

Refunding Issue - Book Entry Only

Rating: Moody's: "Aa2"

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



CITY OF NORWICH, CONNECTICUT
\$2,725,000 GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2012
(the "Bonds")
BANK QUALIFIED

Dated: Date of Delivery

Due: April 15, 2013 - 2022

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

<u>Interest</u>					<u>Interest</u>				
<u>Maturity</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
4/15/2013	\$295,000	2.000%	0.350%	669402TK5	4/15/2018	\$270,000	2.000%	1.000%	669402TQ2
4/15/2014	300,000	2.000	0.450	669402TL3	4/15/2019	260,000	2.000	1.200	669402TR0
4/15/2015	295,000	2.000	0.600	669402TM1	4/15/2020	255,000	2.000	1.400	669402TS8
4/15/2016	290,000	2.000	0.700	669402TN9	4/15/2021	245,000	2.000	1.600	669402TT6
4/15/2017	275,000	2.000	0.800	669402TP4	4/15/2022	240,000	2.000	1.750	669402TU3

Interest on the City of Norwich, Connecticut (the "City") General Obligation Refunding Bonds, Issue of 2012 (the "Bonds") will be payable October 15, 2012 and semiannually thereafter on April 15 and October 15 of each year. **The Bonds are not subject to redemption prior to maturity.**

The Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Securities and Remedies" herein. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made through the facilities of DTC on or about February 15, 2012.

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

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the City. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of the Official Statement.

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

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

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APPENDIX B: OPINION OF BOND COUNSEL AND TAX EXEMPTION
APPENDIX C: FORM OF CONTINUING DISCLOSURE AGREEMENT

BOND ISSUE SUMMARY

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

Issuer:	The City of Norwich, Connecticut (the "City")
Issue:	\$2,725,000
Award Date:	Wednesday, February 1, 2012 at 11:30 a.m. EST
Dated Date:	Date of Delivery
Interest:	Semi-annually; commencing October 15, 2012
Principal:	Annually; commencing April 15, 2013
Denominations:	\$5,000 or integral multiples thereof.
Redemption:	The Bonds are not subject to redemption prior to maturity.
Purpose:	The proceeds from the Bonds are to currently refund a portion of the City's outstanding Series 2002 Bonds prior to maturity.
Security:	The Bonds will be general obligations of the City of Norwich, Connecticut and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
Rating:	The Bonds have been assigned a rating of "Aa2" by Moody's Investors Service.
Bank Qualification:	The Bonds shall be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Tax Exemption:	See Appendix B "OPINION OF BOND COUNSEL AND TAX EXEMPTION."
Certifying Agent, Registrar, Transfer Agent and Paying Agent:	People's United Bank, One Financial Plaza, 2 nd Floor, Hartford, Connecticut 06103.
Legal Opinion:	Joseph Fasi LLC, Bond Counsel, Hartford, Connecticut 06106.
Financial Advisor:	William Blair & Company, L.L.C.
Continuing Disclosure:	The City will agree to provide, or cause to be provided, annual financial and material event information to municipal repositories in accordance with SEC Rule 15c 2-12 (See Appendix C- "FORM OF CONTINUING DISCLOSURE AGREEMENT" herein).
Delivery:	It is expected that delivery of the Bonds in book-entry only form to The Depository Trust Company will be made on or about February 15, 2012. Payment must be made in Federal Funds.

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THE BONDS

- **Introduction**
- **Description of the Bonds**
- **Authorization and Purpose of the Bonds**
- **Use of Bonds Proceeds**
- **Optional Redemption**
- **Notice of Redemption**
- **Availability of Continuing Information**
- **Securities and Remedies**
- **Qualification for Financial Institutions**
- **Book-Entry Only System**
- **DTC Practices**
- **Rating**

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THE BONDS

Introduction

This Official Statement ("Official Statement"), including the cover page and appendices, has been prepared by the City of Norwich, Connecticut (the "City") in connection with the sale of \$2,725,000 General Obligation Refunding Bonds, Issue of 2012 (the "Bonds").

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

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice.

The information in this Official Statement has been prepared from information supplied by City officials and other sources as indicated. The City does not assume responsibility for the sufficiency, accuracy or completeness of the statements made herein and makes no representation that it has independently verified the same.

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

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

People's United Bank will certify the Bonds and act as Registrar, Transfer Agent, Escrow Agent and Paying Agent for the Bonds.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement (other than matters expressly set forth as its opinion in Appendix B - "Form of Opinion of Bond Counsel and Tax Exemption" herein) and makes no representation that it has independently verified the same.

The independent auditors for the City are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A "Fiscal 2011 Audited Financial Statements" herein), and makes no representation that it has independently verified the same. The auditors have not been engaged nor performed audit procedures regarding the post audit period. The auditors have not provided their written consent to use their Independent Auditors' Report in the Official Statement.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the cover, payable semiannually on April 15 and October 15 in each year until maturity, commencing October 15, 2012. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of March and September, in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent, and the City shall agree. Principal will be paid serially commencing on April 15, 2013 and annually thereafter until April 15, 2022. The Bonds will be certified by People's United Bank, Hartford, Connecticut which will also act as the Registrar, Transfer Agent, Escrow Agent and Paying Agent.

Authorization and Purpose of the Bonds

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

The Bonds are being issued to currently refund a portion of the aggregate principal amount outstanding of the City's General Obligation Bonds issued on April 15, 2002 (the "Refunded Bonds") as shown under "Plan of Refunding" herein.

Plan of Refunding

The Bonds are being issued to refund the Refunded Bonds. The refunding is contingent upon delivery of the Bonds.

	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2002 Bonds	4/15/2002	4/15/2013	270,000	4.375%	4/15/2012	101.00%
	4/15/2002	4/15/2014	270,000	4.500%	4/15/2012	101.00%
	4/15/2002	4/15/2015	270,000	4.600%	4/15/2012	101.00%
	4/15/2002	4/15/2016	270,000	4.625%	4/15/2012	101.00%
	4/15/2002	4/15/2017	265,000	4.750%	4/15/2012	101.00%
	4/15/2002	4/15/2018	265,000	4.800%	4/15/2012	101.00%
	4/15/2002	4/15/2019	265,000	4.875%	4/15/2012	101.00%
	4/15/2002	4/15/2020	265,000	5.000%	4/15/2012	101.00%
	4/15/2002	4/15/2021	265,000	5.000%	4/15/2012	101.00%
	4/15/2002	4/15/2022	<u>265,000</u>	5.000%	4/15/2012	101.00%
			\$2,670,000			

Upon delivery of the Bonds, a portion of the gross proceeds of the Bonds will be placed in an irrevocable trust fund established with People's United Bank, as escrow holder (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated the date of delivery of the Bonds between the Escrow Agent and the City. The Escrow Agent will invest the proceeds in United States Treasury State and Local Government Series ("SLGS") all of which shall not be callable or prepayable at the option of the issuer thereof. All investment income on and maturing principal of the SLGS held in the Escrow Deposit Fund and needed to pay the principal, interest payments and redemption prices of the Refunded Bonds will be irrevocably deposited by the City for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and underwriter's discount. The Escrow Agent will transfer amounts from the maturing SLGS to the Paying Agent to pay the principal, interest and redemption premiums on the Refunded Bonds to the redemption date. The Financial Advisor will certify that the amount of SLGS purchased together with interest thereon will be sufficient to pay the principal, interest and redemption prices of the Refunded Bonds on the call date

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

Verification of Mathematical Computations

American Municipal Tax Exempt Compliance Corporation ("AMTEC") will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations that the anticipated receipts from the SLGS and cash deposits held in the Escrow Deposit Fund set forth in the Financial Advisor's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium payment requirements, if any, of the Refunded Bonds, to and including the redemption dates; (2) the Financial Advisor's computations of yield on the Bonds and the SLGS and cash deposits contained in the provided schedules for purpose of determining compliance with certain requirements of the Internal Revenue Code of 1980, and (3) the Financial Advisor's computations of net present value savings. Such verification shall be based on information and assumptions supplied by the Financial Advisor, the winning bidder and the City, and such verification, information, assumptions and calculations of net present value savings to the Issuer as a result of issuance of the Refunding Bonds, will be relied upon by Bond Counsel in rendering its opinion described herein. AMTEC will express no opinion on the assumptions provided to them

Optional Redemption

The Bonds are **not** subject to optional redemption.

Availability of Continuing Information

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management on an annual basis. The City provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") (i) timely notice of the occurrence of certain material events with respect to the Bonds, and (ii) timely notice of a failure by the City to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date, the City has not failed to meet any of its undertakings under such agreements.

Securities and Remedies

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

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

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

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

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

Enforcement of a claim for payment of principal or interest on such bonds and notes of the City would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

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

Qualification for Financial Institutions

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

Book-Entry Only System

The following information has been furnished by DTC, New York, New York, for use in this Official Statement and neither the City nor the Underwriter takes any responsibility for its accuracy or completeness.

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

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

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

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

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS OR NOTEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; AND (5) THE SELECTION BY DTC, ANY DTC DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF A SERIES OF BONDS.

DTC Practices

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

Rating

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

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

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

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THE ISSUER

Form of Government

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

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

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

Geography

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

Community Profile

History

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

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

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

Norwich served as leadership center for Connecticut during the Civil War as Governor William Buckingham was from Norwich and used his home as a de facto office during the war years. Also, State Senator Lafayette Foster

later became Acting Vice President after President Abraham Lincoln was assassinated. During this period, Frances M. Caulkins composed her histories of both Norwich and New London.

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

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

Education

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

Healthcare

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

Industry

Norwich is also home to a modern business park operated by the Norwich Community Development Corporation ("NCDC"), a private non-profit organization. The business park is conveniently located close to Route 2, I-395 and other major highways. The park offers commercial and industrial sites on more than 450 wooded acres currently employing over 2,300 people in approximately 1.2 million square feet of space. A broad range of current businesses include two significant employers that supply top level security engineering services for the defense industry, a few that do metal fabrication, two that are in data management services for international businesses and emerging health care industry, two that do architectural and engineering for the building industry, and several other entities including a minor league baseball team.

Recreation

The City has the 350-acre Mohegan Park in the heart of the City. Facilities at Mohegan Park include a beach, hiking trails, rose gardens, picnic areas and two children's playgrounds. The Chelsea Gardens Foundation finished its master plan for an 80-acre botanical gardens in Mohegan Park in January 2006 and is seeking funding for this proposed project. The new Occum Park and Estelle Cohn Memorial Dog Park were completed in Summer 2005. The City also offers an eighteen-hole public golf course and a public ice skating rink.

Entertainment & Culture

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

Economic Development

In 2001, the City of Norwich voted for a Charter Revision that created the position of Mayor for the first time in 50 years and made the Mayor responsible and accountable for economic development. The Mayor now works closely with the NCDC a private not-for-profit corporation established 40 plus years ago to improve the economic well-being of the City. The overriding goal for the City is to increase its grand list through activities which "enhance community life, attract newcomers to Norwich, reduces reliance on government agencies, and attracts economic development investment from the State of Connecticut". Objectives identified to achieve this goal include: "revitalized downtown, adaptive reuse of existing structures, increased availability of commercial and industrial and, and maintaining the existing and attracting new educational institutions into the City".

The City's economic development activities are assisted by the NCDC. NCDC is an independent non-profit that is neither directly nor indirectly controlled by the City or any other governmental entity, but by Norwich City Council resolution, is the economic development arm of the City. Many activities are underway which support these objectives, and will move the community toward the City's primary goal.

Commercial/ Industrial Activity

CSC Facility in the Industrial Park. In November 2008, Electric Boat began leasing an additional 62,000 square-foot facility and bringing roughly 480 high-tech jobs to the City.

Route 82 Retail Center. A \$3 million, 21,000 square-foot retail center was completed in Spring 2009, is currently home to a new Goodwill Store.

Backus Hospital Business-Technology Center. In April 2010, the William W. Backus Hospital purchased the Daticon building in the Norwich Business Park for \$3.75 million for use as a business and technology center with training facilities.

CVS. The CVS on Route 82 moved out of its old location and began constructing a new \$4 million, 25,000 square-foot building across the street. The project is expected to be completed in Spring 2012.

Ponemah Mill Adaptive Reuse Project. This \$51 million project will convert a 19th century Taftville mill into 237 residential apartment units. This project is expected to be finished in 2015.

US Foods Facility Expansion. US Foods recently expanded its facilities with a \$12 million, 40,000 square-foot addition of refrigerated and dry goods storage space.

Norwichtown Mall. Winstanley Enterprises LLC purchased the 150,000 square-foot Norwichtown Mall in July 2011 for \$15.75 million. Winstanley intends to make several million dollars of renovations to the property and aggressively market the vacant portions of the mall.

State of Connecticut Building & Infrastructure Projects

Route 82/I-395 Interchange. The Connecticut Department of Transportation started construction in April 2008 to widen the lanes, add sidewalks, and improve the safety and traffic flow in this area of Route 82. This \$8.3 million project was completed in Fall 2009.

Three Rivers Community College. Three Rivers Community College was consolidated into its New London Turnpike location in an \$85.6 million, 295,644 square-foot project which was completed in 2009.

Norwich Technical High School. The State of Connecticut finished construction on this \$46.2 million addition and renovation project in Fall 2008.

Major City Initiatives

Downtown Revitalization Initiative. The residents of the City of Norwich passed a bond referendum item in November 2010 for \$3.38 million for downtown revitalization. Comprised strictly of business incentives including programs for building code correction assistance, commercial lease rebates, and revolving loan fund. The City's designated development agency- Norwich Community Development Corporation is designing and administering the 5 year plan. The three programs are designed to both prepare long time vacant spaces for occupancy as well as stimulate the growth of business activity in the downtown area. The programs launched in August 2011 and are expected to net investment in downtown of over \$10 million.

Gas Line Extensions. The residents of the City of Norwich passed a bond referendum item in November 2010 for \$3.0 of natural gas line extensions. The debt service on the gas line extensions will be met with the revenue stream from Norwich Public Utilities' gas customers. Only projects that meet this criteria will be considered.

Infrastructure Improvements. The residents of the City of Norwich passed a bond referendum item in November 2009 for \$5 million of infrastructure and road improvements. The City spent \$817 thousand of these bond funds during fiscal year 2011 in addition to other funds budgeted for road improvements to repave or reconstruct 6.4 miles of road. The City also received a Federal grant which paid for 80% of the roughly \$400 thousand cost to pave 2,200 feet of Canterbury Turnpike.

Thomas J. Dodd Memorial Stadium. City officials negotiated a lease with the Single A Oneota Tigers to replace the Connecticut Defenders, who terminated their lease with the City in September 2009. The Connecticut Tigers (a feeder team to the Detroit Tigers) opened in June of 2010 and are in their second season in Norwich. In addition, Dodd Stadium hosted an NCAA regional baseball tournament in June 2010.

Howard T. Brown Memorial Park Waterfront Rehabilitation. The City of Norwich recently completed an approximate \$1.8 million construction project for the replacement of a seawall and City-owned dock at Norwich Harbor. The City dock was completed in June 2009 and the seawall was finished in June 2010. The project was supported by \$1 million Connecticut Department of Economic & Community Development Urban Action Funds.

Clean Rivers, Clean Harbor, Sound Norwich. Norwich Public Utilities is in the planning phase of a \$100 million project which is expected to take 15-20 years to complete. The project involves expansion and improvement to the wastewater treatment facilities, elimination of the 15 remaining combined sewer overflows (points at which the storm drain network combines with sewer mains), and upgrading the pumping stations. The project will be partially funded with state and federal grants and low-interest loan programs. The remainder of the cost will be covered by Sewer Capital Connection Fees and increases in the sewer rates. These infrastructure improvements will:

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

In April 2010, the Norwich City Council approved \$13.4 million in bond ordinances to rehabilitate one of the wastewater treatment plant's digesters and pay for the design costs for other wastewater treatment facility improvements. The financing of this project is expected to be composed of: \$2.6 million of State of Connecticut Clean Water Fund grants, \$9.5 million of State of Connecticut Clean Water Fund loans bearing an interest rate of 2% (to be paid from sewer revenues), and \$1.3 million from sewer system reserves.

Newton Street Area and Flyers Drive Area Sewer Extension Projects. The Norwich City Council approved \$3.4 million in bonding in 2008 and 2009 for the Norwich Public Utilities to extend the sanitary sewer system in the Newton Street and Flyers Drive areas.

Municipal Area Network. Norwich Public Utilities constructed a network consisting of 32 miles of 144 strand fiber optic cabling around the city in two "loops." The cable will provide high-speed data, video and communications connectivity that is 600 times faster than any other data network available in Norwich. Some of the benefits include: the ability of NPU to quickly detect issues with its electric, water, natural gas and sewer infrastructure through its Supervisory Control and Data Acquisition (SCADA) system and the ability to link all city departments with unprecedented speed and reliability. This network currently provides high speed connectivity to over 66 NPU and City of Norwich sites with plans to connect over 118 sites city wide.

