

**New Issue - Book Entry Only**

**Ratings: Standard & Poor's: "SP-1+"  
Fitch: "F1+"**

*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 covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax. Interest on the Notes may be includable in the calculation of certain taxes under the Code, including the alternative minimum tax on corporations (as defined for federal income tax purposes), as described under Appendix B, "Opinion of Bond Counsel and Tax Exemption" herein. In the opinion of Bond Counsel, based on existing statutes, interest on the Notes 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. (See Appendix B, "Opinion of Bond Counsel and Tax Exemption").*



**CITY OF NORWICH, CONNECTICUT  
\$8,045,000  
GENERAL OBLIGATION BOND ANTICIPATION NOTES  
BANK QUALIFIED**

**Dated:** Date of Delivery

**Due:** December 16, 2009

The Notes will be issued in book-entry only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated November 21, 2008. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

**MATURITY SCHEDULE**

<u>Due</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
December 16, 2009	\$8,045,000			

Sealed proposals and electronic bids via PARITY for the Notes will be received until 11:30 a.m. (E.S.T.) on Thursday, December 4, 2008, at the offices of Murtha Cullina LLP, Bond Counsel, CityPlace I, 185 Asylum Street, 30<sup>th</sup> Floor Conference Room, Hartford, CT 06103. In order to assist bidders, William Blair & Company, L.L.C, the City's Financial Advisor, will transcribe onto Notice of Sale Bid forms proposals communicated over the telephone at 860-240-6171, provided they are communicated in time and manner for written submission in accordance with the Notice of Sale.

The Notes will be general obligations of the City of Norwich, Connecticut secured by the full faith and credit of the Town and will be issued in book-entry only form whereby the Beneficial Owners of the Notes will not receive physical delivery of Note certificates. Principal of and interest payments on the Notes will be made by the Town to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Notes. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the Beneficial Owners of the Notes will receive payment or credit from DTC participants and other nominees of the Beneficial Owners.

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made through the facilities of DTC on or about December 17, 2008.

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 Notes. 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 Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Notes 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 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Upon issuance, the Notes will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The Notes will not be listed on any stock or other securities exchange. Any registration or qualification of the Notes in accordance with applicable provisions of securities laws of the states in which the Notes 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 Notes 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 A: FISCAL 2007 AUDITED FINANCIAL STATEMENTS

APPENDIX B: OPINION OF BOND COUNSEL AND TAX EXEMPTION

APPENDIX C: FORM OF CONTINUING DISCLOSURE AGREEMENTS FOR NOTES

## NOTE ISSUE SUMMARY

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*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.*

<b>Date of Sale:</b>	Thursday, December 4, 2008; 11:30 a.m. (E.S.T.)
<b>Basis of Award:</b>	Lowest Net Interest Cost (NIC) as of the dated date.
<b>Issuer:</b>	The City of Norwich, Connecticut (the "City")
<b>Issue:</b>	\$8,045,000
<b>Dated Date:</b>	Date of Delivery
<b>Interest:</b>	At maturity: December 16, 2009
<b>Principal:</b>	At maturity: December 16, 2009
<b>Denominations:</b>	\$1,000 or integral multiples thereof.
<b>Redemption:</b>	The Notes are not subject to redemption prior to maturity.
<b>Purpose:</b>	The proceeds from the Notes will provide funding for various capital improvements including road improvements, City fire pumper, public safety, City fire truck, municipal dog pound and general purpose demolition project.
<b>Security:</b>	The Notes 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 Notes when due.
<b>Rating:</b>	The Notes have been assigned a rating of "SP-1+" by Standard & Poor's and "F1+" by Fitch Ratings. See "THE NOTES - Rating" herein.
<b>Bank Qualification:</b>	The Notes 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 incurred to carry the Notes.
<b>Tax Exemption:</b>	See Appendix B "OPINION OF BOND COUNSEL AND TAX EXEMPTION."
<b>Certifying Agent, Registrar, Transfer Agent and Paying Agent:</b>	U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut
<b>Legal Opinion:</b>	Murtha Cullina LLP, Bond Counsel, CityPlace I 185 Asylum Street, Hartford, CT 06103.
<b>Continuing Disclosure:</b>	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 FOR NOTES" herein).
<b>Delivery:</b>	It is expected that delivery of the Notes in book-entry only form to The Depository Trust Company will be made on or about December 17, 2008. Payment must be made in Federal Funds.

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- **Introduction**
- **Description of the Notes**
- **Optional Redemption**
- **Securities and Remedies**
- **Qualification for Financial Institutions**
- **Authorization and Purpose**
- **Use of Proceeds**
- **Book-Entry Only System**
- **DTC Practices**
- **Ratings**

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## **THE NOTES**

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### ***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 \$8,045,000 General Obligation Bond Anticipation Notes (the "Notes").

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 Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes 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 by the City's Financial Advisor, William Blair and Company, L.L.C, Illinois (the "Bank"), from information supplied by City officials and other sources as indicated. The Financial Advisor 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 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

U.S. Bank National Association will certify the Notes and act as Registrar, Transfer Agent and Paying Agent for the Notes.

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 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.

### ***Description of Notes***

The Notes will be dated December 17, 2008 and will be due and payable as to both principal and interest at maturity, December 16, 2009. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Only System". The Notes are not subject to redemption prior to maturity.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

### ***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 Notes, substantially in the form attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement for Notes"), 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 Notes, 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 Notes shall be conditioned upon it receiving, at or prior to the delivery of the Notes, 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 notes 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.

### ***Optional Redemption***

The Notes are not subject to redemption prior to maturity.

### ***Securities and Remedies***

The Notes 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 Notes when due.

Unless paid from other sources, the Notes 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 Notes 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 Notes.

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 Notes 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 or 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, 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 Notes 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 Notes.

***Authorization and Purpose***

The Notes 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.

***Use of Proceeds***

Proceeds of the Notes will be used to refinance bond anticipation notes maturing December 17, 2008 listed below:

<u>Project</u>	<u>Amount Authorized</u>	<u>Notes Maturing on 12/17/08</u>	<u>Previously Bonded</u>	<u>(Reductions)/ New Money</u>	<u>The Notes</u>
Road Improvements	\$5,000,000	\$5,000,000	\$--	--	\$5,000,000
City Fire Pumper	800,000	800,000	--	--	800,000
Public Safety	795,000	795,000	--	--	795,000
City Fire Truck	740,000	740,000	--	--	740,000
Municipal Dog Pound	610,000	610,000	--	--	610,000
General Purpose Demolition	<u>100,000</u>	<u>100,000</u>	<u>--</u>	<u>--</u>	<u>100,000</u>
<b>TOTAL</b>	<b><u>\$8,045,000</u></b>	<b><u>\$8,045,000</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>\$8,045,000</u></b>

***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.**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes 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 interest rate of the Notes, and will be deposited with DTC.

DTC, the world’s largest securities 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 regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 confirmations 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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes 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 Notes 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 Notes 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 Paying Agent, on 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 securities 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, 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 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 Notes at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

**NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.**

#### ***DTC Practices***

The City can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Notes 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.

### ***Replacement Notes***

The Resolution authorizing the Notes provides for issuance of fully registered Note certificates directly to Beneficial Owners of the Note or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Note, and the City fails to identify another qualified securities depository for the Note to replace DTC; or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Note. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Notes.

### ***Rating***

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "SP-1+" and Fitch Ratings ("Fitch") has assigned a rating of "F1+" on the Notes. The City's outstanding underlying rating was affirmed by Standard & Poor's at "AA-" and "AA-" by Fitch. Such ratings reflect only the views of such organization and any explanation of the significance of such rating should be obtained from each rating agency furnishing the same, at the following address: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York, 10041 and Fitch Ratings, One State Street Plaza, New York, New York, 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City furnished certain information and materials to the rating agencies, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the City's bonds and/or notes.

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- **Description of the City**
- **Economic Development**
- **Form of Government**
- **Principal City Officials**
- **Organizational Chart**
- **Summary of Municipal Services**
- **Municipal Employees Bargaining Organizations**
- **School Facilities**
- **School Enrollments**
- **Principal Public Facilities**
- **Municipal Employees Bargaining Organizations**

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## **THE ISSUER**

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### ***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 school system includes 10 public and three parochial elementary schools, three public junior high 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 industrial park operated by the Norwich Community Development Corporation ("NCDC"), a private non-profit organization. The industrial park is conveniently located close to Route 2, I-395 and other major highways. The park offers commercial and industrial sites on more than 400 wooded acres currently employing over 2,000 people.

