounted to \$9. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

Investments

As of June 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit*	N/A	\$ 1,975	<u>\$ 1,136</u>	<u>\$ 839</u>	<u>\$</u>
Other investments:					
Common stock		19,442			
Mutual funds		<u>135,558</u>			
Total Investments		<u>\$ 156,975</u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A Not applicable

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

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

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

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

4. RECEIVABLES

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

	<u>General</u>	<u>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 4,225	\$	\$ 388	\$ 4,613
Accrued interest on taxes	1,407			1,407
Intergovernmental	656	355	7,668	8,679
User charges		16,436	143	16,579
Assessments	3,628			3,628
Housing and rehabilitation loans			3,219	3,219
Accounts and other	396	546	627	1,569
Gross receivables	<u>10,312</u>	<u>17,337</u>	<u>12,045</u>	<u>39,694</u>
Less allowance for uncollectibles:				
Taxes	(615)		(50)	(665)
Accrued interest on taxes	(281)			(281)
User charges		(832)		(832)
Total allowance	<u>(896)</u>	<u>(832)</u>	<u>(50)</u>	<u>(1,778)</u>
Net Total Receivables	<u>\$ 9,416</u>	<u>\$ 16,505</u>	<u>\$ 11,995</u>	<u>\$ 37,916</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Property taxes	\$ 3,239	\$	\$ 3,239
Accrued interest on property taxes	1,126		1,126
Assessments	3,628		3,628
School building construction grant receivables	99		99
Other deferred revenues		360	360
Nonmajor funds:			
Taxes and accrued interest on delinquent property taxes	299		299
Housing loans and interest	1,939		1,939
Lead abatement - unamortized loans		1,280	1,280
Grant drawdowns prior to meeting all eligibility requirements		254	254
Other receivables and deferred revenues	126	11	137
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 10,456</u>	<u>\$ 1,905</u>	<u>\$ 12,361</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A summary of interfund balances as of June 30, 2013 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bond Expenditure Fund	\$ 7,506
	Department of Public Utilities	11
	Nonmajor Governmental	5,425
	Nonmajor Enterprise	422
	Other Post Employment Benefit Trust	80
Nonmajor Governmental	General Fund	5,898
Nonmajor Enterprise	General Fund	298
Internal Service Funds	General Fund	6,012
Pension Trust	General Fund	<u>1,112</u>
Total		<u>\$ 26,764</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Enterprise</u>	<u>Nonmajor Governmental</u>	
Transfers out:				
General Fund	\$	\$ 27	\$ 2,629	\$ 2,656
Bond Expenditure		20	88	108
Department of Public Utilities	7,451		685	8,136
Nonmajor Governmental	<u>239</u>			<u>239</u>
Total Transfers Out	<u>\$ 7,690</u>	<u>\$ 47</u>	<u>\$ 3,402</u>	<u>\$ 11,139</u>

Transfers from the General Fund to other nonmajor governmental funds are in support of the City's capital improvement program, fire services and other special revenue programs accounted for outside of the General Fund. Transfers from nonmajor governmental funds to the General Fund are derived primarily from net income generated from parking services and landfill operations accounted for outside of the General Fund. The Department of Public Utilities annually transfers 10% of gross revenues derived from gas, electric and water sales to the General Fund and the Fire Districts Fund.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,244	\$ 17	\$ (17)	\$ 24,244
Construction in progress	62,291	1,685	(22,745)	41,231
Total capital assets not being depreciated	<u>86,535</u>	<u>1,702</u>	<u>(22,762)</u>	<u>65,475</u>
Capital assets being depreciated:				
Buildings and improvements	43,656	22,466	(543)	65,579
Vehicles, machinery and equipment	19,435	1,150	(211)	20,374
Technology upgrade and infrastructure	37,138	1,957	(121)	38,974
Total capital assets being depreciated	<u>100,229</u>	<u>25,573</u>	<u>(875)</u>	<u>124,927</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,844)	(2,416)	229	(28,031)
Vehicles, machinery and equipment	(12,839)	(1,070)	160	(13,749)
Technology upgrade and infrastructure	(18,371)	(1,467)	117	(19,721)
Total accumulated depreciation	<u>(57,054)</u>	<u>(4,953)</u>	<u>506</u>	<u>(61,501)</u>
Total capital assets being depreciated, net	<u>43,175</u>	<u>20,620</u>	<u>(369)</u>	<u>63,426</u>
Governmental Activities Capital Assets, Net	<u>\$ 129,710</u>	<u>\$ 22,322</u>	<u>\$ (23,131)</u>	<u>\$ 128,901</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,153	\$ 51	\$	\$ 3,204
Construction in progress	21,908	11,818	(22,905)	10,821
Total capital assets not being depreciated	<u>25,061</u>	<u>11,869</u>	<u>(22,905)</u>	<u>14,025</u>
Capital assets being depreciated:				
Structures and improvements	49,772	3,323	(281)	52,814
Machinery, equipment, pumping and distribution systems	177,523	19,682	(908)	196,297
Total capital assets being depreciated	<u>227,295</u>	<u>23,005</u>	<u>(1,189)</u>	<u>249,111</u>
Less accumulated depreciation for:				
Structures and improvements	(24,613)	(1,340)	244	(25,709)
Machinery, equipment, pumping and distribution systems	(107,500)	(6,057)	759	(112,798)
Total accumulated depreciation	<u>(132,113)</u>	<u>(7,397)</u>	<u>1,003</u>	<u>(138,507)</u>
Total capital assets being depreciated, net	<u>95,182</u>	<u>15,608</u>	<u>(186)</u>	<u>110,604</u>
Business-Type Activities Capital Assets, Net	<u>\$ 120,243</u>	<u>\$ 27,477</u>	<u>\$ (23,091)</u>	<u>\$ 124,629</u>

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

Governmental activities:

General government	\$ 147
Public safety	839
Social services	58
Public works	2,893
Education	<u>1,016</u>

Total Depreciation Expense - Governmental Activities \$ 4,953

Business-type activities:

Department of Public Utilities	\$ 6,988
Golf Course Authority	60
Stadium Authority	190
Ice Rink Authority	<u>159</u>

Total Depreciation Expense - Business-Type Activities \$ 7,397

Construction Commitments

The City has active construction projects as of June 30, 2013. At year end, the City's commitments with contractors on active authorizations are as follows:

Project	Cumulative Authorization	Current Expenditures	Cumulative Expenditures	Balance June 30, 2013
Kelly Middle School Renovation	\$ 40,250	\$ 345	\$ 40,224	\$ 26
Intermodal Transportation Center	21,965	605	21,816	149
Dodd Stadium Capital Improvements	610	27	609	1
Road Improvements - 2010 bonds	5,000	1,335	2,792	2,208
Control Room & Data Center Facility - Phase II	9,500	1,157	1,274	8,226
Greenville Dam Repair	999	127	848	151
Backus Generation Plant	200	4	173	27
CNG Station-Otobando Ave	1,595	33	38	1,557
LCTP Phase 2 CWF 607 PG	2,105	72	2,086	19
WWTP 100% Design CWF 625 D	5,600	1,715	4,147	1,453
New Pumps & Drive	2,440	136	185	2,255
Stonybrook Backwash Filter	2,110	24	119	1,991
Deep River Backwash Filter	280	22	117	163
Deep River Transmission Main	1,630	100	110	1,520
Stonybrook Buoyant Media	2,000	2	2	1,998
Royal Oaks Main Replacement	2,600	2	2	2,598
Mohegan Park Tank Replacement	2,800	2	2	2,798
North Sections SB Transmission	2,800	2	2	2,798
South Sections SB Transmission	<u>2,600</u>	<u>2</u>	<u>2</u>	<u>2,598</u>
Total	<u>\$ 107,084</u>	<u>\$ 5,712</u>	<u>\$ 74,548</u>	<u>\$ 32,536</u>

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 36,996	\$	\$ 3,906	\$ 33,090	\$ 4,366
Add unamortized premiums	195		44	151	
Less deferred amounts on refunding	<u>(256)</u>		<u>(49)</u>	<u>(207)</u>	
Total bonds payable	36,935	-	3,901	33,034	4,366
Compensated absences	3,330	1,416	1,440	3,306	1,496
Landfill closure	1,647		42	1,605	25
Capital leases	744		77	667	77
Net pension obligation	93	308	310	91	
Net OPEB obligation	4,490	5,907	5,592	4,805	
Risk management claims	<u>8,050</u>	<u>18,222</u>	<u>17,067</u>	<u>9,205</u>	<u>3,311</u>
Governmental Activities Long-Term Liabilities	<u>\$ 55,289</u>	<u>\$ 25,853</u>	<u>\$ 28,429</u>	<u>\$ 52,713</u>	<u>\$ 9,275</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 398	\$	\$ 44	\$ 354	\$ 55
Less deferred amounts on refunding	(4)		(2)	(2)	
State of Connecticut - serial note	<u>10,768</u>	<u>717</u>	<u>670</u>	<u>10,815</u>	<u>6,409</u>
Total bonds and notes payable	11,162	717	712	11,167	6,464
Compensated absences	2,856	183	286	2,753	275
Capital leases	1,620	42	313	1,349	332
Workers' compensation	<u>650</u>	<u>8</u>	<u>163</u>	<u>495</u>	<u>124</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 16,288</u>	<u>\$ 950</u>	<u>\$ 1,474</u>	<u>\$ 15,764</u>	<u>\$ 7,195</u>

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

A schedule of bonds outstanding at June 30, 2013 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2013
Governmental Activities:					
General purpose bonds payable:					
General purpose - Wauregan Hotel	04/01/2001	04/01/2017	5.50-6.75	\$ 400	\$ 100
General purpose	04/15/2004	04/15/2015	2.00-3.55	3,120	465
Refunding - (11/15/1997 and 11/01/1999) bonds	04/15/2004	04/15/2019	2.0-4.0	4,520	1,880
General purpose and water main	03/15/2005	09/15/2015	3.0-5.0	3,520	1,050
Refunding - (02/01/1996 and 04/01/2001) bonds	03/15/2005	09/15/2019	3.0-4.0	8,570	4,547
Schools	12/30/2008	12/30/2020		2,940	1,960
Refunding - (04/01/2001) bonds	12/02/2009	04/01/2014	2.0-3.0	4,235	1,015
General purpose	12/02/2009	12/01/2029	3.0-4.0	9,145	8,175
Schools	12/02/2009	12/01/2029	3.0-4.0	2,000	1,788
General purpose	12/13/2011	12/01/2022	2.0-4.0	4,680	4,680
Schools	12/13/2011	12/01/2022	2.0-4.0	5,000	5,000
Refunding - (04/15/02) bonds	02/15/2012	04/15/2022	2.0	2,725	2,430
Total					\$ <u>33,090</u>
Business-Type Activities:					
General purpose bonds payable:					
Refunding - (02/01/1996) Stony Brook Reservoir	03/15/2005	09/15/2015	3.0-4.0	368	\$ 117
Golf course	12/02/2009	12/01/2029	3.0-4.0	265	237
State of Connecticut serial notes payable:					
Clean Water Act 106-C	10/31/1997	10/31/2016	2.00	3,410	663
Clean Water Act 298-C	06/30/2000	06/30/2019	2.00	1,508	452
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	414
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	925
Clean Water Act 200801-C	07/01/2009	07/01/2029	2.27	450	358
Clean Water Act 625-D	12/31/2012	12/31/2031	2.00	1,865	1,733
Drinking Water State Revolving Fund 2010-8005	03/31/2010	12/31/2029	2.06	145	119
Drinking Water State Revolving Fund 2010-8006	03/31/2010	06/30/2030	2.06	326	277
State of Connecticut interim notes payable:					
Drinking Water State Revolving Fund 2010-7005	*	*	*	*	55
Drinking Water State Revolving Fund 2010-7006	*	*	*	*	71
Clean Water Act 495-C	*	*	*	*	<u>5,748</u>
Total					\$ <u>11,169</u>

* Loans are not permanently financed at this time.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,366	\$ 949	\$ 5,315
2015	3,327	832	4,159
2016	3,083	734	3,817
2017	2,566	652	3,218
2018	2,476	576	3,052
2019-2023	8,490	2,017	10,507
2024-2028	5,505	1,047	6,552
2029-2032	<u>3,277</u>	<u>180</u>	<u>3,457</u>
Total	<u>\$ 33,090</u>	<u>\$ 6,987</u>	<u>\$ 40,077</u>

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issue used for school construction. The amount of principal and interest reimbursements for the year ended June 30, 2013 was \$99. Additional principal payments aggregating \$99 are expected to be received through the bonds maturity dates.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,464	\$ 113	\$ 6,577
2015	598	100	698
2016	607	86	693
2017	441	74	515
2018	378	65	443
2019-2023	1,411	208	1,619
2024-2028	797	96	893
2029-2032	<u>473</u>	<u>16</u>	<u>489</u>
Total	<u>\$ 11,169</u>	<u>\$ 758</u>	<u>\$ 11,927</u>

Capital Leases

Governmental Activities

The City entered into a multi-year capital lease for the purchase of a fire truck. Principal payments for the 2013 fiscal year were \$77. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$667 at June 30, 2013. The following is a summary of capital lease commitments as of June 30, 2013.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2014	\$ 112
2015	112
2016	112
2017	112
2018	112
2019-2020	<u>224</u>
Total payments	784
Less interest	<u>(117)</u>
Principal Balance	<u>\$ 667</u>

Business-Type Activities

The Department of Public Utilities has entered into multi-year capital leases for the purchase of various items including equipment, vehicles, financial management systems and a municipal wide-area network. Principal payments for 2011-2012 were \$315. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$1,349 at June 30, 2013. The following is a summary of capital lease commitments as of June 30, 2013.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2014	\$ 381
2015	347
2016	337
2017	286
2018	<u>118</u>
Total payments	1,469
Less interest	<u>(120)</u>
Principal Balance	<u>\$ 1,349</u>

Compensated Absences - Governmental Activity

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

Vested:		
Sick	\$	1,110
Vacation		683
Other		270
Nonvested:		
Sick		1,217 *
Other		26 *
		<u> </u>
Total	\$	<u>3,306</u>

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

Landfill Closure and Postclosure Care Cost - Governmental Activity

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The current estimated total cost of the landfill closure and postclosure care of \$1,605 is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the complete landfill site as of June 30, 2013. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations. The City is eligible for approximately \$3,300 in State grants of which \$1,902 has been drawn down.

Bonds Authorized/Unissued

Bonds authorized/unissued with outstanding debt at June 30, 2013 are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Grants</u>	<u>Authorized Unissued</u>
Kelly Middle School Renovation*	\$ 40,250	\$ 9,940	\$ 29,250	\$ 1,060
Road Improvements	5,000	1,300		3,700
Sewer Line Extensions	2,600	2,000		600
Gas Line Extensions	11,000	1,000		10,000
Demolition	300	100		200
Wawecus Street Bridge	800	500		300
Dodd Stadium	610	580		30
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>60,560</u>	\$ <u>15,420</u>	\$ <u>29,250</u>	\$ <u>15,890</u>

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

Debt Limitations

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 156,069	\$ 27,364	\$ 128,705
Schools	312,138	13,410	298,728
Sewers	260,115	17,354	242,761
Urban renewal	225,433		225,433
Pension deficit	208,092		208,092

The total of the City's net statutory indebtedness of \$58.1 million does not exceed the legal debt limitation of \$485 million (seven times the base for debt limitation computation).