Smart Grid DOE Grant. Through the Connecticut Municipal Electric Energy Cooperative (CMEEC), Norwich Public Utilities obtained a \$4.0 million DOE award for a Smart Grid pilot program to design and install over 8000 smart electric meters and associated network infrastructure. Over 1,000 meters have been installed to date. This system will provide enhanced customer service, improved system reliability and troubleshooting, improved outage response time and reduced customer cost once fully implemented. In addition, Norwich Public Utilities has commenced a pilot program to install 2,000 smart gas and water meters to leverage the smart technology.

Kelly Middle School Renovations. On November 6, 2007, Norwich voters approved \$40.2 million renovations and improvements to Kelly Middle School on Mahan Drive. The project will be funded by \$29.4 million of State of Connecticut School Construction Grants, \$2.9 million of Qualified Zone Academy Bonds and \$7.9 million of general obligation bonds. The project was substantially completed in January 2012 and includes: adding classrooms, updating utilities, asbestos abatement and adding an 800-seat auditorium.

Norwich Dog Pound. The Public Works Department recently completed a renovation project that converted the former Parks & Cemeteries administration building in Mohegan Park into a new dog pound facility. Construction activities began in March 2010 was completed in December 2010. The project cost \$785,000 which was primarily

funded by a \$600,000 bond ordinance adopted in April 2008. By retrofitting an existing building the City saved approximately 25-40% in construction costs, as compared to new construction.

Intermodal Transportation Center. This \$22,014,589 project was conceived in the mid-1990's. Construction began in July 2010 and is scheduled to be completed in April 2012. The project is supported by \$11,557,598 of Federal Transit Authority and Highway Administration grants, \$7.2 million of Connecticut bonding grants, \$1,064,000 of Connecticut Department of Economic & Community Development grants, and \$1,525,000 of City funding. The transportation center will be located on Falls Avenue and will have a 162-space parking garage; will provide indoor retail and ticketing services for SEAT bus riders; and is located to accommodate future passenger ferry traffic and passenger rail on the New England Central Corridor rail line. Taxis, trolleys and inter-regional private busses will also be accommodated.

Norwich Public Schools Systems Redesign and Facilities Study. On September 20, 2010, the Norwich City Council approved a \$132,000 contract with Project LEARN to conduct a comprehensive study of school facilities. This study should help the City plan for future facilities needs.

Sherman Street Bridge and Sunnyside Street Bridge Rehabilitations: The Public Works Department recently secured approximately \$5 million in Federal and State grant money to pursue rehabilitation projects to both the Sherman Street bridges (2) and the Sunnyside Street bridge. Both projects are in the preliminary design phases and construction on one or both bridges is expected to begin in 2013.

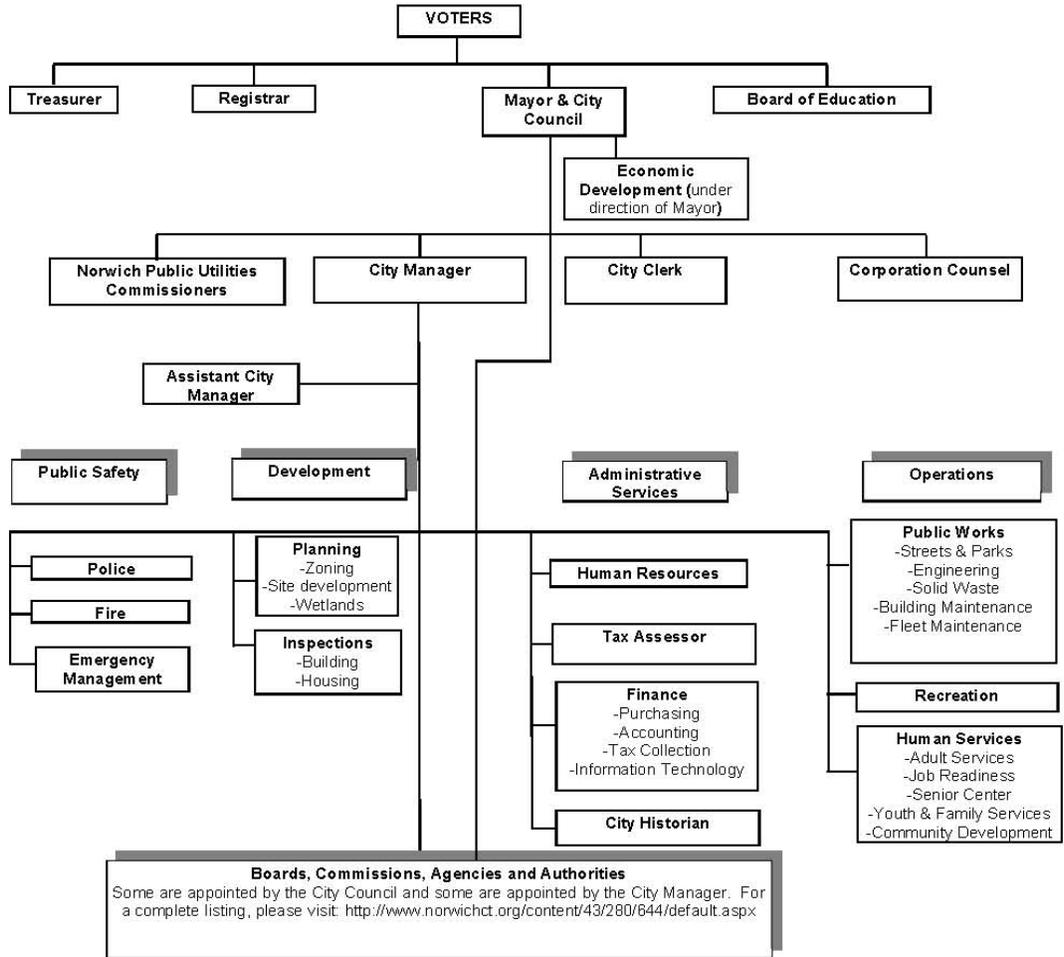
Principal City Officials

Office	Name	Manner of Selection & Term	Length of Service
City Council:			
Mayor	Peter Nystrom	Elected – 4 years	3 years
President Pro Tempore	Peter Desaulniers	Elected – 2 years	4 years
Aldersperson	Mark Bettencourt	Elected – 2 years	2 months
Aldersperson	H. Tucker Braddock	Elected – 2 years	2 years
Aldersperson	Deberey Hinchey	Elected – 2 years	2 years
Aldersperson	Charles Jaskiewicz	Elected – 2 years	2 months
Aldersperson	Sofee Noblick	Elected – 2 year	2 months
City Manager	Alan H. Bergren	Appointed – Indefinite	4 years
Comptroller	Joseph A. Ruffo	Appointed – Indefinite	24 years
Deputy Comptroller	Joshua A. Pothier	Appointed – Indefinite	8 years
City Treasurer	Brian M. Curtin	Elected – 2 years	5 years
Tax Collector	Kathy Daley	Appointed – Indefinite	13 years
Assessor	Donna Ralston	Appointed – Indefinite	3 years
City Clerk	Betsy M. Barrett	Appointed – Indefinite	2 months
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	9 years
Superintendent of Schools	Abby I. Dolliver	Appointed – Indefinite	7 years
Board of Education			
Chairperson	Yvette Jacaruso	Elected – 2 years	4 years
Vice Chairperson	John P. LeVangie	Elected – 2 years	16 years
Secretary	Cora Lee Boulware	Elected – 2 years	10 years
Board Member	Keleigh Arian	Elected – 2 years	2 months
Board Member	Jesshua Ballaro-Pina	Elected – 2 years	3 years
Board Member	Aaron Daniels	Elected – 2 years	2 years
Board Member	Lynn Norris	Elected – 2 years	2 months
Board Member	Dennis Slopak	Elected – 2 years	2 months
Board Member	Joyce Werden	Elected – 2 years	6 years

Source: City Officials.

Organizational Chart

City of Norwich Organization Chart



Summary of Municipal Services

Police: Police protection is provided to the City of Norwich by a full-service, municipal police agency with 100 employees. The department is responsible for patrolling 223 miles of roads in nearly a 30 square mile area and operating a combined 911 communications center for dispatching police, fire, and EMS services. The department is particularly proud of its community policing efforts, which actively includes the public in solving crime and quality of life problems. The Department presently administers approximately \$80,000 in Federal and State grants. These grants provide funding to enhance police operations in the areas of drug education and enforcement, safe neighborhood patrols, DUI and traffic enforcement, technological improvements.

Fire: Fire protection in the City Consolidation District (CCD) is provided by a 60-employee full-time fire department. The outlying areas of the city are not part of the CCD and are protected by five volunteer fire companies, all of which are connected to the central fire department's switchboard for emergency dispatch.

Utilities: The City of Norwich owns and operates its own gas, electric, water and wastewater systems through its Norwich Public Utilities ("NPU"). The NPU is governed by Chapter 12 of the City Charter that establishes a five-member Board of Public Utilities' Commissioners who are appointed by the City Council, the NPU has continually operated since its purchase in 1904. The General Manager, who is appointed by the Commissioners, is responsible for the management and operations of the NPU. The NPU has 139 employees and serves approximately 20,220 electric customers, 7,880 gas customers, 10,500 water customers and 7,150 wastewater customers. The NPU supports general city activities by contributing 10% of its gross revenues (excluding sewer revenues) to the city's general fund. Contributions in fiscal year 2011-12 are equivalent to 3.3 mills of taxes. The NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption. The NPU consists of three divisions: The Utility Operations Division, the Customer Service Division, and the Business Services Division. Each division has clearly defined goals that were developed as part of the current business plan.

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

The City of Norwich is fortunate to have a water supply system that consists of a 10-mgd water filtration plant, and a 4-mgd water filtration plant, 4 reservoirs, one emergency supply well, and a fully accredited laboratory. Producing 1.9 billion gallons of water in fiscal year 2009-10, the NPU produces a yearly water quality report that indicates that the NPU consistently exceeds drinking water standards set by the State of Connecticut.

Wastewater is treated in an activated sludge treatment plant. See "Public Buildings and Infrastructure" herein. The Sewer Authority has worked closely with the city to secure funding to expand its wastewater collection system to neighborhoods that have seen the failure of private septic systems that affect residential property values. An extensive, multiyear combined sewer overflow program, funded through State grants and loans, has successfully eliminated most sewer system overflows, and greatly improved water quality in the Shetucket, Yantic and Thames Rivers. Last year, the Sewer Authority commenced a 10 year 100 million dollar upgrade to the wastewater treatment plant and collection system. The "Clean Rivers, Clean Harbor, Sound Norwich" Sewage System Reconstruction project involves changes to the wastewater infrastructure that will:

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

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

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

CMEEC AND MEMBER POWER SALES CONTRACTS

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

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

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

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

THE CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE

The Norwich Department of Public Utilities is also a member of The Connecticut Transmission Municipal Electric Energy Cooperative ("TRANSCO"), a public body corporate and politic, created pursuant to Chapter 101a of the Connecticut General Statutes, as amended. The members of TRANSCO include the members of CMEEC (the "Members") and the Town of Wallingford and the Bozrah Light and Power Company ("Bozrah"). The purpose of TRANSCO is to obtain electric transmission services and facilities at advantageous pricing and terms for its Members and contractual participants. TRANSCO has entered in a "Transmission Financing and Services Agreement" the "TFSA" with CMEEC, among other agreements between the two entities, whereby TRANSCO provides electric transmission services to CMEEC, which CMEEC then provides to its members and contractual participants. TRANSCO has entered into an agreement with Connecticut Light & Power Company to acquire certain electric transmission facilities located in the Town of Wallingford, Connecticut (the "Transmission Acquisition"). The participants in the Transmission Acquisition include the CMEEC Members and Bozrah (the "Transmission Participants"). The Transmission Acquisition has been temporarily financed through short-term, temporary indebtedness (the "Temporary Financing") issued by each of CMEEC and TRANSCO, in each case supported by the security provisions of the existing MPSCs CMEEC has with the Transmission Participants. In order to obtain permanent financing of the Transmission Acquisition, the Transmission Participants will be required and are in the process of, entering into agreements with CMEEC which establish the arrangements for the receipt of transmission services from CMEEC (supplied to CMEEC by TRANSCO through the TFSA, as it will be amended to reflect the requirements of the pending agreements), the support of the permanent financing costs of the Transmission Acquisition, the satisfaction of the other security requirements of such permanent financing and the flowing of the benefits of participation in the Transmission Acquisition back to the Project's participants, including

NDPU. These agreements are referred to as the General Transmission Services Agreements (“GTSA’s”). The terms of the GTSA’s are anticipated to have security provisions similar to those of the MPSCs. In the event the GTSA’s are not obtained in sufficient time to replace the Temporary Financing upon its expiration with permanent financing, the Temporary Financing will be replaced with temporary financings for an additional term, the terms of which will have security provisions similar to those of the MPSCs. The GTSA’s are expected to be structured to authorize the acquisition of additional transmission facilities.

SOLID WASTE

The City has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resources Recovery Authority (the "SCRRRA") pursuant to which it participates with ten other central Connecticut municipalities (the eleven constituting the "Contracting Municipalities"), in the Southeastern Connecticut System (the "System"). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the "Facility") and various improvements and facilities related thereto, including landfills. The Facility is complete and is presently receiving waste from member municipalities. Under the Service Contract, the city is required to deliver or cause to be delivered to the System solid waste generated within its boundaries up to its minimum commitment of 23,000 tons per year and to pay a uniform per ton Disposal Service Payment (the "Service Payment") therefor. The Service Payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the city must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver the full portion. The current fee is \$60 per ton paid by user fees and property taxes. Pursuant to contracts between the Authority and American REF-FUEL Company of Southeastern Connecticut (the "Company"), the Facility is operated by the Company. The Service Payment applicable in any contract year is calculated by estimating the Net Cost of Operation, which is the Cost of Operation less Revenues other than Service Payments, as such items are defined in the Service Contract. Cost of Operations includes debt service on revenue bonds issued by or on behalf of the SCRRRA to finance the System and expenses of operation and administration of the System, among other things. Revenues means all revenues, income and receipts derived from the ownership and operation of the System, including from the sale of electricity. The sum of all Service Payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the New Cost of Operations. Service Payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the city, whether or not such solid waste is processed at the Facility. The city's obligation to pay the Service Payment, so long as the Authority is accepting the city's solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other right which the city may have against the SCRRRA or any person for any reason whatsoever, and shall not be affected by any defect in title, design, fitness for use, loss or destruction of the System. The city has pledged its full faith and credit to the payment of Service Payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

City Employees

The following table illustrates the full-time equivalent employees for the current and the last nine fiscal years:

<u>Fiscal Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Public Utilities</u>	<u>Total</u>
2012	286.00	529.70	152.00	967.70
2011	286.00	561.90	142.50	990.40
2010	293.00	583.90	139.50	1,016.40
2009	309.00	598.20	139.50	1,046.70
2008	309.00	575.30	137.00	1,021.30
2007	299.50	575.40	137.00	1,011.90
2006	299.00	563.90	137.00	999.90
2005	302.00	548.00	137.00	987.00
2004	301.00	524.50	137.00	962.50
2003	322.00	529.80	138.00	989.80

Source: City Officials.