### *Recreation*

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 Defenders, 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***

- *Backus Hospital expansion.* In 2007 the hospital completed a \$50 million expansion which included doubling the size of the Emergency Department, enhancing Surgical Services, updating patient rooms and adding more private rooms, adding a new pharmacy and upgrading technology for cancer care.
- *Hilton Hotel at American Wharf* – The PRA Development Group is planning a \$40 million 18-story, 240-room hotel at the American Wharf marina in downtown Norwich. The developers are planning on filing zoning applications in Fall 2008 which could put them on track to begin construction in Spring 2009.
- *Byron Brook Golf Resort Community Project* – One exciting prospect on the horizon is the possible development of roughly 300 acres of land in Occum into a \$200 million golf course/ condominium project. This project is currently in the environmental and traffic permitting process.
- *Route 82 Retail Center* – A \$3 million, 21,000 square-foot retail center is currently under construction on Route 82. This project is expected to be completed by Winter 2008.
- *Hampton Inn & Suites Hotel.* – This \$5 million, 113-room, six-story hotel on the Route 82/ I-395 interchange is currently under construction and is expected to be complete by Winter 2008.
- *Ponemah Mill Adaptive Reuse Project* – This \$15 million proposed project will convert a 19<sup>th</sup> Century Taftville mill into 250 residential apartment units. This project is expected to be finished in 2010.
- *Thayer Building* – This building in downtown Norwich is being renovated into 70 residential apartment units. The \$3 million project should be completed by the end of 2008.
- *Cadle Mill Adaptive Reuse Project* – This \$7 million project will convert a mill near the Shetucket River into 107 luxury residential apartment units. This project is expected to be finished in 2009.
- *Downtown Businesses.* – The street-level of the Wauregan Hotel is now occupied by a Laundromat, a deli and a florist.

### ***Housing Market***

- From January 2004 through June 2008, the Building Division has issued over \$136 million in residential building permits.
- Taking real estate sales from October 2003 through October 2007, properties have been selling for, on average, 39.08% higher than their October 1, 2003 valuation (the last revaluation).
- There are currently over 400 units of condominiums and apartments under construction or proposed.

### ***Public Buildings & Infrastructure***

- *Road improvements.* The residents of the City of Norwich passed a bond referendum item in November 2006 for \$5 million of road improvements. The public works department has already administered \$2.5 million of road reconstruction and overlay during fiscal years 2006-07 and 2007-08. The City of Norwich has contracted approximately \$2.0 million dollars for the reconstruction and/or resurfacing of approximately eight miles of roadway. Construction will take place throughout the summer and early fall of 2008. Several high volume collector streets will be resurfaced, which will benefit many Norwich citizens.
- *Howard T. Brown Memorial Park Waterfront Rehabilitation* – The City of Norwich has contracted approximately \$1.7 million dollars for the replacement of a seawall and City-owned dock at Norwich Harbor. Construction is scheduled to begin in September 2008 and be completed in March 2009. This project will create a safer and more aesthetically pleasing waterfront recreation area. The project will be 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, if approved, 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.
- *Energy efficiency upgrades.* Norwich Public Utilities has identified opportunities for greater energy efficiency in the schools and other city-owned buildings. The city is making these improvements with funding from the Community Development Block Grant and the city's Capital Improvement budget. In most cases, the improvements will pay for themselves in reduced energy costs within the first three years.
- *Fuel Management System with New Underground Storage Tanks* – The City of Norwich has contracted approximately \$180,000 for the replacement of the underground fuel storage tanks and the installation of a fuel management pump system at the City Public Works facility. The existing fuel storage tanks have shown no indications of leaking, however they are reaching the end of their expected service life – replacing them now is both fiscally and environmentally responsible. The fuel management system will bring about significant long-term energy savings by allowing our police and fire personnel to refuel at any time of the day and on weekends, thereby eliminating the need to refuel at retail fuel stations.
- *Municipal Area Network* – Norwich Public Utilities is constructing a network consisting of 32 miles of 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.
- *Three Rivers Community College* – On June 25, 2007, there was a groundbreaking ceremony at the New London Turnpike location of Three Rivers Community College to celebrate the start of a \$85.6 million, 295,644 square-foot project which is expected to be completed in 2009.
- *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 and \$10.8 million of 20-year city general obligation bonds. The project includes: adding classrooms, updating utilities, asbestos abatement, and adding an 800-seat auditorium.

***Principal City Officials***

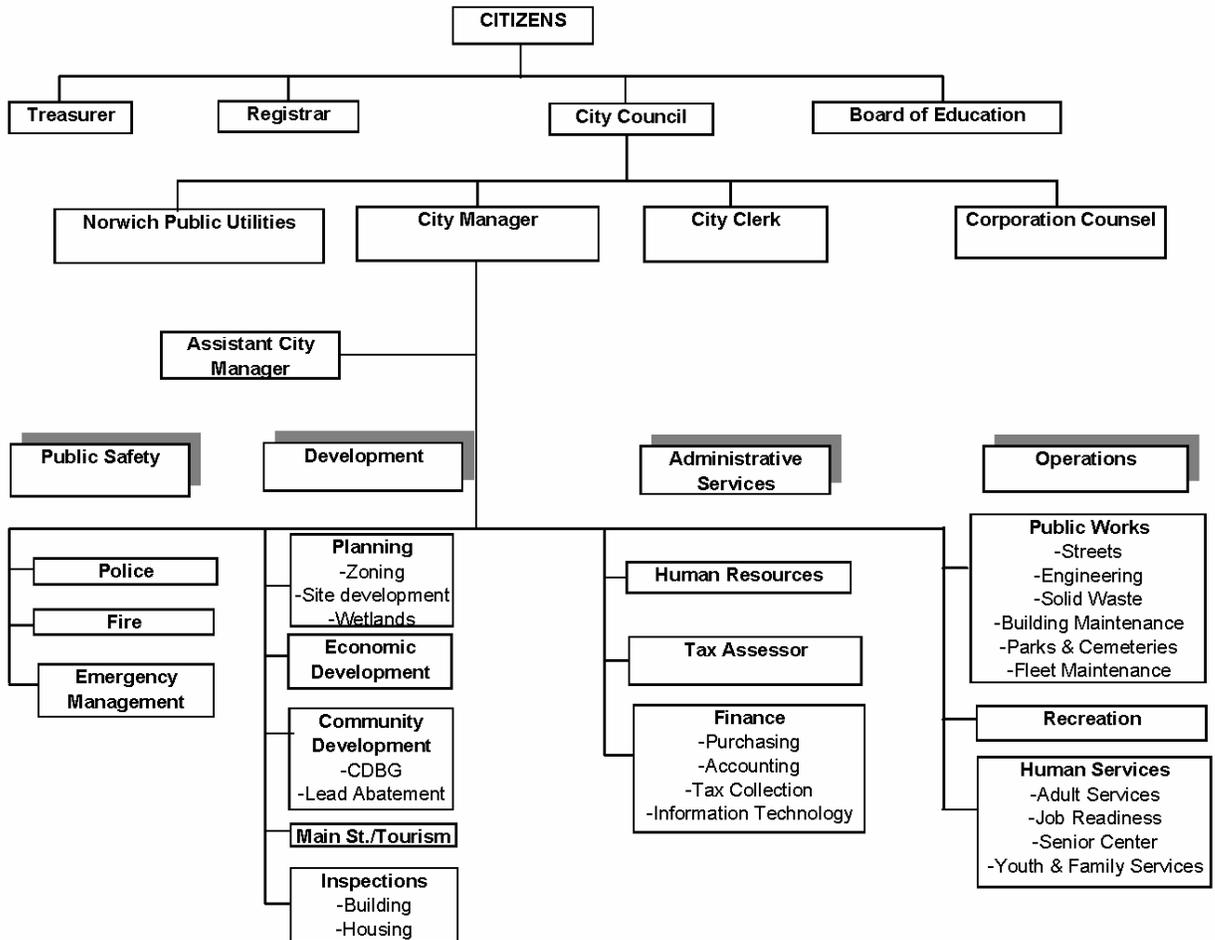
<b>Office</b>	<b>Name</b>	<b>Manner of Selection and Term</b>	<b>Length of Service</b>
City Council:			
Mayor	Benjamin P. Lathrop	Elected – 4 years	6 years
President Pro Tempore	Jonathan Jacaruso	Elected – 2 years	1 year
Aldersperson	Mark Bettencourt	Elected – 2 years	3 years
Aldersperson	Christopher Coutu	Elected – 2 years	1 year
Aldersperson	Peter Desaulniers	Elected – 2 years	1 year
Aldersperson	William Nash	Elected – 2 years	1 year
Aldersperson	Robert Zarnetske	Elected – 2 year	1 year
City Manager	Alan H. Bergren	Appointed – Indefinite	1 year
Assistant City Manager	Jennifer Gottlieb	Appointed – Indefinite	3 years
Comptroller	Joseph A. Ruffo	Appointed – Indefinite	21 years
Deputy Comptroller	Joshua A. Pothier	Appointed – Indefinite	5 years
City Treasurer	Brian M. Curtin	Elected – 2 years	2 years
Tax Collector	Kathy Daley	Appointed – Indefinite	10 years
Assessor	Charles Glinski	Appointed – Indefinite	30 years
City Clerk	Dee Anne Brennan	Appointed – Indefinite	30 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	6 years
Superintendent of Schools	Pamela Aubin	Appointed – Indefinite	3 years

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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 59-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 18,600 electric customers, 7,200 gas customers, 9,400 water customers and 5,700 wastewater customers. The NPU supports general city activities by contributing 10% of its gross revenues to the city's general fund. Contributions in fiscal year 2008-09 were equivalent to 4.02 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 1.8 billion gallons of water in fiscal year 2006-07, 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.

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 field services, metering, billing, the Customer Service Center, and external affairs. In an effort to promote one-stop shopping, customer service representatives and field service technicians have been cross-trained to serve customers more efficiently. Field service technicians are responsible for providing accurate metering for all services, investigating high bill complaints, and gas service calls. The NPU also provides rental hot water heaters, and repair service for gas appliances.

The Business Service Division includes human resources, purchasing, information technologies, 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.

