

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



**FISCAL YEAR ENDED JUNE 30, 2004
DEPARTMENT OF FINANCE
UNION SQUARE
NORWICH, CONNECTICUT**

CITY OF NORWICH, CONNECTICUT

**Comprehensive
Annual Financial Report**

for

The Fiscal Year Ended

June 30, 2004

Prepared by:

City of Norwich Finance Department

**Joseph A. Ruffo, CPA
Comptroller**

**joshua a. pothier
Deputy Comptroller**

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Introductory Section



CITY OF NORWICH

CONNECTICUT

JOSEPH A. RUFFO, C.P.A.
COMPTROLLER

December 23, 2004

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

Connecticut State Statutes require that all general purpose local governments publish within six months of the close of each fiscal year, unless a extension is requested, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Norwich, Connecticut (the “City”) for the fiscal year ended June 30, 2004.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Norwich, Connecticut for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Norwich, Connecticut’s financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of broader state and federally mandated "Single Audits" designed to meet the special needs of federal and state grantor agencies. The standards governing the Federal and State Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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 twenty-sixth 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 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 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, culture, public improvements, planning, zoning, water, gas, electric, sewer and general administrative services.

Factors Affecting Financial Condition

The City aggressively pursues economic and physical stabilization and revitalization. After many years of stagnant population trends, Norwich has recently seen a 5.2% increase in population from 2000 to 2003 (Source: CERC Town Profile 2004). While Norwich remains a depressed community (31st out of the 169 Connecticut municipalities in unemployment and 153rd in per capita income. Source: State of CT Municipal Fiscal Indicators), the City has maintained the quality of services to its citizens, and has consistently increased the general fund balance while having one of the lowest per capita tax burdens in the State at \$1,122 for fiscal year 2004. Through the City Redevelopment Plan and other initiatives, 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 several projects which will improve both the tax base and quality of life in Norwich.

Major Initiatives:

Downtown Activities

Hollyhock Island Transportation Center Construction, slated to begin in 2005 and located between the Rt. 82 (West Main Street) bridges, will create a state of the art inter-modal transportation center for the region. The new facility will include 4 modes of transportation, car, bus, rail and water, and serve as the interconnection point for travel throughout the region. CONN DOT, the City of Norwich and NCDC will monitor and manage the completion of the project with grants from the city, state and federal governments. Funding available for the project exceeds \$13 million.

The Norwich Heritage Discovery Center renovation not only saved two historic buildings, but created beautiful space in its buildings located on Main and Water Streets. The NHDC has on board an executive director to coordinate fundraising and tenant fit-out. New tenants include Merle Norman Cosmetics and Patty's Corner Gift Shop along with the Jay Kenyon Salon. Comprehensive Financial Planning & Wealth Management Services LLC and the NCDC also have offices in the renovated buildings. Subway Sandwich Shop opened during 2004, leaving an additional 2,000 square feet available for other tenant fit-out. Funding for the project included a \$1 million grant from the State DECD, and \$800,000 from the City of Norwich.

The Arts. Downtown Norwich is continuing to expand its role as the Arts and Entertainment Center for the region. The Spirit of Broadway and The Donald L. Oat Theatre are providing excellent and professional productions to the community. The theatres are the impetus and catalyst for continued downtown revitalization and community involvement in the arts throughout the region. Both theatres enjoy consistent attendance at their productions and gallery openings. Norwich Arts Council gallery continues to offer art openings and sales and ArtSpace a residential studio space for artists also offering openings and sales of artwork.

Rose City Renaissance – a Connecticut Main Street program. The City officially became a designated Main Street City in November. The Main Street Program began in 1980 as an initiative of the National Trust for Historic Preservation. An all volunteer committee worked for over two years to establish, fund raise, and hire an executive director who will coordinate efforts to create a viable downtown for employees and residents to work, shop, eat, and play. Rick Kramer was hired as Executive Director and will work with a board of directors and four

committees dedicated to furthering economic development efforts, a direct result, which will be, improved marketing and revitalization of Norwich's historic downtown. \$100,000 per year was raised to support the program in its first four years. Its office is located in the Spirit of Broadway Theatre, 24 Chestnut Street.

New Businesses and Housing. Small businesses and entrepreneurs are locating downtown to provide services for the arts industry and a growing residential population, including Candlelight Rose, a ceramics shop offering classes and ceramic gift sales. Agaake Salat Art Works Gallery located above Candlelight Rose offers art exhibitions and sales. Xin Ge Ge Jewelry, Deco Drive and the International Market have all opened up along Main Street. Athena Trading, a shop that manufactures and mail orders domestics, will soon open a retail section next door to the Norwich Heritage Discovery Center.

This resurgence in retail will continue to stimulate the desire for residential housing downtown. A renovation renaissance of upper levels in previously unoccupied buildings and is attracting developers planning rehabs and condo conversions for upper level income residents.

Wauregan Hotel project. This project is underway for renovations that will result in 70 apartments. Becker and Becker Associates remain preferred developer and have a development agreement with the City to restore the historic Wauregan Hotel structure and create affordable housing units with mixed-use commercial/retail on the ground floor. This \$16 million project is funded through a combination of public and private funds, including certain historic tax credits. The City will provide \$250,000 in transferring the property, and will commit an additional \$550,000 to the project.

Otis Library expansion. An important community resource is the 150-year-old Otis Library located at 261 Main St. Extensive expansion plans are underway to increase the physical space of the Otis but more importantly to allow for expanded programs and services. The expansion will provide another anchor for downtown development, and is a major component of the City's development efforts in the downtown. \$4 million is committed to the project. The City will provide \$800,000.

Industrial Sector Activities

Norwich Business Park. Thirty-nine companies currently occupy the 450-acre Park and are major contributors to the city's Grand List.

- ◆ Consumers' Avenue, The Park's newest road with three sites is currently built out with two new businesses. The Byrnes Agency opened its doors for business in August of 2003 and the Atlantic City Linen Services - New England, a commercial laundry facility contracting to the local casino hotels opened in November with 100 employees. ACLS New England has taken an option on the remaining parcel next door for expansion of their facility.
- ◆ While not technically inside the boundaries of the Park, three new housing developments are in the works and will provide much needed residential units for employees of the Park and throughout the region. The units are comprised mainly of two bedroom rental and condominium units.

Major long-term companies in the Park include Computer Sciences Corporation, also the Park's largest employer with 700 employees. Longwood Engineered Products has a work force of 155. Consumer's Interstate Corporation, a wholesale paper and food distributor whose business has tripled with new contracts with the local casinos, employees 75, and Levine Distributing, another beverage distributor, employees 55 people. Collins & Jewell Company employees 40 people who custom build machines for industrial applications all over the world. Daticon, employing over 300 people from around the region, is a newly constructed legal and medical document storage and retrieval facility. Prime Enterprises, an electrical contractor, is expanding his business to include a new 10,500 building which is quickly being sought out for new build-out. Another parcel at the entrance to the Park is being developed into condo-style business/light industrial spaces, with two of three spaces already having interested parties. Interest in two empty and available buildings in the Park remains strong. The new owner of 24 Stott Avenue recently installed a new roof on the building, is in the process of moving in a new tenant, and has recently expressed interest in one of those buildings.

Waterfront Development. A recent zone change created waterfront property ripe for recreational, residential and commercial development. Preliminary plans are being drawn and funding sources are being explored. The entire rezoned waterfront along the Thames River encompassing property from the Norwich Harbor to the Mohegan Sun Casino in Montville has deep water and rail access and is expected to be the next area for intense development in the City. Shipping Street region, part of the rezoned area, contains nearly 20 acres of waterfront property. Because of its close proximity to the Mohegan Sun Casino, the Shipping Street parcels have attracted the recent interest of several developers.

Housing

Driven by casino expansion, housing needs have escalated in the past couple years with no let up in demand for housing in the foreseeable future. Fortunately, the City of Norwich is positioned to take advantage of this unprecedented demand. Existing infrastructure and zoning can accommodate the residential development growth. In 2003 alone, Norwich approved approximately 1,200 residential units, 50% of those units are complete or under construction. Another 600 units are in the permitting process for construction in 2004.

The anticipated value of this residential construction value to the City is approximately \$246 million and will be added to the City's grand list over the next two years. In addition, another 800 units are being considered by prospective developers generated through adaptive reuse of a number of historic mill properties. One of these large historic mill complexes, in the Taftville section of Norwich, has a new owner with plans for conversion to residential units in 2004.

Budgetary Control

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund and one special revenue fund are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an

encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year end. Encumbered amounts at year-end are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

It is the policy of the City to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all statutes governing the investment of funds. Idle cash during the year was invested in temporary, legally permitted investments on a short-term basis.

Pension Administrator

The City administers a single employer public employee retirement system (PERS). In addition, Board of Education teachers are fully covered by the noncontributory State Teachers' Retirement System. The City of Norwich PERS completed the year with net assets available at fair value of approximately \$120,012,000.

Risk Management

The City has a comprehensive program for managing all areas of risk, which includes health and life insurance for active and retired employees, workers' compensation, heart and hypertension, property and casualty, general liability, professional liability, and others including theft, performance and surety.

The Internal Service Fund accounts for funds received from the Board of Education and City Government operating funds. The funds are used to pay medical and health claims and provide ancillary service for the administration of the fund and to accumulate reserves, which otherwise would be retained by Blue Cross/Blue Shield.

Award

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, 2003. This was the eleventh 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.

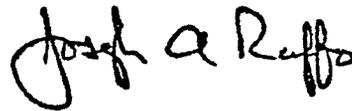
A Certificate of Achievement is valid for a period of one year only. I believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

For fiscal years beginning July 1, 2000 through 2003, the Government Finance Officers Association (“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.

Acknowledgment

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 that reads "Joseph A. Ruffo". The signature is written in a cursive, slightly slanted style.

Joseph A. Ruffo, CPA
Comptroller

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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



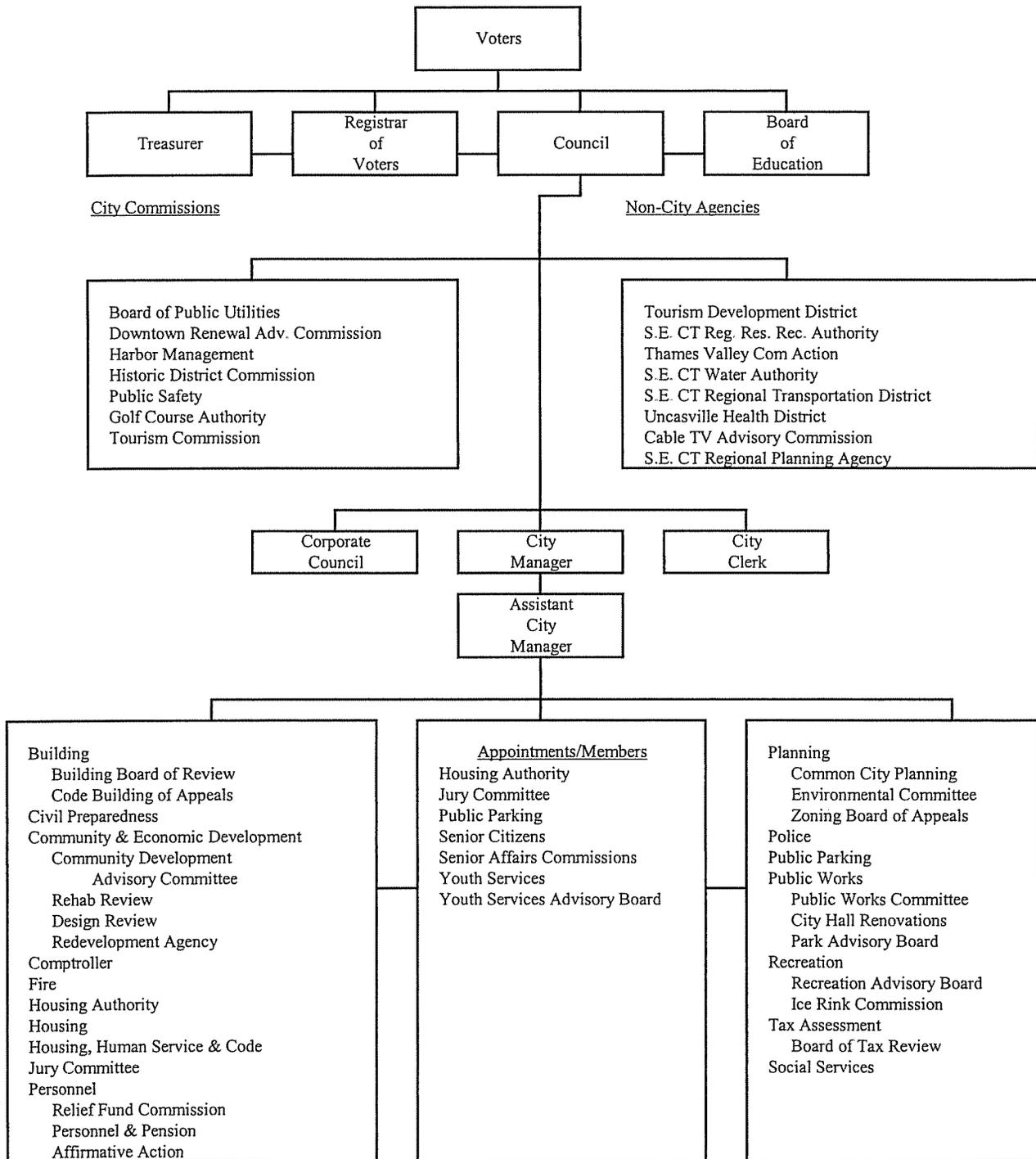
Nancy L. Zielle

President

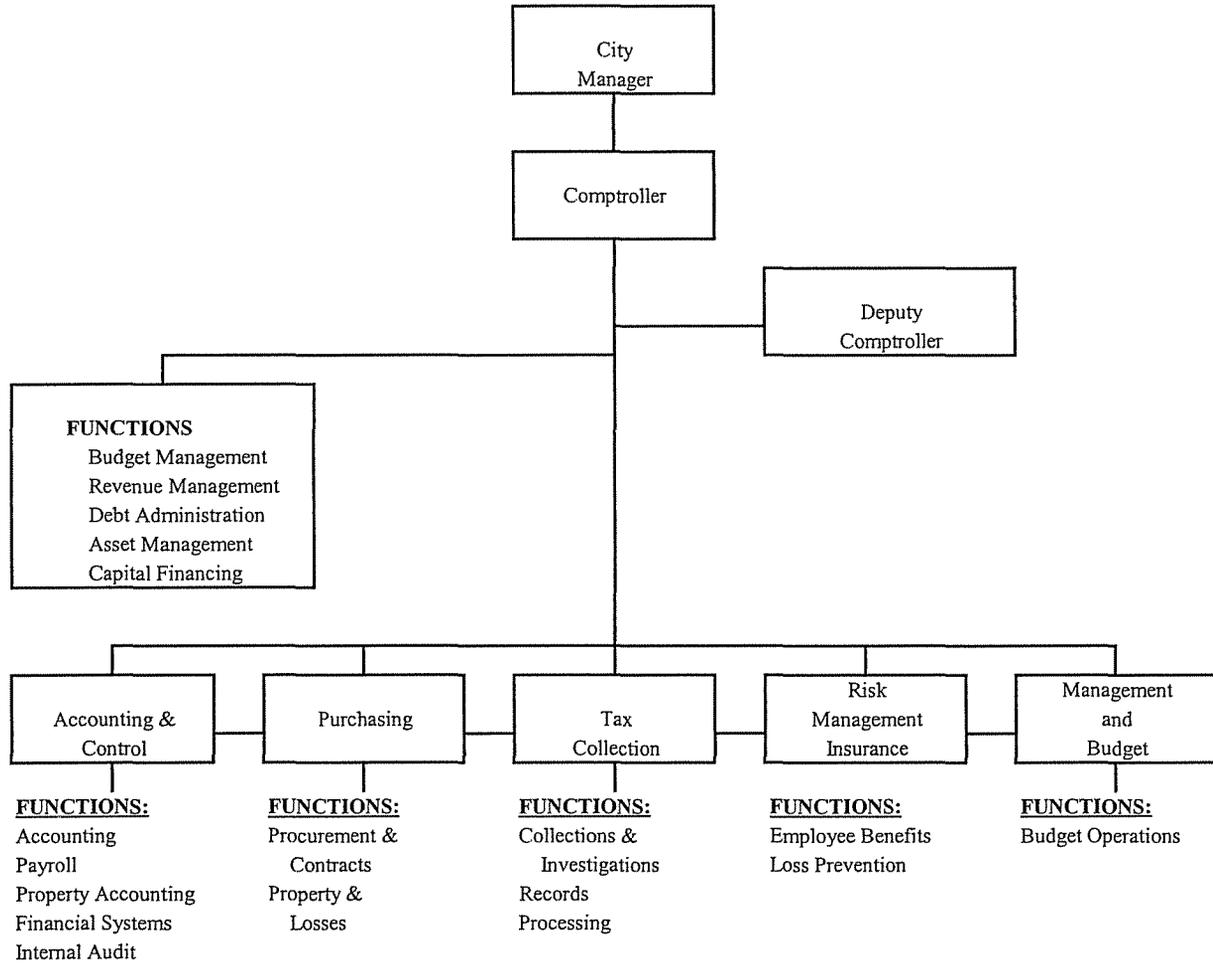
Jeffrey R. Emer

Executive Director

**CITY OF NORWICH, CONNECTICUT
ORGANIZATIONAL CHART OF THE CITY
FOR THE PERIOD ENDING JUNE 30, 2004**



**CITY OF NORWICH, CONNECTICUT
 ORGANIZATIONAL CHART OF THE FINANCE DEPARTMENT
 FOR THE PERIOD ENDING JUNE 30, 2004**



CITY OF NORWICH, CONNECTICUT

PRINCIPAL CITY OFFICIALS

As of June 30, 2004

Mayor.....	Arthur L. Lathrop
City Manager	Richard Podurgiel
Assessor	Charles Glinski
Building Inspector	James Troeger
Chief of Police	Louis Fusaro
City Clerk.....	DeeAnn Brennan
City Planner	Vacant
Community Development.....	Kathryn Crees
Comptroller.....	Joseph A. Ruffo
Deputy Comptroller	joshua a. pothier
Corporation Counsel.....	Mike Driscoll
Emergency Management	Gene Arters
Engineer	William Mansfield
Fire Chief/Fire Marshal	James Walsh
Director of Planning and Neighborhood Services	Peter W. Davis
Health Director	Patrick R. McCormack, MPH
Personnel Director	Thomas Dawkins
Public Utilities Manager	Richard E. DesRoches
Public Works Director	Joseph Loyacano
Purchasing Agent.....	William R. Block
Recreation Director.....	Luis DePina
Senior Affairs Director	Susan Sabrowski
Social Service Director	Beverly Goulet
Superintendent of Schools	Michael Frechette
Tax Collector	Theresa Giovanni
Treasurer	William J. Murray
Volunteer Fire Chiefs	
East Great Plains	Patrick Daly
Laurel Hill	Edward Martin
Occum	Kevin McKeon
Taftville.....	Steven L. Caisse
Yantic	Frank Blanchard
Youth and Family Services.....	Peter Schultheis
Zoning Enforcement Officer.....	Paulette Craig

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Financial Section

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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 (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Norwich, Connecticut's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated October 24, 2004 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund 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 budgetary detail, combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
October 24, 2004

City of Norwich, Connecticut
Management's Discussion and Analysis
June 30, 2004

As management of the City of Norwich, Connecticut (the "City") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal, as well as the City's basic financial statements that follow this section.