Municipal Employees Collective Bargaining Units⁽¹⁾

Collective Bargaining Group Name	Group Represented	Positions Represented	Beginning Date of Contract	End Date of Contract
General Government				
International Brotherhood of Police Officers (IBPO), Local 38	City 911 Dispatchers	8	7/1/2007	6/30/2012
International Association of Fire Fighters, Local 892 Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11	City Firefighters	56	7/1/2007	6/30/2013
United Public Service Employees Union, Connecticut Organization for Public Safety Division	City Non-supervisory administrative employees	58	7/1/2007	6/30/2012
United Public Service Employees Union, Connecticut Organization for Public Safety Division	City Police Officers	84	7/1/2007	6/30/2013
United Public Service Employees Union, Connecticut Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4	City Public Works Employees	47	7/1/2007	6/30/2011 (2)
Municipal Employees Union "Independent" (MEUI)- Supervisors	City Public Works Supervisors	5	7/1/2008	6/30/2013
	City Supervisory administrative employees	11	7/1/2009	6/30/2013
	Subtotal	<u>269</u>		
Public Utilities				
Supervisory Employees Association , Inc. AFSCME Local 818, Council 4	NPU Supervisory and Professional Employees	44	7/1/2008	6/30/2011 (2)
International Brotherhood of Electrical Workers Local 457, Norwich Unit	NPU Technical and clerical workers	100	7/1/2008	6/30/2011 (2)
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02	NPU Water distribution employees	7	7/1/2008	6/30/2011 (2)
	Subtotal	<u>151</u>		
Board of Education				
Norwich School Administrators Association	NPS Administrators	16	7/1/2008	6/30/2012
MEUI Local 506, SEIU, AFL-CIO	NPS Custodians	28	7/1/2010	6/30/2012
MEUI Local 506, SEIU, AFL-CIO	NPS Paraeducators	87	7/1/2009	6/30/2012
New England Health Care Employees Union District 1199, SEIU, AFL-CIO	NPS School Nurses	16	7/1/2009	6/30/2011 (2)
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4	NPS Secretaries	20	7/1/2010	6/30/2011 (2)
Norwich Teachers League	NPS Teachers	259	7/1/2008	6/30/2012
	Subtotal	<u>426</u>		
Non-Bargaining Employees				
General Government		17		
Department of Public Utilities		1		
Board of Education		104		
	Subtotal	<u>122</u>		
	GRAND TOTAL	<u>968</u>		

(1) Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teacher's contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

(2) Currently in negotiation

Source: City of Norwich, Finance Department

School Facilities

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

	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/2011</u>	<u>Rated Capacity</u>
Bishop School	PreK	1925	11	17	220
Administration Building		1893	N/A	N/A	N/A
Hickory Street School	7-12	1890	4	16	50
John B Stanton School	PreK-5	1956	23	403	440
John M Moriarty School	PreK-5	1975	33	430	620
Kelly Middle School	6-8	1962	45	626	1,170
Thames River Academy	9-12	1956	9	74	310
Deborah Tennant-Zinewicz School	7-12	1975	5	40	70
Samuel Huntington School	PreK-5	1928	18	465	450
Teachers' Memorial School	6-8	1975	30	494	760
Thomas W Mahan School	PreK-5	1968	17	344	320
Uncas School	PreK-5	1975	18	330	340
Veterans' Memorial School	PreK-5	1968	17	319	320
Wequonnoc School	PreK-5	1962	17	260	340
Total			247	3,818	5,410

Source: City of Norwich, Board of Education

School Enrollment

Fiscal Year	Elementary Grades Pre-K - 5	Middle School Grades 6 - 8	High School Grades 9 - 12	Total Norwich Public Schools Enrollment	Norwich Students Enrolled at NFA	Total Norwich School Enrollment
2002-2003	2,720	1,234	94	4,048	1,337	5,385
2003-2004	2,683	1,241	78	4,002	1,444	5,446
2004-2005	2,584	1,237	117	3,938	1,452	5,390
2005-2006	2,534	1,348	33	3,915	1,644	5,559
2006-2007	2,517	1,344	76	3,937	1,638	5,575
2007-2008	2,806	847	80	3,733	1,552	5,285
2008-2009	2,622	1,148	150	3,920	1,599	5,519
2009-2010	2,567	1,151	149	3,867	1,582	5,449
2010-2011	2,520	1,163	123	3,806	1,555	5,361
2011-2012	2,624	1,120	74	3,818	1,512	5,330
Projected						
2012-2013	2,669	1,158	90	3,917	1,570	5,487
2013-2014	2,631	1,213	90	3,934	1,548	5,482
2014-2015	2,621	1,238	90	3,949	1,499	5,448
2015-2016	2,583	1,277	90	3,950	1,504	5,454

Source: City of Norwich, Board of Education

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- **Population Trends**
- **Age Distribution of the Population**
- **Income Distribution**
- **Income Levels**
- **Educational Attainment**
- **Major Employers**
- **Employment by Industry**
- **Employment Data**
- **Age Distribution of Housing**
- **Housing Inventory**
- **Owner-Occupies Housing Values**
- **Building Permits**

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ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<u>Year</u>	<u>City of Norwich</u>	<u>New London County</u>	<u>State of Connecticut</u>
2010	40,493	274,055	3,574,097
2000	36,117	259,088	3,405,565
1990	37,391	254,957	3,287,116
1980	38,074	238,409	3,107,576
1970	41,333	230,654	3,032,217
1960	38,506	185,745	2,535,234

Source: U.S. Department of Commerce, Bureau of Census

Age Characteristics of Population - 2010

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>2010</u>	<u>Percent</u>	<u>2010</u>	<u>Percent</u>
Under 5 years	2,569	6.3	202,106	5.7
5 to 9 years	2,432	6.0	222,571	6.2
10 to 14 years	2,465	6.1	240,265	6.7
15 to 19 years	2,647	6.5	250,834	7.0
20 to 24 years	2,777	6.9	227,898	6.4
25 to 34 years	5,845	14.4	420,377	11.8
35 to 44 years	5,380	13.3	484,438	13.5
45 to 54 years	6,159	15.3	575,597	16.1
55 to 59 years	2,684	6.6	240,157	6.7
60 to 64 years	2,238	5.5	203,295	5.7
65 to 74 years	2,578	6.3	254,944	7.2
75 to 84 years	1,818	4.5	166,717	4.7
85 years and older	<u>901</u>	<u>2.2</u>	<u>84,898</u>	<u>2.4</u>
Total	40,493	100.0	3,574,097	100
Median Age (2010)	38.0		40.0	

Source: U.S. Department of Commerce, Bureau of Census, 2010.

Income Distribution

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$0 - \$9,999	485	5.3%	33,423	3.8%
10,000 - 14,999	394	4.3	23,593	2.7
15,000 - 24,999	973	10.6	63,262	7.1
25,000 - 34,999	1,139	12.4	75,413	8.5
35,000 - 49,999	1,691	18.4	120,134	13.6
50,000 - 74,999	2,242	24.4	198,924	22.5
75,000 - 99,999	1,211	13.2	141,981	16.0
100,000 - 149,999	790	8.6	132,177	14.9
150,000 - 199,999	128	1.4	42,472	4.8
200,000 and over	<u>119</u>	<u>1.3</u>	<u>54,368</u>	<u>6.1</u>
Totals	9,172	100.0	885,747	100.0

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

Income Levels

	<u>City of Norwich</u>	<u>State of Connecticut</u>	<u>United States</u>
Per Capita Income 2000	\$20,742	\$40,640	\$29,676
Median Family Income 2000	49,155	64,502	51,751
Median Household Income 2000	39,181	53,108	42,148

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

Educational Attainment

Years of School Completed Age 25 and Over

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	1,925	8.0%	132,917	5.8%
9th to 12th grade	3,033	12.5	234,739	10.2
High School graduate	8,315	34.5	653,300	28.5
Some college, no degree	4,847	20.1	402,741	17.5
Associate's degree	1,447	6.0	150,926	6.6
Bachelor's degree	2,588	10.7	416,751	18.2
Graduate or professional degree	1,970	8.2	304,243	13.2
Totals	24,125	100.0%	2,295,617	100.0%
Total high school graduate or higher (%)		79.5%		84.0%
Total bachelor's degree or higher (%)		18.9%		31.4%

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

Major Employers

Estimates as of December 2011

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Employees</u>
William W. Backus Hospital	Medical Center	1,800
City of Norwich (incl. NPU & BOE)	Municipality	968
State of Connecticut	All State agencies	924
Bob's Discount Furniture	Retail Store & Warehouse	485
Interim Healthcare of Eastern CT	Healthcare	400
Computer Science Corporation	Computer Products & Services	400
Electric Boat	Military equipment	400
Norwich Inn & Spa	Hotel and spa	300
ShopRite Norwich	Grocery Store	268
Norwich Free Academy	Quasi-private high school	259

Source: Survey of local businesses by Finance Department

Employment By Industry

Sector	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing, hunting and, mining	5	-%	7,445	0.4%
Construction	931	6.4	99,913	6.0
Manufacturing	2,106	14.6	246,607	14.8
Wholesale Trade	549	3.8	53,231	3.2
Retail Trade.....	2,107	14.6	185,633	11.2
Transportation and warehousing, and utilities information.....	884	6.1	64,662	3.9
Finance, insurance, real estate, and rental and leasing	407	2.8	55,202	3.3
Professional, scientific, management, administrative, and waste management services	994	6.9	163,568	9.8
Educational, Health, and Social Services.....	1,102	7.6	168,334	10.1
Arts, entertainment, recreation, accommodation, and food services.....	3,271	22.6	366,568	22.0
Other services (except public administration).....	790	5.5	111,424	6.7
Public Administration	737	5.1	74,499	4.5
Total Labor Force, Employed	577	4.0	67,354	4.0
	14,460	100.0%	1,664,440	100.0%

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

Employment Data

Period ¹	City of Norwich		Percentage Unemployed		
	Employed	Unemployed	City of Norwich	Norwich - New London Labor Market ¹	State of Connecticut
November 2011	18,566	1,935	9.4%	8.2%	7.9%
Annual Averages					
2010	19,147	2,184	10.2	8.8	9.1
2009	19,310	1,941	9.1	7.9	8.3
2008	19,521	1,364	6.5	5.7	5.7
2007	19,817	1,055	5.1	4.3	4.6
2006	19,811	1,029	5.0	4.2	4.4
2005	19,348	1,103	5.4	4.5	4.9

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

Age Distribution Of Housing

Year Built	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier	7,412	44.6%	308,896	22.3%
1940 to 1969	4,707	28.3	571,218	41.2
1970 to 1979	1,725	10.4	203,377	14.7
1980 to 1989.....	1,984	12.0	183,405	13.2
1990 to March 2000	772	4.7	119,079	8.6
Total housing units, 2000	16,600	100.0%	1,385,975	100.0%

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

Housing Inventory

Type	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1 unit detached	7,458	63.8%	816,706	58.9%
1-unit attached	600	5.1	71,185	5.1
2 to 4 units	1,228	10.5	246,617	17.8
5 to 9 units	849	7.3	76,836	5.6
10 or more units	1,541	13.1	162,437	11.7
Mobile home, trailer, other	22	0.2	12,194	0.9
Total Inventory	11,698	100.0%	1,385,975	100.0%

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

Owner-Occupied Housing Values

Specified Owner-Occupied Units	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000	70	1.0	5,996	0.8
\$50,000 to \$99,999	1,253	18.0	85,221	11.7
\$100,000 to \$149,999	3,892	56.0	212,010	29.1
\$150,000 to \$199,999	1,367	19.7	156,397	21.5
\$200,000 to \$299,999	297	4.3	137,499	18.9
\$300,000 to \$499,999	48	0.7	79,047	10.9
\$500,000 to \$999,999	5	0.1	38,168	5.2
\$1,000,000 or more	13	0.2	13,906	1.9
Totals	6,945	100.00	728,244	100.0%

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

Building Permits

Calendar Year Ended	Residential		Commercial		Industrial		Other		Total	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2011 ¹	1,518	14,645,754	165	7,046,135	-	-	4	1,250	1,687	21,693,139
2010	1,510	14,605,025	160	15,293,738	-	-	25	5,300	1,695	29,904,063
2009	1,231	17,348,116	269	4,475,596	1	52,000	61	1,430,636	1,562	23,306,348
2008	1,827	13,949,602	312	15,969,375	3	23,360	45	1,999,093	2,187	31,941,430
2007	1,779	25,968,385	295	26,309,884	-	-	19	499,450	2,093	52,777,719
2006	1,545	23,456,782	250	41,858,422	1	1,500	4	850,000	1,800	66,166,704
2005	1,775	34,060,390	262	21,315,948	1	200	9	4,650	2,047	55,381,188
2004	1,694	45,593,530	193	16,004,424	7	827,530	24	3,115,550	1,918	65,541,034
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

1. Through December 31, 2011.

Source: Building Official, City of Norwich

TAX BASE DATA

- **Property Tax**
- **Property Tax Assessments**
- **Property Tax Levy**
- **Taxable Grand List**
- **Taxable Grand List and Tax Collections**
- **Ten Largest Taxpayers**

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TAX BASE DATA

Property Tax

Property Tax Assessment

Section 12-62 et. seq. of the Connecticut General Statutes govern real property assessments and establish the revaluation cycle for Connecticut municipalities of a revaluation every five years and, generally, a physical inspection every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute permits the phase-in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the City for inclusion on the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax exempt real estate, taxable personal property, and motor vehicles located within the City as of October 1. Assessments for real and personal property are computed at seventy percent (70%) of the market value at the time of last revaluation, and at 70% of the annual approval of Motor Vehicles by the Office of Policy and Management. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for the City's annual tax levy. Any property owner may seek to appeal its assessment by filing a written appeal to a City's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a City's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court. The City's last revaluation was implemented on October 1, 2008 (commencing tax fiscal year 2009-2010). The next revaluation is due October 1, 2013 and will be a physical revaluation.

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

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

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

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

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

Property Tax Levy

Property taxes are levied on all taxable assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real and personal property taxes are generally payable in two installments on July 1 and January 1, except that real and personal property taxes under \$100 are payable in one installment on July 1. Motor vehicle tax bills are payable in July and motor vehicle supplemental bills are payable in January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property tax accounts are transferred to a suspense account when collection appears unlikely at which time they cease to be carried as receivables by the City, although they remain collectible. Tax accounts unpaid fifteen years after the due date are not collectible in accordance with state statutes.

Taxable Grand List

The following table sets forth the City's taxable grand list by component:

FYE 6/30	Grand List 10/1	Real Estate		Personal Property		Total Assessed Value	Less: Exemptions	Total Taxable Assessed Value
		Industrial/ Commercial	Residential	Motor Vehicles	Other			
2012	2010	454,256,500	1,661,420,601	183,848,923	132,757,250	2,432,283,274	41,561,735	2,390,721,539
2011	2009	467,731,000	1,656,684,500	202,208,858	118,062,320	2,444,686,678	36,521,640	2,408,165,038
2010	2008 ¹	433,291,000	1,666,402,137	194,403,183	114,906,447	2,409,002,767	30,891,414	2,378,111,353
2009	2007	344,640,000	1,235,104,300	208,755,740	112,574,765	1,901,074,805	24,841,160	1,876,233,645
2008	2006	341,359,800	1,225,489,388	183,185,660	92,878,143	1,842,912,991	23,383,850	1,819,529,141
2007	2005	326,636,000	1,213,922,970	177,322,860	93,705,966	1,811,587,796	19,837,950	1,791,749,846

1. Date of Revaluation

Taxable Grand List and Tax Collections (Unaudited)

Fiscal Year Ended June 30	Mill Rate	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage		Amount	Percentage
General Fund							
2011	24.04	57,006,148	54,816,062	96.16%	-	54,816,062	96.16%
2010	23.48	55,162,306	53,056,137	96.18%	1,113,633	54,169,770	98.20%
2009	29.24	54,308,632	52,081,267	95.90%	1,579,325	53,660,592	98.81%
2008	28.57	51,980,360	50,213,269	96.60%	1,696,439	51,909,708	99.86%
2007	27.77	49,972,990	48,323,538	96.70%	1,605,713	49,929,251	99.91%
City Consolidated District (CCD) Fire Tax							
2011	3.98	3,426,178	3,250,889	94.88%	-	3,250,889	94.88%
2010	3.63	3,135,998	2,991,472	95.39%	76,468	3,067,940	97.83%
2009	4.86	3,154,002	2,980,621	94.50%	131,263	3,111,884	98.66%
2008	4.75	3,064,455	2,930,076	95.61%	129,832	3,059,908	99.85%
2007	4.25	2,723,851	2,595,428	95.29%	125,618	2,721,046	99.90%
Town Consolidated District (TCD) Volunteer Fire Relief Tax							
2011	0.36	549,900	536,529	97.57%	-	536,529	97.57%
2010	0.36	540,412	525,314	97.21%	8,658	533,972	98.81%
2009	0.42	509,567	491,156	96.39%	13,431	504,587	99.02%
2008	0.36	424,146	410,608	96.81%	12,992	423,600	99.87%
2007	0.31	360,641	350,906	97.30%	9,486	360,392	99.93%

Source: Tax Collector's Office, City of Norwich.

Ten Largest Taxpayers

Name	Nature of Business	Net Taxable Valuation as of 10/1/10	Percent of Net Taxable Grand List ¹
Computer Science Corporation	Computer Products & Services	32,493,830	1.36%
Bob's Discount Furniture	Retail Store & Distribution Center	25,396,520	1.06%
Plaza Enterprises	Shopping Center	14,782,000	0.62%
Phelps Dodge	Manufacturing - Copper	14,064,100	0.59%
Mashantucket Pequot Tribe	Real Estate	10,045,000	0.42%
Wal-Mart Stores, Inc.	Department Store	10,010,110	0.42%
Dime Savings Bank	Bank	9,505,520	0.40%
SEA Norwich LLC	Shopping Center	9,164,430	0.38%
Algonquin Gas Transmissions LLC	Natural Gas Pipeline	9,007,000	0.38%
Norwich Community Development Corporation	Office building	8,869,790	0.37%
		\$ 143,338,300	6.00%

¹ 2010 Net Taxable Grand List of \$2,390,721,539

Source: City of Norwich Assessor's Office.

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FINANCIAL INFORMATION

- **Fiscal Year**
- **Basis of Accounting and Accounting Policies**
- **Budgetary Procedures**
- **Annual Audit**
- **Pension Plans**
- **Other Post Employment Benefits**
- **Investment Policies and Practices**
- **General Fund Revenue and Expenditures**
- **Analysis of General Fund Equity**
- **Investment Practices**

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FINANCIAL INFORMATION

Fiscal Year

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

Basis of Accounting and Accounting Policies

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

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

The new reporting model includes the following segments:

Management's Discussion and Analysis provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Budgetary Procedures

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

Annual Audit

Pursuant to Connecticut Law, the City is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2011, the examination was conducted by the firm of Blum, Shapiro & Company, P.C. independent certified public accountants, of West Hartford, Connecticut.