### **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 "SCRRA") 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. 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 SCRRA 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 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'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 SCRRA 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 five fiscal years:

***Municipal Employees (Full-time Equivalents)***

<u>Fiscal</u> <u>Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Public Utilities</u>	<u>Total</u>
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

Source: City Officials.

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## *Municipal Employees Collective Bargaining Units*

Collective Bargaining Group Name	Group Represented	Positions Represented	Beginning Date of Contract	End Date of Contract	
<b>General Government</b>					
International Brotherhood of Police Officers (IBPO), Local 38	City 911 Dispatchers	8	7/1/2007	6/30/2011	(2)
International Association of Fire Fighters, Local 892	City Firefighters	53	7/1/2007	6/30/2011	
Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11	City Non-supervisory administrative employees	72	7/1/2007	6/30/2010	(2)
IBPO, Local 324 *	City Police Officers	80	7/1/2004	6/30/2007	(2)
CILU, Local #24	City Public Works Employees	50	7/1/2007	6/30/2010	
Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4	City Public Works Supervisors	5	7/1/2005	6/30/2008	(2)
Municipal Employees Union "Independent" (MEUI)-Supervisors	City Supervisory administrative employees	12	7/1/2006		6/30/2009
	Subtotal	<u>280</u>			
<b>Public Utilities</b>					
Supervisory Employees Association , Inc. AFSCME Local 818, Council 4	NPU Supervisory and Professional Employees	35	7/1/2008	6/30/2011	
International Brotherhood of Electrical Workers Local 457, Norwich Unit	NPU Technical and clerical workers	96	7/1/2008	6/30/2011	(2)
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02	NPU Water distribution employees	8	7/1/2008	6/30/2011	(2)
	Subtotal	<u>139</u>			
<b>Board of Education</b>					
Norwich School Administrators Association	NPS Administrators	17	7/1/2008	6/30/2012	
MEUI Local 506, SEIU, AFL-CIO	NPS Custodians	28	7/1/2006	6/30/2009	
Teamsters Local Union No. 493	NPS Maintainers	3	7/1/2007	6/30/2010	
MEUI Local 506, SEIU, AFL-CIO	NPS Paraeducators	92	7/1/2005	6/30/2009	
New England Health Care Employees Union District 1199, SEIU, AFL-CIO	NPS School Nurses	16	7/1/2005	6/30/2009	
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4	NPS Secretaries	27	7/1/2004	6/30/2010	
Norwich Teachers League	NPS Teachers	290	7/1/2008	6/30/2012	
	Subtotal	<u>473</u>			
<b>Non-Bargaining Employees</b>					
General Government		13			
Department of Public Utilities		1			
Board of Education		163			
	Subtotal	<u>177</u>			
	<b>GRAND TOTAL</b>	<u><u>1,068</u></u>			

*\*On March 10, 2006, the police officers voted to switch representation from IBPO to United Public Service Employees Union, Connecticut Organization for Public Safety Division.*

*(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>School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>10/1/2008 Enrollment</u>	<u>Rated City Capacity</u>
Bishop School	PreK-5	1925	11	173	220
Administration Building		1893	N/A	N/A	N/A
Greenville School	PreK – 5	1956	18	325	400
Hickory Street School	7-12	1890	4	13	50
Stanton School	PreK-5	1956	23	389	440
Moriarty School	PreK-5	1975	33	431	620
Kelly School	6-8	1962	45	677	1,170
Thames River Academy	9-12	1956	9	90	310
Deborah Tennant-Zinewicz School	7-12	1975	5	47	70
Huntington School	PreK-5	1928	18	378	450
Teachers School	6-8	1975	30	471	760
Mahan School	PreK-5	1968	17	289	320
Uncas School	PreK-5	1975	18	178	340
Veterans School	PreK-5	1968	17	234	320
Wequonnoc School	PreK-5	1962	<u>17</u>	<u>225</u>	<u>340</u>
Total			265	3920	5,810

Source: City of Norwich, Board of Education

### *School Enrollment*

<u>Fiscal Year</u>	<u>K – 5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Special Education</u>	<u>Total</u>	<u>NFA<sup>(1)</sup> 9-12 Enrollment</u>
<b>Historical</b>						
1998-1999	2,846	809	63	192	3,910	1,241
1999-2000	2,786	809	62	176	3,833	1,286
2000-2001	2,371	1,210	60	198	3,839	1,221
2001-2002	2,454	1,209	98	244	4,005	1,414
2002-2003	2,452	1,187	74	345	4,058	1,431
2003-2004	2,415	1,199	48	323	3,985	1,522
2004-2005	2,383	1,176	84	215	3,858	1,567
2005-2006	2,965	782	85	213	4,045	1,355
2006-2007	2,766	865	75	255	3,961	1,378
2007-2008	2,806	847	80	258	3,991	1,377
2008-2009	2,536	780	108	337	3,709	1,698
<b>Projected</b>						
2009-2010	2,484	780	108	337	3,709	1,698
2010-2011	2,696	782	108	300	3,886	1,717

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>
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 - 2007

	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 18 .....	8,417	22.6%	820,606	23.1%
18 - 24 .....	3,597	9.7%	332,254	9.4%
25 - 49 .....	12,996	34.9%	1,223,861	34.5%
50 - 64 .....	6,453	17.3%	683,396	19.3%
65 and over .....	<u>5,804</u>	<u>15.6%</u>	<u>489,489</u>	<u>13.8%</u>
Total .....	<u>37,267</u>	<u>100.0%</u>	<u>3,549,606</u>	<u>100.0%</u>
Median Age (years) .....	36.9		39.1	

### 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 .....	119	1.3	<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 2007

<u>Employer</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
State of Connecticut	All State agencies	1,100
City of Norwich (incl. NPU & BOE)	Municipality	1,020
William W. Backus Hospital	Medical Center	932
Bob's Discount Furniture	Retail Store & Warehouse	446
ShopRite Norwich	Grocery Store	418
Interim Healthcare of Eastern CT	Healthcare	400
Computer Science Corporation	Computer Products & Services	330
Norwich Free Academy	Quasi-private High School	261
US Foodservice	Food Distributors	205
Stop & Shop	Grocery Store	178

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 <sup>1</sup>	City of Norwich		Percentage Unemployed		
	Employed	Unemployed	City of Norwich	Norwich - New London Labor Market <sup>1</sup>	State of Connecticut
September 2008	19,706	1,448	6.8%	6.0%	5.9%
Annual Averages					
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
2004 .....	19,001	1,118	5.6	4.5	4.9
2003 .....	19,008	1,232	6.1	4.9	5.5
2002 .....	18,788	925	4.7	3.9	4.4
2001 .....	14,784	500	3.3	2.8	3.3
2000 .....	15,087	374	2.4	2.3	2.2

<sup>1</sup> 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	Residential		Commercial		Industrial		Other		Total	
2008 <sup>(1)</sup>	1,567	12,637,288	269	14,322,291	3	23,360	42	1,966,893	1,881	28,949,832
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
2001	1,049	7,823,231	244	9,510,921	13	4,597,297	35	1,878,841	1,341	23,810,290
2000	1,084	14,620,476	443	9,486,763	13	601,575	41	930,620	1,581	25,639,434
1999	1,044	6,453,551	250	10,302,765	9	3,033,500	59	12,300,487	1,362	32,090,303

1. Through October 31, 2008.

Source: Building Official, City of Norwich

## TAX BASE DATA

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- **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**

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### ***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.

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.

Public Act 06-176 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 lien-ed 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:

Fiscal Year Ended June 30	Grand List Year October 1	Real Estate		Personal Property		Total Assessed Value	Less Exemptions	Total Taxable Assessed Value
		Industrial/Commercial	Residential	Motor Vehicles	Other			
2009	2007	345,267,000	1,235,842,800	184,571,140	112,169,675	1,877,850,615	24,528,310	1,853,322,305
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
2006	2004	326,235,000	1,190,123,100	165,690,170	90,463,118	1,772,511,388	27,324,930	1,745,186,458
2005	2003	408,784,131	1,095,365,650	153,491,848	100,569,687	1,758,211,316	24,916,080	1,733,295,236
2004	2002	273,990,638	679,020,277	154,864,274	83,388,455	1,191,263,644	25,168,000	1,166,095,644
2003	2001	270,107,974	669,398,023	152,669,725	82,206,775	1,174,382,497	28,500,430	1,145,882,067
2002	2000	266,090,373	665,459,754	152,218,658	85,345,330	1,169,114,115	27,570,100	1,141,544,015

### ***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
<b><u>General Fund</u></b>							
2008	28.57	51,980,360	50,213,269	96.60%	-	50,213,269	96.60%
2007	27.77	49,972,990	48,323,538	96.70%	1,004,744	49,328,282	98.71%
2006	26.72	46,541,197	44,977,469	96.64%	1,160,564	46,138,033	99.13%
2005	25.69	43,998,693	42,680,930	97.00%	1,264,795	43,945,725	99.88%
2004	36.47	42,773,755	41,136,220	96.17%	1,604,514	42,740,734	99.92%
<b><u>City Consolidated District (CCD) Fire Tax</u></b>							
2008	4.75	3,064,455	2,930,076	95.61%	-	2,930,076	95.61%
2007	4.25	2,723,851	2,595,428	95.29%	84,608	2,680,036	98.39%
2006	4.03	2,510,993	2,398,768	95.53%	81,848	2,480,616	98.79%
2005	3.84	2,332,209	2,232,779	95.74%	94,336	2,327,115	99.78%
2004	5.64	2,226,860	2,141,608	96.17%	81,523	2,223,131	99.83%
<b><u>Town Consolidated District (TCD) Volunteer Fire Relief Tax</u></b>							
2008	0.36	424,146	410,608	96.81%	-	410,608	96.81%
2007	0.31	360,641	350,906	97.30%	5,593	356,499	98.85%
2006	0.30	337,005	325,517	96.59%	9,017	334,534	99.27%
2005	0.21	232,120	225,699	97.23%	6,271	231,970	99.94%
2004	0.30	233,404	224,468	96.17%	8,862	233,330	99.97%