8. FUND EQUITY

A. Fund Balance

The components of fund balance at June 30, 2013 are as follows:

	General Fund	Bond Expenditure Fund	Nonmajor Governmental Funds	Total
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 17	\$ 17
Trust			1,467	1,467
Restricted for:				
Trust			70	70
Grants			587	587
Fire districts			1,536	1,536
Committed to:				
Public safety			30	30
Public works			1,932	1,932
Social services			832	832
General government			161	161
Education			1,152	1,152
Assigned to:				
General government - subsequent year appropriations	400			400
General government - encumbrances	5			5
Social services - meals on wheels program funding	15			15
Public works - encumbrances	15			15
Public safety - encumbrances	59			59
Education - School resource officer funding	150			150
Education - encumbrances	276			276
Unassigned	10,275	(7,773)	(104)	2,398
Total Fund Balances	\$ 11,195	\$ (7,773)	\$ 7,680	\$ 11,102

B. Department of Public Utilities - Restricted Net Position

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy and Load Conservation Fund (the Fund) on behalf of its cooperative members, including the Department. The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring CMEEC to establish and administer the Fund. CMEEC includes a charge of 2.5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department for deposit into the Fund. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan. Funds held by CMEEC as of June 30, 2013 on behalf of the Department were \$188. Investment income that is earned on the Department's deposits along with the Fund's authorized expenses is recorded in the Department's statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department's statement of net position and have been restricted.

9. RISK MANAGEMENT

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

It is the policy of the City to self insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchased "stop loss" insurance to limit its losses to \$175 per person in 2013 for hospitalization with a maximum aggregate for all claims of approximately \$15,971.

The City self insures for workers' compensation benefits. The City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation account with an individual claim maximum of \$500 and a \$10,000 aggregate maximum per year.

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

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
Medical:				
2011-2012	\$ 1,027	\$ 12,489	\$ 12,339	\$ 1,177
2012-2013	1,177	14,259	14,056	1,380
Workers' Compensation:				
2011-2012	6,087	3,632	2,846	6,873
2012-2013	6,873	3,963	3,011	7,825

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

The Department of Public Utilities accounts for the self-insured component of workers' compensation benefits for the Department's employees within the Department of Public Utilities Enterprise Fund. The Department has accrued \$495 for estimated unpaid accrued losses on reported claims as of June 30, 2013.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Norwich Retirement System

A. Plan Description

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

The City provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the plan, all full-time salaried City employees, noncertified employees of the Board of Education and all full-time uniformed and investigatory employees classified as Police Officers and Firefighters are eligible after a probationary period. General City employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55 or after 34 years of service regardless of age. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension. City employees receive a retirement benefit of 2.2% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 74.8% of average earnings. Police who retire at normal retirement (after 20 years of service) receive 48% of average annual pay (highest 3 years out of last 10 consecutive years) for the first 20 years of service plus 2.2% of pay in excess of 20 years with a maximum benefit of 70% of average annual pay. Firefighters who retire at normal retirement after 20 years of service regardless of age will receive 48% of average earnings plus 2.2% of average earnings for each year over 20 with a maximum of 70% of pay. Average earnings for firefighters is defined as the average of the highest 3-year period out of the last consecutive 10-year period prior to retirement. If an employee leaves employment or dies before meeting the vesting requirements, accumulated contributions and interest are refunded. Effective benefits and contributions are established by the City as negotiated with the various unions. The General Fund and the Fire Districts Fund are used to liquidate net pension obligations.

At July 1, 2011, the plan members consisted of:

Retirees and beneficiaries currently receiving benefits	497
Terminated employees not yet receiving benefits	43
Active plan members	<u>561</u>
 Total	 <u><u>1,101</u></u>

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

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

C. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. City employees are required to contribute 8%. Police and firefighter participants are required to contribute 8%. Board of Education participants are required to contribute 7%. The City's funding policy provides for periodic employer contributions at actuarially determined rates. The City's current contribution percentage is 16.51% of covered payroll.

D. Annual Pension Cost and Net Pension Obligations

The City's annual pension cost and net pension obligation to the plan for the year ended June 30, 2013 were as follows:

Annual required contribution	\$ 5,728
Interest on net pension obligation	(17)
Adjustment to annual required contribution	<u>17</u>
Annual pension cost	5,728
Contributions made	<u>5,730</u>
Increase in net pension asset	(2)
Net pension asset, beginning of year	<u>(206)</u>
Net Pension Asset, End of Year	\$ <u><u>(208)</u></u>

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

Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Actuarial Value
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	See graded table below:

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

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

Turnover assumption:	Age 20: 5% males, 7.5% females; Age 30: 3.75% males, 5% females; Age 35: 2.75% males, 3.75% females; Age 40: 1.5% males, 2.5% females; Age 45: .75% males, 1.25% females; Age 50: None
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Mortality table:	Actives: 1994 Uninsured Pensioners Mortality Table Projected to 2019 Police and Fire Disabled: RP2000 Healthy Annuitant Mortality Table projected to 2019 General Retirees: RP2000 Healthy Annuitant Mortality Table projected to 2019 Term Vested: RP2000 Healthy Annuitant Mortality Table projected to 2019
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Retirement age:	Age 55 with 25 years of service; age 60 with 5 years service, or 34 years of service.
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Death benefits:	Liabilities for police and fire employees are included in recognition of in-service death benefits
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Disability assumptions:	Age 20: .029% males, .03% females Age 30: .048% males, .08% females Age 40: .12% males, .21% females Age 50: .36% males, .53% females
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Expenses:	Estimate based on the prior year's actual expenses
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*Inflation rate included	2%
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E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>	<u>Actual Contribution</u>
6/30/13	\$ 5,728	100%	\$ (208)	\$ 5,730
6/30/12	4,714	94%	(206)	4,407
6/30/11	3,645	103%	(513)	3,752

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 5,728	100%
2012	4,713	94
2011	3,644	103
2010	2,397	116
2009	3,037	106
2008	2,921	106

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded Frozen Actuarial Liability (UFAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a % of Covered Payroll ((b-a)/c)</u>
7-1-11	\$ 148,332	\$ 195,652	\$ 47,321	75.8%	\$ 33,523	141.2%
1-1-10	149,304	184,161	34,857	81.1	32,509	107.2
1-1-09	153,090	175,726	22,636	87.1	31,690	71.4
1-1-08	157,020	165,406	8,386	94.9	30,696	27.3
1-1-07	145,881	167,259	21,378	87.2	24,248	88.2
1-1-06	136,011	156,516	20,505	86.9	24,540	83.6

City of Norwich Volunteer Firefighters' Relief Plan

A. Plan Description

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

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

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

At January 1, 2012, the plan members consisted of:

Retirees and beneficiaries receiving benefits	52
Active plan members	<u>143</u>
Total	<u><u>195</u></u>

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

Basis of Accounting: The Plan uses the accrual method of accounting where revenues are recognized when earned and expenses when the liability is incurred.

Plan Changes and Changes in Actuarial Assumptions: There were no plan changes reflected in the last actuarial valuation.

Method Used to Value Investments: The plan reports investments at fair value. Investment income is recognized as earned.

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

C. Funding Policy

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

D. Annual Pension Cost and Net Pension Obligations

The City's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2013 were as follows:

Annual required contribution	\$ 309
Interest on net pension obligation	6
Adjustment to annual required contribution	<u>(7)</u>
Annual pension cost	308
Contributions made	<u>310</u>
Decrease in net pension obligation	(2)
Net pension obligation, beginning of year	<u>93</u>
Net Pension Obligation, End of Year	<u><u>\$ 91</u></u>

The following is a summary of certain significant actuarial assumptions:

Actuarial valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7%
Inflation rate	3%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/13	\$ 308	100%	\$ 91	\$ 310
6/30/12	254	111	93	281
6/30/11	254	98	120	250

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 309	100%
2012	255	110
2011	255	98
2010	255	98
2009	247	101
2008	213	100

Schedule of Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>
1-1-12	\$ 1,639	\$ 4,804	\$ 3,165	34.1%
1-1-10	1,404	3,962	2,558	35.4
1-1-08	1,299	3,810	2,511	34.1
1-1-06	1,150	3,305	2,155	34.8
1-1-04	1,057	2,779	1,722	38.0

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

Pension Trust Funds

The City maintains two pension trust funds (City and Volunteer Fire) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2013 and the changes in net position for the year then ended.

	Combining Schedule of Fiduciary Net Position		
	City	Volunteer	Total
	Employees	Fire	
Assets:			
Cash and cash equivalents	\$ 800	\$ 18	\$ 818
Investments:			
Mutual funds	123,941	1,784	125,725
Other receivable	31		31
Common Stock	18,650		18,650
Due from other funds	1,111	1	1,112
Total assets	<u>144,533</u>	<u>1,803</u>	<u>146,336</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 144,533</u>	<u>\$ 1,803</u>	<u>\$ 146,336</u>

	Combining Schedule of Changes in Fiduciary Net Position		
	City	Volunteer	Total
	Employees	Fire	
Additions:			
Contributions:			
Employer	\$ 5,730	\$ 310	\$ 6,040
Plan members	2,978	15	2,993
Total contributions	<u>8,708</u>	<u>325</u>	<u>9,033</u>
Investment income:			
Net appreciation in fair value of investments	13,495	105	13,600
Interest and dividends	605	47	652
Total	<u>14,100</u>	<u>152</u>	<u>14,252</u>
Less investment expense	(938)	(9)	(947)
Net investment income	<u>13,162</u>	<u>143</u>	<u>13,305</u>
Total additions	<u>21,870</u>	<u>468</u>	<u>22,338</u>
Deductions:			
Benefits	12,774	251	13,025
Administrative expense	9	1	10
Lump-sum distributions and withdrawals	243	5	248
Total deductions	<u>13,026</u>	<u>257</u>	<u>13,283</u>
Net increase	8,844	211	9,055
Net Position held in trust for pension benefits, beginning of year	<u>135,689</u>	<u>1,592</u>	<u>137,281</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 144,533</u>	<u>\$ 1,803</u>	<u>\$ 146,336</u>

Teacher Retirement

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$20,357 or 70.0% of the total Board of Education payroll of \$29,106.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The City does not have any liability for teacher pensions. For the year ended June 30, 2013, the City has recorded in the General Fund (Exhibit IV), intergovernmental revenue and education expenditures in the amount of \$4,023 as payments made by the State of Connecticut on behalf of the City.

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

11. OTHER POST EMPLOYMENT BENEFITS

City of Norwich, Retiree Health Plan

Plan Description

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

At July 1, 2011, plan membership consisted of the following:

Active plan members	823
Retired plan members	<u>377</u>
Total Participants	<u><u>1,200</u></u>

Summary of Significant Accounting Policies

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

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

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

Funding Policy

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

City Retirees

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

Police Retirees

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

Fire Retirees

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

Retired Board of Education Administrators

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

Retired Teachers

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

Retired Board of Education Custodians

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

Retired Board of Education Nurses

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

Retired Board of Education Secretaries

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

Retired Board of Education Teamsters

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

For the year ended June 30, 2013, plan members contributed \$1,463. The City is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the City in order to prefund benefits.

Employer contributions to the plan for the year ended June 30, 2013 totaled \$5,592.

Annual OPEB Cost and Net OPEB Obligations

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

	<u>Retiree Health Plan</u>
Annual required contribution (ARC)	\$ 5,917
Interest on net OPEB obligation	359
Adjustment to annual required contribution	<u>(369)</u>
Annual OPEB cost	5,907
Contributions made	<u>5,592</u>
Increase in net OPEB obligation	315
Net OPEB obligation, beginning of year	<u>4,490</u>
Net OPEB Obligation, End of Year	<u>\$ 4,805</u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>OPEB Obligation</u>
6/30/13	\$ 5,907	\$ 5,592	95.0%	\$ 4,805
6/30/12	6,174	6,114	99.0	4,490
6/30/11	6,057	5,251	87.0	4,430

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented for July 1, 2007, July 1, 2009 and July 1, 2011 because they are the only valuations done since implementing the standard.

<u>Schedule of Funding Progress</u>					
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a % of Covered Payroll ((b-a)/c)</u>
7-1-11	\$ 4,405	\$ 57,618	7.6%	\$ 50,093	106.2%
7-1-09	2,594	58,239	4.7	50,374	110.5
7-1-07	-	46,595	0.0	44,921	103.7

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2013	\$ 5,917	95%
6/30/2012	6,184	99
6/30/2011	6,065	87
6/30/2010	5,352	69
6/30/2009	5,352	63
6/30/2008	5,352	100

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

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 10% initially, decreasing 1% per year to an ultimate rate of 5% for 2016 and later. The dental inflation rate is 5%. The general inflation assumption is 3.0%. The UAAL is being amortized as a level dollar basis. The amortization period at July 1, 2011 was 30 years.

12. JOINTLY GOVERNED AND RELATED ORGANIZATIONS

Connecticut Municipal Electric Energy Cooperative

CMEEC is a public corporation organized in 1976 under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its member utilities, including the City of Norwich, Department of Public Utilities and others. CMEEC may issue bonds in its own name. Under the bylaws of CMEEC, a Board of Directors comprised of representatives from the participating members was established. The bylaws were amended in 1995 to allow for participation of representation from the Town of Wallingford on the Board of Directors. CMEEC's Board is comprised of nineteen (19) representatives and officers. The governing board consists of representatives appointed by each of the participating members and assumes all the management decisions. Two representatives from the City of Norwich, Department of Public Utilities serve on the Board. The CMEEC Board acts as a regulatory body in that it reviews and approves recovery of costs in rates on an annual basis.

CMEEC has entered into power sales contracts with each of the members including the City of Norwich, Department of Public Utilities. Under the contracts, each of the member utilities have agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each member utility to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take or pay basis. The member utilities maintain this fixed cost obligation whether or not they take any power from CMEEC. The amount of power purchased from CMEEC for the fiscal year ended June 30, 2013 was \$32.2 million.

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

During the 2013 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide (CO₂) cap and trading program as proposed by the RGGI in Connecticut. During the 2013 fiscal year, the Department's contributions to the fund totaled \$221 and drawdowns were \$152. The balance of the Department's funds held by CMEEC for the RGGI was \$74 for the year ended June 30, 2013.