Pension Plans

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

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

For the year ended June 30, 2011, the Town's annual pension contribution of \$3,751,882 was in excess of the City's required contribution of \$3,644,000. The discount rate used for the for the calculation of the unfunded accrued liability in the plan is 8.25% per year, compounded annually. The City has budgeted \$4,345,405 for the fiscal year ending June 30, 2012 contribution. Below is a schedule of funding progress for the City of Norwich Retirement System.

(In Thousands)

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

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

Teachers within the City's school system participate in a retirement plan administered by the Connecticut State Teachers' Retirement Board. The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$19,799,000 or 70.5% of the total Board of Education payroll of \$28,089,000.

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

Other Post Employment Benefits

The City and the Board of Education provide post-employment benefits for retirees who meet certain requirements regarding age and years of service. This benefit is provided based on union agreements and is fully funded by the City. The City is required to provide health, medical and life insurance to 376 retired City and Board of Education employees. The City's actuarial firm, Hooker & Holcombe, Inc., estimates the City's actuarial OPEB liability at \$55.6 million with an ARC of \$6.1 million. The City has committed to phase in the ARC over a period of 6 years. Under this plan, starting with fiscal year 2013-2014, the City will be paying 100% of the ARC. The City has by ordinance established an OPEB Trust to receive and hold City appropriations to meet its OPEB liabilities for the sole benefit of its retirees.

For the fiscal year ended June 30, 2011, the City contributed \$5,251,249 and the City has budgeted \$5,564,616 for fiscal year ending June 30, 2012.

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

Investment Policies and Practices

The City Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the City is permitted to acquire. Generally, the City may invest in certificates of deposit, repurchase agreements, municipal Bonds and notes, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, and money market mutual funds.

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

General Fund Revenues and Expenditures

Summary of Audited Revenues and Expenditures (GAAP BASIS)
 IN THOUSANDS (\$000)

	Budget 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07
REVENUES						
Property Taxes	\$59,142	\$56,857	\$55,495	\$53,978	\$52,367	\$49,920
Intergovernmental Revenue	38,831	38,103	37,742	44,021	53,803	38,859
Charges for services	1,849	1,978	2,343	1,220	1,449	3,032
Licenses, permits and fees	500	624	512	484	583	906
Investment income	80	47	193	418	978	920
Other	1,031	1,727	1,360	868	984	1,235
Total Revenues	\$101,433	\$99,336	\$97,645	\$100,989	\$110,164	\$94,872
EXPENDITURES						
General Government	\$5,309	\$5,350	\$5,243	\$6,043	\$6,094	\$5,409
Public Safety	13,149	12,608	11,785	12,588	11,717	10,682
Social Services	1,833	1,775	2,079	2,297	2,221	2,089
Public Works	9,050	9,091	8,990	7,917	7,452	8,873
Education	68,163	67,160	66,152	70,164	79,020	62,507
Other	4,180	3,411	3,461	3,693	4,365	4,286
Capital Outlay	0	804	0	0	0	0
Debt Service	4,972	4,772	4,243	4,034	4,698	5,041
Total Expenditures	\$106,656	\$104,971	\$101,953	\$106,736	\$115,567	\$98,887
OTHER FINANCING SOURCES (USES)						
Transfers In	\$7,176	\$8,091	\$6,976	\$7,321	\$7,408	\$7,173
Transfers (Out)	-2,653	-2,535	-2,535	-2,659	-3,097	-2,371
Other		804	70			
Total Sources (Uses)	\$4,523	\$6,360	\$4,511	\$4,662	\$4,311	\$4,802
Revenues and other financing sources (under) expenditures	-700	725	203	-1,085	-1,092	787
Fund Balance, July 1,	\$10,827	\$10,102	\$9,899	\$10,984	\$12,076	\$11,289
Fund Balance, June 30	\$10,127	\$10,827	\$10,102	\$9,899	\$10,984	\$12,076

DEBT SUMMARY

- **Principal Amount of Indebtedness**
- **Annual Bonded Maturity Schedule**
- **Overlapping/Underlying Debt**
- **Debt Statement**
- **Current Debt Ratios**
- **Bond Authorization**
- **Temporary Financing**
- **School Building Projects**
- **Clean Water Fund**
- **Limitation of Indebtedness**
- **Statement of Statutory Debt Limitation**
- **Authorized but Unissued Debt**

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DEBT SUMMARY

Principal Amount of Indebtedness

As of February 15, 2012

Long Term Debt: Bonds

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 2/15/12</u>	<u>Rate</u>	<u>Maturity</u>
<u>General Purpose</u>					
April 1, 2001	Wauregan Hotel Project (taxable)	\$400,000	\$150,000	5.50-6.75%	2017
April 15, 2002	General Purpose	3,275,000	135,000	4.00-5.25%	2012
April 15, 2004	General Purpose, Series A	950,000	70,000	2.00-3.55%	2015
March 15, 2005	General Purpose, Series A	2,210,000	884,000	2.25-3.60%	2015
March 15, 2005	Refunding, Series B	5,135,000	1,183,084	3.00-5.00%	2019
December 16, 2009	General Purpose, Series A	8,810,000	8,340,000	3.00-4.00%	2029
December 16, 2009	Refunding, Series B	3,545,000	2,630,000	2.00-3.00%	2014
December 13, 2011	General Purpose	1,480,000	1,480,000	2.00-4.00%	2031
February 15, 2012	Refunding 2002 (This Issue)	1,350,000	1,350,000	2.00%	2022
		<u>\$27,155,000</u>	<u>\$16,222,084</u>		
<u>Gas</u>					
December 13, 2011	Gas Line Extension	\$1,000,000	\$1,000,000	2.00-4.00%	2031
		<u>\$1,000,000</u>	<u>\$1,000,000</u>		
<u>Schools</u>					
April 15, 2004	Schools Refunding, Series B	\$2,500,000	\$1,303,131	2.00-4.00%	2019
March 15, 2005	School Technology and Projects Refunding	5,865,000	2,926,411	4.00-5.00%	2019
December 30, 2008	QZAB - Kelly Middle School	2,940,000	2,205,000	0%	2020
December 16, 2009	General Purpose, Series A	2,000,000	1,895,000	3.00-4.00%	2029
December 16, 2009	Refunding, Series B	690,000	510,000	2.00-3.00%	2014
December 13, 2011	General Schools	5,000,000	5,000,000	2.00-4.00%	2031
		<u>\$18,995,000</u>	<u>\$13,839,542</u>		
<u>Water & Sewer</u>					
July 1, 1995	Economic Development	\$1,000,000	\$169,326	6.00%	2012
April 15, 2002	Sewers	2,745,000	135,000	4.00-5.00%	2012
April 15, 2004	Sewer and Water, Series A	2,170,000	865,000	2.00-3.55%	2015
April 15, 2004	Sewer Refunding, Series B	3,045,000	1,271,869	2.00-5.00%	2019
March 15, 2005	Refunding-Stony Brook & Waterline	3,260,000	1,370,506	3.00-4.00%	2015
March 15, 2005	Sewer and Water, Series A	1,310,000	516,000	4.00-5.00%	2019
October 31, 1997	Clean Water Act 106-C (sewer)	3,410,000	928,445	2.00%	2016
June 30, 2000	Clean Water Act 298-C (sewer)	1,508,000	559,202	2.00%	2019
December 31, 2002	Clean Water Act 349-C (sewer)	881,000	476,027	2.00%	2021
December 31, 2002	Clean Water Act 9714-C (sewer)	1,899,000	1,058,586	2.77%	2021
June 30, 2009	Clean Water Act 200801-C (water)	450,000	390,000	2.27%	2029
December 16, 2009	Flyers Drive Sewer Improvements	600,000	570,000	3.00-4.00%	2029
December 31, 2010	Clean Water DWSRF 2010-8005	144,728	129,652	2.06%	2030
December 31, 2010	Clean WaterDWSRF 2010-8006	326,250	300,422	2.06%	2030
December 13, 2011	General Sewers	2,200,000	2,200,000	2.00-4.00%	2031
February 15, 2012	Refunding 2002 (This Issue)	1,375,000	1,375,000	2.00%	2022
		<u>\$26,323,978</u>	<u>\$12,315,035</u>		
	GRAND TOTAL	<u><u>73,473,978</u></u>	<u><u>\$43,376,661</u></u>		

Short Term Debt

As of February 15, 2012, the City does not have any outstanding short term debt.

Annual Bonded Debt Maturity Schedule

As of February 15, 2012

(Pro Forma)

Fiscal Year					Cumulative
Ending	Principal¹	Interest¹	Total¹	2012	Percent
6/30				Bonds	Retired
2012	\$2,227,802	\$525,154	\$2,752,956	-	5.14%
2013	4,202,721	1,223,755	5,426,476	\$295,000	15.50%
2014	4,577,985	979,841	5,557,825	300,000	26.75%
2015	3,550,547	857,362	4,407,910	295,000	35.62%
2016	3,318,284	753,146	4,071,430	290,000	43.93%
2017	2,648,695	666,310	3,315,006	275,000	50.67%
2018	2,499,576	588,397	3,087,972	270,000	57.06%
2019	2,393,627	514,246	2,907,874	260,000	63.18%
2020	2,117,387	449,776	2,567,163	255,000	68.65%
2021	1,561,653	403,816	1,965,469	245,000	72.81%
2022	1,232,986	366,654	1,599,640	240,000	76.21%
2023	1,146,049	330,764	1,476,813	-	78.85%
2024	1,146,049	294,767	1,440,816	-	81.49%
2025	1,146,049	256,772	1,402,821	-	84.13%
2026	1,171,049	216,401	1,387,450	-	86.83%
2027	1,171,049	175,655	1,346,704	-	89.53%
2028	1,171,049	134,909	1,305,958	-	92.23%
2029	1,169,174	94,164	1,263,338	-	94.93%
2030	1,144,930	53,710	1,198,640	-	97.57%
2031	525,000	25,428	550,428	-	98.78%
2032	530,000	8,613	538,613	-	100.00%
Totals	\$40,651,661	\$8,919,640	\$49,571,302	\$2,725,000	

1. Excludes the refunded bonds

Overlapping/Underlying Debt

The City has no overlapping or underlying indebtedness.

Debt Statement¹

As of February 15, 2012

(Pro Forma)

LONG TERM DEBT

Bonds	
General Purpose (Includes This Issue).....	\$16,222,084
Gas	1,000,000
Schools	13,839,542
Water and Sewer Bonds (Includes This Issue).....	<u>12,315,035</u>
TOTAL LONG TERM DEBT	\$43,376,661
TOTAL DIRECT DEBT	\$43,376,661
Less:	
State School Construction Grants Receivable ²	300,308
Self-Supporting Bonds	<u>12,245,035</u>
TOTAL DIRECT NET DEBT	\$30,831,318
OVERLAPPING/UNDERLYING DEBT	<u>0</u>
TOTAL NET DIRECT DEBT	\$30,831,318

1 Excludes capital leases

2 Represents State of Connecticut school construction grants applicable to prior bond issues. See "School Projects" herein.

Current Debt Ratios

As of February 15, 2012
(Pro Forma)

Population ¹	40,493
Net Taxable Grant List – 10/1/10 @70% of full value	\$ 2,390,721,539
Estimated Full Value	\$3,415,316,484
Equalized Net Taxable Grand List - 2009 ²	\$ 3,147,981,409
Money Income per Capita - 2000 ³	\$20,742

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$43,376,661</u>	<u>\$30,831,318</u>	<u>\$30,831,318</u>
Per Capita	\$1,071.21	\$761.40	\$761.40
Ratio to Net Taxable Grand List	1.81%	1.29%	1.29%
Ratio to Estimated Full Value	1.27%	0.90%	0.90%
Ratio to Equalized Grand List	1.38%	0.98%	0.98%
Debt per Capita to Money Income per Capita	5.16%	3.67%	3.67%

¹ U.S. Department of Commerce, Bureau of Census, 2010.
² Office of Policy and Management, State of Connecticut
³ U.S. Department of Commerce, Bureau of Census, 2000

Bond Authorization

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

Temporary Financing

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

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

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

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

State of Connecticut School Building Grants

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996 (the “Current Program”). Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996 (the “Prior Program”). Under the Prior Program, a municipality issued bonds for the entire amount of the school construction project and the State of Connecticut reimbursed the City for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond

issues necessary to completely fund the approved school project. Under the Current Program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

As of February 15, 2012, the City expects to receive principal grant reimbursements under the Prior Program from the State over the remaining life of its outstanding school bonds in the total amount of \$300,308 as detailed below.

<u>Bond Issue of</u>	<u>School Portion</u>	<u>Prior Program Grants</u>
9/15/1994	\$510,000	\$300,308

(Refinanced by 2009
Series B Bonds)

Under the Current Program, the State will advance school building construction reimbursements to the City of Norwich for eligible costs at a reimbursement rate of approximately 77%.

Clean Water Fund Program

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

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

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

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

The City has the following Clean Water Fund loans outstanding:

General Obligation Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Business Park Water	PLO	06/30/2009	\$450,000.00	2.27%	\$390,000
Fitch Hill Water	PLO	12/31/2010	\$144,727.64	2.06%	\$129,652

Sewer Revenue Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Combined Sewer Overflow	PLO	10/31/1997	\$3,239,094.11	2.09%	\$928,445

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Treatment Plant Design ¹	IFO	06/15/2010	\$3,148,958.81	2.00%	--
Treatment Plant Digester ¹	IFO	02/23/2011	\$6,135,297.40	2.00%	--

1. These projects are in progress. The maximum available loan is under "Principal Loan".

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

Water Revenue Secured

<u>Project</u>	<u>IFO/PLO</u>	<u>Date of Issue</u>	<u>Principal Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Yantic Water Improvement	PLO	12/31/2002	\$1,898,651.36	2.77%	\$1,058,586
Deep River Reservoir Transmission Line ¹	IFO	01/26/2012*	\$147,989.25	2.00%	--
Deep River Reservoir Pump/Drive ¹	IFO	01/26/2012*	\$184,996.50	2.00%	--

1. These projects are in progress. The maximum available loan is under "Principal Loan".

* Expected Closing Date

In addition, within the next two years the City expects to finance DWSRF water revenue secured projects in the following estimated loan amounts:

Stony Brook Reservoir Backwash	\$1,830,000
--------------------------------	-------------

Limitation of Indebtedness

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

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

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

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

Statement of Statutory Debt Limitation

As of February 15, 2012

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees)	\$56,857,000
TOTAL TAX COLLECTIONS (Town and City fire taxes) Received by the Treasurer for the year ended June 30, 2010	3,960,704
REIMBURSEMENT FOR REVENUE LOSS ON: Tax Relief for Elderly BASE	<u>\$10,000</u> \$60,827,704

DEBT LIMITATION:	General Purpose	Schools	Sewers	Urban Renewal	Pension Obligation
2 ¼ times base	\$136,862,334				
4 ½ times base		\$273,724,668			
3 ¾ times base			\$228,103,890		
3 ¼ times base				\$197,690,038	
3 times base					<u>\$182,483,112</u>
Total debt limitation	<u>\$136,862,334</u>	<u>\$274,724,668</u>	<u>\$228,103,890</u>	<u>\$197,690,038</u>	<u>\$182,483,112</u>
INDEBTEDNESS:					
Bonds Payable (Excludes Refunded Bonds)	\$14,872,084	\$13,839,542	\$7,097,701	\$-	\$-
Series 2012 Bonds (This Issue)	1,350,000	-	1,375,000	-	-
Clean Water Fund Obligations (GO Obligations)	-	-	-	-	-
Authorized but Unissued Debt	<u>4,920,000</u>	<u>1,060,000¹</u>	<u>600,000</u>	<u>3,380,000</u>	<u>-</u>
TOTAL DIRECT INDEBTEDNESS	\$21,142,084	\$14,899,542	\$9,072,701	\$3,380,000	\$0
Less: Self financed grants/assessments	-	(\$300,308)	(\$2,010,000)	-	-
TOTAL NET INDEBTEDNESS ²	\$21,142,084	\$14,599,234	\$7,062,701	\$3,380,000	\$0

DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT	\$115,720,250	\$260,125,434	\$221,041,189	\$194,310,038	\$182,483,112
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¹ Represents State of Connecticut school construction grants applicable to prior bond issues. (See "School Projects" herein).

² Statutorily excluded from debt limitation is debt issued for water, natural gas and electricity, and CWF debt secured solely by revenues.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation of \$425,793,928.