Financial Highlights (000's)

- ◆ On a government-wide basis, the assets of the City exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$133,310. Total net assets for Governmental Activities at fiscal year-end were \$43,045 and total net assets for Business-Type Activities were \$90,266. The total unrestricted net asset at June 30, 2004 was \$29,196.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$8,817, from \$124,493 to \$133,310. The net asset increased by \$6,916 for Governmental Activities, and net assets increased by \$1,901 for Business-Type Activities. Governmental activities expenses were \$99.0 million, while revenues were \$105.9 million.
- ◆ At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$16,995, an increase of approximately \$4,105 from the prior fiscal year. Of the total fund balance as of June 30, 2004, \$14,529 is available for spending at the City's discretion and represents the combined unreserved fund balance in the general fund, special revenue funds, capital projects funds and permanent fund.
- ◆ At the end of the current fiscal year, the total fund balance for the general fund alone was approximately \$9.7 million, an increase of \$641 from the prior fiscal year. Included in the fiscal year 2003 budget was an appropriation of \$1.6 million of the unreserved fund balance. As of June 30, 2004, \$9.3 million of the total fund balance is unreserved, representing 10.5% of total general fund expenditures and transfers out.
- ◆ The City's governmental activities' total debt decreased by \$620 during the current fiscal year. The City issued new debt of \$3,120 and refunded \$4,575 of outstanding bonds during fiscal year 2004. The City made all of its scheduled bond payments.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the City is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three kinds of funds:

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

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

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Sewer Assessment Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds for the City include the Dog License Fund, the Town Aid Roads Fund, the School Lunch Program Fund, the Community Development Fund, the Sidewalk Fund, Fire and Refuse Fund, the Special Education Grants Fund, the Adult Education Fund, the Revolving Loan Program Fund, the Parking Commission Fund, the Youth Service Bureau Fund, the State Housing Project Fund, the Grant Operating Fund, the C.O.P.S Grant Fund, the Lead Paint Abatement Fund, the Judd Fund, and the Esther Gilbert Fund. These are all considered Special Revenue Funds. In addition, the Capital Improvement Fund, the Sewer Overflow Fund, the Mohegan Park Development Fund, the Brown Park Fund, the Bond Expenditure Fund, and the 2000 Bond Issue Fund are all considered Capital Projects Funds. Permanent Funds consist of the Various Trusts Fund and the Cemetery Trust Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 68-73 and in the combining statement of revenues, expenditures and changes in fund balances (deficits) on pages 74-78.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures, encumbrances and transfers out and changes in fund balance on a budgetary basis can be found on page 18.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) can be found on pages 15-16 of this report.

Proprietary funds The City maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Golf Course Authority, the Stadium Authority, the Ice Rink Authority, and the Department of Public Utilities. The City uses an Internal Service Fund to account for its self-insurance activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 19-21 of this report, in which the Department of Public Utilities is separately identified as it is considered a major fund. Data from the other enterprise funds are combined into a single, aggregated presentation as Non-major Enterprise Funds. The individual financial statement data is provided on pages 79-81.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City's constituency. The City has four pension trust funds and three agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 22-23, and 84-87 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-62 of this report.

The notes to this report also contain certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis (000's)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the City's assets exceeded its liabilities by \$133,310 at June 30, 2004.

CITY OF NORWICH, CONNECTICUT
NET ASSETS (\$000's)

	June 30, 2004			June 30, 2003		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 36,110	\$ 20,128	\$ 56,238	\$ 29,819	\$ 17,749	\$ 47,568
Non-current	1,610	11,401	13,011	2,043	11,222	13,265
Capital assets	65,293	87,930	153,223	65,762	89,047	154,809
Total Assets	103,013	119,459	222,472	97,624	118,018	215,642
Current liabilities	11,326	9,098	20,424	11,341	9,150	20,491
Long-term liabilities	48,643	20,095	68,738	50,155	20,503	70,658
Total Liabilities	59,969	29,193	89,162	61,496	29,653	91,149
Investment in capital assets, net of related debt	24,967	79,147	104,114	25,716	80,093	105,809
Unrestricted	18,077	11,119	29,196	10,412	8,272	18,684
Total Net Assets	\$ 43,044	\$ 90,266	\$ 133,310	\$ 36,128	\$ 88,365	\$ 124,493

The portion of the City's net assets of \$104,114 reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net of depreciation and any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets of \$29,196 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF NORWICH, CONNECTICUT
Changes in Net Assets (\$000's)

	Year Ended June 30, 2004				Year Ended June 30, 2003			
	Primary Government				Primary Government			
	Govern- mental Activities	Business- Type Activities	Total	Percent of Total	Govern- mental Activities	Business- Type Activities	Total	Percent of Total
Revenues:								
Program Revenues:								
Charge for Services	\$ 11,307	\$ 60,051	\$ 71,358	42.88%	\$ 9,894	\$ 55,938	\$ 65,832	40.68%
Operating Grants and Contributions	36,509	-	36,509	21.94%	35,923	-	35,923	22.20%
Capital Grants and Contributions	4,458	141	4,599	2.76%	2,903	75	2,978	1.84%
General Revenues:								
Property Taxes	48,044	-	48,044	28.87%	46,923	-	46,923	29.00%
Grants Not Restricted to Specific Programs	5,251	-	5,251	3.16%	9,681	-	9,681	5.98%
Unrestricted Investment Earnings	529	138	667	0.40%	354	171	525	0.32%
Transfer and Other	(159)	160	1	0.00%	(39)	-	(39)	-0.02%
Total revenues	105,939	60,490	166,429	100.0%	105,639	56,184	161,823	100.0%
Expenses:								
General government	7,726	-	7,726	4.90%	9,448	-	9,448	6.11%
Education	61,478	-	61,478	39.01%	61,797	-	61,797	39.94%
Public safety	13,032	-	13,032	8.27%	14,109	-	14,109	9.12%
Sanitation	600	-	600	0.38%	601	-	601	0.39%
Social services	1,880	-	1,880	1.19%	2,432	-	2,432	1.57%
Public works	9,671	-	9,671	6.14%	6,151	-	6,151	3.98%
Other	2,688	58,589	61,277	38.88%	2,149	55,807	57,956	37.46%
Interest on long-term debt	1,948	-	1,948	1.24%	2,222	-	2,222	1.44%
Total expenses	99,023	58,589	157,612	100.0%	98,909	55,807	154,716	100.0%
Change in net assets	6,916	1,901	8,817		6,730	377	7,107	
Net Assets, beginning	36,128	88,365	124,493		29,398	87,988	117,386	
Net Assets, ending	\$ 43,044	\$ 90,266	\$ 133,310		\$ 36,128	\$ 88,365	\$ 124,493	

The City's net assets increased by \$8,817 during the fiscal year. The net assets of Governmental Activities increased by \$6,916, primarily due to \$1,780 in new Sewer Assessment Receivables and the General Fund surplus created by increased state revenues and expenditures under budget. The net assets of Business-Type Activities increased by \$1,901, mainly due to the operating profit from the DPU.

Governmental Activities

For Governmental Activities, 49.3% of the revenues were derived from program revenues, followed by 45.4% from property taxes, and 5.3% from unrestricted grants and other.

Major revenue factors included:

- ◆ Property tax revenues recorded during fiscal year 2004 reflect an increase in the collection rates for both current and prior levies and an increase in the mill rates for the current levy.
- ◆ Conveyance tax revenues in the General Fund increased as a result of increased real estate transactions and an increase in the tax rate.

For Governmental Activities, 62.1% of the City's expenditures relates to education, 13.2% relates to public safety, 7.8% to general government, 9.8% to public works, 1.9% to social services, 2.0% to interest on long-term debt, 2.6% to other and 0.6% relates to sanitation.

Major expenditure factors include:

- ◆ Education expenditures in the General Fund increased by 2.7% from \$51.2 million to \$52.6 million.
- ◆ Employee benefit costs rose close to 10% due to rising health insurance costs and workers' compensation costs.
- ◆ Over 20 positions were eliminated from City departments during fiscal year 2004.

Business-Type Activities

Business-Type activities increased the City's net assets by \$1,901,000.

User charges at the four business-type activities remained fairly constant.

Financial Analysis of the Fund Financial Statements

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17.0 million, an increase from \$12.9 million as reported on June 30, 2003. Approximately 85.5% of this total amount constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) \$889,775 for encumbrances; 2) \$20,637 for inventories; 3) \$1,524,236 for donors' intention, and 4) \$31,294 for long-term loans.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9.3 million while the total fund balance reached \$9.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures on a budgetary basis. Unreserved fund balance represents 10.5% of total general fund expenditures, while total fund balance represents 10.9% of that same amount.

As stated earlier, the fund balance of the City's general fund increased by \$641,000 during the current fiscal year. Key factors in this increase are as follows:

- ◆ On the revenue side, the State of Connecticut allowed the City to increase the conveyance tax on real estate transactions. However, interest income fell due to the decline in interest rates.
- ◆ The City spent less money than was budgeted in the following areas: General Government, Public Safety, Social Services, Public Works and Debt Service.

The Sewer Assessment Fund has a total fund balance of \$298,376, an increase of \$272,977 from the prior year as a result of new assessments.

The Other Governmental Funds have a total fund balance of \$6.9 million, up from \$3.8 million in the prior year. The increase is primarily due to the issuance of \$3.1 million of general obligation bonds.

Proprietary funds The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the proprietary fund consisting of the Department of Public Utilities were \$79.2 million, as compared to \$77.1 million in the prior year, and Other Enterprise Funds were \$11.1 million, as compared to \$11.3 million in the prior year.

Unrestricted net assets of the Department of Public Utilities was \$11 million, and \$116,000 for Other Enterprise Funds. The Department of Public Utilities had operating revenues of \$57.8 million from user fees, and Other Enterprise Funds had \$2.2 million. There was a total net gain for the Department of Public Utilities of \$2,099,101 after capital contributions of \$140,536, and a total net loss for Other Enterprise Funds of \$198,152. The total change in net assets for the fiscal year ended June 30, 2004 was \$1,900,949.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$851,335. The additional appropriation approved during the year increased the Board of Education's budget as a result of an unexpected increase in state revenues.

During the year, actual revenues and other financing sources on a budgetary basis were \$87.7 million, which exceeded budgetary estimates by \$1.3. Actual tax revenues were less than budget by \$374,000. Actual intergovernmental revenue was \$1,303,000 over budgetary estimates primarily due to increased education grants from the State of Connecticut. Actual fees, permits and licenses were \$421,000 over budget due to more activity than expected in recording fees,

conveyance taxes and other fees. Interest income was \$63,000 under budget due to lower than expected interest rates.

The following departments had expenditures in excess of the budgeted amounts:

- ◆ Other – The Other non-departmental portion of the budget was overspent by \$39,000. Pursuant to the Norwich Code of Ordinances, the General Fund is to collect the City portion of the conveyance taxes allowed by Connecticut General Statutes. It is then supposed to remit \$1.10/\$1,000 of the taxable value of the conveyance to the Mohegan Park/Arts & Recreation Fund. For fiscal year 2004, more than twice the budgeted amount of conveyance taxes were collected. As a result \$183,000 was paid out of the Other non-departmental portion of the budget to the Mohegan Park/Arts & Recreation Fund instead of the budgeted amount of \$90,000.

Actual expenditures on a budgetary basis and other financing uses totaled \$87.4 million, which were less than actual revenues and other financing sources on a budgetary basis by \$608,000.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amount to \$153.2 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$1.6 million or 1.02%.

CITY OF NORWICH, CONNECTICUT CAPITAL ASSETS (net of depreciation)

	June 30, 2004			June 30, 2003		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 22,621,206	\$ 2,669,693	\$ 25,290,899	\$ 22,621,206	\$ 2,669,693	\$ 25,290,899
Buildings and Improvements	13,816,063	11,077,336	24,893,399	13,550,013	12,280,331	25,830,344
Infrastructure	15,068,675	-	15,068,675	14,444,099	-	14,444,099
Machinery and Equipment	4,148,084	58,094,666	62,242,750	4,771,536	59,471,580	64,243,116
Construction in Progress	9,638,736	16,088,214	25,726,950	10,374,853	14,625,844	25,000,697
Total	<u>\$ 65,292,764</u>	<u>\$ 87,929,909</u>	<u>\$ 153,222,673</u>	<u>\$ 65,761,707</u>	<u>\$ 89,047,448</u>	<u>\$ 154,809,155</u>

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

- ◆ Addition of a regional special education facility - \$680,000 spent during fiscal year 2004.
- ◆ Placed in service an all-terrain brush truck worth \$150,000.
- ◆ Improvements to the City's roads.

Additional information on the City of Norwich's capital assets can be found in Note 7 on pages 39-41 of this report.

**CITY OF NORWICH, CONNECTICUT
OUTSTANDING DEBT
LONG-TERM DEBT BONDS**

	June 30, 2004			June 30, 2003		
	Government Activities	Business-Type Activities	Total	Government Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 40,325,000	\$ 555,000	\$ 40,880,000	\$ 40,945,000	\$ 630,000	\$ 41,575,000
Notes Payable	-	6,619,256	6,619,256	-	7,018,974	7,018,974
Totals	\$ 40,325,000	\$ 7,174,256	\$ 47,499,256	\$ 40,945,000	\$ 7,648,974	\$ 48,593,974

Long-term debt. At the end of the current fiscal year, the City had total bonds and notes outstanding of \$47.5 million. 100% of this debt is backed by the full faith and credit of the City. The City's total debt decreased by approximately \$1.1 million during fiscal 2004.

The last bond rating for an uninsured issue was for the General Obligation Bond Issue of 2002 for various purposes, totaling \$6,020,000. The Bonds were rated A¹ and AA- by Moody's Investor Service and Fitch, Inc., respectively. The Bonds issued during 2004 were insured by Financial Security Assurance, Inc. and Ambac Assurance Corporation.

The overall statutory debt limit for the City is equal to seven times annual receipts from taxation or \$329,432,726. As of June 30, 2004, the City recorded long-term debt of \$40.3 million related to Governmental Activities and \$7.1 million related to Business-Type Activities, well below its statutory debt limit.

Additional information on the City of Norwich's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The City is showing signs of recovery, but still has its hurdles to overcome. As of June 2004, the unemployment rate for the Norwich Labor Market Area was 5.8%, down from 6.0% in the prior year. Connecticut's overall unemployment rate stands at 4.8%, compared with 5.2% for the same time last year. The State of Connecticut continues to reduce funding to the City and other municipalities. This, coupled with unfunded educational mandates and 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, debt reduction and a comprehensive re-zoning plan. The effects of these efforts are exemplified in the initiatives noted in the transmittal letter.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Norwich, Comptroller at 100 Broadway, Norwich, Connecticut 06360.

Basic Financial Statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 22,925,980	\$ 14,908,847	\$ 37,834,827
Investments	1,375,805	-	1,375,805
Receivables, net of allowances for collection losses:			
Property taxes, net	5,888,216	-	5,888,216
Charges receivable, net	-	4,043,596	4,043,596
Accounts receivable, net	430,927	-	430,927
Federal and state governments	3,850,603	-	3,850,603
Other	983,903	253,424	1,237,327
Inventories	20,637	1,557,511	1,578,148
Internal balances	634,715	(634,715)	-
Noncurrent:			
Due from CMEEC	-	10,910,800	10,910,800
Capital assets, not being depreciated	32,259,942	18,757,907	51,017,849
Capital assets, net of accumulated depreciation	33,032,822	69,172,002	102,204,824
Federal and state governments	1,609,892	-	1,609,892
Other assets	-	489,610	489,610
Total assets	103,013,442	119,458,982	222,472,424
Liabilities			
Accounts payable and accrued expenses	6,367,754	4,854,085	11,221,839
Deferred revenue	3,272,861	4,244,861	7,517,722
Accrued interest payable	396,126	-	396,126
Claims incurred but not reported	1,288,938	-	1,288,938
Noncurrent liabilities:			
Due within one year	5,012,000	1,382,979	6,394,979
Due in more than one year	43,631,072	7,800,643	51,431,715
Deferred revenue, rate stabilization	-	10,910,800	10,910,800
Total liabilities	59,968,751	29,193,368	89,162,119
Net Assets			
Investment in capital assets, net of related debt	24,967,764	79,146,387	104,114,151
Unrestricted	18,076,927	11,119,227	29,196,154
Total net assets	\$ 43,044,691	\$ 90,265,614	\$ 133,310,305

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

* After internal receivables and payables have been eliminated.