13. COMMITMENTS AND CONTINGENCIES

Connecticut Municipal Electric Energy Cooperative

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

CMEEC supplies power to the Department under a Power Sales Contract that became effective April 25, 2013. The contract obligates the Department to pay a percentage of CMEEC's fixed costs obligations, including debt service and administrative and general costs. Under the power sales agreement, the Department is required to pay its percentage of CMEEC's fixed cost obligations whether or not they purchase power from CMEEC. The contract will remain in effect until the date when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter until terminated by either party following not less than three years prior written notice to the other party of its intention to terminate, provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 31, 2052.

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

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2013 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 25,629
Department - rate stabilization funds on deposit with CMEEC	<u>(8,507)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 17,122</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net position. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$3,173.

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

Municipal Solid Waste Management Services Contract

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

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

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

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

14. LITIGATION

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

**Combining and Individual
Fund Statements and Schedules**

**Required Supplementary
Information**

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General property taxes:				
Current tax levy	\$ 61,546	\$ 61,546	\$ 61,842	\$ 296
Motor vehicle supplement	500	500	553	53
Prior years levy	1,400	1,400	1,560	160
Interest and liens	750	750	866	116
Total	<u>64,196</u>	<u>64,196</u>	<u>64,821</u>	<u>625</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	<u>520</u>	<u>520</u>	<u>671</u>	<u>151</u>
Intergovernmental revenues:				
Building maintenance	277	277	280	3
City housing	87	87	88	1
Municipal revenue sharing	764	764	741	(23)
Pequot funds	527	527	507	(20)
Payment in lieu of taxes	1,472	1,472	1,455	(17)
Elderly taxes	138	138	128	(10)
Youth Services	88	88	88	-
School bond interest	109	109	109	-
Federal DCPA match funds	20	20	23	3
Health services	123	123	109	(14)
LOCIP	317	317	314	(3)
Transportation	687	687	606	(81)
Special education	1,800	1,800	1,015	(785)
Education cost sharing	32,317	32,317	32,320	3
Town aid road	238	238	252	14
Services to Blind			15	15
Telecommunications fund			108	108
Total	<u>38,964</u>	<u>38,964</u>	<u>38,158</u>	<u>(806)</u>
Charges for services:				
Town Clerk - recording fees	350	350	363	13
Town Clerk - conveyance tax	390	390	267	(123)
Land recording capital improvement fee	16	16	18	2
Probate court	23	23	23	-
Landfill	1,110	1,110	1,015	(95)
City property - relocation	80	80	144	64
Police outside services	170	170	122	(48)
Senior Citizens Center	19	19	20	1
Parking commission	60	60	60	-
Tuition	50	50	173	123
Total	<u>2,268</u>	<u>2,268</u>	<u>2,205</u>	<u>(63)</u>
Use of money:				
Interest from investments	<u>80</u>	<u>80</u>	<u>32</u>	<u>(48)</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Other revenue:				
Sewer assessments	\$ 520	\$ 520	\$ 406	\$ (114)
In lieu of taxes/telephone	140	140	137	(3)
NGCA debt service	32	32	32	-
Public utilities 10%	7,451	7,451	7,451	-
DPU - City service	92	92	92	-
Bond and note payments	130	130	130	-
Traffic violations	9	9	5	(4)
Miscellaneous	272	272	413	141
Total	<u>8,646</u>	<u>8,646</u>	<u>8,666</u>	<u>20</u>
 Total revenues	 <u>114,674</u>	 <u>114,674</u>	 <u>114,553</u>	 <u>(121)</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	<u>56</u>	<u>56</u>	<u>57</u>	<u>1</u>
 Total	 <u>\$ 114,730</u>	 <u>\$ 114,730</u>	 114,610	 <u>\$ (120)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers'

Retirement System for City teachers are not budgeted.

4,023

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

1,399

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

(192)

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

\$ 119,840

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
City Manager	\$ 271	\$ 272	\$ 266	\$ 6
Finance	1,358	1,364	1,361	3
City Treasurer	218	220	215	5
Assessment	371	374	373	1
Personnel	407	415	415	-
Law	437	492	488	4
City Clerk	354	356	348	8
City Council	372	372	359	13
Election	117	131	130	1
Planning and Neighborhood Services	921	929	929	-
Emergency Management	70	70	65	5
Total general government	4,896	4,995	4,949	46
Public safety:				
Police	12,202	12,454	12,451	3
Fire:				
East Great Plain	118	118	98	20
Laurel Hill	52	52	50	2
Occum	61	61	52	9
Taftville	124	124	112	12
Yantic	131	144	144	-
Fire Central	2,013	2,025	1,999	26
Total public safety	14,701	14,978	14,906	72
Social Services:				
Recreation	666	670	665	5
Human services	627	632	632	-
Senior Citizens Center	546	551	539	12
Youth and Family Services	182	193	186	7
Total social services	2,021	2,046	2,022	24
Public works:				
Engineering and administration	546	549	548	1
Fleet maintenance	1,249	1,264	1,287	(23)
Solid waste	2,741	2,745	2,580	165
Maintenance and cleaning	3,875	3,941	3,783	158
Building maintenance	1,123	1,138	1,150	(12)
Parking maintenance	139	141	135	6
Total public works	9,673	9,778	9,483	295
Board of Education	70,385	70,385	70,235	150

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other	\$ 7,890	\$ 7,384	\$ 7,384	\$ -
Debt Service:				
Principal	3,960	3,960	3,960	-
Interest	1,204	1,204	1,204	-
Total debt service	5,164	5,164	5,164	-
Total	\$ 114,730	\$ 114,730	114,143	\$ 587

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers'

Retirement System for City teachers are not budgeted.

4,023

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

1,399

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

(353)

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

68

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

\$ 119,280

General Fund

GENERAL FUND

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

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012
(In Thousands)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 15,815	\$ 18,368
Investments	1,975	1,952
Receivables:		
Property taxes receivable, net	3,610	3,490
Property taxes accrued interest receivable, net	1,126	1,092
Intergovernmental receivable:		
School building grants receivable	99	198
Other grants receivable	557	795
Assessment receivable	3,628	3,067
Accounts receivable, net	396	349
Due from other funds	<u>13,444</u>	<u>9,199</u>
Total Assets	<u>\$ 40,650</u>	<u>\$ 38,510</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,683	\$ 5,275
Due to other funds	13,320	14,835
Deferred revenue	<u>8,452</u>	<u>7,765</u>
Total liabilities	<u>29,455</u>	<u>27,875</u>
Fund balances:		
Assigned	920	264
Unassigned	<u>10,275</u>	<u>10,371</u>
Total fund balances	<u>11,195</u>	<u>10,635</u>
Total Liabilities and Fund Balances	<u>\$ 40,650</u>	<u>\$ 38,510</u>

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

Grand	Uncollected Taxes July 1, 2012		Lawful Corrections		Transfers To		Adjusted Taxes Collectible		Collections			Net Uncollected Taxes June 30, 2013		Overpayment Credit Balances		Gross Uncollected Taxes June 30, 2013	
	Uncollected Taxes July 1, 2012		Additions	Deductions	Suspense	To	Suspense	Taxes	Interest	Fees	Total	Net Uncollected Taxes June 30, 2013	Overpayment Credit Balances	Gross Uncollected Taxes June 30, 2013			
2011	\$ 64,754 *	\$ 278	\$ 142	\$ 67	\$ 315	\$ 64,618	\$ 62,401	\$ 373	\$ 3	\$ 62,777	\$ 2,217	\$ 40	\$ 2,257				
2010	1,967	67	5	38		1,905	1,043	249	12	1,304	862	2	864				
2009	986	3	3	11		951	331	110	8	449	620	12	632				
2008	531	1	1	3		205	101	50	7	158	104	45	149				
2007	96	3	1	3		94	27	16	16	59	67	28	95				
2006	23	3		3		20	2	2	8	12	18	19	37				
2005	17					17		1		1	17	16	33				
2004	4					4	(8)			(8)	12	21	33				
2003	8					8	(1)	2		1	9	18	27				
2002	(18)					(18)	(1)			(1)	(17)	32	15				
2001	(17)					(17)	(1)			(1)	(16)	32	16				
2000	(17)					(17)	(1)			-	(17)	31	14				
1999	15					15				-	15		15				
1998	38					38				-	38		38				
1997	37					37											
	\$ 68,424	\$ 437	\$ 151	\$ 37	\$ 315	\$ 67,823	\$ 63,894	\$ 803	\$ 54	\$ 64,751	\$ 3,929	\$ 296	\$ 4,225				

Suspense collections	62
Volunteer Fire Fighter Credits expended	76
Daticon tax incremental financing program	(12)
Total Tax Collections	\$ 63,958
	\$ 54
	\$ 64,877

Property taxes receivable considered available:	
June 30, 2012	(427)
June 30, 2013	371
Total	\$ 64,821

* Includes motor vehicle supplemental levy of \$.727
 ** Operation of law

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Capital Projects Funds

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

Permanent Funds

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

CITY OF NORWICH, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013
 (In Thousands)

	Special Revenue									
	Dog License	School Lunch Program	Sidewalk	Fire Districts	Education Grants	Adult Education	Parking Commission	Youth Services	C.O.P.S. Grant	
ASSETS										
Cash and cash equivalents	\$ -	\$ 323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments										
Receivables, net:										
Property taxes		376		338	1,031			6		
Intergovernmental				12						
Loans		18	98	1,578	2	79	29	80	50	
Other			162		969					
Due from other funds		17								
Other assets										
Total Assets	\$ -	\$ 734	\$ 260	\$ 1,928	\$ 2,002	\$ 79	\$ 29	\$ 86	\$ 50	\$ 50
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and other payables	\$ 15	\$ 166	\$ -	\$ 93	\$ 1,444	\$ 6	\$ 7	\$ 4	\$ -	\$ -
Due to other funds	18						65			
Deferred revenue			98	299	204		28			50
Total liabilities	33	166	98	392	1,648	6	100	4		50
Fund balances:										
Nonspendable		17								
Restricted				1,536	354	73		82		
Committed		551	162				(71)			
Unassigned	(33)	568	162	1,536	354	73	(71)	82		-
Total fund balances	(33)	734	260	1,928	2,002	79	29	86	50	50
Total Liabilities and Fund Balances	\$ -	\$ 734	\$ 260	\$ 1,928	\$ 2,002	\$ 79	\$ 29	\$ 86	\$ 50	\$ 50

(Continued on next page)

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

JUNE 30, 2013
 (In Thousands)

	Special Revenue								
	Lead Paint Abatement	Other Grants and Programs	Economic Development	Community Development Fund	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments									
Receivables, net:									
Property taxes	77	8	3	42					
Intergovernmental	1,280								
Loans									
Other		186	10		203	3	118	34	210
Due from other funds									
Other assets									
Total Assets	\$ 1,357	\$ 194	\$ 13	\$ 42	\$ 203	\$ 3	\$ 118	\$ 34	\$ 210

ASSETS

LIABILITIES AND FUND BALANCES

Accounts and other payables	\$ 4	\$ 33	\$	\$ 6	\$ 22	\$	\$	\$ 7	\$ 16
Due to other funds	22			36					
Deferred revenue	1,280				7				4
Total liabilities	1,306	33	-	42	29	-	-	7	20
Fund balances:									
Nonspendable	51	161	13		174	3	118	27	190
Restricted									
Committed									
Unassigned	51	161	13	-	174	3	118	27	190
Total fund balances	\$ 1,357	\$ 194	\$ 13	\$ 42	\$ 203	\$ 3	\$ 118	\$ 34	\$ 210
Total Liabilities and Fund Balances	\$ 1,357	\$ 194	\$ 13	\$ 42	\$ 203	\$ 3	\$ 118	\$ 34	\$ 210

(Continued on next page)

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

JUNE 30, 2013
 (In Thousands)

	Special Revenue						Total
	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Sachem Fund	Property Rehabilitation	Brown Park	
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$ 323
Investments							-
Receivables, net:							
Property taxes					1,939		338
Intergovernmental							1,555
Loans							3,219
Other		1					148
Due from other funds	82	111	119	234	23	42	4,293
Other assets							17
Total Assets	<u>\$ 82</u>	<u>\$ 112</u>	<u>\$ 119</u>	<u>\$ 234</u>	<u>\$ 1,962</u>	<u>\$ 42</u>	<u>\$ 9,893</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$	\$ 9	\$	\$	\$ 1	\$	\$ 1,833
Due to other funds							141
Deferred revenue					1,939		3,909
Total liabilities		9	-	-	1,940	-	5,883
Fund balances:							
Nonspendable							17
Restricted	82	103	119	234	22	42	1,760
Committed							2,337
Unassigned	82	103	119	234	22	42	(104)
Total fund balances	<u>\$ 82</u>	<u>\$ 112</u>	<u>\$ 119</u>	<u>\$ 234</u>	<u>\$ 1,962</u>	<u>\$ 42</u>	<u>\$ 9,893</u>
Total Liabilities and Fund Balances							

(Continued on next page)

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

JUNE 30, 2013
(In Thousands)

	Capital Projects					Permanent			Total Nonmajor Governmental Funds
	Capital Improvement	Intermodal Transportation Center	School Projects	Landfill Closure	Total	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	
ASSETS									
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments									
Receivables, net:									
Property taxes	195	1,001	4,697	220	6,113	-	-	-	-
Intergovernmental									
Loans									
Other				39	1,560	40	5		45
Due from other funds	1,521								
Other assets									
Total Assets	\$ 1,716	\$ 1,001	\$ 4,697	\$ 259	\$ 7,673	\$ 40	\$ 5	\$ 1,450	\$ 1,495

LIABILITIES AND FUND BALANCES

LIABILITIES									
Accounts and other payables	\$ 205	\$ 9	\$ 4,671	\$	\$ 214	\$	\$	\$	\$
Due to other funds	613				5,284				
Deferred revenue									
Total liabilities	205	622	4,671	-	5,498	-	-	-	11,381
Fund balances:									
Nonspendable						12	5	1,450	1,467
Restricted		379	26	259	405	28			28
Committed	1,511				1,770				
Unassigned									
Total fund balances	1,511	379	26	259	2,175	40	5	1,450	1,495
Total Liabilities and Fund Balances	\$ 1,716	\$ 1,001	\$ 4,697	\$ 259	\$ 7,673	\$ 40	\$ 5	\$ 1,450	\$ 1,495