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

***Ten Largest Taxpayers***

<b>Name of Taxpayer</b>	<b>Nature of Business</b>	<b>Assessed Value</b>	<b>Percent of Net Taxable Grand List<sup>1</sup></b>
Computer Science Corporation	Computer Products and Services	24,228,140	1.35%
Bob's Discount Furniture	Retail Store and Distribution Center	21,708,480	1.21%
Freeport-McMoran Copper & Gold (fka Phelps Dodge)	Manufacturing – Copper	14,261,890	0.80%
SEA Norwich LLC	Shopping Center	11,717,000	0.65%
Plaza Enterprises	Shopping Center	10,577,000	0.59%
Mashantucket Pequot Tribe	Real Estate	9,032,940	0.50%
Kalamian Elias as Trustee	Apartments	8,138,000	0.45%
US Foodservice	Food Distributors	7,952,410	0.44%
Norwich Community Development Corp.	Mercantile Exchange Office Building	7,239,000	0.40%
IBM, Inc.	Equipment Leasing	6,859,030	0.38%
		<b>\$121,713,890</b>	<b>6.79%</b>

(1) The October 1, 2007 grand list was the base grand list utilized for the tax bills issued July 1, 2008 for the 2009 fiscal year.

Source: City of Norwich Assessor's Office.

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- **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**

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### ***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, 2007, 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 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.

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 422 retired City and Board of Education employees. The City's actuarial firm, Hooker & Holcombe, Inc., estimates the City's actuarial OPEB liability at \$47 million with an ARC of \$5.3 million. The City has committed to phase in the ARC over a period of 5 years. Under this plan, starting with fiscal year 2012-2013, 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.

### ***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**

	<b>UNAUDITED 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>	<b>Actual 2004-05</b>	<b>Actual 2003-04</b>	<b>Actual 2002-03</b>
<b>REVENUES</b>						
Property Taxes	\$52,374	\$49,920	\$46,826	\$44,964	\$43,314	\$41,487
Intergovernmental Revenue	39,467	38,859	37,751	36,185	34,357	35,200
Charges for services	1,980	3,032	3,334	3,586	1,430	1,011
Licenses, permits and fees	724	906	885	614	477	515
Investment income	978	920	682	390	262	325
Other	792	1,235	895	6,069	8,205	8,492
<b>Total Revenues</b>	<b>\$96,315</b>	<b>\$94,872</b>	<b>\$90,373</b>	<b>\$91,808</b>	<b>\$88,045</b>	<b>\$87,030</b>
<b>EXPENDITURES</b>						
General Government	\$5,326	\$5,409	\$5,014	\$4,879	\$4,588	\$4,658
Public Safety	11,833	10,682	9,608	9,048	8,295	8,244
Social Services	2,233	2,089	1,965	1,815	1,863	2,316
Public Works	7,212	8,873	8,902	8,814	8,578	6,798
Education	64,586	62,507	59,246	56,267	52,582	51,195
Other	5,153	4,286	3,526	3,448	3,940	5,470
Capital Outlay	0	0	0	0	0	0
Debt Service	5,247	5,041	5,606	5,495	6,178	6,652
<b>Total Expenditures</b>	<b>\$101,590</b>	<b>\$98,887</b>	<b>\$93,867</b>	<b>\$89,766</b>	<b>\$86,024</b>	<b>\$85,333</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	\$7,290	\$7,173	\$6,286	\$1,226	\$1,352	1,215
Transfers (Out)	-2,965	-2,371	-2,474	-2,014	-2,805	-2,283
Other					73	0
<b>Total Sources (Uses)</b>	<b>\$4,325</b>	<b>\$4,802</b>	<b>\$3,812</b>	<b>(\$788)</b>	<b>(\$1,380)</b>	<b>(\$1,068)</b>
Revenues and other financing sources (under) expenditures	-950	787	318	1,254	641	629
Fund Balance, July 1,	\$12,076	\$11,289	\$10,971	\$9,717	\$9,076	\$8,447
Fund Balance, June 30	\$11,126	\$12,076	\$11,289	\$10,971	\$9,717	\$9,076

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## DEBT SUMMARY

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

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## DEBT SUMMARY

### *Principal Amount of Indebtedness*

As of December 17, 2008

#### General Purpose

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/17/2008</u>	<u>Rate</u>	<u>Maturity</u>
July 1, 1995	Economic Development	1,000,000	320,025	6.00%	2012
April 01, 2001	Refunding	\$10,835,000	\$5,895,000	4.00-5.00%	2014
April 01, 2001	Wauregan Hotel Project	400,000	225,000	5.50-6.75%	2017
April 15, 2002	General Purpose	3,275,000	1,860,000	4.00-5.25%	2022
April 15, 2004	General Purpose, Series A	950,000	422,500	2.00-3.55%	2015
March 15, 2005	General Purpose, Series A	2,210,000	1,547,000	2.25-3.60%	2015
March 15, 2005	Refunding, Series B	<u>5,135,000</u>	<u>2,132,090</u>	3.00-5.00%	2019
		\$25,935,000	\$12,401,615		

#### Schools

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/17/2008</u>	<u>Rate</u>	<u>Maturity</u>
April 01, 2001	Schools Code Compliance Refunding	\$2,175,000	\$1,050,000	4.00-5.00%	2014
April 15, 2004	Schools Refunding, Series B	2,500,000	1,761,940	2.00-4.00%	2019
March 15, 2005	School Technology and Projects Refunding	<u>5,865,000</u>	<u>3,945,388</u>	4.00-5.00%	2019
		\$10,540,000	\$6,757,328		

#### Water & Sewer

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue Amount Allocated to Purposes</u>	<u>Debt Outstanding as of 12/17/2008</u>	<u>Rate</u>	<u>Maturity</u>
April 15, 2002	Sewers	\$2,745,000	\$1,905,000	4.00-5.00%	2014
April 15, 2004	Sewer and Water, Series A	2,170,000	1,517,500	2.00-3.55%	2015
April 15, 2004	Sewer Refunding, Series B	3,045,000	1,838,060	2.00-5.00%	2019
March 15, 2005	Refunding of Stony Brook Reservoir	3,260,000	1,937,522	3.00-4.00%	2015
March 15, 2005	Sewer and Water, Series A	1,310,000	908,000	4.00-5.00%	2019
October 31, 1997	Clean Water Act 106-C	3,410,000	1,500,387	2.00%	2016
June 30, 2000	Clean Water Act 298-C	1,508,000	797,963	2.00%	2019
December 31, 2002	Clean Water Act 349-C	881,000	605,814	2.00%	2021
December 31, 2002	Clean Water Act 9714-C	<u>1,899,000</u>	<u>1,332,773</u>	2.77%	2021
		\$20,228,000	\$12,343,019		

#### TOTAL:

**\$56,703,000**      **\$31,501,962**

**Short Term Debt**

<u>Project</u>	<u>Amount Authorized</u>	<u>Notes Maturing on 12/17/08</u>	<u>Previously Bonded</u>	<u>Notes (This Issue)</u>	<u>Authorized But Unissued<sup>(1)</sup></u>
Demolition	\$100,000	\$100,000	\$--	\$100,000	\$100,000
Dog Pound planning, acq. and const.	610,000	610,000	--	610,000	610,000
Taftville VFD Ladder Truck	740,000	740,000	--	740,000	740,000
Fire apparatus (2 pumpers)	800,000	800,000	--	800,000	800,000
Road Improvement Program	5,000,000	5,000,000	--	5,000,000	5,000,000
Public Safety	<u>795,000</u>	<u>795,000</u>	--	<u>795,000</u>	<u>795,000</u>
<b>TOTAL</b>	<b>\$8,045,000</b>	<b>\$8,045,000</b>		<b>\$8,045,000</b>	<b>\$8,045,000</b>

1. Issuable as refunding bonds or notes only.

**Annual Bonded Debt Maturity Schedule**

As of December 17, 2008

(Pro Forma)

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Cumulative Percent Retired</u>
2009	\$2,855,175	\$572,793	\$3,427,969	9.06%
2010	3,741,503	1,033,189	4,774,692	20.94%
2011	3,672,798	903,271	4,576,068	32.60%
2012	3,584,514	772,548	4,357,062	43.98%
2013	3,586,672	638,732	4,225,404	55.36%
2014	3,491,936	503,098	3,995,034	66.45%
2015	2,429,498	370,515	2,800,014	74.16%
2016	2,197,235	285,375	2,482,610	81.14%
2017	1,522,646	217,548	1,740,194	85.97%
2018	1,373,527	161,042	1,534,569	90.33%
2019	1,267,578	108,168	1,375,746	94.35%
2020	991,338	59,775	1,051,112	97.50%
2021	435,604	31,058	466,662	98.88%
2022	<u>351,937</u>	<u>13,894</u>	<u>365,831</u>	100.00%
<b>Totals</b>	<b>\$31,501,962</b>	<b>\$5,671,006</b>	<b>\$37,172,968</b>	

**Overlapping/Underlying Debt**

The City has no overlapping or underlying indebtedness.