CITY OF NORWICH, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ (7,726,465)	\$ 5,892,440	\$ -	\$ 1,221,952	\$ (612,073)	\$ -	\$ (612,073)
Education	(61,477,881)	899,539	35,780,996	1,181,838	(23,615,508)	-	(23,615,508)
Public Safety	(13,032,215)	156,187	646,796	-	(12,229,232)	-	(12,229,232)
Sanitation	(599,911)	1,200,080	-	-	600,169	-	600,169
Social Services	(1,879,554)	31,710	81,031	-	(1,766,813)	-	(1,766,813)
Public Works	(9,670,781)	1,665,822	-	1,584,292	(6,420,667)	-	(6,420,667)
Other	(2,688,276)	1,461,060	-	471,078	(756,138)	-	(756,138)
Interest on long-term debt	(1,947,667)	-	-	-	(1,947,667)	-	(1,947,667)
Total governmental activities	(99,022,750)	11,306,838	36,508,823	4,459,160	(46,747,929)	-	(46,747,929)
Business-type activities:							
Department of public utilities-Gas	(13,290,188)	12,911,300	-	-	-	(378,888)	(378,888)
Department of public utilities-Electric	(33,749,971)	36,089,269	-	-	-	2,339,298	2,339,298
Department of public utilities-Water	(4,582,684)	4,854,094	-	-	-	271,410	271,410
Department of public utilities-Sewer	(4,439,346)	4,030,361	-	140,536	-	(268,449)	(268,449)
Golf course authority	(1,226,189)	1,236,916	-	-	-	10,727	10,727
Stadium authority	(269,610)	159,938	-	-	-	(109,672)	(109,672)
Ice rink authority	(1,029,757)	768,650	-	-	-	(261,107)	(261,107)
Total business-type activities	(58,587,745)	60,050,528	-	140,536	-	1,603,319	1,603,319
Total primary government	\$ (157,610,495)	\$ 71,357,366	\$ 36,508,823	\$ 4,599,696	(46,747,929)	1,603,319	(45,144,610)
General revenues:							
Property taxes					48,044,216	-	48,044,216
Grants and contributions not restricted to specific programs					5,251,871		5,251,871
Unrestricted investment earnings					529,705	137,630	667,335
Loss on disposal of assets					(1,482)	-	(1,482)
Transfers					(160,000)	160,000	-
Total general revenues					53,664,310	297,630	53,961,940
Change in net assets					6,916,381	1,900,949	8,817,330
Net assets - beginning					36,128,310	88,364,665	124,492,975
Net assets - ending					\$ 43,044,691	\$ 90,265,614	\$ 133,310,305

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

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General	Sewer Assessment	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 14,500,106	\$ 299,082	\$ 6,985,800	\$ 21,784,988
Investments	-	-	1,375,805	1,375,805
Receivables (net of allowances for collection losses):				
Property taxes	3,474,515	-	602,979	4,077,494
Accounts receivable	366,601	-	-	366,601
State and federal governments	231,555	-	700,224	931,779
Other	9,750	2,843,752	141,941	2,995,443
Inventories	-	-	20,637	20,637
Due from other funds	1,418,191	-	1,322,900	2,741,091
Total assets	\$ 20,000,718	\$ 3,142,834	\$ 11,150,286	\$ 34,293,838
Liabilities				
Accounts payable	\$ 3,032,974	\$ -	\$ 1,124,707	\$ 4,157,681
Accrued wages	2,564,066	-	-	2,564,066
Due to other funds	178,561	706	1,927,109	2,106,376
Deferred revenues	4,508,273	2,843,752	1,118,358	8,470,383
Total liabilities	10,283,874	2,844,458	4,170,174	17,298,506
Fund balances				
Reserved for:				
Encumbrances	414,700	-	475,075	889,775
Inventories	-	-	20,637	20,637
Donors' intention	-	-	1,524,236	1,524,236
Long-term loans	-	-	31,294	31,294
Unreserved, reported in:				
General fund	9,302,144	-	-	9,302,144
Special revenue funds	-	298,376	3,318,394	3,616,770
Capital projects funds	-	-	1,610,476	1,610,476
Total fund balances	9,716,844	298,376	6,980,112	16,995,332
Total liabilities and fund balances	\$ 20,000,718	\$ 3,142,834	\$ 11,150,286	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation of \$44,816,952, purchased in governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the City as a whole.	65,292,764
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,407,633
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 included in governmental activities in the statement of net assets.	729,281
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(43,380,319)

Net assets of governmental activities \$ 43,044,691

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2004

	General	Sewer Assessment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes, interest and liens	\$ 43,313,935	\$ 625,900	\$ 3,875,256	\$ 47,815,091
Intergovernmental	34,357,108	-	11,464,106	45,821,214
State on-behalf payments	1,108,000	-	-	1,108,000
Licenses, permits, fees and other	9,004,056	-	2,036,535	11,040,591
Interest	262,124	80,501	174,421	517,046
Total revenues	88,045,223	706,401	17,550,318	106,301,942
EXPENDITURES				
Current:				
General government	4,588,207	8,424	2,068,799	6,665,430
Education	52,582,177	-	8,189,890	60,772,067
State on-behalf payments	1,108,000	-	-	1,108,000
Public safety	8,295,464	-	4,429,667	12,725,131
Sanitation	-	-	599,911	599,911
Social services	1,863,498	-	1,230,551	3,094,049
Public works	8,577,635	-	-	8,577,635
Other	2,831,612	-	-	2,831,612
Capital outlay	-	-	2,678,962	2,678,962
Debt service:				
Principal	4,180,000	-	-	4,180,000
Interest	1,997,807	-	-	1,997,807
Total expenditures	86,024,400	8,424	19,197,780	105,230,604
Revenues over (under) expenditures	2,020,823	697,977	(1,647,462)	1,071,338
OTHER FINANCING SOURCES (USES)				
Transfers in	1,351,887	-	2,644,740	3,996,627
Transfers (out)	(2,804,740)	(425,000)	(926,887)	(4,156,627)
Refunding bonds issued	4,575,000	-	-	4,575,000
Payment to refunding bond escrow agent	(4,501,733)	-	-	(4,501,733)
General obligation bond issued	-	-	3,120,000	3,120,000
Total other financing sources (uses)	(1,379,586)	(425,000)	4,837,853	3,033,267
Net change in fund balances	641,237	272,977	3,190,391	4,104,605
FUND BALANCES, beginning	9,075,607	25,399	3,789,721	12,890,727
FUND BALANCES, ending	\$ 9,716,844	\$ 298,376	\$ 6,980,112	\$ 16,995,332

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

CITY OF NORWICH, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 4,104,605
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(467,461)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	1,482
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	432,196
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,006,733
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	916,546
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	<u>925,247</u>
Change in net assets of governmental activities	<u>\$ 6,916,381</u>

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES, TRANSFERS
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended June 30, 2004

	General Fund			
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes, interest and lien fees	\$ 43,627,837	\$ 43,627,837	\$ 43,254,101	\$ (373,736)
Intergovernmental	33,108,280	33,054,467	34,357,108	1,302,641
Licenses, permits, fees and other	9,382,655	9,382,655	9,803,235	420,580
Interest	325,000	325,000	262,123	(62,877)
Total revenues	86,443,772	86,389,959	87,676,567	1,286,608
EXPENDITURES				
Current:				
General government	4,767,600	4,767,600	4,597,518	170,082
Education	51,834,655	52,582,177	52,582,177	-
Public safety	9,325,965	9,325,965	9,062,976	262,989
Social services	1,948,607	1,948,607	1,858,437	90,170
Public works	8,784,206	8,784,206	8,761,254	22,952
Other	3,381,639	3,431,639	3,470,313	(38,674)
Capital improvements	800,000	800,000	800,000	-
Debt service	6,401,100	6,401,100	6,301,100	100,000
Total expenditures, encumbrances and transfers out	87,243,772	88,041,294	87,433,775	607,519
Revenues over (under) expenditures	\$ (800,000)	\$ (1,651,335)	242,792	\$ 1,894,127
UNRESERVED FUND BALANCE, beginning			8,770,626	
Net Change in Reserves and Property Taxes			<u>(101,176)</u>	
BUDGETARY FUND BALANCE, ending			<u>\$ 8,912,242</u>	

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental
	Department	Nonmajor	Totals	Internal
	of Public	Enterprise		Service Fund
Utilities	Funds			
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 14,477,129	\$ 431,718	\$ 14,908,847	\$ 1,140,992
Charges receivable, net	4,043,596	-	4,043,596	454,980
Other receivables	231,414	22,010	253,424	-
Inventories	1,508,834	48,677	1,557,511	-
Other current assets	466,256	23,354	489,610	24,514
Total current assets	20,727,229	525,759	21,252,988	1,620,486
CAPITAL ASSETS, NET	76,869,429	11,060,480	87,929,909	-
DUE FROM CMEEC	10,910,800	-	10,910,800	-
Total assets	108,507,458	11,586,239	120,093,697	1,620,486
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of bonds and notes payable	431,444	30,000	461,444	-
Current maturities of capital lease obligations	864,827	1,708	866,535	-
Accounts payable and accrued liabilities	4,785,286	68,799	4,854,085	888,938
Deferred revenue	4,030,098	214,763	4,244,861	-
Due to other funds	509,354	125,361	634,715	2,267
Total current liabilities	10,621,009	440,631	11,061,640	891,205
LONG-TERM LIABILITIES				
Bonds and notes payable	6,657,812	55,000	6,712,812	-
Capital lease obligations	742,831	-	742,831	-
Deferred revenues, rate stabilization	10,910,800	-	10,910,800	-
Claims and judgments	400,000	-	400,000	-
Total long-term liabilities	18,711,443	55,000	18,766,443	-
Total liabilities	29,332,452	495,631	29,828,083	891,205
NET ASSETS				
Invested in capital assets (net of related debt)	68,172,515	10,973,872	79,146,387	-
Unrestricted	11,002,491	116,736	11,119,227	729,281
Total net assets	\$ 79,175,006	\$ 11,090,608	\$ 90,265,614	\$ 729,281

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental
	Department	Nonmajor	Totals	Activities
	of Public	Enterprise		Internal
Utilities	Funds		Service Fund	
OPERATING REVENUES				
Charges for services	\$ 57,885,024	\$ 2,165,504	\$ 60,050,528	\$ 11,544,569
Total operating revenues	57,885,024	2,165,504	60,050,528	11,544,569
OPERATING EXPENSES				
Purchased gas and electricity	28,426,466	-	28,426,466	-
General and administrative	8,013,621	307,165	8,320,786	-
Administrative payment to General Fund	4,432,300	9,000	4,441,300	-
Depreciation	4,269,457	333,223	4,602,680	-
Operations and maintenance	6,278,697	1,782,374	8,061,071	10,631,982
Customer accounts and service	1,625,725	93,794	1,719,519	-
Taxes	2,729,844	-	2,729,844	-
Total operating expenses	55,776,110	2,525,556	58,301,666	10,631,982
Operating income (loss)	2,108,914	(360,052)	1,748,862	912,587
NONOPERATING INCOME (EXPENSE)				
Interest income	135,730	1,900	137,630	12,659
Interest (expense)	(286,079)	-	(286,079)	-
Total nonoperating income (expense)	(150,349)	1,900	(148,449)	12,659
Income (loss) before capital contributions and transfers	1,958,565	(358,152)	1,600,413	925,246
Capital contributions	140,536	-	140,536	-
Transfers in	-	160,000	160,000	-
Change in net assets	2,099,101	(198,152)	1,900,949	925,246
FUND NET ASSETS, beginning	77,075,905	11,288,760	88,364,665	(195,965)
FUND NET ASSETS, ending	\$ 79,175,006	\$ 11,090,608	\$ 90,265,614	\$ 729,281

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental
	Department	Nonmajor	Totals	Activities
	of Public Utilities	Enterprise Funds		Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 57,735,814	\$ 2,287,584	\$ 60,023,398	\$ 10,818,095
Payments to suppliers	(43,032,341)	(1,610,883)	(44,643,224)	(10,635,837)
Payments to employees	(7,814,937)	(659,414)	(8,474,351)	-
Net cash provided by operating activities	6,888,536	17,287	6,905,823	182,258
Cash Flows From Capital and Related Financing Activities				
Principal payments on debt	(1,036,937)	(44,882)	(1,081,819)	-
Interest paid on debt	(286,079)	-	(286,079)	-
Proceeds from notes payable	409,917	-	409,917	-
Purchase of capital assets	(3,462,069)	(20,778)	(3,482,847)	-
Transfers in	-	160,000	160,000	-
Capital contributions	140,536	-	140,536	-
Net cash used in capital and related financing activities	(4,234,632)	94,340	(4,140,292)	-
Cash Flows From Investing Activities				
Interest received on investments	135,729	1,900	137,629	12,659
Net cash provided by investing activities	135,729	1,900	137,629	12,659
Net increase in cash and cash equivalents	2,789,633	113,527	2,903,160	194,917
Cash and Cash Equivalents				
Beginning	11,687,496	318,191	12,005,687	946,075
Ending	\$ 14,477,129	\$ 431,718	\$ 14,908,847	\$ 1,140,992
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 2,108,914	\$ (360,052)	\$ 1,748,862	\$ 912,587
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	4,269,457	333,223	4,602,680	-
Provision for uncollectible accounts	186,457	-	186,457	-
Changes in assets and liabilities:				
Increase in charges receivable accounts	(28,253)	-	(28,253)	-
(Increase) decrease in other receivables	(29,800)	18,048	(11,752)	(401,960)
(Increase) decrease in inventory	(277,611)	26,831	-	-
(Increase) decrease in other current assets	-	77,201	77,201	(24,514)
Increase (decrease) in due to other funds	200,960	97,467	298,427	(300,000)
Increase (decrease) in accounts payable and accrued expenses	458,412	(183,818)	274,594	(3,855)
Increase in other liabilities	-	8,387	8,387	-
Net cash provided by operating activities	\$ 6,888,536	\$ 17,287	\$ 6,905,823	\$ 182,258

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2004

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 256,551	\$ 52,278
Investments, at fair value		
U.S. government and agency securities	1,011,728	-
Mutual funds	36,726,187	-
Common equities	82,996,301	-
Total investments	<u>120,734,216</u>	<u>-</u>
Other receivables	<u>35,597</u>	<u>-</u>
Total assets	<u>121,026,364</u>	<u>52,278</u>
LIABILITIES		
Accounts payable	213	52,278
Other liabilities	<u>9,014</u>	<u>-</u>
Total liabilities	<u>9,227</u>	<u>52,278</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 121,017,137</u>	<u>\$ -</u>

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

For the Year Ended June 30, 2004

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,353,854
Plan members	2,032,466
Total contributions	<u>3,386,320</u>
Investment Income:	
Interest and dividends	2,572,899
Net appreciation in fair value of investments	14,615,678
Less investment expense	<u>(89,225)</u>
Net investment income	<u>17,099,352</u>
Total additions	<u>20,485,672</u>
Deductions	
Benefits paid	7,284,351
General and administrative	414,496
Total deductions	<u>7,698,847</u>
Net increase	12,786,825
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>108,230,312</u>
End of year	<u><u>\$ 121,017,137</u></u>

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Significant Accounting Policies

Reporting entity

The City of Norwich, Connecticut (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.

The City provides a full range of services including public safety, street maintenance and sanitation, health and human services, public parks and recreation, library, education, culture, public improvement, planning, zoning, water, gas, electric, sewer and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the City.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Separate fund 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.

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. The agency funds are reported using the accrual basis of accounting but do not have a 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 for. 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 are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, landfill post-closure monitoring and claims and judgments, which are recorded only when payment is due (matured).

Property taxes, when levied for, 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. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City, or specifically identified.

The City reports the following major governmental funds.

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

The Sewer Assessment Fund accounts for the collection of benefit assessments, which have been made for various sewer projects.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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.

Additionally, the City reports the following fund types:

Internal service fund accounts for employee health insurance provided to other departments of the City, primarily the Board of Education.

The *pension trust funds* account for the activities of the City's four defined benefit pension plans, which accumulate resources for pension benefit payments to qualified 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Enterprise Funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

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.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property taxes

Property taxes are assessed as of October 1 and are levied for on the following July 1. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year.

Cash equivalents

Cash equivalents are money market accounts and certificates of deposit with original maturities of 90 days or less.

Investments

Investments are stated at fair value, based on quoted market prices.

Inventories

Inventories held for sale are stated at lower of cost or market using the consumption method on the first-in, first-out basis for governmental fund types.

Inventories of supplies are recorded at cost.

Loans receivable

The City records its loans receivable in the Revolving Loan Program special revenue fund as the loan proceeds are advanced, net of an allowance in the government-wide financial statements as other receivables.

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 and the statement of net assets - proprietary fund. Capital assets are defined by the government as assets with an initial,

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased and constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair 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.

Capital assets of the City 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

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

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 but does not vest. 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). If an employee is retiring, limited accumulated unused sick leave is not paid but added to the credited service used to calculate pension benefits. The liability for the remainder of the accrued vacation earned and not due is reported in the government-wide and proprietary fund financial statements.

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 assets. 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 the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

Fund equity and net assets

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

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

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

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

Reserved fund balance - indicates that portion of fund equity which is not available for appropriation or which has been legally segregated for specific purposes.

Unreserved fund balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

Deferred revenue - rate stabilization

If the basic rates provide revenues in excess of the allowed service costs, the excess revenues are deferred. If the basic rate does not provide sufficient revenue to recover the actual allowable service costs, the excess costs are deferred for recovery, through either an increase in rates in the

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

following year or amortization of existing deferred revenues. The deferral of revenues and amortization of deferred revenues is part of an overall rate setting policy approved by the NDPU.

Pension accounting

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Fund/Activities:

The net pension obligation, the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The pension obligation is recorded as a noncurrent liability in the government-wide financial statements.

Funding Policy:

The City makes annual contributions at the discretion of the City Council.

Estimated unbilled utility services

An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$43,380,319 difference are as follows:

Bonds payable	\$ 40,325,000
Deferred charge for issuance costs (to be amortized over life of debt)	(461,357)
Accrued interest payable	396,126
Claims and judgments	1,222,031
Deferred revenue, unrelated to debt	(5,197,522)
Pension liability	873,266
Compensated absences	3,763,690
Landfill	<u>2,459,085</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 43,380,319</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(467,461) difference are as follows:

Capital outlay	\$ 2,069,901
Depreciation expense	<u>(2,537,362)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (467,461)</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,006,733 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 7,695,000
Principal repayments:	
General obligation debt	\$ (4,180,000)
Payments to escrow agent for refunding	<u>(4,501,733)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,006,733</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$916,546 difference are as follows:

Compensated absences	\$ (101,071)
Claims and judgments	761,653
Pension liability	37,389
Landfill post-closure monitoring	126,750
Other	<u>91,825</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 916,546</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 3. Budgets and Budgetary Accounting

The City's general budget policies are as follows:

- A. In October the City Manager, through the Comptroller's Office, distributes budget instructions to department heads.
- B. 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.
- C. 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.
- D. The City Manager and Comptroller compare proposed expenditures to expected revenues and prepare a proposed budget for presentation to the City Council.
- E. 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.
- F. 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.
- G. 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.
- H. The Council meets by the second Monday in May to take initial action on the budget.
- I. A second public hearing is then held regarding the Council's proposed changes, prior to the third Monday in May.
- J. 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.
- K. 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.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

- L. 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.
- M. The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- N. Additional appropriations may be made upon the City Manager's recommendation, provided the Comptroller certifies the availability of a sufficient General Fund surplus. Additional appropriations of \$797,522 were made during the year.
- O. 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.
- P. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

A reconciliation of expenditures and transfers out of the General Fund presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and expenditures, encumbrances and transfers out presented on the budgetary basis is as follows:

Expenditures, encumbrances and transfers out, budgetary basis	\$ 87,433,775
Expenditures not recognized for budget	552,708
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	1,108,000
Net refunding activity	73,267
Encumbrances and continued appropriations June 30, 2003	608,840
June 30, 2004	<u>(947,450)</u>
Expenditures and transfers out, GAAP basis	<u>\$ 88,829,140</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Q. A reconciliation of General Fund revenues and transfers in presented in accordance with GAAP and the amount presented on the budgetary basis, is as follows:

Revenues and transfers in, budgetary basis	\$ 87,676,567
Revenue not recognized for budget	552,708
Property taxes measurable and available, but not received as of:	
June 30, 2003	(330,067)
June 30, 2004	389,902
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	<u>1,108,000</u>
Revenues and transfers in, GAAP basis	<u>\$ 89,397,110</u>

Special revenue funds

The City does not have legally adopted annual budgets for the special revenue funds other than the Fire and Refuse Fund. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are nonlapsing and may comprise more than one fiscal year.