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Special Revenue									
	Dog License	School Lunch Program	Sidewalk	Fire Districts	Education Grants	Adult Education	Parking Commission	Youth Services	C.O.P.S. Grant	
Revenues:										
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues		2,300		4,539	10,894	534		88		
Charges for services	25	289	31	1,818	314	845	268			
Investment income				17		1				
Other				3				108		
Total revenues	<u>25</u>	<u>2,589</u>	<u>31</u>	<u>6,377</u>	<u>11,208</u>	<u>1,380</u>	<u>268</u>	<u>196</u>	<u>-</u>	<u>-</u>
Expenditures:										
Current:										
General government	42			6,489			202	193		
Public safety										
Social services				579		1,382				
Public works			2		11,321					
Education		2,824								
Capital outlay	<u>42</u>	<u>2,824</u>	<u>2</u>	<u>7,068</u>	<u>11,321</u>	<u>1,382</u>	<u>202</u>	<u>193</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>(17)</u>	<u>(235)</u>	<u>29</u>	<u>(691)</u>	<u>(113)</u>	<u>(2)</u>	<u>66</u>	<u>3</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures										
Other Financing Sources (Uses):										
Transfers in				820		5				
Transfer out				(820)		(5)	(60)			
Total other financing sources (uses)										
Net Change in Fund Balances	(17)	(235)	29	129	(113)	3	6	3		
Fund Balances at Beginning of Year	(16)	803	133	1,407	467	70	(77)	79		
Fund Balances at End of Year	<u>(33)</u>	<u>568</u>	<u>162</u>	<u>1,536</u>	<u>354</u>	<u>73</u>	<u>(71)</u>	<u>82</u>	<u>\$</u>	<u>-</u>

(Continued on next page)

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

	Lead Paint Abatement	Special Revenue							Police Grants and Programs	Recreation Grants and Programs
		Other Grants and Programs	Economic Development	Community Development Fund	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs		
Revenues:										
Property taxes, interest and liens	\$ 402	\$ 94	\$ 188	\$ 717	\$ 145	\$ 10	\$ 26	\$ 33	\$ 11	
Intergovernmental revenues								344	208	
Charges for services		41			71			12	20	
Investment income		135		717	216	10	26	389	239	
Other			188							
Total revenues	402	135	188	717	216	10	26	389	239	
Expenditures:										
Current:										
General government		140	201			11	42	255	208	
Public safety		5		98						
Social services	355	1		334						
Public works				56						
Education				12	175					
Capital outlay		146	201	500	175	11	42	255	208	
Total expenditures	355	146	201	500	175	11	42	255	208	
Excess (Deficiency) of Revenues Over Expenditures	47	(11)	(13)	217	41	(1)	(16)	134	31	
Other Financing Sources (Uses):										
Transfers in		22	9							
Transfer out		(22)	(9)	(249)				(122)		
Total other financing sources (uses)										
Net Change in Fund Balances	47	11	(4)	(32)	41	(1)	(16)	12	31	
Fund Balances at Beginning of Year	4	150	17	32	133	4	134	15	159	
Fund Balances at End of Year	\$ 51	\$ 161	\$ 13	\$ -	\$ 174	\$ 3	\$ 118	\$ 27	\$ 190	

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Special Revenue						Total
	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Sachem Fund	Property Rehabilitation	Brown Park	
Revenues:							
Property taxes, interest and liens	71	12					4,539
Intergovernmental revenues		69			86		17,343
Charges for services							2,496
Investment income	82	19					353
Other	153	100			86		24,735
Total revenues							
Expenditures:							
Current:							
General government							543
Public safety							6,942
Social services	133	94	3	8	262		1,591
Public works							637
Education							15,714
Capital outlay							
Total expenditures	133	94	3	8	262		25,427
Excess (Deficiency) of Revenues Over Expenditures	20	6	(3)	(8)	(176)		(692)
Other Financing Sources (Uses):							
Transfers in				50	251		1,157
Transfer out				50	251		(431)
Total other financing sources (uses)							726
Net Change in Fund Balances	20	6	(3)	42	75		34
Fund Balances at Beginning of Year	62	97	122	192	(53)	42	3,976
Fund Balances at End of Year	82	103	119	234	22	42	4,010

(Continued on next page)

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Capital Projects				Permanent				Total Nonmajor Governmental Funds
	Capital Improvement	Intermodal Transportation Center	School Projects	Landfill Closure	Total	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	
Revenues:									
Property taxes, interest and liens	\$ 337	\$ 63	\$ 28	\$ 17	\$ 445	\$ -	\$ -	\$ -	\$ 4,539
Intergovernmental revenues									17,788
Charges for services									2,496
Investment income		120			120		166		170
Other		183	28	17	565		166		473
Total revenues	<u>337</u>	<u>183</u>	<u>28</u>	<u>17</u>	<u>565</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>25,466</u>
Expenditures:									
Current:									
General government							29		572
Public safety									6,942
Social services									1,591
Public works				17	17				654
Education									15,714
Capital outlay	2,808	605	810	17	4,223				4,223
Total expenditures	<u>2,808</u>	<u>605</u>	<u>810</u>	<u>17</u>	<u>4,240</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>29,696</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,471)</u>	<u>(422)</u>	<u>(782)</u>	<u>-</u>	<u>(3,675)</u>	<u>-</u>	<u>137</u>	<u>-</u>	<u>(4,230)</u>
Other Financing Sources (Uses):									
Transfers in	2,493	94			2,587				3,402
Transfer out	(93)				(93)		(57)		(239)
Total other financing sources (uses)	<u>2,400</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>2,494</u>	<u>-</u>	<u>(57)</u>	<u>-</u>	<u>3,163</u>
Net Change in Fund Balances	(71)	(328)	(782)	-	(1,181)	-	80	-	(1,067)
Fund Balances at Beginning of Year	1,582	707	808	259	3,356	40	1,370	-	8,747
Fund Balances at End of Year	<u>\$ 1,511</u>	<u>\$ 379</u>	<u>\$ 26</u>	<u>\$ 259</u>	<u>\$ 2,175</u>	<u>\$ 40</u>	<u>\$ 1,450</u>	<u>\$ -</u>	<u>\$ 7,680</u>

CITY OF NORWICH, CONNECTICUT

FIRE DISTRICTS FUND REVENUES
BUDGETARY BASIS - BUDGET AND ACTUALFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
Taxes, interest and lien fees:				
Fire	\$ 3,923	\$ 3,923	\$ 3,970	\$ 47
Volunteer fire	554	554	569	15
Total taxes, interest and lien fees	<u>4,477</u>	<u>4,477</u>	<u>4,539</u>	<u>62</u>
Intergovernmental:				
City Housing	201	201	201	-
In lieu of taxes - fire	49	49	49	-
Elderly reimbursement	91	91	91	-
Mashantucket Pequot	1,477	1,477	1,477	-
Total intergovernmental	<u>1,818</u>	<u>1,818</u>	<u>1,818</u>	<u>-</u>
Charges for services:				
Conveyance fees	<u>14</u>	<u>14</u>	<u>17</u>	<u>3</u>
Other:				
Other fund transfers	<u>820</u>	<u>820</u>	<u>820</u>	<u>-</u>
Investment income	<u>7</u>	<u>7</u>	<u>3</u>	<u>(4)</u>
Total	<u>\$ 7,136</u>	<u>\$ 7,136</u>	<u>\$ 7,197</u>	<u>\$ 61</u>

CITY OF NORWICH, CONNECTICUT

FIRE DISTRICTS FUND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUALFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Fire and Refuse:				
Employees	\$ 2,902	\$ 2,902	\$ 2,850	\$ 52
Overtime	80	80	7	73
Replacement costs	744	744	805	(61)
Hospitalization	579	579	579	-
Fringe benefits	2,277	2,277	2,281	(4)
Workers compensation	159	159	159	-
Volunteer firefighter tax credit	85	85	77	8
Volunteer firefighter trust fund	310	310	310	-
Total	\$ <u>7,136</u>	\$ <u>7,136</u>	\$ <u>7,068</u>	\$ <u>68</u>

CITY OF NORWICH, CONNECTICUT
SCHEDULE OF FIRE DISTRICT TAXES
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

Grand List	Uncollected Taxes July 1, 2012		Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Total	Uncollected Taxes June 30, 2013**
	July 1, 2012		Additions	Deductions			Taxes	Interest	Fees		
2011	\$ 4,581	\$ 26	7	\$ 26	\$ -	\$ 4,562	\$ 26	\$ -	\$ 4,389	\$ -	199
2010	179	7				172	20		109		83
2009	96	4				92	11		41		62
2008	40	1			22	17	3		10		10
2007	9	1				8	1		4		5
2006	3					3					3
2005	3					3					3
2004	3					3					3
2003	4					4					4
2002	1					1					1
2001	3					3					3
2000	1					1					1
1999	2					2					2
1998	5					5					5
1997	5			5 *		-					-
	\$ 4,935	\$ 44	7	\$ 44	\$ 22	\$ 4,876	61	\$ -	\$ 4,553	\$ -	384

Suspense collections

Total Tax Collections

Property taxes receivable considered available:
June 30, 2012
June 30, 2013

Total

*Operation of law

**Represents gross receivable of \$388 net of overpayments of \$4 recorded as a liability

**Nonmajor
Enterprise Funds**

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDSJUNE 30, 2013
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Assets:				
Current assets:				
Receivables, net:				
User charges	\$ 6	\$ 96	\$ 12	\$ 114
Due from other funds	222	76		298
Inventories			55	55
Total current assets	<u>228</u>	<u>172</u>	<u>67</u>	<u>467</u>
Capital assets, net	<u>2,307</u>	<u>7,241</u>	<u>303</u>	<u>9,851</u>
Total assets	<u>2,535</u>	<u>7,413</u>	<u>370</u>	<u>10,318</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	50	8	28	86
Bonds payable	14			14
Due to other funds			422	422
Unearned revenue	187			187
Total current liabilities	<u>251</u>	<u>8</u>	<u>450</u>	<u>709</u>
Noncurrent liabilities:				
Bonds payable	<u>223</u>			<u>223</u>
Total liabilities	<u>474</u>	<u>8</u>	<u>450</u>	<u>932</u>
Net Position:				
Net investment in capital assets	2,070	7,241	303	9,614
Unrestricted	<u>(9)</u>	<u>164</u>	<u>(383)</u>	<u>(228)</u>
Total Net Position	<u>\$ 2,061</u>	<u>\$ 7,405</u>	<u>\$ (80)</u>	<u>\$ 9,386</u>

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - NONMAJOR ENTERPRISE FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Operating Revenues:				
Charges for services	\$ 1,163	\$ 151	\$ 568	\$ 1,882
Operating Expenses:				
Operations and maintenance	1,200	103	753	2,056
Depreciation	60	190	159	409
Total operating expenses	1,260	293	912	2,465
Operating Loss	(97)	(142)	(344)	(583)
Nonoperating income (expense):				
Loss on disposal of capital assets			(5)	(5)
Net loss before transfers	(97)	(142)	(349)	(588)
Transfers in		20	27	47
Change in Net Position	(97)	(122)	(322)	(541)
Net Position at Beginning of Year	2,158	7,527	242	9,927
Net Position at End of Year	\$ 2,061	\$ 7,405	\$ (80)	\$ 9,386

CITY OF NORWICH, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 1,275	\$ 77	\$ 567	\$ 1,919
Cash paid to vendors	(753)	92	(306)	(967)
Cash paid to employees for services	(494)	-	(288)	(782)
Net cash provided by (used in) operating activities	<u>28</u>	<u>169</u>	<u>(27)</u>	<u>170</u>
Cash Flows from Noncapital Financing Activities:				
Advances from other funds	-	20	22	42
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(3)	-	-	(3)
Purchase of capital assets	(25)	(189)	-	(214)
Net cash used in capital and related financing activities	<u>(28)</u>	<u>(189)</u>	<u>-</u>	<u>(217)</u>
Net Decrease in Cash and Cash Equivalents	-	-	(5)	(5)
Cash and Cash Equivalents at Beginning of Year	-	-	5	5
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating loss	\$ (97)	\$ (142)	\$ (344)	\$ (583)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	60	190	159	409
Increase in receivables	(6)	(74)	(1)	(81)
Decrease in inventories and other assets	-	-	4	4
Decrease in due from other funds	122	-	-	122
Increase in due to other funds	-	208	157	365
Decrease in unearned revenues	(4)	-	-	(4)
Decrease in accounts payable and accrued liabilities	(47)	(13)	(2)	(62)
Total adjustments	<u>125</u>	<u>311</u>	<u>317</u>	<u>753</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 28</u>	<u>\$ 169</u>	<u>\$ (27)</u>	<u>\$ 170</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

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

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDSJUNE 30, 2013
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets:			
Current:			
Accounts receivable	\$ 461	\$	\$ 461
Due from other funds	<u>2,673</u>	<u>3,339</u>	<u>6,012</u>
Total assets	<u>3,134</u>	<u>3,339</u>	<u>6,473</u>
Liabilities:			
Current:			
Accounts payable		11	11
Risk management claims	<u>1,380</u>	<u>1,931</u>	<u>3,311</u>
Total current liabilities	<u>1,380</u>	<u>1,942</u>	<u>3,322</u>
Noncurrent:			
Risk management claims		<u>5,894</u>	<u>5,894</u>
Total liabilities	<u>1,380</u>	<u>7,836</u>	<u>9,216</u>
Net Position:			
Unrestricted	<u>\$ 1,754</u>	<u>\$ (4,497)</u>	<u>\$ (2,743)</u>

CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 14,312	\$ 2,343	\$ 16,655
Operating Expenses:			
Claims expense	14,056	3,011	17,067
Premiums and administrative expenses	993	226	1,219
Total operating expenses	<u>15,049</u>	<u>3,237</u>	<u>18,286</u>
Operating Loss	(737)	(894)	(1,631)
Net Position at Beginning of Year	<u>2,491</u>	<u>(3,603)</u>	<u>(1,112)</u>
Net Position at End of Year	<u>\$ 1,754</u>	<u>\$ (4,497)</u>	<u>\$ (2,743)</u>

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from charges for services	\$ 1,848	\$ 11	\$ 1,859
Cash receipts for interfund services provided	12,998	2,267	15,265
Cash paid to vendors	<u>(14,846)</u>	<u>(2,278)</u>	<u>(17,124)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	<u>\$ (737)</u>	<u>\$ (894)</u>	<u>\$ (1,631)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Increase in receivables	(461)		(461)
Decrease (increase) in due from other funds	995	(65)	930
Increase in accounts payable and accrued liabilities	<u>203</u>	<u>959</u>	<u>1,162</u>
Total adjustments	<u>737</u>	<u>894</u>	<u>1,631</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiduciary Funds

FIDUCIARY FUNDS

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

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

The City's Agency Funds are listed below:

Student Activities

Rehabilitation Deposits

Bid Deposit

Performance Bonds

CITY OF NORWICH, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2013
(In Thousands)

	Student Activities	Rehabilitation Deposits	Bid Deposit	Performance Bonds	Totals
Assets:					
Cash and cash equivalents	\$ 68	\$	\$	431	\$ 499
Other		2	14		16
Total Assets	\$ 68	2	14	431	\$ 515
Liabilities:					
Due to student groups and agencies	\$	2	14	431	\$ 515