Authorized But Unissued Debt¹

As of February 15, 2012
(Pro Forma)

Authorization Date	Description	Original Authorization	Prior Bonds/ Paydowns	Estimated Grants/ CWF Note financing	Remaining Authorization
06/21/04	NL Tpk & Pleasant St Bridges	\$530,000	-	\$215,000	\$315,000
09/04/07	Dodd Stadium Improvements	610,000	\$580,000	-	30,000
09/15/08	Demolition (2008)	300,000	100,000	-	200,000
08/03/09	Infrastructure Improvement Program (2009)	5,000,000	1,300,000	-	3,700,000
10/03/11	Greenville & Buckingham Schools Demolition	675,000	-	-	675,000
Subtotal - General Purpose		7,115,000	1,980,000	215,000	4,920,000
08/16/10	Downtown Revitalization	3,380,000	-	-	3,380,000
Subtotal - Urban Renewal		3,380,000	-	-	3,380,000
08/06/07	Renovation & Expansion of Kelly Middle School	40,250,000	9,940,000	29,250,000	1,060,000
Subtotal - Schools		40,250,000	9,940,000	29,250,000	1,060,000
09/04/07	Flyers Drive Area Sewers	1,800,000	1,800,000	-	-
10/19/09	Newton Street Area	1,600,000	1,000,000	-	600,000
Subtotal - Sewers		3,400,000	2,800,000	-	600,000
04/19/10	Wastewater Treatment Plant Improvements	9,000,000	-	7,936,000 ²	1,064,000
04/19/10	Design of WTP Improvements	4,400,000	-	4,214,000	186,000
Subtotal - Revenue Secured Sewers		13,400,000	-	12,150,000²	1,250,000
04/06/09	Richard Brown Drive Water System	750,000	-	750,000	-
04/06/09	Fairview Reservoir Water System	750,000	-	750,000	-
Subtotal - Water		1,500,000	-	1,500,000	-
09/20/10	Backwash systems for Stony Brook reservoir	1,830,000	-	1,780,000	50,000
09/20/10	Deep River reservoir transmission line replacement	1,630,000	-	1,570,000	60,000
09/20/10	Deep River reservoir pump and drive system	2,440,000	-	2,390,000	50,000
Subtotal - Revenue Secured Water		5,900,000	-	5,740,000	160,000
08/16/10	Gas line extensions	3,000,000	1,000,000	-	2,000,000
Subtotal - Gas		3,000,000	1,000,000	-	2,000,000
Grand Total		\$82,945,000	\$15,720,000	\$48,855,000	\$15,760,000

1. Excludes refunding bond authorization
2. Clean Water Fund Interim Funding Obligation

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LEGAL AND OTHER INFORMATION

- **Litigation**
- **Documents to be Furnished at Closing**
- **Concluding Statement**

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LEGAL AND OTHER INFORMATION

Litigation

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

Documents To Be Furnished At Closing

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the City signed by the City Manager and the Comptroller, which will be dated the date of delivery and attached to a confirmed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement substantially in the form of Appendix C attached hereto.
6. The City of Norwich, Connecticut has prepared an Official Statement for the Bonds which is dated February 1, 2012. The City deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b) (5), but it is subject to revision or amendment. The City will make available to the Underwriter of the Bonds 50 copies of the Official Statement at the City's expense within seven business days of pricing. Additional copies may be obtained by the Underwriter at its own expense by arrangement with the printer.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the City and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City of Norwich by the following officials:

CITY OF NORWICH

/s/ Alan H. Bergren

Alan H. Bergren
City Manager

/s/ Joseph A. Ruffo

Joseph A. Ruffo
Comptroller

Dated: as of February1, 2012.

APPENDIX A: FISCAL 2011 AUDITED FINANCIAL STATEMENTS



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Honorable 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, as of and for the year ended June 30, 2011, which collectively comprise the City of Norwich, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-10 and the budgetary comparison information on pages A-55 through A-58 are not required parts of the basic financial statements but are 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.

Blum, Shapiro & Company, P.C.

December 19, 2011

CITY OF NORWICH, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

This discussion and analysis of the City of Norwich, Connecticut's (the City) financial performance is offered by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the City exceeded its liabilities, resulting in total net assets at the close of the fiscal year of \$219.2 million. Total net assets for governmental activities at fiscal year-end were \$103.5 million, and total net assets for business-type activities were \$115.7 million. Total unrestricted net assets at June 30, 2011 were \$30.4 million.
- On a government-wide basis, during the year, the City's net assets increased by \$31.0 million from \$188.2 million to \$219.2 million. Governmental activities net assets increased by \$27.2 million, and net assets increased by \$3.8 million for business-type activities. Governmental activities expenses were \$131.2 million, while total revenues including transfers were \$158.4 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$10.9 million, a decrease of \$7.8 million from the prior fiscal year. Of the total fund balance as of June 30, 2011, \$8.5 million represents the combined unrestricted fund balance in the General Fund, Special Revenue Funds and Capital Projects Funds.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$10.8 million, an increase of \$0.7 million from the prior fiscal year. The 2012 fiscal year includes an appropriation of \$700 thousand. As of June 30, 2011, \$10.8 million of the total fund balance is unrestricted representing 10.1% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt decreased by \$3.4 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or

deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

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

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

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets increased from a year ago from \$188.2 million to \$219.2 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 47,599	\$ 50,909	\$ 34,043	\$ 36,241	\$ 81,642	\$ 87,150
Capital assets	119,045	89,725	106,077	100,309	225,122	190,034
Total assets	<u>166,644</u>	<u>140,634</u>	<u>140,120</u>	<u>136,550</u>	<u>306,764</u>	<u>277,184</u>
Long-term debt outstanding	44,198	43,404	14,301	15,189	58,499	58,593
Unearned revenue	7,542	9,597	534	649	8,076	10,246
Other liabilities	11,376	11,382	9,628	8,810	21,004	20,192
Total liabilities	<u>63,116</u>	<u>64,383</u>	<u>24,463</u>	<u>24,648</u>	<u>87,579</u>	<u>89,031</u>
Net Assets:						
Invested in capital assets, net of debt	91,688	60,432	95,194	88,174	186,882	148,606
Restricted	1,544	1,405	334	287	1,878	1,692
Unrestricted	<u>10,296</u>	<u>14,414</u>	<u>20,129</u>	<u>23,441</u>	<u>30,425</u>	<u>37,855</u>
Total Net Assets	<u>\$ 103,528</u>	<u>\$ 76,251</u>	<u>\$ 115,657</u>	<u>\$ 111,902</u>	<u>\$ 219,185</u>	<u>\$ 188,153</u>

Net assets of the City's governmental activities increased by \$27.2 million (\$103.5 million compared to \$76.3 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$14.4 million at June 30, 2010 to \$10.3 million at the end of this year. The net assets of business-type activities increased by 3.4% (\$115.7 million compared to \$111.9 million) during 2011.

Table 2
CHANGES IN NET ASSETS
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,756	\$ 5,660	\$ 90,625	\$ 84,589	\$ 96,381	\$ 90,249
Operating grants and contributions	54,051	54,424			54,051	54,424
Capital grants and contributions	22,962	11,163	6,704	200	29,666	11,363
General revenues:						
Property taxes	61,307	59,956			61,307	59,956
Grants and contributions not restricted to specific purposes	4,391	4,372			4,391	4,372
Unrestricted investment earnings	283	321	14	20	297	341
Other general revenues	1,414	998			1,414	998
Total revenues	<u>150,164</u>	<u>136,894</u>	<u>97,343</u>	<u>84,809</u>	<u>247,507</u>	<u>221,703</u>
Program expenses:						
General government	10,760	9,114			10,760	9,114
Public safety	20,336	18,063			20,336	18,063
Social services	4,664	5,602			4,664	5,602
Public works	9,133	9,449			9,133	9,449
Education	84,263	84,898			84,263	84,898
Interest on long-term debt	2,008	1,323			2,008	1,323
Department of Public Utilities			80,977	74,716	80,977	74,716
Other enterprise funds			2,425	2,413	2,425	2,413
Total program expenses	<u>131,164</u>	<u>128,449</u>	<u>83,402</u>	<u>77,129</u>	<u>214,566</u>	<u>205,578</u>
Excess before transfers	19,000	8,445	13,941	7,680	32,941	16,125
Transfers	<u>8,277</u>	<u>7,202</u>	<u>(8,277)</u>	<u>(7,202)</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>\$ 27,277</u>	<u>\$ 15,647</u>	<u>\$ 5,664</u>	<u>\$ 478</u>	<u>\$ 32,941</u>	<u>\$ 16,125</u>

The City's total revenues were \$247.5 million. The total cost of all programs and services was \$214.6 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's assets by \$27.2 million during the year compared with an increase of \$15.6 million last year. Total revenues of \$150.2 million and \$8.3 million in transfers from the City's business-type activities provided funding for the City's \$131.2 million of governmental program expenses incurred during the year.

The City's revenues increased \$13.3 million (\$150.2 million compared to \$136.9 million). Included in this year's total revenue was the recognition of capital grants for the Kelly Middle School renovation project and Intermodal Transportation Center of \$14.1 million and \$8.4 million, respectively, compared with \$9.8 million and \$0.7 million, respectively, in 2010.

Total program expenses were \$131.2 million as compared with \$128.4 million reported last year. The expenses of the General Government and Public Safety functions experienced increases primarily attributable to increased pension, OPEB and health insurance.

Property tax revenues increased \$1.4 million. Changes in program expenses are mostly tied to increases in budgeted actual expenditures in the City's General Fund for the cost of current services during 2011 compared with 2010.

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

Table 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government	\$ 10,760	\$ 9,114	\$ 353	\$ 5,680
Public safety	20,336	18,063	19,079	17,210
Social services	4,664	5,602	1,688	2,937
Public works	9,133	9,449	7,166	7,354
Education	84,263	84,898	18,101	22,698
All others	2,008	1,323	2,008	1,323
Totals	\$ 131,164	\$ 128,449	\$ 48,395	\$ 57,202

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$12.5 million during the year (\$97.3 million in 2011 compared to \$84.8 million in 2010) and expenses increased by \$6.3 million. Overall net assets increased \$5.7 million in 2011 compared with an increase of \$0.5 million in 2010. The primary cause of the change in net assets for business-type activities was the capital grants for sewer plant improvements and sewer line extensions. Because of these grants, the assets of the Department of Public Utilities Sewer Division increased \$6.2 million.

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$10.9 million, which is a decrease of \$7.8 million from last year's total of \$18.7 million. Included in this year's total change in fund balance is an increase of \$0.7 million in the City's General Fund. The primary reasons for the General Fund's increase mirror the general fund activities analysis highlighted in RSI-1 and RSI-2.

The Bond Expenditure Fund reported a fund deficit of \$7.1 million at June 30, 2011. The fund balance decreased by \$9.9 million during the year. The City issued \$9.7 million in capital projects bonds in December 2011 to replenish the Fund.

The Intermodal Transportation Center Fund reported a fund balance of \$-0- at June 30, 2011. The fund balance increased by \$290 thousand during the year as the City spends down the local share of the total project cost of the planning and construction of the Intermodal Transportation Center on Hollyhock Island.

The School Projects Fund reported a deficit fund balance of \$-0- at June 30, 2011. The fund balance increased by \$838 thousand during the year as a result of Connecticut School Construction Grant receivables.

The other governmental funds have a total fund balance of \$7.2 million, increasing \$0.9 million during the year. The increase is primarily due to favorable budget variances in the Fire Districts Fund (see Exhibits B-3 and B-4) and an excess of operating transfers into the Capital Improvements Fund over current year expenditures.

Proprietary Funds

Net assets of the proprietary funds consisting of the Department of Public Utilities were \$105.3 million, as compared to \$99.3 million in the prior year, and City's other nonmajor enterprise funds net assets decreased \$342 thousand to \$10.3 million from \$10.7 million.

Unrestricted net assets of the Department of Public Utilities was \$19.9 million, and \$198 thousand for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$88.5 million from user fees, and other enterprise funds had \$2.1 million. The total increase in net assets for the fiscal year ended June 30, 2011 was \$5.6 million.

General Fund Budgetary Highlights

While there were some interdepartmental budget transfers, the General Fund did not have any supplemental appropriations during 2011.

During the year, actual revenues and other financing sources on a budgetary basis were \$103.2 million, which was \$597 thousand higher than budgetary estimates. The variance was caused primarily by greater than anticipated sewer assessment collections (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$102.4 million, which were lower than actual revenues and other financing sources on a budgetary basis by \$754 thousand. Actual expenditures on a budgetary basis were \$218 thousand less than budgeted. Lower than budgeted expenditures were experienced in the General Government, Public Safety, Public Works, and Other as a result of a concerted effort to contain spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the City had \$225.1 million invested in a broad range of capital assets, including land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges - Table 4. This amount represents a net increase (including additions, deductions and depreciation) of \$35.1 million, or 18.5%, over last year.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 23,124	\$ 22,411	\$ 2,922	\$ 2,922	\$ 26,046	\$ 25,333
Buildings and improvements	18,977	17,862	33,705	34,660	52,682	52,522
Vehicles, machinery, equipment, pumping and distributions systems	6,912	6,005	56,983	55,230	63,895	61,235
Technology upgrade and road infrastructure	18,629	18,676			18,629	18,676
Construction in progress	<u>51,403</u>	<u>24,771</u>	<u>12,467</u>	<u>7,497</u>	<u>63,870</u>	<u>32,268</u>
Totals	<u>\$ 119,045</u>	<u>\$ 89,725</u>	<u>\$ 106,077</u>	<u>\$ 100,309</u>	<u>\$ 225,122</u>	<u>\$ 190,034</u>

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

Kelly Middle School Renovation	\$ 20,476
Intermodal Transportation Center	8,722
Flyers Drive Sewer Construction	1,702
Road Overlays	1,135
Wastewater Treatment Plant	1,075
SmartGrid	999
100' Ladder Truck	<u>874</u>
Total	<u>\$ 34,983</u>

The City's fiscal-year 2011-12 capital budget calls for spending \$2.3 million for road overlays, public works vehicles, police vehicles, fire equipment and other projects. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2011, the City had total bonds and notes outstanding of \$35.7 million. All of this debt is backed by the full faith and credit of the City. The City's outstanding net debt decreased by \$3.6 million during fiscal 2011.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 26,553	\$ 29,293	\$ 4,894	\$ 5,521	\$ 31,447	\$ 34,814
Serial notes payable			4,273	4,482	4,273	4,482
Total	\$ 26,553	\$ 29,293	\$ 9,167	\$ 10,003	\$ 35,720	\$ 39,296

In November 2009, Standard & Poor's and Fitch Ratings affirmed their AA- ratings with a stable outlook. On November 15, 2011, Moody's assigned an Aa2 rating to Norwich's 2011 \$9.6 million General Obligation bond issue and affirmed its Aa2 rating on the Norwich's debt outstanding as of that date.

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the City of Norwich is \$425 million. The City's outstanding general obligation debt is at 8.4% of this limitation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of June 2011, the unemployment rate for the Norwich Labor Market Area was 10.1%, up from 9.8% in the prior year. Connecticut's overall unemployment rate stood at 9.0%, compared with 8.9% for the same time last year. The State of Connecticut's education and non-education formula grants have not kept pace with inflation. This, coupled with increased employee benefit costs, creates a challenge for Norwich. The City, however, is poised to overcome such challenges with its commitments to economic development, cost reduction and funding its long-term liabilities. The effects of these efforts are exemplified in the initiatives noted in the transmittal letter.

The fiscal year 2012 General Fund budget calls for \$108.6 million in revenues and \$109.3 million in expenditures, an approximate 6.5% increase in expenditures over fiscal year 2011. On the revenue side, the fiscal year 2012 budgeted tax levy increased 3.4% and the mill rate increased 0.72 mills from 24.04 to 24.76, a 3.00% increase. The City has not implemented any new programs or services.