Capital projects funds

Legal authorization for expenditures of the capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 4. Cash and Investments

The following is a summary of cash and cash equivalents at June 30, 2004:

Deposits	\$ 33,718,254
* Pooled Investment Funds	4,389,248
* Tax Exempt Proceeds fund	<u>36,154</u>
Total cash and cash equivalents	<u>\$ 38,143,656</u>

* These amounts are not subject to investment risk categorization since the City does not own identifiable securities, but invests as a shareholder of the investment pool. The fair value of the position in the pool is the same as the value of pool shares.

As of June 30, 2004, the carrying amount of the City's deposits totaled \$33,718,254 with a bank balance of approximately \$36,786,000.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

The insured and collateral status of the year-end bank balance was as follows:

Covered by federal depository insurance or by collateral held by the City's agent in the City's name	\$ 405,000
Uninsured and uncollateralized, except as described below	<u>36,381,000</u>
	<u>\$ 36,786,000</u>

The uninsured and uncollateralized balance is partially protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all qualified public depositories in the amount of 10% to 120% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio. At June 30, 2004, approximately \$3,679,000 of uninsured deposits were collateralized under these statutes. It is unclear whether the collateral required for public deposits would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor.

The level of the City's deposits varies significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were significantly higher than at year-end.

The City's investments as of June 30, 2004 consisted of the following:

Type of Investment	Fair Value	Risk Category
Securities of the U.S. Government and its agencies-Pension	\$ 1,011,728	3
Securities of the U.S. Government and its agencies-Permanent Fund	207,687	3
Corporate Debt – Permanent Fund	211,086	3
Common and Preferred Equities - Pension	82,996,301	3
Common and Preferred Equities – Permanent Fund	781,269	3
Mutual Funds - Pension	36,726,187	*
Mutual Funds – Permanent Fund	175,763	*
	<u>\$ 122,110,021</u>	

* Mutual funds are excluded from this risk classification because specific securities related to the City cannot be identified.

The preceding risk category 3 is defined as uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

State statutes allow the City to invest in obligations of the United States, including its agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service; or in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust provided certain other requirements are also met. The pension and other trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds.

Note 5. Receivables – Fund Basis

Receivables at June 30, 2004, including the applicable allowance for collection losses, are as follows:

	General Fund	Sewer Assessment	Department of Public Utilities	Nonmajor and Other Funds	Totals
Property taxes	\$ 3,974,515	\$ -	\$ -	\$ 602,979	\$ 4,577,494
Accounts receivable	366,601	-	5,595,212	-	5,961,813
Intergovernmental	231,555	-	-	700,224	931,779
Other	9,750	2,843,752	231,414	163,951	3,248,867
Total gross receivables	4,582,421	2,843,752	5,826,626	1,467,154	14,719,953
Allowance for collection losses	500,000	-	1,551,616	-	2,051,616
Total net receivables	\$ 4,082,421	\$ 2,843,752	\$ 4,275,010	\$ 1,467,154	\$ 12,668,337

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From					Totals
	General Fund	Sewer Assessment	Department of Public Utilities	Internal Service Fund	Nonmajor and Other Funds	
Due to:						
General Fund	\$ -	\$ 706	\$ -	\$ -	\$ 1,417,485	\$ 1,418,191
Nonmajor and Other Funds	178,561	-	509,354	2,267	632,718	1,322,900
Total	\$ 178,561	\$ 706	\$ 509,354	\$ 2,267	\$ 2,050,203	\$ 2,741,091

The balances above resulted from the time lag between the dates that payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2004 were as follows:

	Transfers In:			Totals
	General Fund	Nonmajor Governmental	Nonmajor Enterprise	
Transfers out				
General Fund	\$ -	\$ 2,644,740	\$ 160,000	\$ 2,804,740
Nonmajor and Other Funds	926,887	-	-	926,887
Sewer Assessment	425,000	-	-	425,000
Total	\$1,351,887	\$ 2,644,740	\$ 160,000	\$ 4,156,627

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Transfers in to the General Fund represent amounts collected by other funds and due to the General Fund in accordance with budget authorization.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 22,621,206	\$ -	\$ -	\$ 22,621,206
Construction in progress	10,374,853	2,060,089	2,796,206	9,638,736
Total capital assets, not being depreciated	32,996,059	2,060,089	2,796,206	32,259,942
Capital assets, being depreciated:				
Buildings and improvements	28,332,117	800,742	-	29,132,859
Machinery and equipment	17,552,731	384,567	96,323	17,840,975
Infrastructure	29,255,231	1,620,709	-	30,875,940
Total capital assets being depreciated	75,140,079	2,806,018	96,323	77,849,774
Less accumulated depreciation for:				
Buildings and improvements	14,782,104	534,692	-	15,316,796
Machinery and equipment	12,781,195	1,006,537	94,841	13,692,891
Infrastructure/technology improvements	14,811,132	996,133	-	15,807,265
Total accumulated depreciation	42,374,431	2,537,362	94,841	44,816,952
Total capital assets, being depreciated, net	32,765,648	268,656	1,482	33,032,822
Governmental activities capital assets, net	\$ 65,761,707	\$ 2,328,745	\$ 2,797,688	\$ 65,292,764

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

	Beginning Balance	Additions	Disposal/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,669,693	\$ -	\$ -	\$ 2,669,693
Construction in progress	14,625,844	3,323,461	(1,861,091)	16,088,214
Total capital assets, not being depreciated	17,295,537	3,323,461	(1,861,091)	18,757,907
Capital assets, being depreciated:				
Buildings and improvements	33,150,024	-	-	33,150,024
Machinery, equipment and distribution and collection systems	129,759,390	2,015,322	(392,775)	131,381,937
Total capital assets, being depreciated	162,909,414	2,015,322	(392,775)	164,531,961
Less accumulated depreciation for:				
Buildings and improvements	20,869,693	1,356,317	(153,322)	22,072,688
Machinery and equipment	70,287,810	3,246,363	(246,902)	73,287,271
Total accumulated depreciation	91,157,503	4,602,680	(400,224)	95,359,959
Total capital assets, being depreciated, net	71,751,911	(2,587,358)	7,449	69,172,002
Business-type activities capital assets, net	\$ 89,047,448	\$ 736,103	\$ (1,853,642)	\$ 87,929,909

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

Governmental Activities:

General government	\$ 80,988
Education	506,397
Public safety	544,322
Social services	69,738
Public works, including depreciation of general infrastructure assets	1,335,917
Total depreciation expense – governmental activities	\$ 2,537,362

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Business-type activities:

Department of Public Utilities	\$ 4,269,457
Golf Course Authority	62,419
Stadium Authority	108,197
Ice Rink Authority	<u>162,607</u>
Total depreciation expense – business-type activities	<u>\$ 4,602,680</u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 40,945,000	\$ 7,695,000	\$ 8,315,000	\$ 40,325,000	\$ 4,202,000
Total bonds and notes payable	<u>40,945,000</u>	<u>7,695,000</u>	<u>8,315,000</u>	<u>40,325,000</u>	<u>4,202,000</u>
Workers compensation-IBNR	1,983,684	-	761,653	1,222,031	300,000
Landfill post-closure monitoring	2,585,835	-	126,750	2,459,085	300,000
Compensated absences	3,662,619	208,071	107,000	3,763,690	110,000
Net pension obligations	910,655	-	37,389	873,266	100,000
Other	67,000	-	67,000	-	-
Governmental activity long-term liabilities	<u>\$ 50,154,793</u>	<u>\$ 7,903,071</u>	<u>\$ 9,414,792</u>	<u>\$ 48,643,072</u>	<u>\$ 5,012,000</u>
Business-type activities:					
Bonds and notes payable:					
General obligation bonds	\$ 630,000	\$ -	\$ 75,000	\$ 555,000	\$ 462,344
Notes payable	7,018,974	-	399,718	6,619,256	391,444
Total bonds and notes payable	<u>7,648,974</u>	<u>-</u>	<u>474,718</u>	<u>7,174,256</u>	<u>853,788</u>
Capital leases	1,806,550	664,917	830,454	1,641,013	866,535
Claims and judgments	400,000	-	-	400,000	400,000
Business-type activity long-term liabilities	<u>\$ 9,855,524</u>	<u>\$ 664,917</u>	<u>\$ 1,305,172</u>	<u>\$ 9,215,269</u>	<u>\$ 2,120,323</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Compensated absences

The obligation represents the employee (vested and nonvested) compensated absences which is not due, aggregating \$3,763,690 as of June 30, 2004.

Accrued workers compensation claims

An estimated amount for workers compensation, general liability, and litigation claims aggregates \$1,222,000 as of June 30, 2004.

Net pension obligation

Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Governments" requires the City to accrue a net pension obligation. The amount at June 30, 2004 was \$873,266.

Landfill closure and postclosure care cost

The obligation represents an amount for the estimated costs for the closure and postclosure care cost of the City's landfill, estimated to be \$2,459,085 as of June 30, 2004.

Bonded indebtedness

As of June 30, 2004, the outstanding general obligation bonded indebtedness of the City was as follows:

	<u>Outstanding Amount</u>
<i>Governmental Activities</i>	
\$3,000,000 capital improvement bond; issue of September 15, 1992; due serially 9/15/93 to 9/15/07; interest at 4.3% to 5.6% in annual installments of \$200,000	\$ 800,000
\$15,000,000 capital improvement bond; issue of May 1, 1986; due serially 5/1/88 to 5/1/06; in annual installments of \$790,000, interest at 4.5% to 5.0%	1,570,000
\$5,805,000 general obligation bond; issue of November 15, 1997 due serially 5/15/99 to 5/15/06, in annual installments of \$105,000 to \$775,000, interest at 4.5% to 5.0%	215,000

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

	<u>Outstanding Amount</u>
\$7,710,000 general obligation bond, issue of November 1, 1999; due serially 5/1/02 to 5/1/19, in annual installments of \$150,000 to \$1,050,000; interest at 4.5% to 5.7%	2,755,000
\$3,750,000 general obligation bond; issue of February 1, 1996; due serially in various installments scheduled to mature in April 2015, interest at 4.5% to 5.0%	1,880,000
\$23,520,000 general obligation bond, issue of April 5, 2001; due serially in various installments scheduled to mature in April 2020, interest at 4.0 to 5.0%	19,860,000
\$400,000 general obligation bond, issue of April 5, 2001; due serially in various installments scheduled to mature in April 2017, interest at 5.50 to 6.75%	325,000
\$6,020,000 general obligation bond, issue of April 15, 2002; due serially in various installments scheduled to mature in April 2020, interest at 4.0% to 5.0%	5,225,000
\$3,120,000 capital projects bond; issue April 15, 2004; due serially in various installments scheduled to mature in 2015, interest at 2.0% to 3.55%	3,120,000
\$4,575,000 general obligation refunding bond; issue of April 15, 2004; due serially in various installments scheduled to mature in 2019, interest at 2.0% and 4.0%	<u>4,575,000</u>
Amount to be financed and paid through the General Fund	<u>\$ 40,325,000</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

	<u>Outstanding Amount</u>
<i>Business-type Activities</i>	
\$3,409,573 State of Connecticut Clean Water Fund Note due in monthly installments scheduled to mature in October 2016, interest at 2.0%	\$ 2,239,610
\$1,000,000 State of Connecticut Economic Development loan, due serially in various installments scheduled to mature in January 2015; interest at 6.0%	574,026
\$3,750,000 general obligation bond; issue of February 1, 1996; due serially in various installments scheduled to mature in August 2015, interest at 4.5% to 5.0%	470,000
\$5,805,000 general obligation bond; issue of November 15, 1997 due serially 11/15/99 to 11/15/05; interest at 4.5% to 5.0%	85,000
\$1,507,962 State of Connecticut Clean Water Fund Note due in monthly installments scheduled to mature in June 2019, interest at 2%	1,130,972
\$1,011,990 State of Connecticut Clean Water Fund Note due in monthly installments scheduled to mature in December 2021, interest at 2.0%	781,441
\$2,737,000 State of Connecticut Clean Water Fund Note due in monthly installments scheduled to mature in December 2021, interest at 2.77%	1,693,207
\$200,000 State of Connecticut Industrial Park Loan due in one lump sum payment plus accrued interest scheduled to mature in June 2009, interest at 1%.	200,000
	<u>\$ 7,174,256</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

The annual debt service requirements of the governmental activities bonded indebtedness (\$40,325,000) described above is as follows:

	Principal	Interest
2005	\$ 4,202,000	\$ 1,718,233
2006	4,597,000	1,523,731
2007	3,796,000	1,320,808
2008	3,560,000	1,157,873
2009	2,800,000	1,018,540
2010	2,840,000	911,781
2011	2,770,000	803,100
2012	2,675,000	693,904
2013	2,670,000	584,111
2014	2,660,000	469,779
2015	1,605,000	352,891
2016	1,375,000	281,515
2017	1,220,000	221,755
2018	1,145,000	165,172
2019	1,040,000	111,709
2020	840,000	61,875
2021	265,000	19,875
2022	265,000	6,625
	<u>\$ 40,325,000</u>	<u>\$ 11,423,277</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 such reimbursement for the year ended June 30, 2004 was approximately \$499,043. Additional payments aggregating approximately \$1,842,000 are expected to be received through the bonds' maturity dates.

2001 General Obligation Bond - In-Substance Defeasance

In 2001, the City had defeased a bond issue by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. As of June 30, 2004, the amount of defeased debt outstanding but removed from the governmental activities column of the statement of net assets amounted to \$9,620,000.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

2004 General Obligation Bond - In-Substance Defeasance

The City issued \$7,695,000 of general obligation bonds with interest rates ranging from 2% to 4% of which a portion was used to advance refund portions of the outstanding principal amounts of general obligation bonds of the City dated November, 1997 and November 1999 (the "Refunding Bonds.") Of the net proceeds of \$4,608,000 (after payment of \$106,000 in underwriters fees and other costs,) \$4,501,733 was placed in an irrevocable trust fund under an Escrow Agreement between the City and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations.") The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the dates the payments are due.

The City advance refunded the above bonds to reduce total debt service payments over the next 15 years by approximately \$201,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$140,000.

The balance in the escrow was approximately \$4,500,000 million at June 30, 2004. The balance of the defeased bonds was approximately \$4,210,000 at June 30, 2004. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

	Principal	Interest
2005	\$ 462,344	\$ 186,097
2006	491,026	171,521
2007	496,066	156,588
2008	481,471	139,800
2009	692,261	142,623
2010	503,450	114,025
2011	515,060	98,968
2012	527,619	83,434
2013	447,258	67,416
2014	454,705	56,461
2015	457,326	45,459
2016	465,119	34,408
2017	300,590	24,853
2018	236,528	19,052
2019	240,551	13,428
2020	169,381	8,396
2021	172,720	4,066
2022	60,781	491
	<u>\$ 7,174,256</u>	<u>\$ 1,367,086</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Capital lease obligations

Property and equipment carried at approximately \$2,100,000, net of approximately \$250,000 of accumulated depreciation in the Business-type Activities enterprise fund is being acquired under capital lease arrangements.

Future minimum lease payments under capital leases are as follows:

	Enterprise Funds
2005	\$ 925,785
2006	488,654
2007	206,073
2008	43,185
2009	43,185
2010	43,185
	<u>1,750,067</u>
Less amount representing interest	<u>(109,054)</u>
	<u>\$ 1,641,013</u>

Debt limitation

The City's statement of debt limitation under Connecticut General Statutes, Section 7-374(b) as of June 30, 2004 is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2004	
City	\$ 43,025,812
Fire Districts	2,523,115
Refuse	1,472,179
Reimbursement for revenue loss:	
Tax relief for the elderly	<u>40,772</u>
Base	<u>\$ 47,061,818</u>
Debt limit	<u>\$ 329,432,726</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

The Connecticut General Statutes Section 7-374(b) provides that the total authorized debt of a city shall not exceed seven times the base for debt limitation computation, or \$329,432,726 nor shall the total authorized particular purpose debt exceed certain separate limitations.

The City's particular purpose debt limitations are as follows:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 105,889,090	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	211,778,181	-	-	-
3-3/4 times base	-	-	176,481,818	-	-
3-1/4 times base	-	-	-	152,950,908	-
3 times base	-	-	-	-	141,185,454
Total debt limitation	105,889,090	211,778,181	176,481,818	152,950,908	141,185,454
Debt as defined by statute:					
Bonds and notes payable (excluding water \$1,044,026)	28,670,344	11,739,656	6,045,230	-	-
Bond authorized but unissued, issue dates not yet established	3,655,000	-	985,000	-	-
Total indebtedness	32,325,344	11,739,656	7,030,230	-	-
Debt limitation in excess of outstanding and authorized debt	<u>\$ 73,563,746</u>	<u>\$ 200,038,525</u>	<u>\$ 169,451,588</u>	<u>\$ 152,950,908</u>	<u>\$ 141,185,454</u>

Note 9. Commitments and Contingencies

Lawsuits

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.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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 23,000 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 154,000 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.

Connecticut Municipal Electric Energy Cooperative

The City has entered into a "Power Sales Contract for the Supply of Electric Power and Energy Cooperative" (the "Power Contract") with its present electric supplier, Connecticut Municipal Electric Energy Cooperative (CMEEC). Pursuant to the Power Contract, the City has agreed 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.

The Power Contract was amended in 2000-2001 resulting in rate stabilization monies held by CMEEC, which were collected in conjunction with the purchase of energy to stabilize the price of energy, to be apportioned to the individual purchasers of energy (the City). The City has rate stabilization funds held by CMEEC based on the amended Power Contract of approximately

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

\$10,910,800 which is recorded as a non-current asset and a deferred revenue in the Department of Public Utilities at June 30, 2004.

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

In order to facilitate the passage of fish upstream to their spawning grounds, the Department has installed a fish ladder at one of its hydroelectric facilities. The Department acquired this fish ladder through a capital lease arrangement (having a balance at June 30, 2004 of \$603,000) for this project in the amount of \$2,040,000 which has been arranged through the energy cooperative of which the Department is a member. In return, the Department has pledged the electric generating capacity of the dam for the remainder of its useful life.

Lease commitments

The City is committed under various operating leases for real estate, vehicles and office and data processing equipment. Lease expenditures for the year ended June 30, 2004 totaled approximately \$57,828. Future minimum lease payments under these agreements are due as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2005	\$ 52,782
2006	43,976
2007	35,308
2008	17,816
2009	4,446
	<u>\$ 154,328</u>

Note 10. Fund Deficits

No funds had a deficit balance as of June 30, 2004.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 11. Employee Retirement Plans

Employee Pension Plan

Plan Description

The City of Norwich is the administrator of a single employer contributory public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS 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. The firefighters, police and volunteer fire pension trust funds are immaterial; therefore, no actuarial or other information is obtained or disclosed. Stand-alone reports are not available for these plans.