CITY OF NORWICH, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ <u>49</u>	\$ <u>139</u>	\$ <u>120</u>	\$ <u>68</u>
Liabilities:				
Due to student groups and agencies	\$ <u>49</u>	\$ <u>139</u>	\$ <u>120</u>	\$ <u>68</u>
Rehabilitation Deposits				
Assets:				
Other	\$ <u>1</u>	\$ <u>6</u>	\$ <u>5</u>	\$ <u>2</u>
Liabilities:				
Due to student groups and agencies	\$ <u>1</u>	\$ <u>6</u>	\$ <u>5</u>	\$ <u>2</u>
Bid Deposit				
Assets:				
Other	\$ <u>102</u>	\$ <u>177</u>	\$ <u>265</u>	\$ <u>14</u>
Liabilities:				
Due to student groups and agencies	\$ <u>102</u>	\$ <u>177</u>	\$ <u>265</u>	\$ <u>14</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>336</u>	\$ <u>147</u>	\$ <u>52</u>	\$ <u>431</u>
Liabilities:				
Due to student groups and agencies	\$ <u>336</u>	\$ <u>147</u>	\$ <u>52</u>	\$ <u>431</u>
Total - All Funds				
Assets:				
Cash and cash equivalents	\$ <u>385</u>	\$ <u>286</u>	\$ <u>172</u>	\$ <u>499</u>
Other	<u>103</u>	<u>183</u>	<u>270</u>	<u>16</u>
Total	\$ <u>488</u>	\$ <u>469</u>	\$ <u>442</u>	\$ <u>515</u>
Liabilities:				
Due to student groups and agencies	\$ <u>488</u>	\$ <u>469</u>	\$ <u>442</u>	\$ <u>515</u>

Supplemental Schedules

CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF BONDS AND SERIAL NOTES PAYABLE

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

Description	Interest Rate (%)	Issue Date	Maturity Date	Original Amount Issued	Balance Beginning of Year	Issued During Year	Paid During Year	Balance End of Year
Governmental Activities:								
General purpose bonds payable:								
General purpose - Wauregan Hotel	5.50-6.75	04/01/2001	04/01/2017	\$ 400	\$ 125	\$	\$ 25	\$ 100
General purpose	2.00-3.55	04/15/2004	04/15/2015	3,120	700		235	465
Refunding - (11/15/1997 and 11/01/1999) bonds	2.0-4.0	04/15/2004	04/15/2019	4,520	2,225		345	1,880
General purpose and water main	3.0-5.0	03/15/2005	09/15/2015	3,520	1,400		350	1,050
Refunding - (02/01/1996 and 04/01/2001) bonds	3.0-4.0	03/15/2005	09/15/2019	8,570	5,322		775	4,547
Schools	-	12/30/2008	12/30/2020	2,940	2,205		245	1,960
Refunding - (04/01/2001) bonds	2.0-3.0	12/02/2009	04/01/2014	4,235	2,060		1,045	1,015
General purpose	3.0-4.0	12/02/2009	12/01/2029	9,145	8,659		484	8,175
Schools	3.0-4.0	12/02/2009	12/01/2029	2,000	1,895		107	1,788
General purpose	2.0-4.0	12/13/2011	12/01/2022	4,680	4,680			4,680
Schools	2.0-4.0	12/13/2011	12/01/2022	5,000	5,000			5,000
Refunding - (04/15/02) bonds	2.0	02/15/2012	04/15/2022	2,725	2,725		295	2,430
Total				50,855	36,996	-	3,906	33,090
Business-Type Activities:								
General purpose bonds payable:								
Refunding - (02/01/1996) Stony Brook Reservoir	3.0-4.0	03/15/2005	09/15/2015	368	158		41	117
Golf course	3.0-4.0	12/02/2009	12/01/2029	265	240		3	237
State of Connecticut serial notes payable:								
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	852		189	663
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	530		78	452
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	458		44	414
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	1,019		94	925
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	380		22	358
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,864		131	1,733
Clean Water Act 495-C*	*	*	*	*	5,156	592		5,748
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	127		8	119
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	294		17	277
Drinking Water State Revolving Fund 2010-7005	*	*	*	*		55		55
Drinking Water State Revolving Fund 2010-7006	*	*	*	*		71		71
Total				11,117	11,078	718	627	11,169
Total				\$ 61,972	\$ 48,074	\$ 718	\$ 4,533	\$ 44,259

* Loans are not permanently financed at this time.

CITY OF NORWICH, CONNECTICUT
BOND AND SERIAL NOTES PAYABLE
SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	General Obligation Bonds		General Obligation Bonds And Serial Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2014	\$ 4,366	\$ 949	\$ 6,464	\$ 113	\$ 10,830	\$ 1,062
2015	3,327	832	598	100	3,925	932
2016	3,083	734	607	86	3,690	820
2017	2,566	652	441	74	3,007	726
2018	2,476	576	378	65	2,854	641
2019	2,356	504	384	56	2,740	560
2020	2,146	440	314	48	2,460	488
2021	1,576	395	321	41	1,897	436
2022	1,326	358	239	34	1,565	392
2023	1,086	320	154	30	1,240	350
2024	1,086	285	155	26	1,241	311
2025	1,086	249	157	23	1,243	272
2026	1,111	210	159	19	1,270	229
2027	1,111	171	161	16	1,272	187
2028	1,111	132	163	12	1,274	144
2029	1,111	92	164	8	1,275	100
2030	1,111	53	142	5	1,253	58
2031	525	25	110	2	635	27
2032	530	9	58		588	9
Total	\$ 33,090	\$ 6,986	\$ 11,169	\$ 758	\$ 44,259	\$ 7,744

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

CITY OF NORWICH, CONNECTICUT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 95,200	\$ 92,031	\$ 87,252	* \$ 60,432	\$ 53,165	\$ 50,696	\$ 44,114	\$ 38,680	\$ 34,514	\$ 24,968
Restricted	1,537	1,457	1,544	1,405	1,351	1,608	1,725	1,590	1,610	1,610
Unrestricted	7,582	14,373	10,296	14,414	6,088	9,884	13,808	16,460	15,074	18,077
Total governmental activities net position	104,319	107,861	99,092	76,251	60,604	62,188	59,647	56,730	51,198	43,045
Business-type activities:										
Net investment in capital assets	112,113	107,495	97,874	88,174	87,763	84,439	83,363	83,151	81,679	79,147
Restricted	188	361	334	287	758	758	876	643	279	279
Unrestricted	20,989	22,241	20,129	23,441	22,903	21,159	24,307	19,927	17,083	11,119
Total business-type activities net position	133,290	130,097	118,337	111,902	111,424	106,356	108,546	103,721	99,041	90,266
Primary government:										
Net investment in capital assets	207,313	199,526	185,126	148,606	140,928	135,135	127,477	121,831	116,193	104,115
Restricted	1,725	1,818	1,878	1,692	2,109	2,366	2,601	2,233	1,889	1,889
Unrestricted	28,571	36,614	30,425	37,855	28,991	31,043	38,115	36,387	32,157	29,196
Total Primary Government Net Position	\$ 237,609	\$ 237,958	\$ 217,429	\$ 188,153	\$ 172,028	\$ 168,544	\$ 168,193	\$ 160,451	\$ 150,239	\$ 133,311

Notes:

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

* as restated

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

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 11,905	\$ 10,300	\$ 10,760	\$ 9,114	\$ 10,473	\$ 12,116	\$ 11,926	\$ 9,638	\$ 8,958	\$ 10,414
Public safety	22,840	20,571	20,336	18,063	20,326	18,271	16,108	15,754	14,105	13,032
Social services	4,059	4,201	4,664	5,602	4,954	4,852	3,984	4,048	3,037	1,880
Public works	17,245	13,444	9,133	9,449	15,819	11,617	11,504	11,109	13,781	10,271
Education	92,976	86,764	84,263	84,898	85,661	91,664	75,171	71,268	64,819	61,478
Interest on long-term debt	1,232	1,109	2,008	1,323	1,444	1,380	1,454	1,476	1,646	1,948
Total governmental activities expenses	<u>150,257</u>	<u>136,389</u>	<u>131,164</u>	<u>128,449</u>	<u>138,677</u>	<u>139,900</u>	<u>120,147</u>	<u>113,293</u>	<u>106,346</u>	<u>99,023</u>
Business-type activities:										
Department of Public Utilities	75,476	75,620	80,977	74,716	77,192	74,114	66,885	67,275	57,133	56,062
Other enterprise funds	2,470	2,495	2,425	2,413	2,529	2,568	2,373	2,583	2,505	2,526
Total business-type activities expenses	<u>77,946</u>	<u>78,115</u>	<u>83,402</u>	<u>77,129</u>	<u>79,721</u>	<u>76,682</u>	<u>69,258</u>	<u>69,858</u>	<u>59,638</u>	<u>58,588</u>
Total primary government expenses	<u>228,203</u>	<u>214,504</u>	<u>214,566</u>	<u>205,578</u>	<u>218,398</u>	<u>216,582</u>	<u>189,405</u>	<u>183,151</u>	<u>165,984</u>	<u>157,611</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,907	1,866	1,860	1,778	1,602	2,078	2,861	3,097	2,682	2,892
Public works	1,684	771	1,250	819	2,962	3,017	2,994	2,730	2,988	2,866
Education	1,620	1,708	1,570	2,051	2,184	1,864	1,935	1,674	1,447	900
Other	1,009	1,032	1,076	1,012	1,171	970	694	747	717	4,649
Operating grants and contributions	55,684	53,139	54,051	54,424	52,034	62,359	47,469	47,561	41,727	36,509
Capital grants and contributions	791	10,749	22,962	11,163	5,810	1,635	934	1,736	1,907	4,459
Total governmental activities program revenues	<u>62,695</u>	<u>69,265</u>	<u>82,769</u>	<u>71,247</u>	<u>65,763</u>	<u>71,923</u>	<u>56,887</u>	<u>57,545</u>	<u>51,468</u>	<u>52,275</u>
Business-type activities:										
Charges for services:										
Gas	14,893	13,370	16,282	16,508	21,596	16,961	16,612	18,999	15,099	12,911
Electric	51,396	60,151	58,283	52,303	55,152	49,265	49,607	46,158	38,706	36,089
Water	8,376	6,656	6,794	6,117	6,027	5,790	5,115	5,099	4,970	4,854
Sewer	7,252	6,876	7,185	7,580	5,536	5,641	5,340	5,384	4,077	4,030
Other nonmajor enterprise funds	1,882	2,054	2,081	2,081	2,188	2,245	2,168	2,269	2,299	2,166
Capital grants and contributions	5,423	6,798	6,704	200	1,315	1,216	934	1,696	2,115	141
Total business-type activities program revenues	<u>89,222</u>	<u>95,905</u>	<u>97,329</u>	<u>84,789</u>	<u>91,814</u>	<u>81,118</u>	<u>79,879</u>	<u>79,605</u>	<u>67,266</u>	<u>60,191</u>
Total primary government program revenues	<u>151,917</u>	<u>165,170</u>	<u>180,098</u>	<u>156,036</u>	<u>157,577</u>	<u>153,041</u>	<u>136,766</u>	<u>137,150</u>	<u>118,734</u>	<u>112,466</u>
Net (expense) revenue:										
Governmental activities	(87,562)	(67,124)	(48,395)	(57,202)	(72,914)	(67,977)	(63,260)	(55,748)	(54,878)	(46,748)
Business-type activities	11,276	17,790	13,927	7,660	12,093	4,436	10,621	9,747	7,628	1,603
Total Primary Government Net Expense	<u>\$ (76,286)</u>	<u>\$ (49,334)</u>	<u>\$ (34,468)</u>	<u>\$ (49,542)</u>	<u>\$ (60,821)</u>	<u>\$ (63,541)</u>	<u>\$ (52,639)</u>	<u>\$ (46,001)</u>	<u>\$ (47,250)</u>	<u>\$ (45,145)</u>

(Continued on next page)

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

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 69,598	\$ 63,198	\$ 61,307	\$ 59,956	\$ 57,897	\$ 56,456	\$ 52,327	\$ 49,726	\$ 45,426	\$ 48,044
Grants and contributions not restricted to specific programs	5,005	4,315	4,391	4,372	5,480	5,407	5,522	4,786	5,030	5,250
Unrestricted investment earnings	202	51	283	321	262	998	1,199	843	488	530
Miscellaneous	1,126	890	1,414	998	558	631	910	540	1,217	
Transfers	8,089	7,439	8,277	7,202	7,133	7,026	6,219	5,385	5,006	(160)
Total governmental activities	84,020	75,893	75,672	72,849	71,330	70,518	66,177	61,280	57,167	53,664
Business-type activities:										
Investment earnings	6	11	14	20	108	400	423	318	204	138
Transfers	(8,089)	(7,493)	(8,277)	(7,202)	(7,133)	(7,026)	(6,219)	(5,385)	(5,006)	160
Total business-type activities	(8,083)	(7,482)	(8,263)	(7,182)	(7,025)	(6,626)	(5,796)	(5,067)	(4,802)	298
Total Primary Government	\$ 75,937	\$ 68,411	\$ 67,409	\$ 65,667	\$ 64,305	\$ 63,892	\$ 60,381	\$ 56,213	\$ 52,365	\$ 53,962
Changes in Net Position:										
Governmental activities	\$ (3,542)	\$ 8,769	\$ 27,277	\$ 15,647	\$ (1,584)	\$ 2,541	\$ 2,917	\$ 5,532	\$ 2,289	\$ 6,916
Business-type activities	3,193	10,308	5,664	478	5,068	(2,190)	4,825	4,680	2,826	1,901
Total Primary Government	\$ (349)	\$ 19,077	\$ 32,941	\$ 16,125	\$ 3,484	\$ 351	\$ 7,742	\$ 10,212	\$ 5,115	\$ 8,817

Notes:

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

CITY OF NORWICH, CONNECTICUT
 FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
 (In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Reserved	\$	\$	\$	\$ 268	\$ 283	\$ 308	\$ 425	\$ 259	\$ 398	\$ 415
Unreserved				9,834	9,616	10,676	11,651	11,030	10,573	9,302
Assigned	920	264	178							
Unassigned	10,275	10,371	10,649							
Total General Fund	\$ 11,195	\$ 10,635	\$ 10,827	\$ 10,102	\$ 9,899	\$ 10,984	\$ 12,076	\$ 11,289	\$ 10,971	\$ 9,717
All other governmental funds:										
Reserved	\$	\$	\$	\$ 1,776	\$ 1,729	\$ 2,095	\$ 3,170	\$ 3,077	\$ 2,475	\$ 2,051
Unreserved, reported in:										
Special revenue funds				2,915	2,183	2,487	2,746	2,577	2,532	3,617
Capital projects funds				3,911	(1,898)	(1,493)	(541)	2,460	3,265	1,610
Nonspendable	1,484	1,443	1,523							
Restricted	2,193	3,179	1,421							
Committed	4,107	4,271	4,344							
Unassigned	(7,877)	(2,878)	(7,208)							
Total All Other Governmental Funds	\$ (93)	\$ 6,015	\$ 80	\$ 8,602	\$ 2,014	\$ 3,089	\$ 5,375	\$ 8,114	\$ 8,272	\$ 7,278

Notes:

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

CITY OF NORWICH, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property taxes, interest and items	\$ 69,360	\$ 63,286	\$ 60,817	\$ 59,214	\$ 57,623	\$ 55,893	\$ 52,976	\$ 49,704	\$ 47,652	\$ 47,815
Intergovernmental	61,368	68,137	81,439	69,937	63,116	69,880	53,909	53,572	48,159	46,929
Charges for services, licenses, permits, fees and other	6,686	6,816	7,292	7,353	8,508	9,135	10,097	9,283	10,296	11,041
Investment income	202	50	283	321	260	991	1,171	813	462	517
Total revenues	<u>137,616</u>	<u>138,289</u>	<u>149,831</u>	<u>136,825</u>	<u>129,507</u>	<u>135,899</u>	<u>118,153</u>	<u>113,372</u>	<u>106,569</u>	<u>106,302</u>
Expenditures:										
General government	5,473	5,008	5,822	6,466	6,716	7,339	5,782	5,290	5,262	6,665
Public safety	21,672	19,685	19,447	17,832	18,606	17,348	16,163	15,634	13,736	12,725
Social services	3,616	4,125	4,029	4,261	4,640	4,313	4,272	4,273	3,782	3,094
Public works	10,121	10,187	9,633	9,421	10,359	10,944	10,412	10,095	9,964	9,178
Education	91,108	84,067	84,690	83,893	82,866	91,194	74,223	70,592	65,363	61,880
Other	4,943	4,795	3,411	3,461	3,693	4,365	4,286	3,531	3,529	2,832
Capital outlay	9,156	16,954	34,905	18,274	10,826	6,102	6,337	3,707	3,929	2,679
Debt service:										
Principal	3,906	3,915	3,475	3,530	2,835	3,356	3,616	3,975	3,928	4,180
Interest	1,258	1,075	1,297	713	1,199	1,342	1,425	1,631	1,759	1,998
Total expenditures	<u>151,253</u>	<u>149,811</u>	<u>166,709</u>	<u>147,851</u>	<u>141,740</u>	<u>146,303</u>	<u>126,516</u>	<u>118,597</u>	<u>111,383</u>	<u>105,231</u>
Excess of revenues over (under) expenditures	<u>(13,637)</u>	<u>(11,522)</u>	<u>(16,878)</u>	<u>(11,026)</u>	<u>(12,233)</u>	<u>(10,404)</u>	<u>(8,363)</u>	<u>(5,225)</u>	<u>(4,814)</u>	<u>1,071</u>
Other financing sources (uses):										
Transfers in	11,092	11,701	18,424	12,404	10,686	10,505	9,885	8,760	8,246	3,997
Transfers out	(3,003)	(4,262)	(10,147)	(5,202)	(3,553)	(3,479)	(3,666)	(3,375)	(3,240)	(4,157)
Issuance of capital leases			804				192			
Bonds issued		9,680		10,545	2,940				2,810	3,120
Bond premium		181		125						
Refunding bonds issued		2,725		4,240					8,202	4,575
Payment to refunding bond escrow agent		(2,760)		(4,295)					(8,128)	(4,502)
Total other financing sources	<u>8,089</u>	<u>17,265</u>	<u>9,081</u>	<u>17,817</u>	<u>10,073</u>	<u>7,026</u>	<u>6,411</u>	<u>5,385</u>	<u>7,890</u>	<u>3,033</u>
Net change in fund balances	<u>(5,548)</u>	<u>5,743</u>	<u>(7,797)</u>	<u>6,791</u>	<u>(2,160)</u>	<u>(3,378)</u>	<u>(1,952)</u>	<u>160</u>	<u>3,076</u>	<u>4,104</u>
Fund Balances at Beginning of Year	<u>16,650</u>	<u>10,907</u>	<u>18,704</u>	<u>11,913</u>	<u>14,073</u>	<u>17,451</u>	<u>19,403</u>	<u>19,243</u>	<u>16,167</u>	<u>* 12,891</u>
Fund Balances at End of Year	<u>\$ 11,102</u>	<u>\$ 16,650</u>	<u>\$ 10,907</u>	<u>\$ 18,704</u>	<u>\$ 11,913</u>	<u>\$ 14,073</u>	<u>\$ 17,451</u>	<u>\$ 19,403</u>	<u>\$ 19,243</u>	<u>\$ 16,995</u>
Debt Service as a Percentage of Noncapital Expenditures	3.52%	3.69%	3.57%	3.32%	2.98%	3.36%	4.20%	4.91%	5.27%	5.99%

* as restated

Notes:

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

CITY OF NORWICH, CONNECTICUT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Grand List Year	Real Property		Motor Vehicle	Personal Property	Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Grand List	Total Adjusted Tax Levy (General Fund, CCD Fire Taxes and TCD Taxes)	Average Direct Rate (In Mills)	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	State Equalized Net Grand List
		Commercial	Residential										
2013	2011	\$ 454,877	\$ 1,675,445	\$ 218,925	\$ 144,144	\$ 2,493,391	\$ 38,323	\$ 2,455,068	\$ 69,179	\$ 28.18	\$ 3,507,240	70.00	\$ 2,432,705
2012	2010	453,611	1,663,064	186,880	132,490	2,436,045	41,816	2,394,229	63,162	26.38	3,420,327	70.00	2,942,694
2011	2009	467,731	1,656,685	202,209	118,062	2,444,687	36,522	2,408,165	60,982	25.32	3,440,236	70.00	3,147,981
2010	2008	433,291	1,666,402	194,403	114,906	2,409,002	30,891	2,378,111	58,839	24.74	3,397,301	70.00	3,400,922
2009	2007	344,640	1,235,104	208,756	112,575	1,901,075	24,841	1,876,234	57,972	30.90	2,680,334	70.00	3,615,569
2008	2006	341,360	1,225,489	183,186	92,878	1,842,913	23,384	1,819,529	55,469	30.49	2,599,327	70.00	3,559,366
2007	2005	326,636	1,213,923	177,323	93,706	1,811,588	19,898	1,791,690	53,057	29.61	2,559,557	70.00	3,592,741
2006	2004	326,235	1,190,123	165,690	90,463	1,772,511	27,325	1,745,186	49,389	28.30	2,493,123	70.00	3,276,807
2005	2003	408,784	1,095,366	153,492	100,570	1,758,212	24,916	1,733,296	46,563	26.86	2,476,137	70.00	2,502,936
2004	2002	273,991	679,020	154,864	83,388	1,191,263	25,168	1,166,095	45,234	38.79	1,665,850	70.00	2,512,264

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

Notes:

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

CITY OF NORWICH, CONNECTICUT
 PRINCIPAL PROPERTY TAXPAYERS
 OCTOBER 1, 2011 AND OCTOBER 1, 2002

Business Name	Nature of Business	October 1, 2011			October 1, 2002		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Computer Science Corporation	Computer Products & Services	\$ 32,847	1	1.34%	\$ 12,937	2	1.11%
Bob's Discount Furniture	Retail Store & Distribution Warehouse	23,912	2	0.97%	4,718	9	0.40%
Plaza Enterprises	Shopping Center	14,782	3	0.60%			
Freeport-McMoran (fka Phelps Dodge)	Manufacturing - Copper	13,770	4	0.56%	13,489	1	1.16%
Algonquin Gas Transmissions LLC	Natural Gas Pipeline	10,869	5	0.44%			
Mashantucket Pequot Tribe	Real Estate	9,915	6	0.40%	7,762	3	0.67%
Wal-Mart Stores, Inc.	Department Store	9,909	7	0.40%	5,027	7	0.43%
NorwichTown Commons	Shopping Center	9,266	8	0.38%			
Norwich Community Development Corporation	Office Building	9,242	9	0.38%			
IBM Credit	Leased Equipment	9,005	10	0.37%			
Norwich Mall Realty Associates	Shopping Center				7,255	4	0.62%
Hamilton Park Wequonnoc Village	Apartments				6,151	5	0.53%
Kalimian Elias as Trustee	Apartments				5,447	6	0.47%
Norwich Realty Associates LP	Real Estate				4,902	8	0.42%
US Foodservice	Food Distributors				4,530	10	0.39%
Total		\$ 143,517		5.85%	\$ 72,218		6.19%

Source: City of Norwich Assessor's Office

Note:

(1) The October 1, 2011 grand list was the base grand list utilized for the tax bills issued July 1, 2012 for the 2013 fiscal year.

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

Fiscal Year Ended June 30,	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy	Collections Within the Fiscal Year of Levy		Tax Collections In Subsequent Years	Tax Collections To Date		Total Direct Rates	
				Amount	Percentage of Levy		Amount	Percentage of Levy	City Consolidated District	Town Consolidated District
General Fund										
2013 \$	2,455,068	26.54 \$	64,618 \$	62,401	96.57%	- \$	62,401	96.57%	31.10	26.54
2012	2,394,228	24.76	59,110	57,141	96.67%	1,105	58,246	98.54%	28.83	25.12
2011	2,408,165	24.04	57,006	54,816	96.16%	1,558	56,374	98.89%	28.02	24.40
2010	2,378,111	23.48	55,162	53,056	96.18%	1,957	55,013	99.73%	27.11	23.84
2009	1,876,234	29.24	54,309	52,081	95.90%	2,133	54,214	99.83%	34.10	29.66
2008	1,819,529	28.57	51,980	50,213	96.60%	1,730	51,943	99.93%	33.32	28.93
2007	1,791,750	27.77	49,971	48,324	96.70%	1,616	49,940	99.94%	32.02	28.08
2006	1,745,186	26.72	46,541	44,977	96.64%	1,530	46,507	99.93%	30.75	27.02
2005	1,733,296	25.69	43,999	42,681	97.00%	1,291	43,972	99.94%	29.53	25.90
2004	1,166,095	36.47	42,774	41,136	96.17%	1,621	42,757	99.96%	42.11	36.77
City Consolidated District (CCD) Fire Tax										
2013 \$	896,123	4.56 \$	3,995 \$	3,809	95.34%	- \$	3,809	95.34%		
2012	870,134	4.07	3,496	3,329	95.22%	88	3,417	97.74%		
2011	870,134	3.98	3,426	3,251	94.89%	117	3,368	98.31%		
2010	870,088	3.63	3,136	2,991	95.38%	134	3,125	99.65%		
2009	650,100	4.86	3,154	2,981	94.51%	168	3,149	99.84%		
2008	641,583	4.75	3,064	2,930	95.63%	131	3,061	99.90%		
2007	633,603	4.25	2,724	2,595	95.26%	126	2,721	99.89%		
2006	620,505	4.03	2,511	2,399	95.54%	109	2,508	99.88%		
2005	614,657	3.84	2,332	2,233	95.75%	96	2,329	99.87%		
2004	392,560	5.64	2,227	2,142	96.18%	83	2,225	99.91%		
Town Consolidated District (TCD) Volunteer Fire Relief Tax										
2013 \$	1,558,945	0.36 \$	566 \$	554	97.88%	- \$	554	97.88%		
2012	1,524,094	0.36	556	544	97.84%	8	552	99.28%		
2011	1,538,031	0.36	545	537	98.53%	4	541	99.27%		
2010	1,508,023	0.36	536	525	97.95%	10	535	99.81%		
2009	1,226,134	0.42	510	491	96.27%	19	510	99.90%		
2008	1,177,946	0.36	424	411	96.93%	13	424	100.00%		
2007	1,158,147	0.31	361	351	97.23%	10	361	100.00%		
2006	1,124,681	0.30	337	326	96.74%	11	337	100.00%		
2005	1,118,639	0.21	232	226	97.41%	6	232	100.00%		
2004	773,535	0.30	233	225	96.57%	8	233	100.00%		

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Debt		Ratio of Debt to		Debt Per Capita ²
	General Obligation Bonds	Capital Leases		General Obligation Bonds	Notes	Capital Leases	Primary Government	Taxable Assessed Value	Total Personal Income ²		
2013	\$ 33,034	\$ 667	\$	352	\$ 10,815	\$ 1,349	\$ 46,217	1.88%	4.39%	\$ 1,141	
2012	29,951	730		7,454	3,744	1,621	43,500	1.82%	4.12%	1,074	
2011	26,736	804		4,904	4,269	1,717	38,430	1.60%	4.00%	949	
2010	29,582	42		5,264	4,481	2,020	34,355	1.44%	4.75%	1,127	
2009	21,936	80		5,624	4,027	2,688	34,355	1.83%	3.58%	944	
2008	21,596	115		5,937	4,995	3,174	35,817	1.97%	4.78%	983	
2007	24,952	146		6,576	5,430	1,402	38,506	2.15%	5.14%	1,058	
2006	28,568			7,217	5,854	1,617	43,256	2.48%	5.76%	1,176	
2005	32,700 *			7,795 *	6,269	2,222	48,986	2.83%	6.54%	1,352	
2004	40,325			555	6,619	1,641	49,140	4.21%	6.56%	1,357	

* Sewer extension bonds converted to business-type activity

Notes:

(1) 2008 Real property taxable assessed value adjusted to reflect statutory revaluation.

(2) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Property Tax Assessment schedule

² See Demographic Statistics schedule

CITY OF NORWICH, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2013
(In Thousands)

Total Tax Collections, Including Interest and Lien Fees					\$ 64,821
Total Tax Collections, Norwich Fire District					4,539
Reimbursement for Loss on:					
Tax relief for elderly - freeze					<u>4</u>
Base					<u>\$ 69,364</u>
	<u>General</u>			<u>Urban</u>	<u>Pension</u>
	<u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Renewal</u>	<u>Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 156,069	\$	\$	\$	\$
4-1/2 times base		312,138			
3-3/4 times base			260,115		
3-1/4 times base				225,433	
3 times base					<u>208,092</u>
Total debt limitation	<u>156,069</u>	<u>312,138</u>	<u>260,115</u>	<u>225,433</u>	<u>208,092</u>
Indebtedness:					
Bonds and serial notes payable	13,134	12,449	16,754		
Bonds authorized and unissued	14,230	1,060	600		
Grants receivable		<u>(99)</u>			
Total indebtedness	<u>27,364</u>	<u>13,410</u>	<u>17,354</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 128,705</u>	<u>\$ 298,728</u>	<u>\$ 242,761</u>	<u>\$ 225,433</u>	<u>\$ 208,092</u>

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$485 million.

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

Note 3: Bonds and serial notes payable do not include Water bonds of \$117 and State of Connecticut serial notes payable of \$1,805.

Note 4: School Building Grants totaling \$99 are applicable to outstanding bond issues.