In the City's business-type activities, the Norwich Public Utilities projects an 3.79% decrease in revenues from fiscal year 2011 from \$95.3 million to \$91.7 million. This increase is largely due to a decrease in gas and electric rates. Norwich Public Utilities budgeted \$10.5 million in capital improvements to bolster its infrastructure and operational efficiency.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2011

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 19,490	\$ 16,276	\$ 35,766
Investments	4,575		4,575
Receivables, net	22,941	15,000	37,941
Internal balances	31	(31)	-
Inventories		1,818	1,818
Other assets	562	980	1,542
Capital assets:			
Assets not being depreciated	74,527	15,389	89,916
Assets being depreciated, net	44,518	90,688	135,206
Total assets	<u>166,644</u>	<u>140,120</u>	<u>306,764</u>
Liabilities:			
Accounts and other payables	10,270	9,628	19,898
Due to Fiduciary Funds	1,106		1,106
Unearned revenue	7,542	534	8,076
Noncurrent liabilities:			
Due within one year	6,800	2,338	9,138
Due in more than one year	37,398	11,963	49,361
Total liabilities	<u>63,116</u>	<u>24,463</u>	<u>87,579</u>
Net Assets:			
Invested in capital assets, net of related debt	91,688	95,194	186,882
Restricted for trust purposes:			
Expendable	42		42
Permanent	1,502		1,502
Restricted for energy conservation		334	334
Unrestricted	10,296	20,129	30,425
Total Net Assets	<u>\$ 103,528</u>	<u>\$ 115,657</u>	<u>\$ 219,185</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011
(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Intermodal Transportation Center</u>	<u>School Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 11,292	\$	\$ 7,785	\$	\$ 413	\$ 19,490
Investments	3,193				1,382	4,575
Receivables, net	8,843		2,424	6,802	4,830	22,899
Due from other funds	15,507				6,360	21,867
Other assets					49	49
Total Assets	<u>\$ 38,835</u>	<u>\$ -</u>	<u>\$ 10,209</u>	<u>\$ 6,802</u>	<u>13,034</u>	<u>\$ 68,880</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 4,639	\$ 111	\$ 846	\$ 2,483	2,062	\$ 10,141
Due to other funds	15,255	6,990	3,048	4,319	484	30,096
Deferred revenue	8,114		6,315		3,307	17,736
Total liabilities	<u>28,008</u>	<u>7,101</u>	<u>10,209</u>	<u>6,802</u>	<u>5,853</u>	<u>57,973</u>
Fund balances:						
Nonspendable					1,523	1,523
Restricted					1,421	1,421
Committed					4,344	4,344
Assigned	178					178
Unassigned	10,649	(7,101)			(107)	3,441
Total fund balances	<u>10,827</u>	<u>(7,101)</u>	<u>-</u>	<u>-</u>	<u>7,181</u>	<u>10,907</u>
Total Liabilities and Fund Balances	<u>\$ 38,835</u>	<u>\$ -</u>	<u>\$ 10,209</u>	<u>\$ 6,802</u>	<u>13,034</u>	<u>\$ 68,880</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011
(In Thousands)

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

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

Fund balances - total governmental funds	\$	10,907
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	172,375	
Less accumulated depreciation		<u>(53,330)</u>	
Net capital assets			119,045

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

Property tax receivables greater than 60 days	3,392
Interest receivable on property taxes	1,122
Housing rehabilitation loans	1,766
Receivable from the state for school construction projects	300
Accounts and other receivables	3,614
Net pension asset	513

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

82

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

Bonds and notes payable	(26,740)
Deferred charges on refunding	250
Unamortized bond premium	(63)
Interest payable on bonds and notes	(129)
Compensated absences	(3,424)
Landfill closure	(1,753)
Capital lease	(804)
Net pension obligation	(120)
Net OPEB obligation	<u>(4,430)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>103,528</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	General	Bond Expenditure	Intermodal Transportation Center	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes, interest and liens	\$ 56,857	\$	\$	\$	\$ 3,960	\$ 60,817
Intergovernmental revenues	38,103		8,437	14,095	20,804	81,439
Charges for services	1,978				2,587	4,565
Licenses, permits and fees	624					624
Investment income	47				236	283
Other	1,727				376	2,103
Total revenues	<u>99,336</u>	<u>-</u>	<u>8,437</u>	<u>14,095</u>	<u>27,963</u>	<u>149,831</u>
Expenditures:						
Current:						
General government	5,350				472	5,822
Public safety	12,608				6,839	19,447
Social services	1,775				2,254	4,029
Public works	9,091				542	9,633
Education	67,160				17,530	84,690
Other	3,411					3,411
Capital outlay	804	2,751	8,727	20,476	2,147	34,905
Debt service	4,772					4,772
Total expenditures	<u>104,971</u>	<u>2,751</u>	<u>8,727</u>	<u>20,476</u>	<u>29,784</u>	<u>166,709</u>
Deficiency of Revenues over Expenditures	<u>(5,635)</u>	<u>(2,751)</u>	<u>(290)</u>	<u>(6,381)</u>	<u>(1,821)</u>	<u>(16,878)</u>
Other Financing Sources (Uses):						
Transfers in	8,091	51		7,219	3,063	18,424
Transfers out	(2,535)	(7,219)			(393)	(10,147)
Proceeds from capital lease issuance	804					804
Total other financing sources	<u>6,360</u>	<u>(7,168)</u>	<u>-</u>	<u>7,219</u>	<u>2,670</u>	<u>9,081</u>
Net Change in Fund Balances	725	(9,919)	(290)	838	849	(7,797)
Fund Balances at Beginning of Year	<u>10,102</u>	<u>2,818</u>	<u>290</u>	<u>(838)</u>	<u>6,332</u>	<u>18,704</u>
Fund Balances at End of Year	<u>\$ 10,827</u>	<u>\$ (7,101)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,181</u>	<u>\$ 10,907</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (7,797)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	33,167
Depreciation expense	(3,650)

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

(197)

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

Property tax receivable - accrual basis change	450
Property tax interest and lien revenue - accrual basis change	40
School building grant receipts	(102)
Housing loan repayments	(197)
Accounts and other receivables - accrual basis change	3,101
Net pension asset	107

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

Bond principal payments	2,846
Amortization of deferred charge on refunding	(137)
Amortization of premiums	31
Capital lease issuances	(804)
Capital lease payments	42

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

Compensated absences	(100)
Accrued interest	24
Net pension expense	(4)
Net OPEB expense	(512)
Landfill postclosure care	35

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

934

Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u>27,277</u>
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The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2011
(In Thousands)

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Department of Public Utilities</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 16,266	\$ 10	\$ 16,276	
Receivables, net:				
User charges	14,045	132	14,177	
Intergovernmental				
Other	823		823	42
Due from other funds		534	534	7,154
Inventories	1,749	69	1,818	
Other assets	980		980	
Total current assets	<u>33,863</u>	<u>745</u>	<u>34,608</u>	<u>7,196</u>
Capital assets, net	<u>95,693</u>	<u>10,384</u>	<u>106,077</u>	
Total assets	<u>129,556</u>	<u>11,129</u>	<u>140,685</u>	<u>7,196</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	8,648	78	8,726	
Due to other funds	295	270	565	
Unearned revenue	335	199	534	
Notes payable - current	946		946	
Bonds payable - current	650	25	675	
Capital leases payable - current	278		278	
Compensated absences - current	277		277	
Risk management claims - current	162		162	1,949
Total current liabilities	<u>11,591</u>	<u>572</u>	<u>12,163</u>	<u>1,949</u>
Noncurrent liabilities:				
Customer deposits	902		902	
Notes payable	3,327		3,327	
Bonds payable	3,979	240	4,219	
Capital leases payable	1,439		1,439	
Compensated absences	2,490		2,490	
Risk management claims	488		488	5,165
Total noncurrent liabilities	<u>12,625</u>	<u>240</u>	<u>12,865</u>	<u>5,165</u>
Total liabilities	<u>24,216</u>	<u>812</u>	<u>25,028</u>	<u>7,114</u>
Net Assets:				
Invested in capital assets, net of related debt	85,075	10,119	95,194	
Restricted for energy conservation	334		334	
Unrestricted	19,931	198	20,129	82
Total Net Assets	<u>\$ 105,340</u>	<u>\$ 10,317</u>	<u>\$ 115,657</u>	<u>\$ 82</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Business-Type Activities			Governmental
	Department	Nonmajor	Total	Activities
	of Public	Enterprise		Internal
Utilities	Funds		Service	
				Funds
Operating Revenues:				
Charges for services	\$ 86,166	\$ 2,081	\$ 88,247	\$ 18,006
Use of property	1,753		1,753	
Other services	625		625	
Total operating revenues	<u>88,544</u>	<u>2,081</u>	<u>90,625</u>	<u>18,006</u>
Operating Expenses:				
Purchased gas and electric	43,123		43,123	
General and administrative	13,905		13,905	
Depreciation	5,698	390	6,088	
Operations and maintenance	10,674	2,035	12,709	
Customer accounts	1,898		1,898	
Bad debt expense	3,579		3,579	
Gross revenue and property taxes	1,870		1,870	
Claims				15,948
Premiums and administrative charges				1,124
Total operating expenses	<u>80,747</u>	<u>2,425</u>	<u>83,172</u>	<u>17,072</u>
Operating Income (Loss)	<u>7,797</u>	<u>(344)</u>	<u>7,453</u>	<u>934</u>
Nonoperating Income (Expense):				
Interest income	12	2	14	
Interest expense	(230)		(230)	
Total nonoperating income (expense)	<u>(218)</u>	<u>2</u>	<u>(216)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	7,579	(342)	7,237	934
Capital Contributions	6,704		6,704	
Transfers Out	(8,277)		(8,277)	
Change in Net Assets	6,006	(342)	5,664	934
Total Net Assets at Beginning of Year, as Restated*	<u>99,334</u> *	<u>10,659</u>	<u>109,993</u>	<u>(852)</u>
Total Net Assets at End of Year	<u>\$ 105,340</u>	<u>\$ 10,317</u>	<u>\$ 115,657</u>	<u>\$ 82</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 86,577	\$ 2,082	\$ 88,659	\$
Cash paid to vendors	(59,422)	(988)	(60,410)	
Cash paid to employees for services	(13,041)	(990)	(14,031)	
Net cash provided by operating activities	<u>14,114</u>	<u>104</u>	<u>14,218</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(8,277)		(8,277)	
Customer deposits	(28)		(28)	
Advances from other funds	(33)	(141)	(174)	
Net cash used in noncapital and related financing activities	<u>(8,338)</u>	<u>(141)</u>	<u>(8,479)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Cash advance to CMEEC and other funds	(111)		(111)	
Capital contributions	6,704		6,704	
Purchase of capital assets	(11,764)	(93)	(11,857)	
Proceeds from long-term debt	306		306	
Principal payment on bonds and notes	(1,143)		(1,143)	
Principal payment on capital leases	(303)		(303)	
Interest payment on debt	(230)		(230)	
Net cash used in capital and related financing activities	<u>(6,541)</u>	<u>(93)</u>	<u>(6,634)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	<u>12</u>	<u>2</u>	<u>14</u>	
Net Decrease in Cash and Cash Equivalents	(753)	(128)	(881)	-
Cash and Cash Equivalents at Beginning of Year	<u>17,019</u>	<u>138</u>	<u>17,157</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,266</u>	<u>\$ 10</u>	<u>\$ 16,276</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 7,797	\$ (344)	\$ 7,453	\$ 934
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	5,698	390	6,088	
Provision for uncollectible accounts	3,579		3,579	
(Increase) decrease in receivables	(4,468)	(7)	(4,475)	107
Decrease in inventories and other assets	394	2	396	
(Increase) decrease in due from other funds		81	81	(3,150)
Increase (decrease) in unearned revenues	(122)	8	(114)	
Increase (decrease) in accounts payable and accrued liabilities	1,236	(26)	1,210	2,109
Total adjustments	<u>6,317</u>	<u>448</u>	<u>6,765</u>	<u>(934)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,114</u>	<u>\$ 104</u>	<u>\$ 14,218</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011
(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 75	\$ 12	\$ 380
Investments:			
Mutual funds	145,003	3,166	
Other receivables	1	67	63
Due from other funds		<u>1,207</u>	
 Total assets	 <u>145,079</u>	 <u>4,452</u>	 <u>\$ 443</u>
 Liabilities:			
Accounts and other payables	21	47	\$
Due to other funds	101		
Due to student groups and agencies			<u>443</u>
 Total liabilities	 <u>122</u>	 <u>47</u>	 <u>\$ 443</u>
 Net Assets:			
Held in Trust for Pension and Other Benefits	\$ <u>144,957</u>	\$ <u>4,405</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	<u>Pension Trust Funds</u>	<u>Other Post Employment Benefit Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 4,002	\$ 5,251
Plan members	2,818	1,444
Total contributions	<u>6,820</u>	<u>6,695</u>
Investment income:		
Net appreciation in fair value of investments	25,906	312
Interest and dividends	62	94
Total investment income	<u>25,968</u>	<u>406</u>
Less investment expense	<u>(847)</u>	<u>(19)</u>
Net investment income	<u>25,121</u>	<u>387</u>
Total additions	<u>31,941</u>	<u>7,082</u>
Deductions:		
Benefits	11,695	5,139
Administration	29	332
Lump sum distributions and withdrawals	128	
Total deductions	<u>11,852</u>	<u>5,471</u>
Net Increase	20,089	1,611
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>124,868</u>	<u>2,794</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 144,957</u>	<u>\$ 4,405</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The Intermodal Transportation Center Fund accounts for the City's capital project established to account for activity associated with the building of a transportation center. Financial resources include intergovernmental grants, bond proceeds and transfers from the City's General Fund.

The School Projects Fund accounts for the City's capital projects established to account for activity associated with the building of new schools and/or renovations to existing schools. Financial resources include intergovernmental grants, bond proceeds and transfers from the City's General Fund.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary 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 business-type activities and enterprise funds, subject to this same limitation. The City 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 payments in lieu of taxes and other charges between certain City functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Deposits and Investments

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

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

Investments for the City are reported at fair value.

E. Receivables and Payables

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

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. The City is not a part of any overlapping government which assesses separate property taxes. An amount of \$646 has been

established as an allowance for uncollected taxes. At June 30, 2011, this represents 15.2% of property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net 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 any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Fund Equity and Net 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.

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

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 five separate categories. The five categories, and their general meanings, are as follows:

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

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

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City Council).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the City Charter.

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

The City does not have a minimum fund balance policy regarding unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In October, the City Manager, through the Comptroller's Office, distributes budget instructions to department heads. On or before a date set by the City Manager, the head of every department, office or agency must submit a written proposed budget for the following year to the City Manager. The City Manager and Comptroller review these proposals and may revise them as deemed advisable, except in the

case of the Department of Education where the City Manager has the authority to revise only the total estimated expenditures. The City Manager and Comptroller compare proposed expenditures to expected revenues and prepare a proposed budget for presentation to the City Council.

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

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

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

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

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

B. Deficit Fund Equity

Certain individual funds had fund balance/net asset deficits at June 30, 2011 as follows:

Bond Expenditure Fund	\$	7,101*
Nonmajor Governmental Funds:		
Parking Commission		56**
Property Rehabilitation		46***
Dog License		5****
Internal Service Funds:		
Workers' Compensation		4,229**

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

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

*** Deficit will be reduced by future Community Development Fund transfers and property rehab loan payment receipts.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$28,075 of the City’s bank balance of \$30,049 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	25,117
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name		<u>2,958</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>28,075</u></u>

Cash Equivalents

At June 30, 2011, the City's cash equivalents amounted to \$7,794. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

*Not rated

Investments

As of June 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit*	N/A	\$ 3,193	\$	3,193	\$
Federal agency securities	AAA	52		52	
Corporate bonds	AA to A+	433		433	
Total		3,678	\$	-	\$
				3,678	\$
					-
Other investments:					
Common stock		897			
Mutual funds		148,169			
Total Investments		\$ 152,744			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A Not applicable

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

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

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

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

4. RECEIVABLES

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

	<u>General</u>	<u>Intermodal Transportation Center</u>	<u>School Projects</u>	<u>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 4,246				\$ 349	\$ 4,595
Accrued interest on taxes	1,403					1,403
Intergovernmental	313	2,424	6,802		1,729	11,268
User charges	357			15,376		15,733
Assessments	3,451					3,451
Housing and rehabilitation loans					2,601	2,601
Accounts and other				823	739	1,562
Gross receivables	<u>9,770</u>	<u>2,424</u>	<u>6,802</u>	<u>16,199</u>	<u>5,418</u>	<u>40,613</u>
Less allowance for uncollectibles:						
Taxes	(646)				(55)	(701)
Accrued interest on taxes	(281)					(281)
User charges				(1,331)		(1,331)
Accounts					(228)	(228)
Total allowance	<u>(927)</u>	<u>-</u>	<u>-</u>	<u>(1,331)</u>	<u>(283)</u>	<u>(2,541)</u>
Net Total Receivables	<u>\$ 8,843</u>	<u>\$ 2,424</u>	<u>\$ 6,802</u>	<u>\$ 14,868</u>	<u>\$ 5,135</u>	<u>\$ 38,072</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Property taxes	\$ 3,141	\$	\$ 3,141
Accrued interest on property taxes	1,122		1,122
Assessments	3,451		3,451
School building construction			
grant receivables	300		300
Other deferred revenues		100	100
Intermodal Transportation Center Fund:			
Grant drawdowns prior to meeting all eligibility requirements		6,315	6,315
Nonmajor funds:			
Taxes and accrued interest on delinquent property taxes	251		251
Housing loans and interest	1,766		1,766
Lead abatement - unamortized loans		835	835
Grant drawdowns prior to meeting all eligibility requirements		283	283
Other receivables and deferred revenues	<u>163</u>	<u>9</u>	<u>172</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 10,194</u>	<u>\$ 7,542</u>	<u>\$ 17,736</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. The City also operates a cash pool in the general fund as well as there are bonded projects in a fund that benefit another fund. A summary of interfund balances as of June 30, 2011 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bond Expenditure Fund	\$ 6,990
	Intermodal Transportation Center	3,048
	School Projects	4,319
	Pension Trust	101
	Nonmajor Governmental	484
	Nonmajor Enterprise	270
	Department of Public Utilities	295
Nonmajor Governmental	General Fund	6,360
Nonmajor Enterprise	General Fund	534
Internal Service Funds	General Fund	7,154
Other Post Employment Benefit Trust	General Fund	<u>1,207</u>
Total		<u>\$ 30,762</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Bond Expenditure</u>	<u>School Projects</u>	<u>Nonmajor Governmental</u>	
Transfers out:					
General Fund	\$	\$	\$	\$ 2,535	\$ 2,535
Bond Expenditure			7219		7,219
Department of Public Utilities	7,749			528	8,277
Nonmajor Governmental	<u>342</u>	<u>51</u>			<u>393</u>
Total Transfers Out	<u>\$ 8,091</u>	<u>\$ 51</u>	<u>\$ 7,219</u>	<u>\$ 3,063</u>	<u>\$ 18,424</u>