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, non-certified 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. 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 2.1% of average final earnings during the highest three years out of the last ten consecutive year period with a maximum of 35 years or 73.5%. Police who retire at normal retirement (after 20 years of service) receive 48% of average annual pay (highest three years out of last ten 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 25 years of service or age 50 with 20 years of service) receive 2% of average annual pay (highest three years out of last ten consecutive years) for each year for the first 25 years and 56.25% plus 2.75% for each year over 25 years with a maximum benefit of 70% average annual pay. Board of Education employees who retire at age 55 with 25 years of service or age 60 with 10 years of service receive a retirement benefit of 1.67% during the highest three consecutive year period times number of years of service (maximum 35 years or 73.5%). 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 contribution requirements of plan members and the City are established and may be amended by the City legislature. City employees are required to contribute 7.0%, and police and firefighter participants are required to contribute 8.0%. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

The City's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2004 were as follows:

Annual required contribution	\$ 1,049,495
Interest on net pension obligation	72,852
Adjustment to annual required contribution	<u>(85,882)</u>
Annual pension cost	1,036,465
Contributions made	<u>1,073,854</u>
Decrease in net pension obligation	(37,389)
Net pension obligation beginning of year	<u>910,655</u>
Net pension obligation end of year	<u>\$ 873,266</u>

Membership in the Plan consisted of the following at January 1, 2003, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	360
Terminated plan members entitled to, but not yet receiving benefits	4
Active plan members	<u>568</u>
Total	<u>932</u>

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Three-Year 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>
6/30/02	\$ 1,211,889	71.3%	\$ 1,335,799	\$ 863,479
6/30/03	1,206,904	135.2%	910,655	1,632,048
6/30/04	1,036,465	103.6%	873,266	1,073,854

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 1,049,495	102%
2003	1,226,016	133%
2002	1,226,016	70%
2001	934,805	78%
2000	1,712,112	117%
1999	1,630,582	104%

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2004

SCHEDULE OF PLAN NET ASSETS
 June 30, 2004

	City Employees	Firefighters	Police	Volunteer Fire	Totals
ASSETS					
Cash and cash equivalents	\$ 253,826	\$ -	\$ -	\$ 2,725	\$ 256,551
Investments, at fair value					
U.S. government and agency securities	-	-	-	1,011,728	1,011,728
Mutual funds	36,726,187	-	-	-	36,726,187
Common equities	82,996,301	-	-	-	82,996,301
Total investments	119,722,488	-	-	1,011,728	120,734,216
Due from other funds	-	-	-	-	-
Other receivables	35,597	-	-	-	35,597
Total assets	120,011,911	-	-	1,014,453	121,026,364
LIABILITIES					
Due from other funds	-	-	-	9,014	9,014
Accounts payable	213	-	-	-	213
Total liabilities	213	-	-	9,014	9,227
Net Assets Held in Trust for Pension					
Benefits	\$ 120,011,698	\$ -	\$ -	\$ 1,005,439	\$ 121,017,137

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

**SCHEDULE OF CHANGES IN
PLAN NET ASSETS
Year Ended June 30, 2004**

	City Employees	Firefighters	Police	Volunteer Fire	Totals
Additions					
Contributions					
Employer	\$ 1,073,854	\$ 110,000	\$ 50,000	\$ 120,000	\$ 1,353,854
Plan members	2,024,546	-	-	7,920	2,032,466
Transfers (to) from other funds	100,281	(59,351)	(40,930)	-	-
Total contributions	3,198,681	50,649	9,070	127,920	3,386,320
Investment Income					
Interest and dividends	2,499,685	275	173	72,766	2,572,899
Net appreciation in fair value of investments	14,615,678	-	-	-	14,615,678
Less investment expense	(88,910)	(210)	(105)	-	(89,225)
Net investment income (loss)	17,026,453	65	68	72,766	17,099,352
Total additions (reduction)	20,225,134	50,714	9,138	200,686	20,485,672
Deductions					
Benefits paid	7,091,830	52,661	24,678	115,182	7,284,351
General and administrative	411,923	-	-	2,573	414,496
Total deductions	7,503,753	52,661	24,678	117,755	7,698,847
Net increase (decrease)	12,721,381	(1,947)	(15,540)	82,931	12,786,825
Net Assets Held in Trust for Pension Benefits					
Beginning of year	107,290,317	1,947	15,540	922,508	108,230,312
End of year	\$ 120,011,698	\$ -	\$ -	\$ 1,005,439	\$ 121,017,137

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Frozen Actuarial Liability (UFAL)		Funded Ratio	Covered Payroll	UFAL as a Percentage of Covered Payroll
	(a)	(b)	(c)		(a/b)	(d)	(c/d)
1/1/98	\$ 103,259,070	\$ 102,507,093	\$ -	**	100.7%	\$ 21,738,895	N/A
1/1/99	111,925,821	110,114,777	2,750,138		101.6%	23,305,206	11.8%
1/1/00	124,662,745	116,304,221	(8,358,524)	***	107.2%	25,371,520	(32.9)%
1/1/01	131,219,652	123,909,590	(7,310,060)	***	105.9%	25,743,216	(28.4)%
1/1/02	135,923,227	129,364,568	(6,558,659)	***	105.1%	25,718,230	(25.5)%
1/1/03	133,571,347	133,043,245	(528,102)		100.4%	22,616,132	(2.3)%

** Does not equal (a)-(b) because the actuarial cost method used to determine the annual required contribution is the frozen entry age actuarial cost method. Under the frozen entry age actuarial cost method, the Unfunded Actuarial Liability is initially frozen and is adjusted each year for amortization payments and for plan amendments and/or assumption changes. Asset and liability gains or losses are not reflected in the Unfunded Frozen Actuarial Liability.

*** Effective 1/1/00, the unfunded frozen actuarial liability was restated as the difference between the Actuarial Value of Assets and the Entry Age Normal Accrued Liability as of 1/1/00 (but not less than 0), then further adjusted by the additional liability for the retiree cost of living increase.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Additional information as of the latest actuarial valuations follows:

Valuation date	January 1, 2003
Actuarial cost method	Frozen Entry Age
Remaining amortization period	20 years, closed
Asset valuation method	Actuarial Value
Actuarial assumptions:	
Investment rate of return	8.0%*
Projected salary increases	4.0%*
Contribution Rates:	
City	Determined by Valuation
Plan Members	General City, 7%; Police, 8%; Fire, 8%
Turnover Assumption:	Age 20: 5% males, 7.5% females; Age 30: 3.75% males, 5% females; Age 40: 1.5% males, 2.5% females; Age 50: None
Mortality Table:	1994 Uninsured Pensioners Mortality Table Projected to 2013
Retirement Age:	General City: Earlier of age 60 and 10 years of service or age 55 and 25 years of service; Fire: Earlier of age 50 with 20 years service or 25 years of service; Police: 20 years of service
Death Benefits:	Liabilities for police and fire employees are increased by 2.2% to reflect in-service death benefits
Disability:	1.5% of payroll
	Age 20: .029% males, .03% females
	Age 30: .048% males, .08% females
	Age 40: .12% males, .21% females
	Age 50: .36% males; .53% females
Expenses:	5% of normal cost

* Includes inflation rate @ 3.50%.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a multiple contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings to the plan. The City does not and is not legally responsible to contribute to the plan. A participant is eligible to receive a normal retirement benefit upon attaining age sixty and when he or she has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, of which twenty-five are for service in the public schools of Connecticut.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual town basis. The financial statements of the plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$1,108,000, for the year ended June 30, 2004.

Note 12. Other Postemployment Benefits

In accordance with various collective bargaining agreements, the City also provides postretirement health care benefits to some employees who retire from the City. Currently, 121 retirees meet these eligibility requirements. Expenditures for post retirement health care benefits are recognized and funded on a pay-as-you-go basis and approximated \$692,000 for the year ended June 30, 2004.

Note 13. 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.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2004

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 purchases "stop loss" insurance to limit its losses to \$125,000 per person per year for hospitalization with a maximum aggregate for all claims of approximately \$9,567,000 per year.

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

The workers' compensation costs are funded by the General Fund and the Department of Public Utilities Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. 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 years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
Medical:				
2003	1,172,406	9,654,029	9,933,642	892,793
2004	892,793	9,158,236	9,162,091	888,938
Workers' Compensation and General Liability:				
2003	1,018,669	2,948,845	1,783,830	2,183,684
2004	2,183,684	1,042,434	1,606,087	1,622,031

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.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 14. Landfill Closure and Postclosure Care Cost

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 thirty years after closure. The current estimated total cost of the landfill closure and postclosure care of \$2,459,085, is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the landfill as of June 30, 2004. 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. Also, the City is eligible for approximately \$3 million in State grants. The remaining portion will be funded through the issuance of General Obligation Bonds.

Note 15. Related Party Transactions

The Board of Directors of the Norwich Department of Public Utilities' present wholesale electric supplier, Connecticut Municipal Electric Energy Cooperative (CMEEC), consists of two representatives from each of the member cities. The amount of power purchased from the wholesale supplier for the fiscal year ended June 30, 2004 was approximately \$21,300,000.

In addition, the City has entered into one lease obligation with CMEEC in which the current amount outstanding is approximately \$203,000.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- ◆ GASB Statement No. 40, Deposit and Investment Risk Disclosures, issued March 2003, will be effective for the government beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.
- ◆ GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, will be effective for the government beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

- ◆ GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004, will be effective for the City beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

- ◆ GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

**SUPPLEMENTARY AND COMBINING
FUND STATEMENTS AND SCHEDULES**

General Fund

General Fund

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

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF GENERAL FUND REVENUES - BUDGETARY BASIS -
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
TAXES, INTEREST AND LIEN FEES				
Current	\$ 41,371,837	\$ 41,371,837	\$ 41,250,315	\$ (121,522)
Prior levy	1,406,000	1,406,000	1,263,718	(142,282)
Interest and liens	850,000	850,000	740,068	(109,932)
Total taxes, interest and lien fees	43,627,837	43,627,837	43,254,101	(373,736)
INTERGOVERNMENTAL				
State grants in aid - general	5,479,885	5,426,072	5,756,593	330,521
Federal grants in aid - general	13,311	13,311	4,917	(8,394)
State grants in aid - Board of Education	27,615,084	27,615,084	28,595,598	980,514
Total intergovernmental	33,108,280	33,054,467	34,357,108	1,302,641
LICENSES, PERMITS, FEES AND OTHER				
Miscellaneous permits and fees	275,000	275,000	477,046	202,046
Fines and penalties	18,000	18,000	24,445	6,445
Revenue from other city operations	7,241,685	7,241,685	7,301,985	60,300
Charges for current service	817,970	817,970	1,271,861	453,891
Other revenue	390,000	390,000	438,283	48,283
Other revenue - Board of Education	490,000	490,000	157,873	(332,127)
Police	150,000	150,000	131,742	(18,258)
Total licenses, permits, fees and other	9,382,655	9,382,655	9,803,235	420,580
INTEREST				
Interest on investments	310,000	310,000	238,516	(71,484)
Interest - Cemetery Trust Fund	15,000	15,000	23,607	8,607
Total interest	325,000	325,000	262,123	(62,877)
Total	\$ 86,443,772	\$ 86,389,959	\$ 87,676,567	\$ 1,286,608

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND
TRANSFERS OUT - BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
GENERAL GOVERNMENT				
City Manager	\$ 285,855	\$ 285,855	\$ 251,834	\$ 34,021
Finance	894,861	894,861	890,005	4,856
City Treasurer	179,814	179,814	177,708	2,106
Assessment	503,811	503,811	500,242	3,569
Personnel	341,784	341,784	341,780	4
Law	382,000	382,000	382,000	-
City Clerk	319,115	319,115	314,891	4,224
City Council	116,797	116,797	113,886	2,911
Management Information Systems	177,962	177,962	176,909	1,053
Street lighting	447,600	447,600	447,600	-
Election	113,105	113,105	108,416	4,689
Planning & Neighborhood Services	790,383	790,383	788,214	2,169
Economic Development	155,000	155,000	47,404	107,596
Emergency Management	59,513	59,513	56,629	2,884
Total general government	4,767,600	4,767,600	4,597,518	170,082
EDUCATION				
	51,834,655	52,582,177	52,582,177	-
PUBLIC SAFETY				
Police	8,158,411	8,158,411	7,901,723	256,688
Fire - East Great Plain	100,697	100,697	100,697	-
Fire - Laurel Hill	45,664	45,664	45,618	46
Fire - Occum	48,588	48,588	48,426	162
Fire - Taftville	125,008	125,008	122,257	2,751
Fire - Yantic	94,933	94,933	94,861	72
Fire Central	752,664	752,664	749,394	3,270
Total public safety	9,325,965	9,325,965	9,062,976	262,989
SOCIAL SERVICES				
Recreation	584,557	584,557	570,764	13,793
Human Services	497,249	497,249	490,056	7,193
General assistance	220,000	220,000	152,398	67,602
Senior Citizens Center	438,088	438,088	437,379	709
Youth and Family Services	208,713	208,713	207,840	873
Total social services	1,948,607	1,948,607	1,858,437	90,170

(Continued)

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND
 TRANSFERS OUT - BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
PUBLIC WORKS				
Engineering and administration	\$ 557,892	\$ 557,892	\$ 553,687	\$ 4,205
Fleet Maintenance	1,024,244	1,024,244	1,028,589	(4,345)
Solid Waste	2,804,863	2,804,863	2,726,725	78,138
Maintenance and cleaning	2,677,809	2,677,809	2,672,913	4,896
Parks and Cemeteries	770,897	770,897	785,162	(14,265)
Building maintenance	837,254	837,254	882,786	(45,532)
Parking maintenance	111,247	111,247	111,392	(145)
Total public works	8,784,206	8,784,206	8,761,254	22,952
OTHER	3,381,639	3,431,639	3,470,313	(38,674)
DEBT SERVICE				
Principal	4,339,833	4,339,833	4,239,833	100,000
Interest	2,061,267	2,061,267	2,061,267	-
Total debt service	6,401,100	6,401,100	6,301,100	100,000
Capital outlay	800,000	800,000	800,000	-
Total	\$ 87,243,772	\$ 88,041,294	\$ 87,433,775	\$ 607,519

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

Dog License Fund - is used to account for revenue from dog license fees and related expenditures.

Town Aid Roads Fund - is used to account for Connecticut Department of Transportation grants relating to improvement to local roads.

School Lunch Program Fund - is used to account for operations of the school lunch program, including the receipt and expenditure of related federal and state funding.

Community Development Fund - is used to account for U.S. Housing and Urban Development grants relating to the Community Development Block Grants - Entitlement Programs.

Sidewalk Fund - is used to account for property assessments for sidewalks.

Fire and Refuse Fund - is used to account for taxes collected and related expenditures relating to fire and refuse services.

Special Education Grants Fund - is used to account for U.S. Department of Education and Connecticut Department of Education grants as well as local grants relating to education.

Adult Education Fund - is used to account for U.S. Department of Education and Connecticut Department of Education grants as well as local grants relating to education.

Revolving Loan Program Fund - is used to account for loans to small businesses.

Parking Commission Fund - is used to account for the operation and maintenance of the parking system.

Youth Service Bureau - is used to account for grants and local contributions related to the youth service bureau.

State Housing Project Fund - is used to account for a housing program of the Connecticut Department of Housing.

Grant Operating Fund - is used to account for various grants.

C.O.P.S. Grant Fund - is used to account for a public safety grant.

Lead Paint Abatement Fund - is used to account for grants related to the removal and disposal of lead paint.

Judd Fund – is used to account for funds associated with the landscaping of Mohegan Park.

Esther Gilbert Fund – is used to account for funds associated with various recreational projects of the City.

Capital Projects Funds

Capital projects funds are used to account for the acquisition of major capital facilities other than those financed by proprietary funds.

Capital Improvement Fund - is used to account for the miscellaneous construction and renovations projects approved by the City Council not accounted for in other capital project funds.

Sewer Overflow Fund - is used to account for the financial resources used for various sewer projects.

Bond Expenditure Fund - is used to account for financial resources used for the acquisition or renovation of major improvements of facilities funded by various bond issues.

Mohegan Park Development Fund - is used to account for capital improvements at Mohegan Park.

Brown Park Fund - was established to account for funds received from the Elsie Brown Foundation for the maintenance and improvement of Brown Park.

2000 Bond Issue – is used to account for financial resources used for the acquisition or renovations of major improvements of facilities provided by the 2000 Bond Issue.

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 City's programs.

Permanent Funds - utilize the accrual basis of accounting and are used for various purposes. The principal must be maintained intact and invested.