CITY OF NORWICH, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Legal Debt Limit:										
Seven times taxable base	\$ 485,548	\$ 443,058	\$ 427,106	\$ 416,010	\$ 416,010	\$ 391,216	\$ 369,635	\$ 348,698	\$ 333,578	\$ 329,433
Indebtedness:										
Bonds and serial notes payable	44,259	48,173	35,909	39,596	39,631	32,528	36,958	41,639	46,764	47,499
Bonds authorized and unissued	15,890	7,590	18,265	17,290	15,990	7,240	2,705	2,705	2,705	4,640
Total indebtedness	60,149	55,763	54,174	56,886	55,621	39,768	39,663	44,344	49,469	52,139
Less:										
Water bonds and serial notes payable	(1,922)	(2,066)	(3,151)	(3,964)	(3,968)	(4,350)	(4,729)	(3,045)	(3,357)	(1,044)
School building grants	(99)	(198)	(300)	(402)	(507)	(612)	(722)	(988)	(1,262)	(1,842)
Net indebtedness applicable to legal debt limit (1)	58,128	53,499	50,723	52,520	51,146	34,806	34,212	40,311	44,850	49,233
Debt Limitation in Excess of Outstanding and Authorized Debt (1)	\$ 427,420	\$ 389,559	\$ 376,383	\$ 363,490	\$ 364,864	\$ 356,410	\$ 335,423	\$ 308,387	\$ 288,728	\$ 280,180
Total net debt applicable to the limit as a percentage of debt limit	11.97%	12.07%	11.88%	12.62%	12.29%	8.90%	9.26%	11.56%	13.45%	14.95%
Total indebtedness as a percentage of net taxable assessed value (1)	2.37%	2.23%	2.11%	2.21%	2.726%	1.913%	1.909%	2.310%	2.588%	4.224%
Total indebtedness per capita (1)	\$ 1,435	\$ 1,321	\$ 1,253	\$ 1,433	\$ 1,406	\$ 956	\$ 940	\$ 1,099	\$ 1,238	\$ 1,360
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 60,149	\$ 55,763	\$ 54,174	\$ 56,886	\$ 55,621	\$ 39,768	\$ 39,663	\$ 44,344	\$ 49,469	\$ 52,139
Less authorized and unissued debt	(15,890)	(7,590)	(18,265)	(17,290)	(15,990)	(7,240)	(2,705)	(2,705)	(2,705)	(4,640)
Total direct debt	44,259	48,173	35,909	39,596	39,631	32,528	36,958	41,639	46,764	47,499
Less water and sewer indirect self-funding debt	(10,926)	(10,926)	(9,650)	(9,745)	(9,650)	(10,932)	(12,006)	(13,071)	(14,064)	(7,089)
Less school building grants	(99)	(198)	(300)	(402)	(507)	(612)	(722)	(988)	(1,262)	(1,842)
Total Net Direct Debt	\$ 33,234	\$ 37,049	\$ 25,959	\$ 29,449	\$ 29,474	\$ 20,984	\$ 24,230	\$ 27,580	\$ 31,438	\$ 38,568
Total direct debt as a percentage of State Equalized grand list	1.819%	1.637%	1.141%	1.164%	1.096%	0.914%	1.029%	1.271%	1.868%	1.891%
Total direct debt per capita	\$ 1,093	\$ 1,189	\$ 887	\$ 1,081	\$ 1,089	\$ 893	\$ 1,015	\$ 1,135	\$ 1,291	\$ 1,311
Total net debt as a percentage of State Equalized grand list	1.366%	1.259%	0.825%	0.866%	0.815%	0.590%	0.674%	0.842%	1.256%	1.535%
Total net debt per capita	\$ 820	\$ 915	\$ 641	\$ 804	\$ 810	\$ 576	\$ 666	\$ 752	\$ 868	\$ 1,065

(1) Total and net indebtedness calculated in accordance with Connecticut General Statutes.
(2) The City has no overlapping debt.
(3) The Equalized Net Grand List is calculated annually by the State of Connecticut Office of Policy & Management.

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

Fiscal Year	(in thousands)			Percentage Unemployed (3)						
	Population (1)	Personal Income (6)	Total Personal Income (6)	School Enrollment (2)	Employed (3)	Unemployed (3)	City of Norwich (3)	New London/Norwich Market (3)	State of Connecticut (3)	United States (4)
2013	40,502	\$	1,052,796	5,304	19,999	1,929	8.8%	8.2%	8.1%	7.3%
2012	40,502		1,055,463	5,330	20,719	2,110	9.2%	8.6%	8.4%	8.2%
2011	40,493		960,133	5,356	19,386	2,177	10.1%	8.7%	9.0%	9.1%
2010	36,639		960,133	5,449	19,315	2,090	9.8%	8.6%	8.9%	9.6%
2009	36,388		960,133	5,519	19,231	1,858	8.8%	7.6%	7.9%	9.5%
2008	36,408		749,139	5,544	19,706	1,448	6.8%	5.9%	5.9%	6.0%
2007	36,408		749,139	5,531	20,083	1,033	4.9%	4.2%	4.4%	4.6%
2006	36,693		749,139	5,645	20,284	1,044	4.9%	4.2%	4.4%	4.6%
2005	36,218		749,139	5,425	20,033	1,248	5.9%	4.9%	5.3%	4.9%
2004	36,218		749,139	5,507	19,745	1,207	5.8%	4.3%	4.8%	5.8%

Sources:

- (1) State of Connecticut Department of Public Health, US Census Bureau
- (2) U.S. Census Bureau, 2000 Census and 2007-2011 American Community Survey
- (3) School enrollment includes Norwich students attending the quasi-private high school, Norwich Free Academy.
- (4) Labor Department, State of Connecticut.
- (5) U.S. Department of Labor Bureau of Labor Statistics
- (6) Connecticut Economic Resource Center, Inc. and 2007-2011 American Community Survey

TABLE 12

CITY OF NORWICH, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND 2003

Business Name	Nature of Business	2012			2003		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
William W. Backus Hospital	Medical Center	1507	1	7.54%	1,650	1	8.36%
City of Norwich (incl. NPU & BOE)	Municipality	948	2	4.74%	985	2	4.99%
State of Connecticut	All State agencies	890	3	4.45%			
Bob's Discount Furniture	Distribution Center	530	4	2.65%	202	9	1.02%
Computer Science Corporation	Computer Products & Services	443	5	2.22%	700	3	3.55%
Norwich Free Academy	Quasi-private high school	275	6	1.38%	-		
United Community & Family Services	Healthcare & community services	225	7	1.13%	-		
The American Group	Ambulance Service and other operations	187	8	0.94%	200	10	1.01%
AC Linen Services	Commercial laundry & dry cleaning	185	9	0.93%	-		
Dime Bank	Financial institution	177	10	0.89%			
Spa at Norwich Inn	Spa				300	6	1.52%
Shop Rite	Grocery Store				418	4	2.12%
Interim Healthcare of Eastern CT	Healthcare				400	5	2.03%
US Foodservice	Food Distributors				223	8	1.13%
Total		5,367		26.84%	5,078		25.72%

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

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

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General City:										
City Manager	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	12.0	12.0	12.0	12.0	14.0	15.0	14.0	14.0	14.0	14.0
Treasurer	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Assessment	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.5	3.5	3.5
Personnel	4.6	3.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
City Clerk	4.0	4.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0	5.0
City Council	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Police	107.0	100.0	94.0	96.0	98.0	98.0	100.0	100.0	101.0	100.5
Fire	62.6	59.6	59.5	59.5	59.5	59.5	55.5	55.5	55.5	55.0
Recreation	6.0	5.5	6.0	6.0	7.0	7.0	7.0	7.0	7.0	6.0
Human Services	7.0	7.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Senior Citizens Center	7.6	6.5	6.5	6.5	7.0	7.0	6.0	6.0	6.0	6.0
Youth Service Bureau	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
PW Engineering and Administration	5.0	5.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	6.5
PW Fleet Maintenance	7.0	7.0	7.0	7.0	9.0	9.0	9.0	9.0	9.0	9.0
PW Solid Waste	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	3.0	3.0
PW Street Maintenance	36.0	36.0	38.0	39.0	41.0	41.0	32.0	32.0	33.0	33.0
PW Parks & Cemeteries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	10.0	11.0
PW Building Maintenance	9.0	8.0	8.0	9.0	9.0	9.0	7.0	6.0	7.0	7.0
PW Parking Maintenance	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Election	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5
Planning and Neighborhood Services	10.0	10.0	12.0	13.0	14.5	14.5	13.0	13.0	12.0	11.0
Economic Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tourism	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5
Total General City	297.8	284.2	287.0	293.0	308.0	309.0	299.5	299.0	303.0	300.5
Board of Education:										
General Fund - funded positions	358.8	342.5	286.4	392.1	406.4	387.5	384.2	373.8	386.3	375.9
State and federal grant - funded positions	65.7	65.7	193.0	125.3	125.3	111.3	117.1	114.1	99.8	86.6
School Lunch (state and federal grant)	37.5	37.5	46.0	30.0	30.0	39.0	39.0	39.0	39.0	40.0
Adult Education (state and federal grant)	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	12.0
Family Resource Center (state grant)	28.5	24.5	24.5	24.5	24.5	25.5	22.0	24.0	10.0	10.0
Total Board of Education	502.5	482.2	561.9	583.9	598.2	575.3	575.3	563.9	548.0	524.5
Norwich Public Utilities	148.0	152.0	142.5	139.5	139.5	137.0	137.0	137.0	137.0	136.5
Total	948.3	918.4	991.4	1,016.4	1,045.7	1,021.3	1,011.8	999.9	988.0	961.5

Source: City Adopted Budget documents

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

Function	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Finance:										
Number of tax and refuse bills mailed +	40,767	50,175	49,950	50,000	68,000	68,000	68,144	68,182	67,225	66,048
Number of internal control reviews performed	2	2	2	3	3	3	7	2	7	4
Assessor:										
Number of deeds processed	1,301	982	1,132	1,500	2,550	1,500	1,310	2,100	1,800	1,600
Personal property declarations	1,754	1,795	1,856	1,650	1,130	1,200	1,234	1,400	N/A	N/A
Board of assessment appeals adjustments	33	37	77	147	100	230	240	150	225	425
Human Resources:										
Number of applications processed	1,521	1,475	476	960	1,067	2,339	1,149	1,518	1,850	1,221
Vacancies filled through promotion	12	14	4	6	11	35	15	24	15	28
Vacancies filled through new hires	34	19	2	8	21	39	28	23	33	33
Employee turnover rate	9.5%	7.0%	6.0%	5.6%	2.0%	4.6%	6.0%	4.2%	5.4%	7.1%
City Clerk:										
Land records recorded	7,018	6,154	5,753	6,364	6,486	7,891	9,552	11,124	11,397	11,401
Marriage licenses issued	312	301	270	323	326	305	331	357	353	372
Death certificates recorded	484	509	520	472	508	458	550	561	638	542
Birth certificates recorded	842	940	884	978	960	1,070	1,037	998	1,210	1,594
Management Information Systems:										
Help desk calls	2,124	1,995	2,360	1,900	1,600	1,380	1,800	1,700	1,700	1,800
Website visits	246,421	200,043	170,527	165,923	149,317	130,000	256,817	94,797	27,500	27,500
Election:										
Voters added	2,255	667	1,060	438	3,289	1,202	580	567	1,200	1,096
Voters removed	2,786	683	1,235	1,001	813	964	651	87	800	1,058
Voter changes	6,873	2,021	3,049	2,376	2,303	1,139	1,425	1,648	650	927
Total voters	21,005	20,474	20,951	21,126	21,689	18,129	17,891	18,346	19,000	17,987
Planning and Neighborhood Services:										
Site development plans	7	4	15	7	16	31	27	19	18	21
Zoning permit applications	303	672	398	327	370	446	482	503	471	456
Zoning complaints	84	351	185	167	240	248	170	130	142	138
Code violations	368	572	1,975	1,285	1,361	1,633	250	1,170	475	465
Citations issued	88	375	225	287	240	180	229	165	119	208
Education:										
Average Class Size - Kindergarten	20.5	18.5	18.4	18.3	18.3	17.5	17.7	18.0	16.4	17.8
Average Class Size - Grade 2	20.2	19.4	18.1	17.9	18.8	18.9	20.0	18.6	19.5	18.2
Average Class Size - Grade 5	21.9	20.3	21.2	21.0	19.1	18.9	19.1	20.0	20.5	20.4
Average Class Size - Grade 7	18.7	19.8	17.1	20.1	21.1	19.0	23.7	22.0	21.9	21.2
Total expenditure per student	N/A	N/A	N/A	\$ 13,398	\$ 13,142	\$ 12,616	\$ 11,594	\$ 10,771	\$ 9,816	\$ 9,450

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**CITY OF NORWICH, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)**

Function	LAST TEN FISCAL YEARS									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Police:										
911 calls*	23,663	23,064	21,825	20,548	20,291	21,330	19,212	19,160	19,575	N/A
Non-emergency calls*	33,672	32,499	36,078	35,815	38,846	30,329	33,740	35,664	20,932	N/A
DWI arrests*	192	207	241	212	252	158	155	150	188	N/A
Fire:										
Central Fire Department Service Calls	2,460	2,422	2,330	2,659	2,442	2,627	2,629	2,942	2,503	3,088
East Great Plain VFD Service Calls	904	936	961	855	912	1,015	864	866	800	688
Laurel Hill VFD Service Calls	91	106	121	85	117	102	75	105	126	93
Occum VFD Service Calls	184	N/A	191	182	199	192	202	232	238	325
Taftville VFD Service Calls	644	713	706	717	614	698	631	631	538	450
Yantic VFD Service Calls	645	621	643	658	544	604	593	580	568	595
Emergency Management:										
Hours of emergency training	875	1,145	1,075	775	725	875	715	870	1,250	920
Shelters maintained	16	94	19	19	19	19	19	19	19	19
Flood assistance calls	1,014	642	217	176	74	74	122	73	41	62
Social Services:										
Recreation:										
Number of youth registrations	2,343	3,671	4,500	4,600	4,618	3,870	4,510	4,750	4,752	4,821
Number of youth program hours	3,526	3,530	1,900	1,900	1,980	2,045	2,205	2,000	1,970	1,971
Adults & Seniors registrations	115	86	N/R	N/R						
Adults & Seniors program hours	384	401	N/R	N/R						
Human Services:										
General Human Services:										
Job placements	259	251	185	206	190	190	243	153	119	133
Individuals relocated due to condemnation	56	50	78	49	77	72	36	30	85	55
Rent and housing assistance cases	112	107	92	117	139	94	83	79	80	49
Senior Center:										
Preventative health clinic services	10,000	10,059	8,560	2,500	2,550	2,500	3,450	3,206	4,500	4,900
Outreach services	851	627	890	970	978	753	976	836	200	280
Youth and Family Services:										
Counseling cases	87	95	97	126	130	142	143	117	168	175
Young parent cases	-	37	18	40	35	78	98	92	107	97
Youth employment	174	121	152	148	94	N/A	N/A	N/A	N/A	N/A
Juvenile justice / diversion	86	33	37	31	44	N/A	N/A	N/A	N/A	N/A
Public Works:										
Engineering and Administration:										
Road miles paved	6.8	4.8	6.4	4.8	6.4	4.7	5.3	4.2	3.0	6.6
Road miles chip sealed or crack sealed	6.0	3.0	N/R	N/R						
Department of Public Utilities:										
Gas service calls	5,230	3,989	4,131	4,229	5,004	4,967	6,136	5,552	6,294	4,740
Electric service calls	1,106	3,570	1,771	1,640	1,830	1,508	3,125	2,406	3,010	2,672
Water service calls	982	1,910	3,053	2,988	3,653	3,440	3,434	4,717	3,440	3,580
Sewer service calls	116	120	80	78	164	402	423	341	250	237

N/A - not available

* Statistics are reported on a calendar year basis. For example, in the fiscal year 2013 column, these are the statistics for calendar year 2012.