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

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,411	\$ 713	\$	\$ 23,124
Construction in progress	24,771	29,831	(3,199)	51,403
Total capital assets not being depreciated	<u>47,182</u>	<u>30,544</u>	<u>(3,199)</u>	<u>74,527</u>
Capital assets being depreciated:				
Buildings and improvements	41,044	2,385	(5)	43,424
Vehicles, machinery and equipment	17,054	1,984	(321)	18,717
Technology upgrade and infrastructure	34,854	1,453	(600)	35,707
Total capital assets being depreciated	<u>92,952</u>	<u>5,822</u>	<u>(926)</u>	<u>97,848</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,182)	(1,268)	3	(24,447)
Vehicles, machinery and equipment	(11,049)	(1,026)	270	(11,805)
Technology upgrade and infrastructure	(16,178)	(1,356)	456	(17,078)
Total accumulated depreciation	<u>(50,409)</u>	<u>(3,650)</u>	<u>729</u>	<u>(53,330)</u>
Total capital assets being depreciated, net	<u>42,543</u>	<u>2,172</u>	<u>(197)</u>	<u>44,518</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,725</u>	<u>\$ 32,716</u>	<u>\$ (3,396)</u>	<u>\$ 119,045</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,922	\$	\$	\$ 2,922
Construction in progress	7,497	11,761	(6,791)	12,467
Total capital assets not being depreciated	<u>10,419</u>	<u>11,761</u>	<u>(6,791)</u>	<u>15,389</u>
Capital assets being depreciated:				
Structures and improvements	70,951	1,522		72,473
Machinery, equipment, pumping and distribution systems	139,108	5,365	(1,091)	143,382
Total capital assets being depreciated	<u>210,059</u>	<u>6,887</u>	<u>(1,091)</u>	<u>215,855</u>
Less accumulated depreciation for:				
Structures and improvements	(36,291)	(2,477)		(38,768)
Machinery, equipment, pumping and distribution systems	(83,878)	(3,612)	1,091	(86,399)
Total accumulated depreciation	<u>(120,169)</u>	<u>(6,089)</u>	<u>1,091</u>	<u>(125,167)</u>
Total capital assets being depreciated, net	<u>89,890</u>	<u>798</u>	<u>-</u>	<u>90,688</u>
Business-Type Activities Capital Assets, Net	<u>\$ 100,309</u>	<u>\$ 12,559</u>	<u>\$ (6,791)</u>	<u>\$ 106,077</u>

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

Governmental activities:	
General government	\$ 144
Public safety	765
Social services	55
Public works	1,569
Education	<u>1,117</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>3,650</u></u>
Business-type activities:	
Department of Public Utilities	\$ 5,699
Golf Course Authority	49
Stadium Authority	180
Ice Rink Authority	<u>161</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u><u>6,089</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2011. At year end, the City's commitments with contractors on active authorizations are as follows:

Project	Cumulative Authorization	Current Expenditures	Cumulative Expenditures	Encumbered	Balance June 30, 2011
Kelly Middle School Renovation	\$ 40,250	\$ 20,476	\$ 36,349	\$	\$ 3,901
Intermodal Transportation Center	21,965	8,728	14,560		7,405
New London Turnpike/Pleasant Bridge	530	12	305		225
Dodd Stadium Capital Improvements	610		581		29
Dog Pound	761	116	761		
Fire Department Equipment and Improvements	795	6	783		12
Flyers Drive Sewer Line Extension	1,800	348	1,796		4
Brown Park City Pier	2,020	45	1,998		22
Newton Street Area Sewer Line Extension	1,600	238	336		1,264
Road Improvements - 2010 bonds	5,000	817	1,125		3,875
Gas Line Extensions	<u>3,000</u>	<u>56</u>	<u>56</u>		<u>2,944</u>
 Total	 \$ <u><u>78,331</u></u>	 \$ <u><u>30,842</u></u>	 \$ <u><u>58,650</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>19,681</u></u>

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 29,586	\$	\$ 2,846	\$ 26,740	\$ 3,289
Add unamortized premiums	94		31	63	
Less deferred amounts on refunding	(387)		(137)	(250)	
Total bonds payable	<u>29,293</u>	<u>-</u>	<u>2,740</u>	<u>26,553</u>	<u>3,289</u>
Compensated absences	3,324	1,488	1,388	3,424	1,463
Landfill closure	1,788		35	1,753	25
Capital leases	42	804	42	804	74
Net pension obligation	116	254	250	120	
Net OPEB obligation	3,918	5,763	5,251	4,430	
Risk management claims	<u>4,923</u>	<u>18,139</u>	<u>15,948</u>	<u>7,114</u>	<u>1,949</u>
Governmental Activities Long-Term Liabilities	<u>\$ 43,404</u>	<u>\$ 26,448</u>	<u>\$ 25,654</u>	<u>\$ 44,198</u>	<u>\$ 6,800</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 5,529	\$	\$ 629	\$ 4,900	\$ 675
Less deferred amounts on refunding	(8)		(2)	(6)	
State of Connecticut - serial note	4,482	308	517	4,273	946
Total bonds and notes payable	<u>10,003</u>	<u>308</u>	<u>1,144</u>	<u>9,167</u>	<u>1,621</u>
CMEEC loan	111		111	-	
Compensated absences	2,658	375	266	2,767	277
Capital leases	2,021		304	1,717	278
Workers' compensation	<u>396</u>	<u>353</u>	<u>99</u>	<u>650</u>	<u>162</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 15,189</u>	<u>\$ 1,036</u>	<u>\$ 1,924</u>	<u>\$ 14,301</u>	<u>\$ 2,338</u>

A schedule of bonds outstanding at June 30, 2011 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2011</u>
Governmental Activities					
General purpose bonds payable:					
General purpose - Wauregan Hotel	4/1/2001	4/1/2017	5.50-6.75	\$ 400	\$ 150
General purpose	4/15/2002	4/15/2022	4.0-5.0	3,345	1,491
General purpose	4/15/2004	4/15/2015	2.00-3.55	1,175	160
Refunding - (11/15/1997 and 11/01/1999) bonds	4/15/2004	4/15/2019	2.0-4.0	2,195	1,308
General purpose and water main	3/15/2005	9/15/2015	3.0-5.0	2,810	1,405
Refunding - (02/01/1996 and 04/01/2001) bonds	3/15/2005	9/15/2019	3.0-4.0	8,570	6,091
Schools	12/30/2008	12/30/2020	-	2,940	2,450
General purpose - refunding	12/2/2009	4/1/2014	2.0-3.0	4,235	3,140
General purpose	12/2/2009	12/1/2029	3.0-4.0	8,545	8,545
Schools	12/2/2009	12/1/2029	3.0-4.0	2,000	2,000
Total					\$ 26,740
Business-Type Activities					
General purpose bonds payable:					
Sewers	4/15/2002	4/15/2022	4.0-5.0	\$ 2,675	\$ 1,449
Sewers	4/15/2004	4/15/2015	2.00-3.55	1,945	775
Refunding - (11/15/1997 and 11/01/1999) Sewers	4/15/2004	4/15/2019	2.0-4.0	2,325	1,267
Refunding - (02/01/1996) Stony Brook Reservoir	3/15/2005	9/15/2015	3.0-4.0	368	199
Sewers	3/15/2005	9/15/2015	3.0-5.0	710	345
Sewers	12/2/2009	12/1/2029	3.0-4.0	600	600
Golf course	12/2/2009	12/1/2029	3.0-4.0	265	265
State of Connecticut serial notes payable:					
Clean Water Act 106-C	10/31/1997	10/31/2016	2.00	3,410	1,038
Clean Water Act 298-C	6/30/2000	6/30/2019	2.00	1,508	605
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	501
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	1,112
Clean Water Act 200801-C	7/1/2009	7/1/2029	2.27	450	403
Drinking Water State Revolving Fund 2010-8005	12/2/2009	12/1/2029	2.06	129	134
Drinking Water State Revolving Fund 2010-8006	12/2/2009	12/1/2029	2.06	34	310
Economic Development	7/1/1995	7/1/2012	6.00	1,000	170
Total					\$ 9,173

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,289	\$ 889	\$ 4,178
2013	3,265	774	4,039
2014	3,221	659	3,880
2015	2,188	543	2,731
2016	2,133	474	2,607
2017-2021	7,394	1,558	8,952
2022-2026	2,978	737	3,715
2027-2030	2,272	181	2,453
Total	\$ 26,740	\$ 5,815	\$ 32,555

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issue used for school construction. The amount of principal and interest reimbursements for the year ended June 30, 2011 was \$102. Additional principal payments aggregating \$300 are expected to be received through the bonds maturity dates.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,621	\$ 210	\$ 1,831
2013	1,184	195	1,379
2014	1,105	181	1,286
2015	1,109	173	1,282
2016	934	138	1,072
2017-2021	2,534	359	2,893
2022-2026	487	81	568
2027-2030	199	17	216
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 9,173</u>	<u>\$ 1,354</u>	<u>\$ 10,527</u>

Capital Leases

Governmental Activities

The City entered into a multi-year capital lease for the purchase of a fire truck. Principal payments for the 2011 fiscal year were \$70. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$804 at June 30, 2011. The following is a summary of capital lease commitments as of June 30, 2011.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2012	\$ 112
2013	112
2014	112
2015	112
2016	112
2017-2020	447
	<u> </u>
Total payments	1,007
Less interest	(203)
	<u> </u>
Principal Balance	<u>\$ 804</u>

Business-Type Activities

The Department of Public Utilities has entered into multi-year capital leases for the purchase of various items including equipment, vehicles, financial management systems and a municipal wide-area network. Principal payments for 2010-2011 were \$304. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$1,717 at June 30, 2011. The following is a summary of capital lease commitments as of June 30, 2011.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2012	\$ 345
2013	326
2014	315
2015	282
2016	282
2017-2018	<u>401</u>
Total payments	1,951
Less interest	<u>(234)</u>
Principal Balance	<u><u>\$ 1,717</u></u>

Compensated Absences - Governmental Activity

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

Vested:		
Sick	\$	1,011
Vacation		644
Other		293
Nonvested:		
Sick		1,440 *
Other		<u>36 *</u>
Total	\$	<u><u>3,424</u></u>

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

Landfill Closure and Postclosure Care Cost - Governmental Activity

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The current estimated total cost of the landfill closure and postclosure care of \$1,753 is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the complete landfill site as of June 30, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations. The City is eligible for approximately \$3,300 in State grants of which \$1,902 has been drawn down.

Bonds Authorized/Unissued

Bonds authorized/unissued with outstanding debt at June 30, 2011 are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Grants</u>	<u>Authorized Unissued</u>
Kelly Middle School Renovation*	\$ 40,250	\$ 4,940	\$ 29,250	\$ 6,060
Sewer Line Extensions	1,800	600		1,200
Dodd Stadium	<u>610</u>	<u>500</u>		<u>110</u>
Total	<u>\$ 42,660</u>	<u>\$ 6,040</u>	<u>\$ 29,250</u>	<u>\$ 7,370</u>

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

Debt Limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 136,861	\$ 25,054	\$ 111,807
Schools	273,722	15,318	258,404
Sewers	228,101	8,226	219,875
Urban renewal	197,688		197,688
Pension deficit	182,481		182,481

The total of the City's net statutory indebtedness of \$48.6 million does not exceed the legal debt limitation of \$425 million (seven times the base for debt limitation computation).

8. FUND EQUITY

A. Fund Balance

The components of fund balance at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Bond Expenditure Fund</u>	<u>Intermodal Transportation Center</u>	<u>School Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 49	\$ 49
Trust					1,474	1,474
Restricted for:						
Trust					70	70
Grants					238	238
Fire districts					1,113	1,113
Committed to:						
Public safety					44	44
Public works					2,066	2,066
Social services					713	713
General government					144	144
Education					1,377	1,377
Assigned to:						
General government	13					13
Public works	31					31
Public safety	16					16
Education	97					97
Other	21					21
Unassigned	<u>10,649</u>	<u>(7,101)</u>			<u>(107)</u>	<u>3,441</u>
Total Fund Balances	<u>\$ 10,827</u>	<u>\$ (7,101)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,181</u>	<u>\$ 10,907</u>

B. Department of Public Utilities - Restricted Net Assets

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy and Load Conservation Fund (the Fund) on behalf of its cooperative members, including the Department. The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring CMEEC to establish and administer the Fund. CMEEC includes a charge of 1.5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan. Funds held by CMEEC as of June 30, 2011 on behalf of the Department were \$334. Investment income that is earned on the Department's deposits along with the Fund's authorized expenses is recorded in the Department's statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department's statement of net assets and have been restricted.

9. RISK MANAGEMENT

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

It is the policy of the City to self insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchased "stop loss" insurance to

limit its losses to \$175 per person in 2011 for hospitalization with a maximum aggregate for all claims of approximately \$15,971.

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

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

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
Medical:				
2009-2010	\$ 1,310	\$ 11,566	\$ 11,706	\$ 1,170
2010-2011	1,170	11,047	11,190	1,027
Workers' Compensation:				
2009-2010	5,124	652	2,023	3,753
2010-2011	3,753	7,092	4,758	6,087

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

The Department of Public Utilities accounts for the self-insured component of workers' compensation benefits for the Department's employees within the Department of Public Utilities Enterprise Fund. The Department has accrued \$650 for estimated unpaid accrued losses on reported claims as of June 30, 2011.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Norwich Retirement System

A. Plan Description

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

The City provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the plan, all full-time salaried City employees, noncertified employees of the Board of Education and all full-time uniformed and investigatory employees classified as Police Officers and Firefighters are eligible after a probationary period. General City employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55 or after 34 years of service regardless of age. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension. City employees receive a retirement benefit of 2.2% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 74.8% of average earnings. Police who retire at normal retirement (after 20 years of service) receive 48% of average annual pay (highest 3 years out of last 10 consecutive years) for the

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

At January 1, 2010, the plan members consisted of:

Retirees and beneficiaries currently receiving benefits	479
Terminated employees not yet receiving benefits	32
Active plan members	<u>557</u>
 Total	 <u><u>1,068</u></u>

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

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

C. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. City employees are required to contribute 8%. Police and firefighter participants are required to contribute 8%. Board of Education participants are required to contribute 7%. The City's funding policy provides for periodic employer contributions at actuarially determined rates. The City's current contribution percentage is 10.95% of covered payroll.

D. Annual Pension Cost and Net Pension Obligations

The City's annual pension cost and net pension obligation to the plan for the year ended June 30, 2011 were as follows:

Annual required contribution	\$ 3,644
Interest on net pension obligation	(33)
Adjustment to annual required contribution	<u>34</u>
 Annual pension cost	 3,645
Contributions made	<u>3,752</u>
 Increase in net pension asset	 (107)
Net pension asset, beginning of year	<u>(406)</u>
 Net Pension Asset, End of Year	 <u><u>\$ (513)</u></u>

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

Actuarial valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Actuarial Value
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	See graded table below:

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

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

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)	Actual Contribution
6/30/09	\$ 3,037	106%	\$ (32)	\$ 3,216
6/30/10	2,397	116%	(406)	2,771
6/30/11	3,645	103%	(513)	3,752

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2006	\$ 1,862	108%
2007	2,662	106
2008	2,921	106
2009	3,037	106
2010	2,397	116
2011	3,644	103

Schedule of Funding Progress

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

City of Norwich Volunteer Firefighters' Relief Plan

A. Plan Description

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

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

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

At January 1, 2010, the plan members consisted of:

Retirees and beneficiaries receiving benefits	50
Active plan members	<u>143</u>
Total	<u><u>193</u></u>

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

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

Plan Changes and Changes in Actuarial Assumptions: In January 2011, there was an ordinance which enhanced the benefits of the plan. The monthly benefits were increased for retirees retiring after January 1, 2011 to \$18 per month per year of credited service. The maximum years of credited service was increased from 35 to 40 years. The contributions from members were increased from \$180 per year to \$216 per year.