The City's permanent funds are:

Various Trusts
Cemetery Trust

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CITY OF NORWICH, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	Special Revenue			
	Dog License	Town Aid Roads	School Lunch Program	Community Development
ASSETS				
Cash and cash equivalents	\$ 61,928	\$ 148,095	\$ 161,052	\$ 269,113
Investments	-	-	-	-
Property taxes	-	-	-	-
Intergovernmental receivables	-	-	177,127	19,925
Other receivables	2,008	-	-	-
Inventories	-	-	20,637	-
Due from other funds	-	-	-	-
Total assets	\$ 63,936	\$ 148,095	\$ 358,816	\$ 289,038
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 17,190	\$ 1,925	\$ 121,319	\$ 104,511
Deferred revenue	-	-	-	149,511
Due to other funds	2,020	-	-	35,016
Total liabilities	19,210	1,925	121,319	289,038
Fund Balances (Deficits)				
Reserved for encumbrances	-	-	-	-
Reserved for inventories	-	-	20,637	-
Reserved for donors' intention	-	-	-	-
Reserved for long-term loans	-	-	-	-
Unreserved, undesignated	44,726	146,170	216,860	-
Total fund balances	44,726	146,170	237,497	-
Total liabilities and fund balances	\$ 63,936	\$ 148,095	\$ 358,816	\$ 289,038

Special Revenue

Sidewalk	Fire and Refuse	Special Education Grants	Adult Education	Police Drug Grants	Revolving Loan Program	Parking Commission
\$ 118,947	\$ 927,479	\$ 870,944	\$ 78,797	\$ -	\$ 25,077	\$ 86,128
-	-	-	-	-	-	-
-	584,574	-	-	-	-	-
-	1,742	-	-	-	-	-
75,076	-	49,280	2,033	-	31,294	655
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 194,023</u>	<u>\$ 1,513,795</u>	<u>\$ 920,224</u>	<u>\$ 80,830</u>	<u>\$ -</u>	<u>\$ 56,371</u>	<u>\$ 86,783</u>
\$ -	\$ 86,742	\$ 550,737	\$ 2,292	\$ -	\$ -	\$ 9,653
75,076	584,574	278,096	-	-	-	-
-	555,258	91,391	-	-	-	18,058
<u>75,076</u>	<u>1,226,574</u>	<u>920,224</u>	<u>2,292</u>	<u>-</u>	<u>-</u>	<u>27,711</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	31,294	-
118,947	287,221	-	78,538	-	25,077	59,072
<u>118,947</u>	<u>287,221</u>	<u>-</u>	<u>78,538</u>	<u>-</u>	<u>56,371</u>	<u>59,072</u>
<u>\$ 194,023</u>	<u>\$ 1,513,795</u>	<u>\$ 920,224</u>	<u>\$ 80,830</u>	<u>\$ -</u>	<u>\$ 56,371</u>	<u>\$ 86,783</u>

CITY OF NORWICH, CONNECTICUT

COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2004

	Special Revenue			
	Youth Service Bureau	State Housing Project	Grant Operating	C.O.P.S. Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ 14,726	\$ 222,716	\$ 56,611
Investments	-	-	-	-
Property taxes	-	-	-	-
Intergovernmental receivables	-	-	173,172	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Due from other funds	50,219	-	-	-
Total assets	\$ 50,219	\$ 14,726	\$ 395,888	\$ 56,611
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	14,726	12,515	-
Due to other funds	-	-	367,052	4,020
Total liabilities	-	14,726	379,567	4,020
Fund Balances (Deficits)				
Reserved for encumbrances	-	-	-	-
Reserved for inventories	-	-	-	-
Reserved for donors' intention	-	-	-	-
Reserved for long-term loans	-	-	-	-
Unreserved, undesignated	50,219	-	16,321	52,591
Total fund balances	50,219	-	16,321	52,591
Total liabilities and fund balances	\$ 50,219	\$ 14,726	\$ 395,888	\$ 56,611

Special Revenue			Capital Projects		
Lead Paint Abatement	Judd	Esther Gilbert	Capital Improvement	Sewer Overflow	Bond Expenditure
\$ 152,845	\$ 25,021	\$ 25,015	\$ 1,101,526	\$ 1,241	\$ 1,343,644
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	328,258	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,245,692
<u>\$ 152,845</u>	<u>\$ 25,021</u>	<u>\$ 25,015</u>	<u>\$ 1,429,784</u>	<u>\$ 1,241</u>	<u>\$ 2,589,336</u>
\$ -	\$ -	\$ -	\$ 63,021	\$ -	\$ 167,317
3,860	-	-	-	-	-
2,296	-	-	2,178	-	103,081
<u>6,156</u>	<u>-</u>	<u>-</u>	<u>65,199</u>	<u>-</u>	<u>270,398</u>
-	-	-	177,569	-	297,506
-	-	-	-	-	-
-	-	25,015	-	-	-
-	-	-	-	-	-
146,689	25,021	-	1,187,016	1,241	2,021,432
<u>146,689</u>	<u>25,021</u>	<u>25,015</u>	<u>1,364,585</u>	<u>1,241</u>	<u>2,318,938</u>
<u>\$ 152,845</u>	<u>\$ 25,021</u>	<u>\$ 25,015</u>	<u>\$ 1,429,784</u>	<u>\$ 1,241</u>	<u>\$ 2,589,336</u>

(Continued)

CITY OF NORWICH, CONNECTICUT

COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2004

	Capital Projects		
	Mohegan Park Development	Brown Park	2000 Bond Issue
ASSETS			
Cash and cash equivalents	\$ 377,903	\$ 46,837	\$ 746,739
Investments	-	-	-
Property taxes	-	-	-
Intergovernmental receivables	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Due from other funds	26,989	-	-
Total assets	\$ 404,892	\$ 46,837	\$ 746,739
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Due to other funds	-	-	746,739
Total liabilities	-	-	746,739
Fund Balances (Deficits)			
Reserved for encumbrances	-	-	-
Reserved for inventories	-	-	-
Reserved for donors' intention	-	-	-
Reserved for long-term loans	-	-	-
Unreserved, undesignated	404,892	46,837	-
Total fund balances	404,892	46,837	-
Total liabilities and fund balances	\$ 404,892	\$ 46,837	\$ 746,739

Permanent Funds

Various Trusts	Cemetery Trust	Totals
\$ 122,021	\$ 1,395	\$ 6,985,800
-	1,375,805	1,375,805
-	-	584,574
-	-	700,224
-	-	160,346
-	-	20,637
-	-	1,322,900
<u>\$ 122,021</u>	<u>\$ 1,377,200</u>	<u>\$ 11,150,286</u>

\$ -	\$ -	\$ 1,124,707
-	-	1,118,358
-	-	1,927,109
<u>-</u>	<u>-</u>	<u>4,170,174</u>

-	-	475,075
-	-	20,637
122,021	1,377,200	1,524,236
-	-	31,294
-	-	4,928,870
<u>122,021</u>	<u>1,377,200</u>	<u>6,980,112</u>

<u>\$ 122,021</u>	<u>\$ 1,377,200</u>	<u>\$ 11,150,286</u>
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CITY OF NORWICH, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (DEFICITS) NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004**

	Special Revenue			
	Dog License	Town Aid Roads	School Lunch Program	Community Development
REVENUES				
Property taxes, interest and liens	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	103,343	1,037,791	1,221,953
Licenses, permits, fees and other	27,385	-	553,772	-
Interest	570	2,287	657	-
Total revenues	27,955	105,630	1,592,220	1,221,953
EXPENDITURES				
General government	-	155,099	-	-
Education	-	-	1,576,604	-
Public safety	36,235	-	-	-
Sanitation	-	-	-	-
Social services	-	-	-	1,221,953
Capital outlay	-	-	-	-
Total expenditures	36,235	155,099	1,576,604	1,221,953
Revenue over (under) expenditures	(8,280)	(49,469)	15,616	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(8,280)	(49,469)	15,616	-
FUND BALANCES (DEFICITS), beginning	53,006	195,639	221,881	-
FUND BALANCES (DEFICITS), ending	\$ 44,726	\$ 146,170	\$ 237,497	\$ -

Special Revenue						
Sidewalk	Fire and Refuse	Special Education Grants	Adult Education	Police Drug Grants	Revolving Loan Program	Parking Commission
\$ -	\$ 3,875,256	\$ -	\$ -	\$ -	\$ -	\$ -
-	623,767	6,418,545	-	-	-	-
45,915	625,900	-	187,895	-	-	271,149
267	-	-	493	-	2,788	-
46,182	5,124,923	6,418,545	188,388	-	2,788	271,149
-	-	-	-	-	-	157,812
-	-	6,418,545	194,741	-	-	-
-	4,350,438	-	-	13,354	-	-
-	599,911	-	-	-	-	-
-	-	-	-	-	400	-
107,182	-	-	-	-	-	-
107,182	4,950,349	6,418,545	194,741	13,354	400	157,812
(61,000)	174,574	-	(6,353)	(13,354)	2,388	113,337
100,000	576,364	-	-	-	-	-
-	(705,647)	-	-	-	-	(111,240)
-	-	-	-	-	-	-
100,000	(129,283)	-	-	-	-	(111,240)
39,000	45,291	-	(6,353)	(13,354)	2,388	2,097
79,947	241,930	-	84,891	13,354	53,983	56,975
\$ 118,947	\$ 287,221	\$ -	\$ 78,538	\$ -	\$ 56,371	\$ 59,072

(Continued)

CITY OF NORWICH, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (DEFICITS) NONMAJOR GOVERNMENTAL FUNDS, Continued
For the Year Ended June 30, 2004**

	Special Revenue				
	Youth Service Bureau	State Housing Project	Grant Operating	C.O.P.S. Grant	Lead Paint Abatement
REVENUES					
Property taxes, interest and liens	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	270,715	-	743,467	23,029	692,752
Licenses, permits, fees and other	-	-	-	-	-
Interest	-	-	-	178	-
Total revenues	270,715	-	743,467	23,207	692,752
EXPENDITURES					
General government	276,879	-	742,496	-	607,575
Education	-	-	-	-	-
Public safety	-	-	-	29,640	-
Sanitation	-	-	-	-	-
Social services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	276,879	-	742,496	29,640	607,575
Revenue over (under) expenditures	(6,164)	-	971	(6,433)	85,177
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	5,970	-
Transfers (out)	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	5,970	-
Net change in fund balances	(6,164)	-	971	(463)	85,177
FUND BALANCES (DEFICITS), beginning	56,383	-	15,350	53,054	61,512
FUND BALANCES (DEFICITS), ending	\$ 50,219	\$ -	\$ 16,321	\$ 52,591	\$ 146,689

Special Revenue		Capital Projects			
Judd	Esther Gilbert	Capital Improvement	Sewer Overflow	Bond Expenditure	Mohegan Park Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	328,258	-	486	-
-	-	-	-	262,016	750
132	130	-	-	-	3,500
132	130	328,258	-	262,502	4,250
1,596	-	-	-	-	91,249
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,198,174	-	1,373,606	-
1,596	-	1,198,174	-	1,373,606	91,249
(1,464)	130	(869,916)	-	(1,111,104)	(86,999)
-	-	800,000	-	979,268	183,138
-	-	(110,000)	-	-	-
-	-	-	-	3,120,000	-
-	-	690,000	-	4,099,268	183,138
(1,464)	130	(179,916)	-	2,988,164	96,139
26,485	24,885	1,544,501	1,241	(669,226)	308,753
\$ 25,021	\$ 25,015	\$ 1,364,585	\$ 1,241	\$ 2,318,938	\$ 404,892

(Continued)

CITY OF NORWICH, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (DEFICITS) NONMAJOR GOVERNMENTAL FUNDS, Continued**
For the Year Ended June 30, 2004

	Capital Projects		Permanent Funds		Totals
	Brown Park	2000 Bond Issue	Various Trusts	Cemetery Trust	
REVENUES					
Property taxes, interest and liens	\$ -	\$ -	\$ -	\$ -	\$ 3,875,256
Intergovernmental	-	-	-	-	11,464,106
Licenses, permits, fees and other	-	-	61,753	-	2,036,535
Interest	-	-	1,188	162,231	174,421
Total revenues	-	-	62,941	162,231	17,550,318
EXPENDITURES					
General government	-	-	-	36,093	2,068,799
Education	-	-	-	-	8,189,890
Public safety	-	-	-	-	4,429,667
Sanitation	-	-	-	-	599,911
Social services	-	-	8,198	-	1,230,551
Capital outlay	-	-	-	-	2,678,962
Total expenditures	-	-	8,198	36,093	19,197,780
Revenue over (under) expenditures	-	-	54,743	126,138	(1,647,462)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	2,644,740
Transfers (out)	-	-	-	-	(926,887)
Bond proceeds	-	-	-	-	3,120,000
Total other financing sources (uses)	-	-	-	-	4,837,853
Net change in fund balances	-	-	54,743	126,138	3,190,391
FUND BALANCES (DEFICITS), beginning	46,837	-	67,278	1,251,062	3,789,721
FUND BALANCES (DEFICITS), ending	\$ 46,837	\$ -	\$ 122,021	\$ 1,377,200	\$ 6,980,112

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 ASSETS - NONMAJOR ENTERPRISE FUNDS

June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Golf Course Authority	Stadium Authority	Ice Rink Authority	Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 249,085	\$ 168,854	\$ 13,779	\$ 431,718
Other receivables	-	-	22,010	22,010
Inventories	-	-	48,677	48,677
Other current assets	-	23,354	-	23,354
Total current assets	249,085	192,208	84,466	525,759
CAPITAL ASSETS, NET	2,284,604	7,143,715	1,632,161	11,060,480
Total assets	2,533,689	7,335,923	1,716,627	11,586,239
LIABILITIES AND MUNICIPAL EQUITY				
CURRENT LIABILITIES				
Current maturities of bonds payable	30,000	-	-	30,000
Current maturities of capital lease obligations	1,708	-	-	1,708
Accounts payable and accrued liabilities	61,382	520	6,897	68,799
Deferred revenue	214,763	-	-	214,763
Due to other funds	22,229	11,702	91,430	125,361
Total current liabilities	330,082	12,222	98,327	440,631
LONG-TERM LIABILITIES				
Bonds and notes payable	55,000	-	-	55,000
Total liabilities	385,082	12,222	98,327	495,631
NET ASSETS				
Invested in capital assets (net of related debt)	2,197,896	7,143,815	1,632,161	10,973,872
Unrestricted	(49,289)	179,886	(13,861)	116,736
Total net assets	\$ 2,148,607	\$ 7,323,701	\$ 1,618,300	\$ 11,090,608

CITY OF NORWICH, CONNECTICUT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Golf Course Authority	Stadium Authority	Ice Rink Authority	Totals
OPERATING REVENUES				
Charge for services	\$ 1,236,916	\$ 159,938	\$ 768,650	\$ 2,165,504
Total operating revenues	1,236,916	159,938	768,650	2,165,504
OPERATING EXPENSES				
General and administrative	157,092	150,073	-	307,165
Administrative payment to General Fund	9,000	-	-	9,000
Depreciation	62,419	108,197	162,607	333,223
Operations and maintenance	903,884	11,340	867,150	1,782,374
Customer accounts and service	93,794	-	-	93,794
Total operating expenses	1,226,189	269,610	1,029,757	2,525,556
Operating income (loss)	10,727	(109,672)	(261,107)	(360,052)
NONOPERATING REVENUE				
Interest income	1,900	-	-	1,900
Income before transfers in	12,627	(109,672)	(261,107)	(358,152)
Transfers in	-	-	160,000	160,000
Change in net assets	12,627	(109,672)	(101,107)	(198,152)
FUND NET ASSETS, beginning	2,135,980	7,433,373	1,719,407	11,288,760
FUND NET ASSETS, ending	\$ 2,148,607	\$ 7,323,701	\$ 1,618,300	\$ 11,090,608

CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 1,237,478	\$ 263,969	\$ 786,137	\$ 2,287,584
Payments to suppliers	(518,187)	(126,267)	(966,429)	(1,610,883)
Payments to employees	(596,397)	(63,017)	-	(659,414)
Net cash provided by (used in) operating activities	122,894	74,685	(180,292)	17,287
Cash Flows From Capital and Related Financing Activities				
Principal payments on debt	(44,882)	-	-	(44,882)
Purchase of property and equipment	-	(20,778)	-	(20,778)
Net cash used in capital and related financing activities	(44,882)	(20,778)	-	(65,660)
Cash Flows From Investing Activities				
Interest received on investments	1,900	-	-	1,900
Net cash provided by investing activities	1,900	-	-	1,900
Cash Flows From Noncapital Financing Activities				
Transfers in	-	-	160,000	160,000
Net cash provided by noncapital financing activities	-	-	160,000	160,000
Net increase (decrease) in cash and cash equivalents	79,912	53,907	(20,292)	113,527
Cash and Cash Equivalents				
Beginning	169,173	114,947	34,071	318,191
Ending	\$ 249,085	\$ 168,854	\$ 13,779	\$ 431,718
Reconciliation of Operating Income/(Loss) to Net Cash Used in Operating Activities				
Operating income/(loss)	\$ 10,727	\$ (109,672)	\$ (261,107)	\$ (360,052)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:				
Depreciation	62,419	108,197	162,607	333,223
Changes in assets and liabilities:				
Decrease in receivable accounts	561	-	17,487	18,048
Decrease in other current assets	-	77,201	-	77,201
Increase in due to other funds	22,229	11,702	63,536	97,467
(Decrease) increase in accounts payable and accrued expenses	26,958	(12,743)	(189,646)	(175,431)
Decrease in inventory	-	-	26,831	26,831
Net cash provided by (used in) operating activities	\$ 122,894	\$ 74,685	\$ (180,292)	\$ 17,287

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Fiduciary Funds

Fiduciary Funds

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

- i. Pension Trust Funds** - utilize the accrual basis of accounting, and are used for the accumulation of resources to be used for retirement benefits. The City's Pension Trust Funds are listed below:

City Employees Pension Trust
Police Pension Trust

Firefighters Pension Trust
Volunteer Fire Pension Trust

- ii. Agency Funds** - utilize the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and are used to account for senior activities; performance bonds and pass-through grants. The City's Agency Funds are listed below:

Special Senior Center
Bid Deposit
Dangerous Buildings

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CITY OF NORWICH, CONECTICUT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
AND AGENCY FUNDS

June 30, 2004

	Pension Trust Funds				Total Pension Trust Funds
	City Employees	Firefighters	Police	Volunteer Fire	
ASSETS					
Cash and cash equivalents	\$ 253,826	\$ -	\$ -	\$ 2,725	\$ 256,551
Investments, at fair value					
U.S. government and agency securities	-	-	-	1,011,728	1,011,728
Mutual funds	36,726,187	-	-	-	36,726,187
Common equities	82,996,301	-	-	-	82,996,301
Total investments	119,722,488	-	-	1,011,728	120,734,216
Other receivables	35,597	-	-	-	35,597
Total assets	120,011,911	-	-	1,014,453	121,026,364
LIABILITIES					
Due to other funds	-	-	-	9,014	9,014
Accounts payable	213	-	-	-	213
Other liabilities	-	-	-	-	-
	213	-	-	9,014	9,227
Net Assets Held in Trust for Pension					
Benefits and Other Purposes (a schedule of					
funding progress is presented in Note 11)	\$ 120,011,698	\$ -	\$ -	\$ 1,005,439	\$ 121,017,137

Agency Funds			
Special Senior Center	Bid Deposit	Dangerous Buildings	Total Agency Funds
\$ -	\$ 52,278	\$ -	\$ 52,278
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	52,278	-	52,278
-	-	-	-
-	-	-	-
-	52,278	-	52,278
-	52,278	-	52,278
\$ -	\$ -	\$ -	\$ -

CITY OF NORWICH, CONECTICUT

COMBINING STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUNDS

For the Year Ended June 30, 2004

	Pension Trust Funds				
	City Employees	Firefighters	Police	Volunteer Fire	Totals
Additions					
Contributions					
Employer	\$ 1,073,854	\$ 110,000	\$ 50,000	\$ 120,000	\$ 1,353,854
Plan members	2,024,546	-	-	7,920	2,032,466
Transfer (to) from other funds	100,281	(59,351)	(40,930)	-	-
Total contributions	3,198,681	50,649	9,070	127,920	3,386,320
Investment Income					
Interest and dividends	2,499,685	275	173	72,766	2,572,899
Net appreciation in fair value of investments	14,615,678	-	-	-	14,615,678
Less investment expense	(88,910)	(210)	(105)	-	(89,225)
Net investment income	17,026,453	65	68	72,766	17,099,352
Total additions	20,225,134	50,714	9,138	200,686	20,485,672
Deductions					
Benefits paid	7,091,830	52,661	24,678	115,182	7,284,351
General and administrative	411,923	-	-	2,573	414,496
Total deductions	7,503,753	52,661	24,678	117,755	7,698,847
Net increase (decrease)	12,721,381	(1,947)	(15,540)	82,931	12,786,825
Net Assets Held in Trust for Pension Benefits					
Beginning of year	107,290,317	1,947	15,540	922,508	108,230,312
End of year	\$ 120,011,698	\$ -	\$ -	\$ 1,005,439	\$ 121,017,137

CITY OF NORWICH, CONECTICUT

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
SPECIAL SENIOR CENTER				
Assets				
Other receivable	\$ 31,382	\$ -	\$ 31,382	\$ -
Liabilities				
Other liabilities	\$ 31,382	\$ -	\$ 31,382	\$ -
BID DEPOSIT				
Assets				
Cash and cash equivalents	\$ 56,436	\$ -	\$ 4,158	\$ 52,278
Liabilities				
Other liabilities	\$ 56,436	\$ -	\$ 4,158	\$ 52,278
DANGEROUS BUILDINGS				
Assets				
Cash and cash equivalents	\$ 10,104	\$ -	\$ 10,104	\$ -
Liabilities				
Other liabilities	\$ 10,104	\$ -	\$ 10,104	\$ -
Total Assets	\$ 97,922	\$ -	\$ 45,644	\$ 52,278
Total Liabilities	\$ 97,922	\$ -	\$ 45,644	\$ 52,278