**Debt Statement<sup>1</sup>**

As of December 17, 2008

(Pro Forma)

**LONG TERM DEBT**

**Bonds**

General Purpose .....	\$12,401,615
Schools.....	6,757,328
Water and Sewer Bonds.....	<u>12,343,019</u>
<b>TOTAL LONG TERM DEBT.....</b>	<b>\$31,501,962</b>

**TOTAL DIRECT DEBT**

**\$31,501,962**

Less:

State School Construction Grants Receivable <sup>2</sup>	722,000
Self-Supporting Bonds	<u>4,556,962</u>
<b>TOTAL DIRECT NET DEBT.....</b>	<b>\$26,223,000</b>

**OVERLAPPING/UNDERLYING DEBT .....** 0

**TOTAL NET DIRECT DEBT.....** **\$26,223,000**

<sup>1</sup> Excludes capital leases

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

**Current Debt Ratios**

As of December 17, 2008  
(Pro Forma)

Population <sup>1</sup> .....	36,408
Net Taxable Grant List – 10/1/07 @70% of full value.....	\$1,853,322,305
Estimated Full Value .....	\$2,647,603,293
Equalized Net Taxable Grand List - 2005 <sup>2</sup> .....	\$3,592,741,013
Money Income per Capita - 2000 <sup>3</sup> .....	\$20,742

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b><u>\$31,501,962</u></b>	<b><u>\$26,223,000</u></b>	<b><u>\$26,223,000</u></b>
Per Capita .....	\$865.25	\$720.25	\$720.25
Ratio to Net Taxable Grand List.....	1.70%	1.41%	1.41%
Ratio to Estimated Full Value.....	1.19%	0.99%	0.99%
Ratio to Equalized Grand List .....	0.88%	0.73%	0.73%
Debt per Capita to Money Income per Capita .....	4.17%	3.47%	3.47%

<sup>1</sup> State of Connecticut Department of Health Estimate, July 1, 2006

<sup>2</sup> Office of Policy and Management, State of Connecticut

<sup>3</sup> 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.

**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 eight 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 1/20<sup>th</sup> (1/30<sup>th</sup> 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 must be permanently funded no later than eight years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the notes from time to time in 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).

### ***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 December 17, 2008

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees)				\$49,721,000	
TOTAL TAX COLLECTIONS (Norwich Fire Department)				3,064,000	
Received by the Treasurer for the year ended June 30, 2007					
REIMBURSEMENT FOR REVENUE LOSS ON: Tax Relief for Elderly				\$20,000	
BASE				\$52,805,000	
DEBT LIMITATION:	General Purpose	Schools	Sewers	Urban Renewal	Pension Obligation
2 ¼ times base	\$118,811,000				
4 ½ times base		\$237,623,000			
3 ¾ times base			\$198,019,000		
3 ¼ times base				\$171,616,000	
3 times base					\$158,415,000
Total debt limitation	\$118,811,000	\$237,623,000	\$198,019,000	\$171,616,000	\$158,415,000
INDEBTEDNESS:					
Bonds Payable	\$12,401,615	\$6,757,328	\$8,106,082	\$-	\$0
The Notes (This Issue)	8,045,000	-	-	-	\$0
Clean Water Fund Obligations	-	-	4,236,937	-	-
Authorized but Unissued Debt	<u>910,000</u>	<u>11,250,000</u>	<u>1,800,000</u>	-	<u>\$0</u>
TOTAL DIRECT INDEBTEDNESS	\$21,356,615	\$18,007,328	\$14,143,019	\$0	\$0
Less: Self financed grants/assessments	-	(\$1,631,730)	-	-	-
TOTAL NET INDEBTEDNESS	\$21,036,590	\$16,375,598	\$14,143,019	\$0	\$0
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT	\$97,774,660	\$221,247,402	\$183,873,981	\$171,616,000	\$158,415,000

<sup>1</sup> Represents *State of Connecticut school construction grants applicable to prior bond issues.* (See "School Projects" herein).

<sup>2</sup> Represents *Self-Supporting Sewer Bonds.*

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation of \$369,635,000.

***Authorized But Unissued Debt***

As of December 17, 2008

(Pro Forma)

<u>Authorization Date</u>	<u>Project</u>	<u>Authorized</u>	<u>Prior Bonds/ Paydowns</u>	<u>Grants</u>	<u>BAN's Outstanding</u>	<u>Remaining Authorization</u>
09/19/05	Taftville VFD Ladder Truck	\$740,000	-	-	\$740,000	-
05/01/06	Fire apparatus (2 pumpers)	800,000	-	-	800,000	-
11/07/06	Road Improvement Program	5,000,000	-	-	5,000,000	-
08/06/07	Demolition (2007)	100,000	-	-	100,000	-
09/04/07	Dodd Stadium	610,000	-	-	-	\$610,000
04/07/08	Dog Pound planning, acq. and const.	610,000	-	-	610,000	-
01/22/08	Public Safety Improvements (2008)	795,000	-	-	795,000	-
09/15/08	Demolition (2008)	300,000	-	-	-	300,000
	<b>Subtotal – General Purpose</b>	<b>\$8,955,000</b>	<b>-</b>	<b>-</b>	<b>\$8,045,000</b>	<b>\$910,000</b>
08/06/07	Kelly Middle School Renovation	40,250,000	-	29,000,000	-	11,250,000
	<b>Subtotal – Schools</b>	<b>\$40,250,000</b>	<b>-</b>	<b>\$29,000,000</b>	<b>-</b>	<b>\$11,250,000</b>
09/04/07	Flyers Drive Area Sewers	1,800,000	-	-	-	1,800,000
	<b>Subtotal – Sewers</b>	<b>\$1,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,800,000</b>
06/02/08	Business park water improvements	450,000	-	-	-	450,000
06/02/08	Backwash systems for Deep River	560,000	-	-	-	560,000
	<b>Subtotal – Water</b>	<b>\$1,010,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,010,000</b>
	Grand Total	<b>\$52,015,000</b>	<b>-</b>	<b>\$29,000,000</b>	<b>\$8,045,000</b>	<b>\$14,970,000</b>

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## LEGAL AND OTHER INFORMATION

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

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## **LEGAL AND OTHER INFORMATION**

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### ***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 Notes, the original purchaser(s) 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 Notes 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 signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Notes were accepted the description and statements in the Official Statement relating to the City of Norwich 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 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 Notes.
4. The approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Notes substantially in the form of Appendix C attached hereto.
6. The City of Norwich, Connecticut has prepared an Official Statement for the Note issue which is dated December 4, 2008. 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 each winning purchaser of the Notes 25 copies of the Official Statement at the City's expense within seven business days of the bid opening. Additional copies may be obtained by the original purchaser(s) 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 Notes. 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. Begren*  
*City Manager*

*/s/* \_\_\_\_\_  
*Joseph A. Ruffo*  
*Comptroller*

Dated: as of December 4, 2008.

**APPENDIX A- FISCAL 2007 AUDITED FINANCIAL STATEMENTS**

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



**FISCAL YEAR ENDED JUNE 30, 2007  
DEPARTMENT OF FINANCE  
UNION SQUARE  
NORWICH, CONNECTICUT**

# **Comprehensive Annual Financial Report**

**of the**

## **City of Norwich, Connecticut**

Fiscal Year Ended June 30, 2007

Prepared By:

City of Norwich Finance Department

Joseph A. Ruffo, CPA  
Comptroller

joshua a. pothier  
Deputy Comptroller

Anthony Madeira  
Accountant

# CITY OF NORWICH, CONNECTICUT

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# **Introductory Section**



CITY OF NORWICH  
CONNECTICUT

JOSEPH A. RUFFO, C.P.A.  
COMPTROLLER  
(860) 823-3730  
Fax (860) 823-3812

100 Broadway Room 105  
Norwich, CT 06360-4431

November 27, 2007

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Norwich (the City) for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, "Audits of

States, Local Governments and Non-Profit Organizations.” Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors’ reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit will be issued separately.

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

### **Profile of Government**

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

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

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

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

### **Factors Affecting Financial Condition**

The City aggressively pursues economic and physical stabilization and revitalization. The City has maintained the quality of services to its citizens and has consistently increased the general fund balance while having one of the lowest per capita tax burdens in the State at \$1,211 for fiscal year

2007. Through the City Redevelopment Plan and other initiatives, the City attempts to attract and retain the best combination of business and industry to meet the needs of the City and its citizens. Consequently, the City is involved with several projects which will improve both the tax base and quality of life in Norwich.

### **Recent Economic Activity**

#### **Commercial/Industrial Activity**

- *Backus Hospital Expansion* - The hospital started the \$50 million expansion (which includes doubling the size of the Emergency Department, enhancing Surgical Services, updating patient rooms, adding more private rooms, adding a new pharmacy and upgrading technology for cancer care) in July 2005 and expects to have the project completed by Winter 2007.
- *Byron Brook Golf Resort Community Project* - One exciting prospect on the horizon is the possible development of roughly 300 acres of land in Occum into a \$200 million golf course/condominium project. This project is currently in the planning process.
- *Hampton Inn & Suites Hotel* - On September 19, 2006, the Commission on the City Plan approved Philadelphia-based PRA Development Corp's plan to construct a 113-room, six-story hotel on Route 82/I-395 interchange.
- *Downtown Businesses* - The street-level of the Wauregan Hotel is now occupied by a laundromat, a deli and a florist.