- The City stopped sending separate refuse bills in 2009.

Source: The respective City Departments

N/A - not available

N/R - Not reported previously

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

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Education:										
School buildings	13	13	13	13	15	15	15	15	15	14
Administrative buildings	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	39	39	39	39	39	39	39	39	39	39
Fire:										
Firefighting/rescue vehicles	27	27	27	27	27	26	26	26	26	26
Other vehicles	11	11	11	11	11	11	11	11	11	11
Fire stations	7	7	7	7	7	7	7	7	7	7
Social Services:										
Recreation:										
Number of basketball courts	16	16	16	16	16	16	16	16	16	15
Number of football fields	1	1	1	1	1	1	1	1	1	1
Number of multi-use fields	15	15	15	15	15	15	15	15	15	15
Number of playgrounds	14	14	14	14	14	14	14	14	14	13
Number of soccer fields	4	4	4	4	4	4	4	4	4	4
Number of softball fields	5	5	5	5	5	5	5	5	5	5
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Mowers	5	5	5	5	5	5	5	5	5	5
Other vehicles	5	5	5	5	5	4	4	4	4	4
Public Works:										
Street Maintenance:										
Dump trucks	24	23	23	23	23	23	25	25	25	25
Sweepers	3	3	4	4	4	4	4	4	4	4
Parks and Cemeteries:										
Parks	10	7	7	7	7	7	7	7	7	7
Cemeteries	8	8	8	8	8	8	8	8	8	8
Mowers	12	11	10	10	10	10	8	8	7	6

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

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Building Maintenance:										
Parking lots	13	12	12	12	12	12	9	9	9	9
Parking garages	4	4	3	3	3	3	3	3	3	3
Utilities:										
Gas:										
Gas distribution main (miles)	124	141	133	133	131	130	129	127	126	122
Electric:										
Distribution lines	233	229	231	230	229	228	228	228	250	250
Street lights	4292	4290	4290	4,103	4,109	4,109	4,099	4,291	4,291	4,291
Water:										
Water distribution system (miles)	195	190	194	188	188	187	187	164	150	150
Sewer:										
Sewer distribution system (miles)	127	121	124	117	119	118	118	118	118	118
Fiber Optic:										
Fiber optic cable (miles)	72	65	65	68	67					

Source: The respective City Departments

APPENDIX B – FORM OF OPINIONS OF BOND COUNSEL AND TAX EXEMPTION

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TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the City with the Tax Regulatory Agreement. In addition, with respect to the Series B Bonds, Bond Counsel will rely on the Verification Report of AMTEC with respect to the yield on the bonds and on certain escrowed securities purchased with the bonds, and net present value savings to the Issuer as a result of issuance of the bonds.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

Ownership of the Bonds may also result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds.

ORIGINAL ISSUE DISCOUNT

The following is a general discussion of Original Issue Discount and not an opinion of Bond Counsel.

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

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

Prospective purchasers of OID Bonds, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

ORIGINAL ISSUE PREMIUM

The following is a general discussion of Original Issue Premium and not an opinion of Bond Counsel.

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for state and federal income tax purposes, including

special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal tax treatment of municipal bonds, including the exclusion of interest paid thereon from gross income pursuant to section 103 of the Internal Revenue Code, is subject to legislation adopted by the Congress of the United States and enacted into law. Connecticut tax treatment of the Bonds is subject to laws adopted by the State of Connecticut Legislature and enacted into law. From time to time Federal laws are proposed, including introduced into Congress, which would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals, including pending or future proposals, may adversely affect the tax treatment of the interest paid on the Bonds, their sale or disposition, market price, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchasers and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

A T T O R N E Y S A T L A W

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL – Series A

City of Norwich
Norwich, Connecticut

Ladies and Gentlemen:

We have represented the City of Norwich, Connecticut as bond counsel with respect to the issuance and sale of \$12,365,000 City of Norwich, Connecticut General Obligation Bonds, Issue of 2014, Series A, Capital Project Bonds, bearing a Dated Date of February 12, 2014 and an Original Issue Date of February 12, 2014 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the City dated February 12, 2014 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are subject to redemption prior to maturity as therein provided. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the City of Norwich payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the City and under existing statutes the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that

interest on the bonds not be included in gross income under Section 103 of the Code. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

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

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

The rights of owners of the bonds and the enforceability of the bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

A T T O R N E Y S A T L A W

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL – Series B

City of Norwich
Norwich, Connecticut

Ladies and Gentlemen:

We have represented the City of Norwich, Connecticut as bond counsel with respect to the issuance and sale of \$5,780,000 City of Norwich, Connecticut General Obligation Bonds, Issue of 2014, Series B, Refunding Bonds, bearing a Dated Date of February 12, 2014 and an Original Issue Date of February 12, 2014 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the City dated February 12, 2014 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are not subject to redemption prior to maturity. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the City of Norwich payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the City and under existing statutes the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that

interest on the bonds not be included in gross income under Section 103 of the Code. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters, and (iii) the material accuracy of the calculations of AMTEC with respect to the yield on the bonds and on certain escrowed securities purchased with the bonds, and net present value savings to the Town as a result of issuance of the bonds.

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

The rights of owners of the bonds and the enforceability of the bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

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APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of February 12, 2014

In Connection With The Issuance And Sale Of

City Of Norwich, Connecticut

\$12,365,000 General Obligation Bonds, Issue of 2014, Series A, Capital Project Bonds

And

\$5,780,000 General Obligation Bonds, Issue of 2014, Series B, Refunding Bonds

Dated February 12, 2014

WHEREAS, the City of Norwich, Connecticut (the "Issuer") has heretofore authorized the issuance of \$12,365,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2014, Series A and \$5,780,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2014, Series B (collectively, the "Bonds") to be dated February 12, 2014 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

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

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

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

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

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

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

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;
- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

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

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;

- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor

shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of February 12, 2014

In Connection With The Issuance And Sale Of

City Of Norwich, Connecticut

\$12,365,000 General Obligation Bonds, Issue of 2014, Series A, Capital Project Bonds

And

\$5,780,000 General Obligation Bonds, Issue of 2014, Series B, Refunding Bonds

Dated February 12, 2014

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

CITY OF NORWICH, CONNECTICUT

By _____
Alan H. Bergren
City Manager

By _____
Joshua A. Pothier
Comptroller

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APPENDIX D – NOTICE OF SALE AND BID FORMS

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NOTICE OF SALE
CITY OF NORWICH, CONNECTICUT

\$18,365,000*
GENERAL OBLIGATION BONDS, ISSUE OF 2014
NOT BANK QUALIFIED

CONSISTING OF

\$12,365,000 SERIES A, CAPITAL PROJECT BONDS

AND

\$6,000,000* SERIES B, REFUNDING BONDS

ELECTRONIC BIDS via **PARITY**[®] **only** will be received by the City of Norwich, Connecticut (the "Issuer"), at the offices of Joseph Fasi LLC, Bond Counsel, 56 Arbor Street, Suite 418, Hartford, Connecticut 06106 on Wednesday, January 29, 2014 for the purchase of:

\$12,365,000 Series A, Capital Project Bonds
(the "Series A Bonds")

And

\$6,000,000* Series B, Refunding Bonds
(the "Series B Bonds")

until 11:00 A.M. (E.S.T.)

(collectively referred to in this Notice of Sale as the "Bonds")

Separate forms of proposal will be provided for the Bonds of each Series. Bidders may submit proposals for either Series of the Bonds, and are not required to submit proposals for each.

Unless otherwise provided provisions regarding the Bonds in this Notice of Sale apply separately to the Series A Bonds and Series B Bonds.

*Preliminary; subject to change.

Series A Bonds

The Series A Bonds will be dated the date of delivery (February 12, 2014 expected), and will mature and become payable on February 1 in each of the years and in the principal amounts as follows:

Year	Amount	Year	Amount
2015	\$655,000	2025	\$595,000
2016	\$655,000	2026	\$595,000
2017	\$650,000	2027	\$595,000
2018	\$650,000	2028	\$595,000
2019	\$650,000	2029	\$595,000
2020	\$645,000	2030	\$595,000
2021	\$645,000	2031	\$595,000
2022	\$625,000	2032	\$595,000
2023	\$620,000	2033	\$595,000
2024	\$620,000	2034	\$595,000

bearing interest payable semi-annually on February 1 and August 1 in each year until maturity, commencing August 1, 2014.

Series B Bonds

The Series B Bonds will be dated the date of delivery (February 12, 2014 expected), and will mature and become payable on September 15 in each of the years as follows and in the principal amounts as follows:

Year	Amount*	Year	Amount
2014	\$1,470,000	2017	\$855,000
2015	\$1,465,000	2018	\$750,000
2016	\$920,000	2019	\$540,000

bearing interest payable semi-annually on March 15 and September 15 in each year until maturity, commencing September 15, 2014.

See “Adjustment of Principal Amount of Series B Bonds”, herein.

Redemption – Series A Bonds

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

*Preliminary; subject to change.

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	February 1, 2024 and thereafter	100%

Redemption – Series B Bonds

The Series B Bonds are not subject to redemption prior to maturity.

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidders, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals

A separate proposal must be submitted for the purchase of the Bonds of each Series and proposals for purchase of Bonds of each Series must be in the form of proposal attached hereto. Bidders may submit proposals for Series A, Series B, or both Series. Each bid must be for the entire \$12,365,000 of bonds of Series A or the entire \$6,000,000* of bonds of Series B, must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids for a Series are rejected the Bonds for each Series will be awarded to the bidder offering to purchase them at the lowest true interest cost, determined following the adjustments of principal as described herein.

For the purposes of determining the successful bidder of each Series, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to February 12, 2014, the

*Preliminary; subject to change.

date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to February 12, 2014, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Right to Change Timing and Terms of Sale

The right to amend this Notice of Sale at any time prior to the date and time for receipt of bids by publishing the amendments on the **PARITY**[®] website, is reserved. The Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**[®] until 11:00 A.M. (E.S.T.) for the Series A and Series B Bonds on Wednesday, January 29, 2014. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**[®] is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY**[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**[®], or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**[®], the use of **PARITY**[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of **PARITY**[®] prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY**[®] for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor **PARITY**[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY**[®] shall be responsible for a bidder's failure to make a bid or for the proper

operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**[®]. The Issuer is using **PARITY**[®] as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY**[®] to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**[®] are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY**[®] at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY**[®], this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY**[®] shall constitute the official time.

Adjustment of Principal Amount of Series B Bonds

After the receipt of bids, on the date of the sale, and without the consent of the bidder, the Issuer reserves the right to adjust the aggregate principal amount of the Series B Bonds and to increase or decrease the principal amount of individual maturities of the Series B Bonds and the final purchase price of such series, even if the aggregate principal amount of the series is unchanged. The adjustment will accommodate the requirements of the refunding sizing, escrow and financing costs of issuance. Bidders will be required to provide coupon, yield and pricing information, if requested, for purposes of determining the adjustment. The adjustment will not exceed 10% of the principal amount bid for the Series B Bonds.

The adjustments are at the sole discretion of the Issuer and a bidder may not withdraw its bid for Bonds as a result of any changes made.

Legal Opinion

The opinion of Joseph Fasi LLC, Bond Counsel, will be provided without charge and will cover the following matters: (i) the Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts; there was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses; (ii) under existing statutes and court decisions interest on the **Bonds** (a) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as

defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations under the Code; (iii) under existing statutes, the interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement, and with respect to the Series B Bonds, will rely upon the material accuracy of the calculations of AMTEC with respect to the yield on the Series B Bonds and escrowed securities and the calculation of net present value savings. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

The Bonds **shall NOT** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE FIRST PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

Documents and Delivery

The Bonds will be certified by U.S. Bank National Association. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The Bonds will be delivered to DTC or its Agent via “Fast” on or about February 12, 2014. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, including its requirement for separate CUSIPS

for Series A and Series B Bonds, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on January 29, 2014. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated January 21, 2014, may be obtained from William Blair & Company, L.L.C., 222 West Adams Street, Chicago, Illinois 60606, (312) 364-8292. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 15 copies of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

The Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Alan H. Bergren
City Manager

Joshua A. Pothier
Comptroller

January 21, 2014

(See attached for form of Proposal for Bonds)

PROPOSAL FOR BONDS

\$12,365,000 **SERIES A**, CAPITAL PROJECT BONDS

January 29, 2014

Alan H. Bergren, City Manager
 Joshua A. Pothier, Comptroller
 City of Norwich
 c/o offices of Joseph Fasi LLC, Bond Counsel
 56 Arbor Street, Suite 418
 Hartford, Connecticut 06106

Gentlemen:

Subject to the provisions of the Notice of Sale dated January 21, 2014, which Notice is made a part of this proposal, we offer to purchase all \$12,365,000 bonds of the City of Norwich, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2015	\$655,000	_____ %	2025	\$595,000	_____ %
2016	\$655,000	_____ %	2026	\$595,000	_____ %
2017	\$650,000	_____ %	2027	\$595,000	_____ %
2018	\$650,000	_____ %	2028	\$595,000	_____ %
2019	\$650,000	_____ %	2029	\$595,000	_____ %
2020	\$645,000	_____ %	2030	\$595,000	_____ %
2021	\$645,000	_____ %	2031	\$595,000	_____ %
2022	\$625,000	_____ %	2032	\$595,000	_____ %
2023	\$620,000	_____ %	2033	\$595,000	_____ %
2024	\$620,000	_____ %	2034	\$595,000	_____ %

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$12,365,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

PROPOSAL FOR BONDS

\$6,000,000* **SERIES B**, REFUNDING BONDS

January 29, 2014

Alan H. Bergren, City Manager
 Joshua A. Pothier, Comptroller
 City of Norwich
 c/o offices of Joseph Fasi LLC, Bond Counsel
 56 Arbor Street, Suite 418
 Hartford, Connecticut 06106

Gentlemen:

Subject to the provisions of the Notice of Sale dated January 21, 2014, which Notice is made a part of this proposal, we offer to purchase all \$6,000,000* bonds of the City of Norwich, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2014	\$1,470,000	_____ %	2017	\$855,000	_____ %
2015	\$1,465,000	_____ %	2018	\$750,000	_____ %
2016	\$920,000	_____ %	2019	\$540,000	_____ %

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$6,000,000* bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

*Preliminary; subject to change.