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**Capital Assets Used in the Operation
of Governmental Funds**

CITY OF NORWICH, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

June 30, 2004

Governmental funds capital assets:

Land	\$ 22,621,206
Buildings and improvements	29,132,859
Machinery and equipment	17,840,975
Infrastructure	30,875,940
Construction in progress	9,638,736
Total governmental funds capital assets	<u><u>\$ 110,109,716</u></u>

Investments in governmental funds capital assets:

Assets put into service prior to July 1, 2004	<u>\$ 110,109,716</u>
Total governmental funds capital assets	<u><u>\$ 110,109,716</u></u>

CITY OF NORWICH, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY FUNCTION AND ACTIVITY**

June 30, 2004

	Land	Construction in Progress	Buildings and Improvements	Machinery and Equipment	Technology Upgrade and Infrastructure	Total
General Government	\$ 22,289,829	\$ 942,894	\$ 1,324,691	\$ 571,816	\$ 141,546	\$ 25,270,776
Board of Education	238,804	1,509,565	10,693,366	6,189,397	10,866,236	29,497,368
Public Works and Parks	73,464	7,186,277	9,861,148	4,062,464	19,563,620	40,746,973
Senior Center	-	-	1,996,840	199,987	101,658	2,298,485
Parking Garage	-	-	2,352,089	-	-	2,352,089
Public Safety:						
Police	-	-	138,167	1,371,934	171,862	1,681,963
Fire	19,109	-	2,756,558	1,816,282	5,553	4,597,502
Volunteer Fire	-	-	10,000	3,629,095	25,465	3,664,560
	<u>\$ 22,621,206</u>	<u>\$ 9,638,736</u>	<u>\$ 29,132,859</u>	<u>\$ 17,840,975</u>	<u>\$ 30,875,940</u>	<u>\$ 110,109,716</u>

CITY OF NORWICH, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Year Ended June 30, 2004

	Governmental Funds Capital Assets			Transfers/ Reclasses	Governmental Funds Capital Assets
	July 1, 2003	Additions	Deletions		June 30, 2004
General Government	\$ 26,674,066	\$ 72,508	\$ 384,161	\$(1,091,637)	\$ 25,270,776
Board of Education	27,754,727	965,555	50,673	827,759	29,497,368
Public Works and Parks	39,239,239	2,910,145	1,640,709	238,298	40,746,973
Senior Center	2,298,485	-	-	-	2,298,485
Parking Garage	2,352,089	-	-	-	2,352,089
Public Safety:					
Police	1,668,123	157,472	135,246	(8,386)	1,681,963
Fire	4,509,464	279,674	225,602	33,966	4,597,502
Volunteer Fire	3,639,945	24,615	-	-	3,664,560
Total	\$108,136,138	\$ 4,409,969	\$ 2,436,391	\$ -	\$ 110,109,716

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Other Schedules

CITY OF NORWICH, CONNECTICUT

**FIRE AND REFUSE FUND REVENUES
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
TAXES, INTEREST AND LIEN FEES				
Fire	\$ 2,439,454	\$ 2,439,454	\$ 2,299,659	\$ (139,795)
Refuse	1,305,466	1,305,466	1,473,411	167,945
Volunteer fire	220,000	220,000	236,323	16,323
Total taxes, interest and lien fees	3,964,920	3,964,920	4,009,393	44,473
INTERGOVERNMENTAL				
City housing	36,792	36,792	192,713	155,921
In lieu of taxes - fire	305,879	305,879	299,050	(6,829)
Elderly reimbursement	121,279	121,279	121,279	-
Mashantucket Pequot	452,488	452,488	452,488	-
Total intergovernmental	916,438	916,438	1,065,530	149,092
LICENSES, PERMITS, FEES AND OTHER				
Special service	576,364	576,364	576,364	-
Other	-	-	50,000	50,000
Total licenses, permits, fees and other	576,364	576,364	626,364	50,000
Total	\$ 5,457,722	\$ 5,457,722	\$ 5,701,287	\$ 243,565

CITY OF NORWICH, CONNECTICUT

**FIRE AND REFUSE FUND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
PUBLIC SAFETY				
Head of department	\$ 75,097	\$ 75,097	\$ 76,260	\$ (1,163)
Employees	2,506,760	2,506,760	2,490,981	15,779
Clothing allowance	36,500	36,500	52,503	(16,003)
Replacement costs	528,917	528,917	541,430	(12,513)
Training	38,500	38,500	17,052	21,448
Fringe benefits	946,482	946,482	976,384	(29,902)
Other	220,000	220,000	195,828	24,172
Total public safety	4,352,256	4,352,256	4,350,438	1,818
SANITATION	1,305,466	1,305,466	1,305,558	(92)
Total	\$ 5,657,722	\$ 5,657,722	\$ 5,655,996	\$ 1,726

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CITY OF NORWICH, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
GENERAL FUND

For the Year Ended June 30, 2004

Grand List Year	Taxes Receivable July 1, 2003	Current Levy	Lawful Corrections		Abatement
			Additions	Deletions	
2002	\$ -	\$ 43,552,363	\$ 20,494	\$ 736,120	\$ 62,982
2001	1,626,035	-	18,314	120,062	1,287
2000	633,158	-	800	80,600	1,473
1999	389,785	-	1,000	33,552	11,119
1998	260,187	-	-	25,368	(2,586)
1997	264,177	-	62	23,001	93
1996	100,533	-	151	18,114	13
1995	94,978	-	-	16,891	73
1994	81,908	-	963	17,352	-
1993	54,660	-	267	13,302	-
1992	44,020	-	72	12,296	100
1991	33,207	-	143	11,982	582
1990	63,897	-	-	12,823	-
1989	93,489	-	116	8,209	-
1988	120,361	-	-	7,472	-
1987	10,434	-	-	3,525	-
1986	9,991	-	-	-	9,991
	<u>\$ 3,880,820</u>	<u>\$ 43,552,363</u>	<u>\$ 42,382</u>	<u>\$ 1,140,669</u>	<u>\$ 85,127</u>

Balance to be Collected	Collections				Taxes Receivable June 30, 2004
	Taxes	Interest	Fees	Total	
\$ 42,773,755	\$ 41,136,220	\$ 259,131	\$ 1,946	\$ 41,397,297	\$ 1,637,535
1,523,000	858,762	202,499	8,290	1,069,551	664,238
551,885	212,054	84,074	3,060	299,188	339,831
346,114	21,223	51,539	(511)	72,251	324,891
237,405	(10,703)	36,589	(325)	25,561	248,108
241,145	(630)	30,128	(231)	29,267	241,775
82,557	17,012	20,785	447	38,244	65,545
78,014	15,201	20,156	(685)	34,672	62,813
65,519	17,487	16,625	228	34,340	48,032
41,625	6,213	7,909	136	14,258	35,412
31,696	2,108	3,512	32	5,652	29,588
20,786	607	3,031	17	3,655	20,179
51,074	65	363	7	435	51,009
85,396	(146)	681	(169)	366	85,542
112,889	(441)	728	-	287	113,330
6,909	222	626	(60)	788	6,687
-	-	-	-	-	-
<u>\$ 46,249,769</u>	<u>\$ 42,275,254</u>	<u>\$ 738,376</u>	<u>\$ 12,182</u>	<u>\$43,025,812</u>	<u>\$ 3,974,515</u>

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF FIRE DISTRICT TAXES LEVIED, COLLECTED AND OUTSTANDING
FIRE AND REFUSE FUND, SPECIAL REVENUE FUND

For the Year Ended June 30, 2004

Grand List Year	Balance Uncollected July 1, 2003	Current Levy	Lawful Corrections		
			Additions	Deletions	Abatements
2002	\$ -	\$ 2,524,926	\$ 977	\$ 50,565	\$ (11,861)
2001	149,072	-	831	8,083	(240)
2000	63,245	-	112	6,895	106
1999	39,918	-	1	1,853	694
1998	24,742	-	-	1,805	602
1997	27,653	-	-	1,640	1,200
1996	13,099	-	43	1,743	(13)
1995	12,646	-	7	1,191	-
1994	12,455	-	298	1,746	-
1993	9,875	-	2	1,444	-
1992	7,777	-	-	1,514	(100)
1991	5,535	-	-	1,729	248
1990	3,706	-	-	2,027	-
1989	2,116	-	-	1,321	-
1988	5,299	-	-	1,031	-
1987	981	-	-	545	-
1986	936	-	-	-	936
	<u>\$ 379,055</u>	<u>\$ 2,524,926</u>	<u>\$ 2,271</u>	<u>\$ 85,132</u>	<u>\$ (8,428)</u>

Balance to be Collected	Collections				Taxes Receivable June 30, 2004
	Taxes	Interest	Fees	Total	
\$ 2,487,199	\$ 2,343,367	\$ 21,950	\$ 111	\$ 2,365,428	\$ 143,832
142,060	72,812	17,595	758	91,165	69,248
56,356	17,697	7,319	314	25,330	38,659
37,372	6,984	4,981	(84)	11,881	30,388
22,335	(247)	4,362	(154)	3,961	22,582
24,813	2,192	3,362	(213)	5,341	22,621
11,412	2,534	2,280	57	4,871	8,878
11,462	2,154	2,007	(81)	4,080	9,308
11,007	2,422	3,015	36	5,473	8,585
8,433	1,728	1,563	32	3,323	6,705
6,363	481	695	7	1,183	5,882
3,558	264	742	5	1,011	3,294
1,679	(8)	106	2	100	1,687
795	(47)	-	15	(32)	842
4,268	-	-	-	-	4,268
436	-	-	-	-	436
-	-	-	-	-	-
<u>\$ 2,829,548</u>	<u>\$ 2,452,333</u>	<u>\$ 69,977</u>	<u>\$ 805</u>	<u>\$ 2,523,115</u>	<u>\$ 377,215</u>

CITY OF NORWICH, CONNECTICUT

SCHEDULE OF REFUSE TAXES LEVIED, COLLECTED AND OUTSTANDING
 FIRE AND REFUSE FUND, SPECIAL REVENUE FUND

For the Year Ended June 30, 2004

Grand List Year	Balance Uncollected July 1, 2003	Current Levy	Lawful Corrections			Balance to be Collected
			Additions	Deletions	Abatements	
2002	\$ -	\$ 1,293,310	\$ 1,632	\$ 5,529	\$ -	\$ 1,289,413
2001	156,068	-	-	3,629	3,665	148,774
2000	43,945	-	-	682	33	43,230
1999	24,368	-	-	550	155	23,663
1998	17,688	-	-	645	181	16,862
1997	12,322	-	-	645	-	11,677
1996	10,299	-	174	536	-	9,937
1995	9,578	-	1	467	-	9,112
1994	8,558	-	-	481	-	8,077
1993	6,384	-	1	482	-	5,903
1992	4,253	-	1	518	-	3,736
1991	2,763	-	-	-	-	2,763
1990	3,747	-	-	-	-	3,747
1989	2,363	-	-	-	-	2,363
1988	1,259	-	-	-	1	1,258
1987	815	-	-	-	-	815
1986	419	-	-	-	419	-
	<u>\$ 304,829</u>	<u>\$ 1,293,310</u>	<u>\$ 1,809</u>	<u>\$ 14,164</u>	<u>\$ 4,454</u>	<u>\$ 1,581,330</u>

Collections				Taxes Receivable June 30, 2004
Taxes	Interest and Liens	Fees	Total	
\$ 1,188,162	\$ 16,278	\$ 1,658	\$ 1,206,098	\$ 101,251
99,281	15,924	14,995	130,200	49,493
22,868	7,833	3,824	34,525	20,362
10,475	5,993	1,969	18,437	13,188
6,931	5,064	1,236	13,231	9,931
5,272	5,080	912	11,264	6,405
4,704	4,937	697	10,338	5,233
3,778	4,762	452	8,992	5,334
3,871	5,644	384	9,899	4,206
2,916	4,931	312	8,159	2,987
2,119	3,908	192	6,219	1,617
1,574	2,916	-	4,490	1,189
1,796	3,477	20	5,293	1,951
1,228	2,306	24	3,558	1,135
409	501	-	910	849
182	384	-	566	633
-	-	-	-	-
<u>\$ 1,355,566</u>	<u>\$ 89,938</u>	<u>\$ 26,675</u>	<u>\$ 1,472,179</u>	<u>\$ 225,764</u>

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Statistical Section

A. GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE

CITY OF NORWICH, CONNECTICUT

GENERAL FUND REVENUES AND TRANSFERS IN BY SOURCE

Last Ten Fiscal Years

(Thousands)

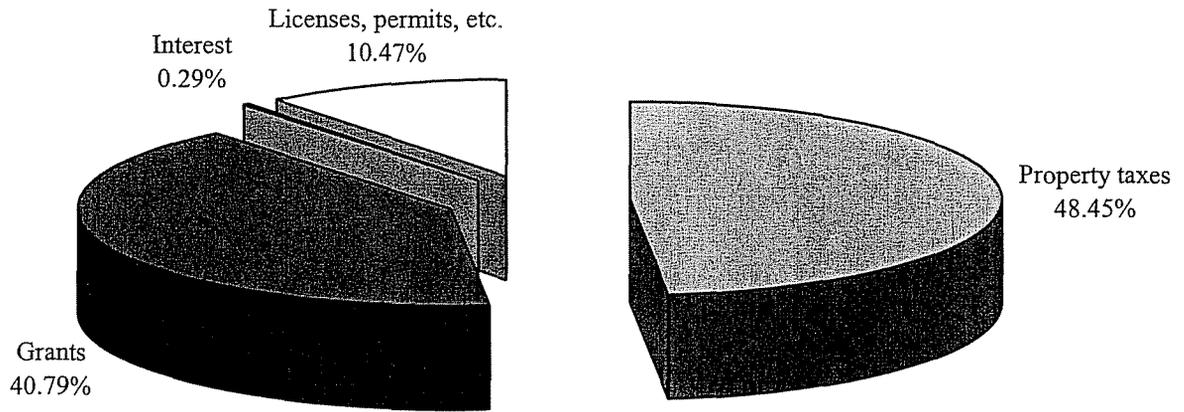
	Property Taxes	Federal and State Grants	Other Revenues and Transfers	Total
2004	\$ 43,314	\$ 36,465	\$ 9,618	\$ 89,397
2003	41,487	35,200	11,558	88,245
2002	40,008	35,613	10,749	86,370
2001	39,216	33,274	12,533	85,023
2000	37,769	33,306	10,569	81,644
1999	36,382	36,728	8,198	81,308
1998	34,655	36,320	8,680	79,655
1997	34,259	33,185	7,697	75,141
1996	31,935	33,822	7,678	73,435
1995	31,018	31,309	7,451	69,778

Note: Revenues are shown on GAAP (Accounting Principles Generally Accepted in the United States of America) basis.

City of Norwich

General Fund Revenues - Budgetary Basis

Fiscal Year 2003-04



CITY OF NORWICH, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES BY FUNCTION

Last Ten Fiscal Years

(Thousands)

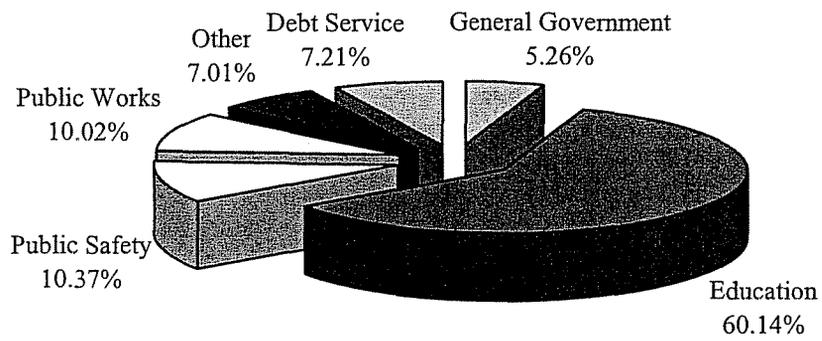
	General Government	Education	Public Safety	Public Works	Other	Debt Service	Total
2004	\$ 4,598	\$ 52,582	\$ 9,326	\$ 8,761	\$ 5,866	\$ 6,301	\$ 87,434
2003	5,327	51,195	8,209	8,559	6,562	6,653	86,505
2002	5,260	50,247	8,054	8,444	6,471	6,187	84,663
2001	4,732	48,410	6,318	6,716	9,788	5,739	81,703
2000	5,343	47,503	6,376	6,673	8,613	5,536	80,044
1999	5,147	48,230	6,076	6,677	8,090	5,099	79,319
1998	4,983	46,503	5,532	5,853	7,781	4,646	75,298
1997	4,153	45,216	6,199	5,917	7,897	4,078	73,460
1996	4,316	43,865	5,915	6,334	7,874	4,439	72,743
1995	4,282	41,699	5,672	6,546	8,437	3,011	69,647

Note: Expenditures and encumbrances are shown on the budgetary basis.

City of Norwich

General Fund Expenditures - Budgetary Basis

Fiscal Year 2003-04



CITY OF NORWICH, CONNECTICUT

GENERAL FUND FUND BALANCE COMPARED TO ANNUAL EXPENDITURES AND ENCUMBRANCES

**Last Ten Fiscal Years
(Thousands)**

<u>Fiscal Year Ending June 30th</u>	<u>Unreserved Fund Balance</u>	<u>Annual Expenditures and Encumbrances</u>	<u>Balance as % of Expenditures</u>
2004	\$ 9,302,144	\$ 87,433,775	10.64%
2003	8,770,626	86,505,078	10.14%
2002	8,158,087	84,663,199	9.64%
2001	7,940,325	81,702,857	9.72%
2000	5,905,927	80,043,640	7.38%
1999	6,108,260	79,319,496	7.70%
1998	5,632,286	75,298,066	7.48%
1997	3,017,380	73,459,756	4.11%
1996	2,947,855	72,742,559	4.05%
1995	4,081,283	69,646,580	5.86%

Note: Expenditures and encumbrances are shown on the budgetary basis.

B. PROPERTY VALUES AND TAXES

CITY OF NORWICH, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS - GENERAL FUND

Last Ten Fiscal Years

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Tax Rate Mills	Adjusted Tax Levy	(2)	
					% Collected as of 6/30 Each Year	% Uncollected as of 6/30/04
2002	2004	\$ 1,166,095,643	36.47	\$ 43,522,363	96.2%	3.8%
2001	2003	1,145,882,067	35.62	41,399,752	96.0%	1.6%
2000	2002	1,141,544,015	33.89	39,126,916	95.9%	0.9%
(1) 1999	2001	1,132,024,510	33.89	38,418,703	95.4%	0.8%
1998	2000	1,439,788,210	25.62	37,049,622	95.1%	0.7%
1997	1999	1,435,534,271	25.03	35,237,033	94.9%	0.7%
1996	1998	1,417,524,928	24.48	34,581,152	94.6%	0.2%
1995	1997	1,406,626,988	24.22	33,911,567	94.9%	0.2%
1994	1996	1,399,566,205	22.22	30,586,984	94.7%	0.2%
1993	1995	1,383,144,564	22.30	30,310,299	94.2%	0.1%

(1) Revaluation year.