#### **Housing Market**

- From July 2003 through June 2007, the Building Division has issued \$114 million in residential building permits.
- Taking real estate sales from October 2003 through May 2007, properties have been selling for, on average, 38.53% higher than their October 1, 2003 valuation (the last revaluation).
- There are currently 300 units of condominiums and apartments under construction.

#### **Public Buildings and Infrastructure**

- *Road Improvements* - The residents of the City of Norwich passed a bond referendum item in November 2006 for \$5 million of road improvements. The public works department has already administered \$1.2 million of road reconstruction and overlay during fiscal year 2006-07.
- *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.
- *Energy Efficiency Upgrades* - Norwich Public Utilities has identified opportunities for greater energy efficiency in the schools and other City-owned buildings. The City is making these improvements with funding from the Community Development Block Grant and the City's Capital Improvement budget. In most cases, the improvements will pay for themselves in reduced energy costs within the first three years.
  - *Municipal Area Network* - Norwich Public Utilities will soon construct a network consisting of 32 miles of 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.
  - *Three Rivers Community College* - On June 25, 2007, there was a groundbreaking ceremony at the New London Turnpike location of Three Rivers Community College to celebrate the start of a \$85.6 million, 295,644 square-foot project which is expected to be completed in 2009.
  - *Kelly Middle School Renovations* - On November 6, 2007, Norwich voters approved \$40.2 million for 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 and \$10.8 million of 20-year city general obligation bonds. The project includes: adding classrooms, updating utilities, asbestos abatement, and adding an 800-seat auditorium.

### ***Budgetary Control***

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and one Special Revenue Fund are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year end. Encumbered amounts at year-end are reported as reservations of fund balance.

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

### ***Cash Management***

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

### ***Pension Administrator***

The City administers a single employer public employee retirement system (PERS). In addition, Board of Education teachers are fully covered by the noncontributory State Teachers' Retirement System.

### ***Risk Management***

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

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

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norwich, Connecticut, for its comprehensive annual financial report for the year ended June 30, 2006. This was the fourteenth consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

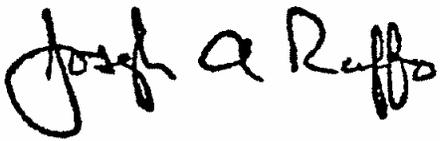
A Certificate of Achievement is valid for a period of one year only. I believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

For fiscal years beginning July 1, 2000 through 2007, the GFOA awarded the City a "Distinguished Budget Presentation Award" for its adopted budget. The budgets submitted had to satisfy four different criteria: the budget as a Policy Document, the budget as a Financial Plan, the budget as an Operations Guide, and the budget as a Communications Device. The award earned by the City is the highest form of recognition in the area of budgeting.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Joseph A. Ruffo". The signature is written in a cursive style with a large initial 'J' and 'R'.

Joseph A. Ruffo, CPA  
Acting City Manager and Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Norwich Connecticut

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

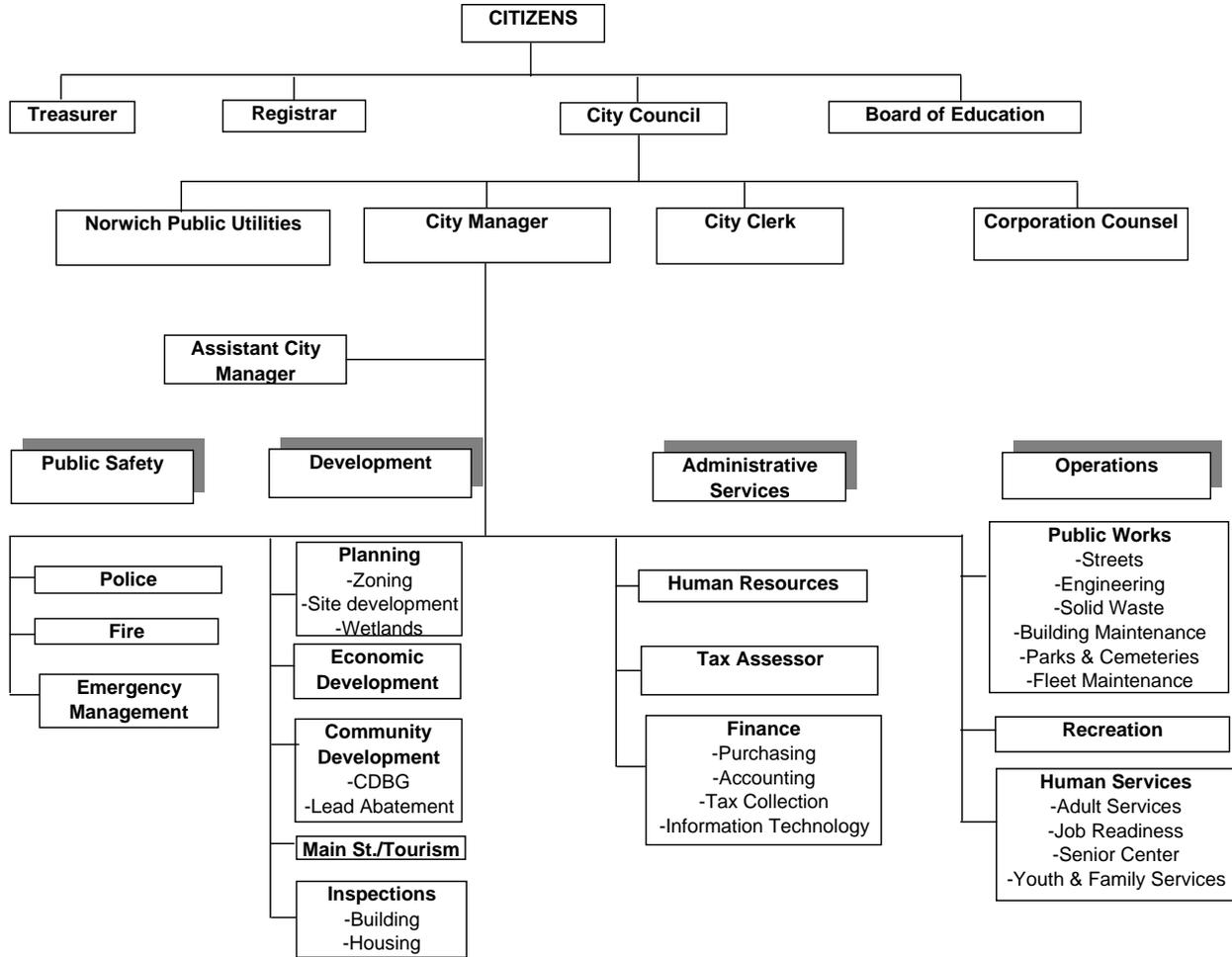
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



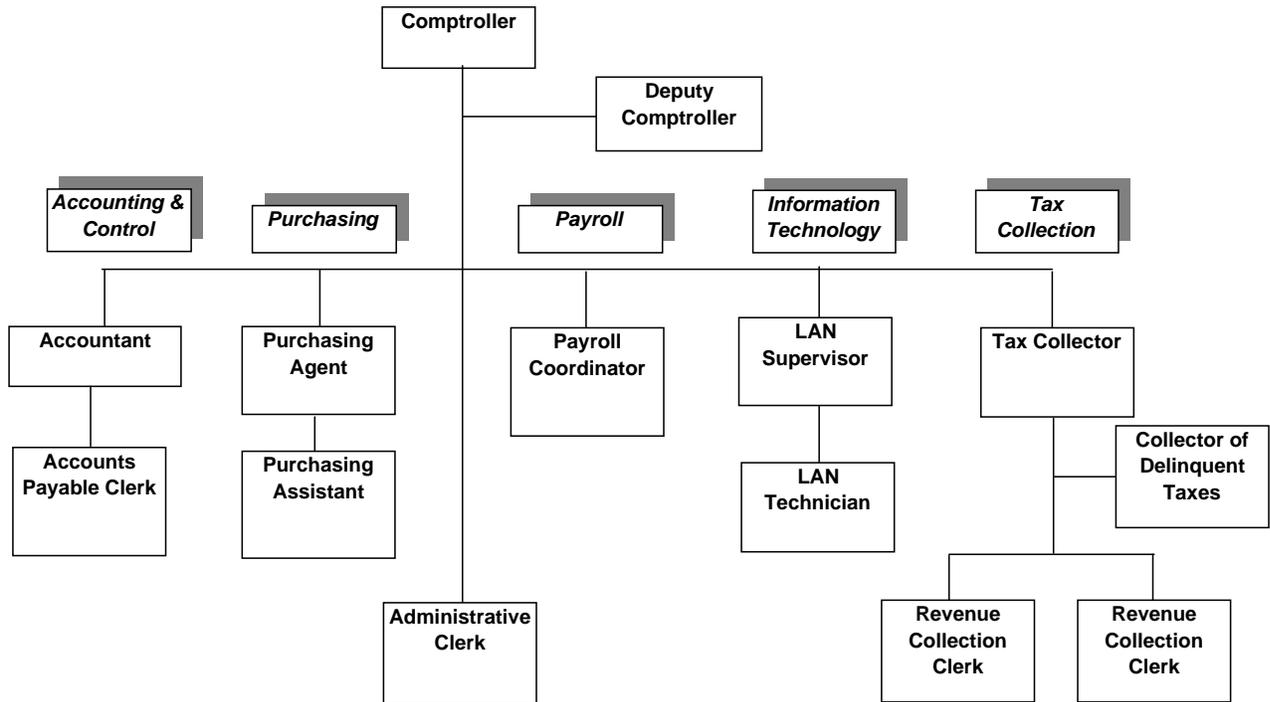
President

Executive Director

# City of Norwich Organization Chart



# City of Norwich Finance Department Organization Chart



## DIRECTORY OF ELECTED CITY OFFICIALS AND NPU COMMISSIONERS

### CITY COUNCIL

	<u>Term Length</u>	<u>Term Expires</u>
Benjamin P. Lathrop, Mayor (D)	4 Years	12/8/09
John M. Newson, President Pro Tempore (D)	2 Years	12/4/07
Mark Bettencourt (D)	2 Years	12/4/07
Jacqueline Caron (D)	2 Years	12/4/07
John D. Crooks, Sr. (R)	2 Years	12/4/07
Larry Goldman (D)	2 Years	12/4/07
John Paul Merein (R)	2 Years	12/4/07