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

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

C. Funding Policy

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

D. Annual Pension Cost and Net Pension Obligations

The City's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2011 were as follows:

Annual required contribution	\$ 255
Interest on net pension obligation	8
Adjustment to annual required contribution	<u>(9)</u>
Annual pension cost	254
Contributions made	<u>250</u>
Increase in net pension obligation	4
Net pension obligation, beginning of year	<u>116</u>
Net Pension Obligation, End of Year	<u><u>\$ 120</u></u>

The following is a summary of certain significant actuarial assumptions:

Actuarial valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market Value

Actuarial assumptions:	
Investment rate of return	7%
Inflation rate	3%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/09	\$ 247	101 %	\$ 112	\$ 250
6/30/10	254	98	116	250
6/30/11	254	98	120	250

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 255	98%
2010	255	98
2009	247	101
2008	213	100
2007	213	75
2006	151	79

Schedule of Funding Progress*

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

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

Pension Trust Funds

The City maintains two pension trust funds (City and Volunteer Fire) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2011 and the changes in net assets for the year then ended.

	Combining Schedule of Plan Net Assets		
	City	Volunteer	Total
	Employees	Fire	
Assets:			
Cash and cash equivalents	\$	\$ 75	\$ 75
Investments:			
Mutual funds	143,521	1,482	145,003
Other receivable	1		1
Due from other funds			
Total assets	<u>143,522</u>	<u>1,557</u>	<u>145,079</u>
Liabilities:			
Accounts and other payables		21	21
Due to other funds	99	2	101
Total liabilities	<u>99</u>	<u>23</u>	<u>122</u>
Net Assets:			
Held in Trust for Pension Benefits	<u>\$ 143,423</u>	<u>\$ 1,534</u>	<u>\$ 144,957</u>

	Combining Schedule of Changes in Plan Net Assets		
	City	Volunteer	Total
	Employees	Fire	
Additions:			
Contributions:			
Employer	\$ 3,752	\$ 250	\$ 4,002
Plan members	2,793	25	2,818
Total contributions	<u>6,545</u>	<u>275</u>	<u>6,820</u>
Investment income:			
Net appreciation in fair value of investments	25,699	207	25,906
Interest and dividends	18	44	62
Total	<u>25,717</u>	<u>251</u>	<u>25,968</u>
Less investment expense	<u>(840)</u>	<u>(7)</u>	<u>(847)</u>
Net investment income	<u>24,877</u>	<u>244</u>	<u>25,121</u>
Total additions	<u>31,422</u>	<u>519</u>	<u>31,941</u>
Deductions:			
Benefits	11,461	234	11,695
Administrative expense	27	2	29
Lump-sum distributions and withdrawals	124	4	128
Total deductions	<u>11,612</u>	<u>240</u>	<u>11,852</u>
Net increase	19,810	279	20,089
Net assets held in trust for pension benefits, beginning of year	<u>123,613</u>	<u>1,255</u>	<u>124,868</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 143,423</u>	<u>\$ 1,534</u>	<u>\$ 144,957</u>

Teacher Retirement

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$19,749 or 71.2% of the total Board of Education payroll of \$27,741.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The City does not have any liability for teacher pensions. For the year ended June 30, 2011, the City has recorded in the General Fund (Exhibit IV), intergovernmental revenue and education expenditures in the amount of \$3,072 as payments made by the State of Connecticut on behalf of the City.

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

11. OTHER POST EMPLOYMENT BENEFITS

City of Norwich, Retiree Health Plan

Plan Description

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

At July 1, 2009, plan membership consisted of the following:

Active plan members	877
Retired plan members	<u>376</u>
Total Participants	<u><u>1,253</u></u>

Summary of Significant Accounting Policies

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

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

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

Funding Policy

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

City Retirees

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

Police Retirees

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

Fire Retirees

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

Retired Board of Education Administrators

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

Retired Teachers

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

Retired Board of Education Custodians

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

Retired Board of Education Nurses

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

Retired Board of Education Secretaries

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

Retired Board of Education Teamsters

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

For the year ended June 30, 2011, plan members contributed \$1,444. The City is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the City in order to prefund benefits.

Employer contributions to the plan for the year ended June 30, 2011 totaled \$5,251.

Annual OPEB Cost and Net OPEB Obligations

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

	<u>Retiree Health Plan</u>
Annual required contribution (ARC)	\$ 6,065
Interest on net OPEB obligation	290
Adjustment to annual required contribution	<u>(298)</u>
Annual OPEB cost	6,057
Contributions made	<u>5,251</u>
Increase in net OPEB obligation	806
Net OPEB obligation, beginning of year*	<u>3,624</u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,430</u></u>

* June 30, 2010 NOO reduced by \$294,601 to reflect City payment of ASO fees.

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

<u>Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>OPEB Obligation</u>
6/30/09	\$ 5,352	\$ 3,399	63.5%	\$ 1,966
6/30/10	5,347	3,690	69.0	3,624
6/30/11	6,057	5,251	87.0	4,430

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

<u>Schedule of Funding Progress</u>					
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a % of Covered Payroll ((b-a)/c)</u>
7-1-07	\$ -	\$ 46,595	0%	\$ 44,921	103.7%
7-1-09	2,594	58,239	4.7	50,374	110.5

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2008	\$ 5,352	98.8%
6/30/2009	5,352	63.5
6/30/2010	5,352	63.4
6/30/2011	6,065	87.0

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 10% initially, decreasing 1% per year to an ultimate rate of 5% for 2014 and later. The dental inflation rate is 5%. The general inflation assumption is 3.0%. The actuarial value of assets will be determined in the next valuation. The UAAL is being amortized as a level dollar basis. The remaining amortization period at July 1, 2009 was 30 years.

12. JOINTLY GOVERNED AND RELATED ORGANIZATIONS

Connecticut Municipal Electric Energy Cooperative (CMEEC)

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

CMEEC has entered into power sales contracts with each of the members including the City of Norwich Department of Public Utilities. Under the contracts, each of the member utilities have agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each member utility to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take or pay basis. The member utilities maintain this fixed cost obligation whether or not they take any power from CMEEC. The amount of power purchased from CMEEC for the fiscal year ended June 30, 2011 was \$36.7 million.

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

During the 2011 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide (CO₂) cap and trading program as proposed by the RGGI in Connecticut. During the 2011 fiscal year, the Department's contributions to the fund totaled \$148. There were no drawdowns during the fiscal year. The balance of the Department's funds held by CMEEC for the RGGI was \$16 for the year ended June 30, 2011.

13. COMMITMENTS AND CONTINGENCIES

Connecticut Municipal Electric Energy Cooperative

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

Connecticut Municipal Electric Energy Cooperative (CMEEC) supplies power to the Department under a Power Sales Contract that became effective January 1, 2000. The contract obligates the Department to pay a percentage of CMEEC's fixed costs obligations, including debt service and administrative and general costs. Under the power sales agreement, the Department is required to pay its percentage of CMEEC's fixed cost obligations whether or not they purchase power from CMEEC. The contract will remain in effect until the date when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter until terminated by either party following not less than two (2) years prior written notice to the other party of its intention to terminate; provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 1, 2029.

An Amended and Restated Power Sales Contract was executed on July 1, 2006 (Amendment No. 2) to allow greater flexibility to CMEEC and the Department in their respective utility operations and in order to preserve the security provided CMEEC for the payment of its fixed costs pursuant to the original contract.

The Department has rate stabilization funds held by CMEEC that were previously collected in conjunction with the purchase of energy to stabilize the price of energy. The Department's current rate structure to purchase power from CMEEC does not include a rate stabilization component. Under the rate stabilization premise, the principal repayment of debt service is deferred and amortized over the life of the related debt and recoverable from future billings. Under this premise, the shortfall between the current rate stabilization funds held by CMEEC and the percentage of unfunded CMEEC debt allocated to the Department represents an unfunded debt obligation recoverable by future billings. The Department's current rate structure for its customers includes an annual amortized cost recovery component to pay the annual fixed charged cost obligation for the Department's percentage of CMEEC's annual debt service.

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2011 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 31,868
Department - rate stabilization funds on deposit with CMEEC	<u>(13,033)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 18,835</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net assets. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,386.

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

Pierce Plant Special Project - Connecticut Municipal Electric Energy Cooperative (CMEEC)

Pursuant to Section 5 "New Projects" of the Amended and Restated Power Sales Contract, dated July 1, 2006, the Department authorized CMEEC to include the Department's entitlement allocation in a project to construct a peaking electric generating facility. The Pierce Repowering Project is a considered a "New Project" under terms of the Power Sales Contract, for which the Department is obligated to a new fixed cost obligation. CMEEC issued \$42.5 million of revenue bonds to finance the project. The Department's entitlement allocation was authorized to be no less than 18.65% and no more than 21.67%. In January

2008, the Pierce Plant became operational and a monthly net benefit for the Department's estimated annual entitlement allocation was set by CMEEC. The initial benefit rate was established at 1.48 per MWH of electric power purchased by the Department from CMEEC. For the fiscal year ended June 30, 2011, the Department realized a net loss of \$268 from the Pierce Plant Project recognized as credit to the Department's purchase power expense.

Municipal Solid Waste Management Services Contract

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

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

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

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

14. LITIGATION

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

15. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET ASSETS

The City and the Department of Public Utilities had historically been accounting for sewer assessment collections in excess of budget and capital contributions through the use of interfund accounts. The elimination of the interfund activity in the Department of Public Utilities fund resulted in a decrease to the beginning net asset balance in the amount of \$1,909 from \$101,243 to \$99,334.

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General property taxes:				
Current tax levy	\$ 54,657	\$ 54,657	\$ 54,183	\$ (474)
Motor vehicle supplement	475	475	446	(29)
Prior years levy	1,065	1,065	1,373	308
Interest and liens	650	650	855	205
Total	<u>56,847</u>	<u>56,847</u>	<u>56,857</u>	<u>10</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	<u>400</u>	<u>400</u>	<u>624</u>	<u>224</u>
Intergovernmental revenues:				
Building maintenance	250	250	289	39
City housing	33	33	195	162
Fish and game license				-
New manufacturers machinery	149	149	154	5
Pequot funds	435	435	437	2
Total disability	3	3	3	-
Payment in lieu of taxes	1,483	1,483	1,506	23
Elderly taxes	161	161	151	(10)
Youth Services	88	88	88	-
School bond interest	121	121	121	-
Veterans exemptions	8	8	12	4
Federal DCPA match funds	17	17	17	-
Health services	120	120	165	45
LOCIP	288	288	295	7
Transportation	895	895	724	(171)
Special education	2,100	2,100	1,885	(215)
Education cost sharing	27,706	27,706	27,537	(169)
Town aid road	237	237	237	-
COPS grant	187	187	71	(116)
Services to Blind	50	50	10	(40)
Total	<u>34,331</u>	<u>34,331</u>	<u>33,897</u>	<u>(434)</u>
Charges for services:				
Town Clerk - recording fees	320	320	344	24
Town Clerk - conveyance tax	230	230	274	44
Land recording capital improvement fee	25	25	17	(8)
Probate court	21	21	21	-
Landfill	1,162	1,162	1,120	(42)
City property - relocation			74	74
Police outside services	120	120	156	36
Senior Citizens Center	42	42	25	(17)
Parking commission	115	115	90	(25)
Tuition	100	100	103	3
Total	<u>2,135</u>	<u>2,135</u>	<u>2,224</u>	<u>89</u>
Use of money:				
Interest from investments	<u>200</u>	<u>200</u>	<u>47</u>	<u>(153)</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Other revenue:				
Sewer assessments	\$ 275	\$ 275	\$ 736	\$ 461
In lieu of taxes/telephone	120	120	141	21
Public utilities 10%	7,749	7,749	7,749	-
DPU - City service	88	88	88	-
Bond and note payments	94	94	94	-
Traffic violations	10	10	13	3
Miscellaneous	311	311	665	354
Total	<u>8,683</u>	<u>8,683</u>	<u>9,498</u>	<u>815</u>
Total revenues	<u>102,596</u>	<u>102,596</u>	<u>103,147</u>	<u>551</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	50	50	60	10
Other grants and programs			36	36
Total	<u>50</u>	<u>50</u>	<u>96</u>	<u>46</u>
Total	<u>\$ 102,646</u>	<u>\$ 102,646</u>	103,243	<u>\$ 597</u>

Budgetary revenues are different than GAAP revenues because:

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

Retirement System for City teachers are not budgeted.

3,072

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

1,134

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

(22)

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

804Total Revenues and Other Financing Sources as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV\$ 108,231

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General government:				
City Manager	\$ 258	\$ 258	\$ 253	\$ 5
Finance	1,234	1,234	1,231	3
City Treasurer	204	204	203	1
Assessment	358	350	349	1
Personnel	387	363	358	5
Law	420	420	417	3
City Clerk	380	361	359	2
City Council	112	118	118	-
Street lighting	580	700	686	14
Election	117	128	128	-
Planning and Neighborhood Services	1,021	1,035	1,031	4
Economic Development	243	243	243	-
Emergency Management	52	52	52	-
Total general government	<u>5,366</u>	<u>5,466</u>	<u>5,428</u>	<u>38</u>
Public safety:				
Police	10,433	10,526	10,472	54
Fire:				
East Great Plain	112	112	82	30
Laurel Hill	50	52	47	5
Occum	68	68	62	6
Taftville	113	119	116	3
Yantic	114	114	110	4
Fire Central	1,704	1,743	1,742	1
Total public safety	<u>12,594</u>	<u>12,734</u>	<u>12,631</u>	<u>103</u>
Social Services:				
Recreation	557	561	560	1
Human services	576	576	572	4
Senior Citizens Center	482	483	473	10
Youth and Family Services	170	170	170	-
Total social services	<u>1,785</u>	<u>1,790</u>	<u>1,775</u>	<u>15</u>
Public works:				
Engineering and administration	504	521	517	4
Fleet maintenance	1,147	1,225	1,209	16
Solid waste	2,781	2,612	2,600	12
Maintenance and cleaning	3,622	3,623	3,588	35
Building maintenance	978	1,076	1,070	6
Parking maintenance	116	116	116	-
Total public works	<u>9,148</u>	<u>9,173</u>	<u>9,100</u>	<u>73</u>
Board of Education	<u>62,953</u>	<u>62,953</u>	<u>62,953</u>	<u>-</u>

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Other	\$ 6,225	\$ 5,758	\$ 5,769	\$ (11)
Debt Service:				
Principal	3,475	3,475	3,475	-
Interest	1,100	1,297	1,297	-
Total debt service	4,575	4,772	4,772	-
Total	\$ 102,646	\$ 102,646	102,428	\$ 218

Budgetary expenditures are different than GAAP expenditures because:

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

Retirement System for City teachers are not budgeted.

3,072

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

1,134

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

(155)

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

223

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

804

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

\$ 107,506

APPENDIX B: OPINION OF BOND COUNSEL AND TAX EXEMPTION

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

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

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

FORM OF OPINION OF BOND COUNSEL – Tax Exempt

City of Norwich
Norwich, Connecticut

Ladies and Gentlemen:

We have represented the City of Norwich, Connecticut as bond counsel with respect to the issuance and sale of \$2,725,000 City of Norwich General Obligation Refunding Bonds, Issue of 2012, bearing a Dated Date of February 15, 2012 and an Original Issue Date of February 15, 2012 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the City dated February 15, 2012 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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

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

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

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

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

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

Respectfully yours,

JOSEPH FASI LLC

APPENDIX C: FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of February 15, 2012

In Connection With The Issuance And Sale Of

\$2,725,000 City Of Norwich, Connecticut

General Obligation Refunding Bonds, Issue of 2012,

Dated February 15, 2012

WHEREAS, the City of Norwich, Connecticut (the "Issuer") has heretofore authorized the issuance of \$2,725,000 in aggregate principal amount of its General Obligation Refunding Bonds, Issue of 2012 (the "Bonds") to be dated February 15, 2012 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

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

<http://emma.msrb.org>

Section 2. Annual Reports.

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

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

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

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;
- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

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

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal

Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in

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

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of February 15, 2012

In Connection With The Issuance And Sale Of

\$2,725,000 City Of Norwich, Connecticut

General Obligation Refunding Bonds, Issue of 2012,

Dated February 15, 2012

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

CITY OF NORWICH, CONNECTICUT

By _____
Alan H. Bergren
City Manager

By _____
Joseph A. Ruffo
Comptroller

TAX EXEMPTION

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

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

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

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

ORIGINAL ISSUE DISCOUNT

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

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

In general, under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue

discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

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

ORIGINAL ISSUE PREMIUM

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

The initial public offering prices of certain maturities of the Bonds (the "OIP Bonds") may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the treatment of bond premium for state and federal income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal tax treatment of municipal bonds, including the exclusion of interest paid thereon from gross income pursuant to section 103 of the Internal Revenue Code, is subject to legislation adopted by the Congress of the United States and enacted into law. Connecticut tax treatment of the Bonds is subject to laws adopted by the State of Connecticut Legislature and enacted into law. From time to time Federal laws are proposed, including introduced into Congress, which would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment. On September 13, 2011, the "American Jobs Act of 2011", proposed by President Barack Obama, was introduced to Congress and includes provisions to limit exclusions from high income taxpayers of tax exempt bond interest. The enactment of the American Jobs Act of 2011, or other pending or future proposals, may adversely affect the tax treatment of the interest paid on the Bonds, their sale or disposition, market price, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.