(2) The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are assessed on the Grand List of October 1, and are due and payable in two installments, one-half July 1 and one-half January 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent (Effective July 1, 1982 P.A. 82-141 of the 1982 Connecticut General Assembly). If the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1-1/2% per month (18% per annum) is charged from the due date on the tax. Within one year after the due date, a lien is placed on delinquent real estate taxes.

Source: City of Norwich Tax Collector.

CITY OF NORWICH, CONNECTICUT

**PROPERTY TAX LEVIES AND COLLECTIONS - FIRE AND REFUSE FUND
Last Ten Fiscal Years**

					(2)
Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Tax Rate Mills	Adjusted Tax Levy	% Collected as of 6/30 Each Year
	2002	\$ 392,560,236	5.64	\$ 3,818,236	92.5%
	2001	390,492,395	5.49	3,731,585	91.8%
	2000	390,850,820	5.33	2,922,959	90.7%
(1)	1999	386,583,347	5.33	2,186,910	93.3%
	1998	529,961,566	3.64	2,608,230	91.4%
	1997	531,027,391	3.79	2,485,303	91.3%
	1996	529,045,442	4.33	2,827,046	89.6%
	1995	530,287,819	4.39	3,018,127	89.6%
	1994	526,878,758	4.70	3,185,132	90.1%
	1993	524,557,824	4.83	3,308,989	89.8%

(1) Revaluation year.

(2) The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are levied on the Grand List of October 1, and are due and payable in two installments, one-half July 1 and one-half January 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent (Effective July 1, 1982 P.A. 82-141 of the 1982 Connecticut General Assembly). If the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1-1/2% per month (18% per annum) is charged from the due date on the tax. Within one year of the due date, a lien is placed on delinquent real estate taxes.

Source: City of Norwich Tax Collector.

CITY OF NORWICH, CONNECTICUT

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

<u>Fiscal Year Ending 6/30</u>	<u>Net Assessed Value</u>	<u>Estimated Full Value</u>
2004	\$1,166,095,643	\$ 1,665,850,919
2003	1,145,882,067	1,636,974,381
2002	1,141,544,015	1,630,777,164
(1) 2001	1,132,024,510	1,617,177,871
2000	1,439,788,210	2,056,840,300
1999	1,435,534,271	2,050,763,244
1998	1,417,524,928	2,025,035,611
1997	1,406,626,988	2,009,467,126
1996	1,399,566,205	1,999,380,293
1995	1,383,144,564	1,975,920,806

Sources: Assessed values are established annually by the City of Norwich Assessor's Office.

(1) Revaluation year.

CITY OF NORWICH, CONNECTICUT

PRINCIPAL TAXPAYERS

<u>Name</u>	<u>Nature of Business</u>	<u>Net Taxable Valuation as of 10/1/02⁽¹⁾</u>
Phelps Dodge	Manufacturing - Copper	\$ 13,489,240
CSC Dynamics Corp.	Computers	12,936,840
Mashantucket Pequot Tribe	Real Estate	7,761,700
Norwichtown Mall Realty Assoc.	Shopping Center	7,255,200
Hamilton Park Assoc. & Wequonnoc Village	Apartments	6,150,800
Kalimian Elias As Trustee	Apartments	5,446,600
JP Food Service Distributors	Food Distributors	4,530,450
Norwich Realty Assoc. LP	Shopping Center	4,902,200
Bob's Discount Furniture	Retail Store & Distribution Warehouse	4,718,060
Wal-Mart Stores Inc.	Department Store	<u>5,026,720</u>
		<u>\$ 72,217,810</u>

⁽¹⁾ Represents 6.2% of the net taxable Grand List of \$1,166,095,643 dated October 1, 2002.

Source: City of Norwich, Assessor's Office.

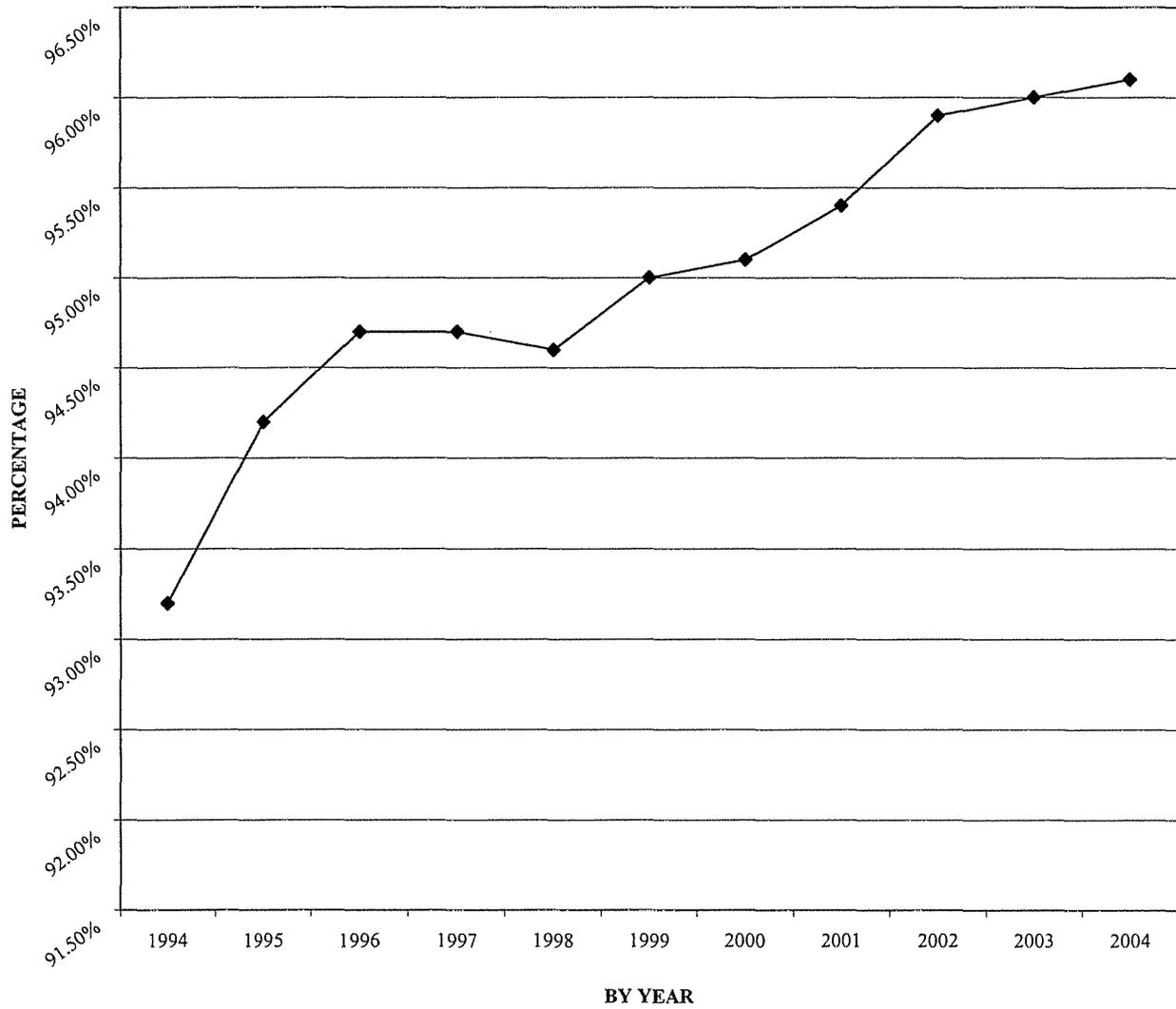
CITY OF NORWICH, CONNECTICUT

**COMPARATIVE ASSESSED VALUATION
Last Ten Fiscal Years**

Grand List of Oct. 1	% Industrial Commercial Property	% Residential	% Motor Vehicle	% Personal Property	Taxable Grand List	Less Exemptions	Net Taxable Grand List
2003	23.15	62.88	8.69	5.28	\$1,758,696,317	\$24,911,310	\$ 1,733,785,007
2002	23.00	57.00	13.00	7.00	\$1,191,263,643	\$25,168,000	\$ 1,166,095,643
2001	23.00	57.00	13.00	7.00	1,174,382,497	28,500,430	1,145,882,067
2000	22.76	56.92	13.02	7.30	1,169,114,115	27,570,100	1,141,544,015
1999	22.44	57.55	12.74	7.28	1,159,702,659	27,678,149	1,132,024,510
1998	25.37	59.81	9.22	5.60	1,468,789,730	29,001,520	1,439,788,210
1997	25.88	59.38	9.08	5.66	1,464,037,916	28,503,645	1,435,534,271
1996	25.52	59.84	9.02	5.62	1,447,435,678	29,910,750	1,417,524,928
1995	25.43	60.56	8.90	5.11	1,427,542,888	20,915,900	1,406,626,988
1994	26.20	60.60	8.00	5.20	1,416,736,625	17,170,420	1,399,566,205
1993	26.28	61.41	7.42	4.88	1,398,883,484	15,738,920	1,383,144,564

City of Norwich

Tax Collection Rate Last Ten Fiscal Years



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C. LONG-TERM DEBT

CITY OF NORWICH, CONNECTICUT

**RATIO OF GENERAL BONDED DEBT TO NET ASSESSED
VALUE AND BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	Bonded Debt	Net Assessed Value	Ratio of Bonded Debt to Net Assessed Value	(1) Population	Bonded Debt Per Capita
2004	\$ 40,325,000	\$ 1,166,095,643	3.6	35,628	\$ 1,132
2003	40,945,000	1,145,882,067	3.6	35,628	\$ 1,149
2002	45,080,000	1,141,544,015	3.9	36,117	1,248
2001	42,680,000	1,132,024,510	3.8	36,117	1,182
2000	33,875,000	1,439,788,210	2.4	34,852	972
1999	28,935,000	1,435,534,271	2.0	34,931	828
1998	28,865,000	1,417,524,298	2.0	35,142	821
1997	25,220,000	1,406,626,988	1.8	35,225	716
1996	27,110,000	1,399,566,205	1.9	35,225	770
1995	29,000,000	1,383,144,564	2.1	35,225	823

(1) Statistics provided are estimates of the State of Connecticut, Department of Health Services, except for 2002 which comes from the Bureau of Census.

CITY OF NORWICH, CONNECTICUT

**RATIO OF DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Fiscal Years**

Fiscal Year Ended 6/30	Total General Fund Expenditures and Encumbrances	Principal	Interest	Total	Ratio of Total Debt Service to Total Expenditures
2004	\$ 87,433,775	\$4,239,833	\$ 2,061,267	\$ 6,301,100	7.21 %
2003	86,505,078	4,375,000	2,277,497	6,652,497	7.69 %
2002	84,663,199	3,803,125	2,384,413	6,187,538	7.31 %
2001	81,702,857	3,280,000	2,458,925	5,738,925	7.02 %
2000	80,043,640	3,333,000	2,203,323	5,536,323	6.92 %
1999	79,319,496	3,023,000	2,076,068	5,099,068	6.43 %
1998	75,298,066	2,797,904	1,847,666	4,645,570	6.17 %
1997	73,459,756	2,261,504	1,816,645	4,078,149	5.55 %
1996	72,742,559	2,501,836	1,936,830	4,438,666	6.10 %
1995	69,646,580	1,732,558	1,278,334	3,010,892	4.32 %

Note: Expenditures and encumbrances are shown on the budgetary basis.

CITY OF NORWICH, CONNECTICUT

**DEBT STATEMENT AND
CURRENT DEBT RATIOS**

Debt Statement:

Long-Term Debt:	
General Purpose Bonds Payable	\$ 28,670,344
School Bonds	11,739,656
Water/Sewer	7,089,256
Total Long-Term Debt	<u>47,499,256</u>
 Total Debt	 47,499,256
 Less: School Construction Grants Receivable	 1,842,000
Water Debt	1,044,026
	<u>2,886,026</u>
 Total Overall Net Debt	 <u><u>\$ 44,613,230</u></u>

**CURRENT DEBT RATIOS
(Pro Forma)**

Population ¹	36,218
Net Taxable Grand List (10/1/02)	\$ 1,166,095,643
Estimated Full Value (70%)	1,665,850,918
Equalized Net Taxable Grand List (2000) ²	1,945,909,064
Money Income per Capita (1989) ³	14,844

	Total Debt	Total Net Debt
Per Capita	1,311	1,232
Ratio to Net Taxable Grand List	4.0%	3.8%
Ratio to Estimated Full Value	2.9%	2.7%
Ratio to Equalized Grand List	2.4%	2.3%
Debt per Capita to Money Income per Capita	8.8%	8.3%

¹ U.S. Bureau of Census (2003)

² Office of Policy and Management, State of Connecticut

³ U.S. Bureau of Census (1990)

D. DEMOGRAPHIC DATA

CITY OF NORWICH, CONNECTICUT

DEMOGRAPHIC DATA

POPULATION AND DENSITY

Historical ¹			
Year	Population	% Increase (Decrease)	Density
1940	34,140	-	1,259
1950	37,633	10.2	1,388
1960	38,506	2.3	1,420
1970	41,739	8.4	1,540
1980	38,074	(8.8)	1,404
1990	37,391	(1.8)	1,379
1995	35,225	(5.8)	1,300
2000	36,117	2.5	1,333
2004	36,218 ²	.2	1,336
Projections ³			
2009	36,422	0.6	1,344

Density based on 27.1 square miles.

¹ U.S. Department of Commerce, Bureau of Census Projections – State of Connecticut, Office of Policy and Management.

² CERC Town Profile 2003.

AGE DISTRIBUTION OF THE POPULATION

Age	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Under 18	8,759	23.7%	859,803	24.5%
18-24	3,530	9.8%	311,209	8.9%
25-49	12,722	35.1%	1,239,795	35.4%
50-64	5,808	16.0%	614,161	17.5%
65 and over	5,579	15.4%	482,278	13.8%
Total	<u>36,398</u>	<u>100.0%</u>	<u>3,507,246</u>	<u>100.0%</u>
Median Age		36		37

Source: CERC Town Profile 2004.

CITY OF NORWICH, CONNECTICUT

DEMOGRAPHIC DATA, Continued

INCOME DISTRIBUTION

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	Families	Percent	Families	Percent
\$ - - \$ 9,999	485	5.9%	33,423	4.1%
\$ 10,000 - \$ 14,999	394	4.8%	23,593	2.9%
\$ 25,000 - \$ 34,999	1,139	13.9%	75,413	9.2%
\$ 35,000 - \$ 49,999	1,691	20.6%	120,134	14.6%
\$ 50,000 - \$ 74,999	2,242	27.3%	198,924	24.2%
\$ 75,000 - \$ 99,999	1,211	14.8%	141,981	17.3%
\$ 100,000 - \$ 149,999	790	8.6%	132,177	16.1%
\$ 150,000 and over	247	2.8%	96,840	11.8%
	<u>8,199</u>	<u>100.0%</u>	<u>822,485</u>	<u>100.0%</u>

Source: U.S. Department of Commerce, Bureau of Census, Census of Population and Housing, 2000.

INCOME LEVELS

	<u>City of Norwich</u>	<u>State of Connecticut</u>
² Per Capita Income, 2002	\$ 24,121	\$ 33,974
¹ Per Capita Income, 1989	14,844	20,189
¹ Per Capita Income, 1985	10,870	14,090
¹ Median Family Income, 2000	\$ 49,155	\$ 65,521
² Percent Below Poverty, All Persons, 2002	11.5%	7.9%

Source: ¹ State of Connecticut, Department of Labor, Office of Research - "Labor Force Data for Labor Market Areas and Towns, June 2004."

² CERC Town Profile 2003.

CITY OF NORWICH, CONNECTICUT

DEMOGRAPHIC DATA, Continued

EMPLOYMENT DATA

Period	City of Norwich		Percentage Unemployed			
	Employed	Unemployed	City of Norwich	New London/ Norwich Market	State of Connecticut	United States
2004	19,745	1,207	5.8%	4.3%	4.8%	5.8%
<u>Annual Average</u>						
2003	19,561	1,239	6.0%	4.6%	5.2%	6.5%
2002	18,500	542	2.8%	2.5%	3.5%	5.4%
2001	18,381	542	2.9%	2.5%	3.1%	4.7%
2000	18,600	610	3.2%	2.6%	2.6%	3.8%
1999	18,561	726	3.8%	3.3%	3.0%	4.3%
1998	18,333	930	4.8%	4.6%	3.8%	4.5%
1997	18,475	1,146	5.8%	5.7%	5.1%	4.5%
1996 *	18,000	1,184	6.2%	5.9%	5.7%	5.4%
1995	17,581	1,184	6.3%	5.3%	5.5%	5.6%

Source: U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut.

* Estimated

E. MISCELLANEOUS STATISTICS

CITY OF NORWICH, CONNECTICUT

MISCELLANEOUS STATISTICS

NUMBER AND VALUE OF BUILDING PERMITS

Fiscal Year Ended	Residential		Commercial		Industrial		Other		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2004	1,694	\$ 45,593,530	193	\$ 16,004,424	7	\$ 827,530	24	\$ 3,115,550	1,918	\$ 65,541,034
2003	1,342	19,089,299	270	15,095,992	6	2,785,000	24	1,294,840	1,642	38,265,131
2002	1,401	13,356,824	253	11,964,674	7	474,750	15	309,100	1,676	26,105,348
2001	1,049	7,823,231	244	9,510,921	13	4,597,297	35	1,878,841	1,341	23,810,290
2000	1,084	14,620,476	443	9,486,763	13	601,575	41	930,620	1,581	25,639,434
1999	1,044	6,453,551	250	10,302,765	9	3,033,500	59	12,300,487	1,362	32,090,303
1998	1,009	7,687,355	272	6,412,588	3	94,500	82	4,305,435	1,366	18,499,878
1997	653	5,463,023	252	25,633,128	6	155,889	35	967,660	946	32,219,700
1996	767	7,500,999	141	26,434,713	1	543,000	35	1,221,988	944	35,700,700
1995	769	8,429,667	166	5,011,314	6	688,684	68	12,199,687	1,009	26,329,352

Source: Building Official, City of Norwich.

CITY OF NORWICH, CONNECTICUT

MISCELLANEOUS STATISTICS, Continued

BUDGETED FULL-TIME MUNICIPAL PERSONNEL
2003-2004

Function

General Government	74
Public Safety	155
Public Works	<u>72</u>
Total General Government	301
Board of Education	548
Norwich Public Utilities	<u>137</u>
Total Municipal Employees	<u><u>986</u></u>

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