### BOARD OF EDUCATION

	<u>Term Length</u>	<u>Term Expires</u>
Charles Jaskiewicz, Chairperson (D)	2 Years	11/13/07
John P. LeVangie, Vice Chairperson (D)	2 Years	11/13/07
Cora Lee Boulware, Secretary (D)	2 Years	11/13/07
Kelly Ann Graves (D)	2 Years	11/13/07
Lorrie Herz (D)	2 Years	11/13/07
Harlan Hyde (R)	2 Years	11/13/07
Charles K. Norris (R)	2 Years	11/13/07
Joyce Werden (D)	2 Years	11/13/07
Angelo P. Yeitz, Jr. (R)	2 Years	11/13/07

### TREASURER

	<u>Term Length</u>	<u>Term Expires</u>
Brian Curtin (D)*	2 Years	12/4/07

### REGISTRAR OF VOTERS

	<u>Term Length</u>	<u>Term Expires</u>
Nancy DePietro (D)	2 Years	1/7/09
Gerald Kortfelt (R)	2 Years	1/7/09

### APPOINTED NPU COMMISSIONERS

	<u>Term Length</u>	<u>Term Expires</u>
Stanley Israelite, Chairman (D)	5 Years	2/28/12
Alan M. Remondi, Vice Chairman (D)	5 Years	2/28/11
Diana Boisclair (R)	5 Years	3/01/10
James M. Sullivan (D)	5 Years	3/01/09
Frank Demicco (D)	5 Years	3/01/08

\* Appointed by the City Council upon the retirement of William J. Murray on December 31, 2006.

**CITY OF NORWICH**  
**100 BROADWAY**  
**NORWICH, CT 06360**  
**PHONE: (860) 823-3700**  
**FAX: (860) 823-3790**  
**WEBSITE: www.norwichnow.com**

**DIRECTORY OF CITY ADMINISTRATIVE  
OFFICIALS**

Acting City Manager	Joseph Ruffo
Assistant City Manager	Jennifer Gottlieb
Assessor	Charles Glinski
Building Inspector	James Troeger
City Clerk	DeeAnne Brennan
City Planner	Michael Schaefer
Community Development Director	Vacant
Comptroller	Joseph Ruffo
Deputy Comptroller	joshua pothier
Corporation Counsel	Michael E. Driscoll
Emergency Management Director	Gene M. Arters
Engineer	William Mansfield
Fire Chief	Ken Scandariato
Health Director	Patrick McCormack, MPH
Housing Authority Director	Charles Whitty
Human Resources Director	Thomas Dawkins
Human Services Director	Beverly Goulet
LAN Supervisor	Leon Barnowski
Parking Administrator	Judy Rizzuto
Planning & Development Director	Peter Davis
Police Chief	Louis Fusaro
Public Utilities Manager	John Bilda
Public Works Director	Joseph Loyacano
Purchasing Agent	William R. Block
Recreation	Luis DePina
Senior Center	Michael Wolak
Superintendent of Schools	Pamela Aubin
Tax Collector	Katherine Daley
Volunteer Fire Chiefs:	
East Great Plains	Patrick Daley
Laurel Hill	Ed Martin
Occum	Kevin McKeon
Taftville	Steven L. Caisse
Yantic	Frank Blanchard
Youth Service Director	Peter Schultheis
Zoning Enforcement Officer	Paulette Craig

## **Financial Section**



## Report of Independent Accountants

To the Honorable Mayor and  
Members of the City Council  
City of Norwich  
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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007 and the respective changes in financial position and cash flows, where applicable, thereof 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 3 through 10 and budgetary comparison information on 52 through 55 are not a required part 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

*Blum, Shapiro & Company, P.C.*

November 27, 2007

## CITY OF NORWICH, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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, 2007. 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 \$168.2 million. Total net assets for governmental activities at fiscal year-end were \$59.6 million, and total net assets for business-type activities were \$108.5 million. Total unrestricted net assets at June 30, 2007 was \$38.1 million.
- On a government-wide basis, during the year, the City's net assets increased by \$7.7 million from \$160.5 million to \$168.2 million. Governmental activities net assets increased by \$2.9 million, and net assets increased by \$4.8 million for business-type activities. Governmental activities expenses were \$120.1 million, while total revenues including transfers were \$123.1 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$17.5 million, a decrease of \$2.0 million from the prior fiscal year. Of the total fund balance as of June 30, 2007, \$13.9 million represents the combined unreserved 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 \$12.1 million, an increase of \$787 thousand from the prior fiscal year. Included in the fiscal year 2008 budget is an appropriation of \$2 million from the unreserved fund balance. As of June 30, 2007, \$11.7 million of the total fund balance is unreserved representing 11.7% of total General Fund expenditures and transfers out.
- The City's governmental activities total bonded debt decreased by \$3.5 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 Exhibit 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 at the bottom of 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 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 \$160.5 million to \$168.2 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government-Wide</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 34,712	\$ 38,186	\$ 35,684	\$ 30,725	\$ 70,396	\$ 68,911
Capital assets	<u>68,571</u>	<u>65,251</u>	<u>97,878</u>	<u>99,252</u>	<u>166,449</u>	<u>164,503</u>
Total assets	<u>103,283</u>	<u>103,437</u>	<u>133,562</u>	<u>129,977</u>	<u>236,845</u>	<u>233,414</u>
Long-term debt outstanding	35,357	37,459	17,206	18,784	52,563	56,243
Unearned revenue	1,778	2,788	215	220	1,993	3,008
Other liabilities	<u>6,501</u>	<u>6,460</u>	<u>7,595</u>	<u>7,252</u>	<u>14,096</u>	<u>13,712</u>
Total liabilities	<u>43,636</u>	<u>46,707</u>	<u>25,016</u>	<u>26,256</u>	<u>68,652</u>	<u>72,963</u>
Net assets:						
Invested in capital assets, net of debt	44,114	38,680	83,363	83,151	127,477	121,831
Restricted	1,725	1,590	876	643	2,601	2,233
Unrestricted	<u>13,808</u>	<u>16,460</u>	<u>24,307</u>	<u>19,927</u>	<u>38,115</u>	<u>36,387</u>
Total Net Assets	<u>\$ 59,647</u>	<u>\$ 56,730</u>	<u>\$ 108,546</u>	<u>\$ 103,721</u>	<u>\$ 168,193</u>	<u>\$ 160,451</u>

Net assets of the City's governmental activities increased by \$2.9 million (\$59.6 million compared to \$56.7 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 \$16.5 million at June 30, 2006 to \$13.8 million at the end of this year. The net assets of business-type activities increased by 4.7% (\$108.5 million compared to \$103.7 million) in 2007.

**Table 2**  
**CHANGES IN NET ASSETS**  
(In Thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government-Wide</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:						
Program revenues:						
Charges for services	\$ 8,484	\$ 8,248	\$ 78,842	\$ 77,909	\$ 87,326	\$ 86,157
Operating grants and contributions	47,469	47,561			47,469	47,561
Capital grants and contributions	934	1,736	1,037	1,696	1,971	3,432
General revenues:						
Property taxes	52,327	49,726			52,327	49,726
Grants and contributions not restricted to specific purposes	5,522	4,786			5,522	4,786
Unrestricted investment earnings	1,199	843	423	318	1,622	1,161
Other general revenues	910	540			910	540
<b>Total revenues</b>	<b>116,845</b>	<b>113,440</b>	<b>80,302</b>	<b>79,923</b>	<b>197,147</b>	<b>193,363</b>
Program expenses:						
General government	11,926	9,638			11,926	9,638
Public safety	16,108	15,754			16,108	15,754
Social services	3,984	4,048			3,984	4,048
Public works	11,504	11,109			11,504	11,109
Education	75,171	71,268			75,171	71,268
Interest on long-term debt	1,454	1,476			1,454	1,476
Department of Public Utilities			66,885	67,275	66,885	67,275
Other enterprise funds			2,373	2,583	2,373	2,583
<b>Total program expenses</b>	<b>120,147</b>	<b>113,293</b>	<b>69,258</b>	<b>69,858</b>	<b>189,405</b>	<b>183,151</b>
Excess (deficiency) before transfers	(3,302)	147	11,044	10,065	7,742	10,212
Transfers	6,219	5,385	(6,219)	(5,385)	-	-
<b>Increase in Net Assets</b>	<b>\$ 2,917</b>	<b>\$ 5,532</b>	<b>\$ 4,825</b>	<b>\$ 4,680</b>	<b>\$ 7,742</b>	<b>\$ 10,212</b>

The City's total revenues were \$197.1 million. The total cost of all programs and services was \$189.4 million. Our analysis below separately considers the operations of governmental and business-type activities.

### ***Governmental Activities***

Governmental activities increased the City's assets by \$2.9 million during the year. Total revenues of \$116.8 million and \$6.2 million in transfers from the City's business-type activities provided funding for the City's \$120.1 million of governmental program expenses incurred during the year.

Property tax revenues increased \$2.6 million, which provided additional resources necessary to fund the City's programs expense increase of \$6.9 million over the previous year. Increases in general government program expenses were primarily the result of increases in the City's workers' compensation loss reserve claims liability at June 30, 2007. The workers' compensation loss reserve claims liability increased from \$2.3 million to \$3.6 million as a result of additional claim occurrences during FY2007. Of the \$3.9 million increase in education program expenses, \$3.4 million is directly tied to the increase in budgeted actual education expenditures in the

City's General Fund. The budgeted increase in education costs provided funding for increases in new teaching positions and contractual raises.

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

**Table 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General government	\$ 11,926	\$ 9,638	\$ 8,526	\$ 6,195
Public safety	16,108	15,754	15,632	14,375
Social services	3,984	4,048	842	1,675
Public works	11,504	11,109	7,698	7,252
Education	75,171	71,268	29,143	24,826
All others	<u>1,454</u>	<u>1,476</u>	<u>1,419</u>	<u>1,425</u>
Totals	<u>\$ 120,147</u>	<u>\$ 113,293</u>	<u>\$ 63,260</u>	<u>\$ 55,748</u>

***Business-Type Activities***

Revenues of the City's business-type activities (see Table 2) increased by \$380 thousand during the year (\$80.3 million in 2007 compared to \$79.9 million in 2006) and expenses decreased by \$599 thousand. Overall net assets increased \$4.9 million in 2007 compared with an increase of \$4.7 million in 2006. Net assets of the Department of Public Utilities Electric Division increased \$2.5 million in 2006 and \$4.7 million in 2007 as user rates have been increased to address increases in purchase power costs over the past several years and planned infrastructure improvements.

**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 \$17.5 million, which is a decrease from last year's total of \$19.4 million. Included in this year's total change in fund balance is an increase of \$787 thousand 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 other governmental funds have a total fund balance of \$5.4 million, down from \$8.1 million in the prior year. The decrease is primarily due to the expenditure of funds for bonded projects for which bond anticipation notes or bonds have not been issued.

***Proprietary Funds***

Net assets of the proprietary funds consisting of the Department of Public Utilities were \$97.5 million, as compared to \$92.5 million in the prior year, and other enterprise funds were \$11.1 million, as compared to \$11.2 million in the prior year.

Unrestricted net assets of the Department of Public Utilities was \$24.2 million, and \$156 thousand for Other Enterprise funds. The Department of Public Utilities had operating revenues of \$76.7 million from user fees, and other enterprise funds had \$2.2 million. The total change in net assets for the fiscal year ended June 30, 2007 was \$4.8 million.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$88 thousand. The additional appropriations approved during the year were for two positions in the Planning & Development Department.

During the year, actual revenues and other financing sources on a budgetary basis were \$100.3 million, which exceeded budgetary estimates by \$1.8 million. Miscellaneous permits and fees and Town Clerk conveyance taxes were a combined \$401 thousand higher than budgeted. Special education grant funding was \$598 thousand higher than budgeted as grant reimbursements increased, offsetting increased special education placement costs. Interest from investments was \$370 thousand higher than budgeted as market rates improved.

Actual expenditures on a budgetary basis and other financing uses totaled \$99.7 million, which were less than actual revenues and other financing sources on a budgetary basis by \$621 thousand. Actual expenditures on a budgetary basis were \$634 thousand less than budgeted. Favorable budgetary variances were spread amongst several City departments and functions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, the City had \$166.4 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 \$1.9 million, or 1.2%, over last year.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 23,234	\$ 23,398	\$ 2,397	\$ 2,397	\$ 25,631	\$ 25,795
Buildings and improvements	19,609	19,801	34,520	33,556	54,129	53,357
Vehicles, machinery, equipment, pumping and distributions systems	5,913	4,580	58,415	40,726	64,328	45,306
Technology upgrade and road infrastructure	15,485	14,471			15,485	14,471
Construction in progress	4,330	3,001	2,546	22,573	6,876	25,574
<b>Totals</b>	<b>\$ 68,571</b>	<b>\$ 65,251</b>	<b>\$ 97,878</b>	<b>\$ 99,252</b>	<b>\$ 166,449</b>	<b>\$ 164,503</b>

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

Road overlays	\$	1,434
Taftville VFD Ladder Truck		731
Ox Hill Drainage		607
Land Purchase for Mohegan Park		332
Police Cruisers		195
Norwich Fire Department Pumper Truck		<u>387</u>
Total	\$	<u><u>3,686</u></u>

The City's fiscal-year 2007-08 capital budget calls for spending \$2.4 million for road overlays, Brown Park seawall improvements, school improvements, police vehicles, sidewalk improvements and other projects. More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

***Long-Term Debt***

At June 30, 2007, the City had total bonds and notes outstanding of \$36.3 million. All of this debt is backed by the full faith and credit of the City. The City's total debt decreased by approximately \$4.6 million during fiscal 2007.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 24,311	\$ 27,858	\$ 6,562	\$ 7,200	\$ 30,873	\$ 35,058
Notes payable			<u>5,430</u>	<u>5,854</u>	<u>5,430</u>	<u>5,854</u>
Total	<u>\$ 24,311</u>	<u>\$ 27,858</u>	<u>\$ 11,992</u>	<u>\$ 13,054</u>	<u>\$ 36,303</u>	<u>\$ 40,912</u>

The last bond rating for an uninsured issue was for the General Obligation Bond Issue of 2002 for various purposes, totaling \$6.02 million. The bonds were rated A1 and AA- by Moody's Investor Service and Fitch, Inc., respectively. The last bonds issued in 2005 were insured by Financial Security Assurance, Inc.

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 \$370 million. The City's outstanding general obligation debt is significantly below 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 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As of June 2007, the unemployment rate for the Norwich Labor Market Area was 4.1%, down from 4.9% in the prior year. Connecticut's overall unemployment rate stands at 4.6%, compared with 4.4% for the same time last year. The State of Connecticut has increased its funding of education grants over the past few years, but the grants supporting other city services haven't 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 debt reduction. The effects of these efforts are exemplified in the initiatives noted in the transmittal letter.

The fiscal year 2008 General Fund budget calls for \$104.0 million in revenues and expenditures, an approximate 3.69% increase in both over fiscal year 2007. On the revenue side, the fiscal year 2008 mill rate increased 0.80 mills from 27.77 to 28.57 - a 2.88% increase. The City has not implemented any new programs or services.

In the City's business-type activities, the Norwich Public Utilities projects a 0.83% decrease in revenues from fiscal year 2007 from \$80.9 million to \$80.2 million. This decrease is largely due to the decline in the cost of natural gas. Norwich Public Utilities budgeted \$3.67 million in capital improvements to bolster its infrastructure and operational efficiency.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# **Basic Financial Statements**

## CITY OF NORWICH, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2007  
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 13,091	\$ 17,381	\$ 30,472
Investments	11,684		11,684
Receivables, net	9,869	14,708	24,577
Internal balances	27	(27)	-
Inventories		2,072	2,072
Other assets	41	1,550	1,591
Capital assets:			
Assets not being depreciated	27,564	4,943	32,507
Assets being depreciated, net	41,007	92,935	133,942
Total assets	<u>103,283</u>	<u>133,562</u>	<u>236,845</u>
Liabilities:			
Accounts and other payables	6,059	7,595	13,654
Due to Fiduciary Funds	442		442
Unearned revenue	1,778	215	1,993
Noncurrent liabilities:			
Due within one year	6,103	2,205	8,308
Due in more than one year	29,254	15,001	44,255
Total liabilities	<u>43,636</u>	<u>25,016</u>	<u>68,652</u>
Net Assets:			
Invested in capital assets, net of related debt	44,114	83,363	127,477
Restricted for trust purposes:			
Expendable	72		72
Permanent	1,653		1,653
Restricted for energy conservation		876	876
Unrestricted	13,808	24,307	38,115
Total Net Assets	<u>\$ 59,647</u>	<u>\$ 108,546</u>	<u>\$ 168,193</u>

The accompanying notes are an integral part of the financial statements



## CITY OF NORWICH, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

(In Thousands)

	<u>General</u>	<u>Bond Expenditure</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,764	\$ 998	\$	\$ 2,032	\$ 12,794
Investments	10,227			1,457	11,684
Receivables, net	4,126		2,591	3,111	9,828
Due from other funds	3,200	640	23	4,711	8,574
Other assets				41	41
Total Assets	<u>\$ 27,317</u>	<u>\$ 1,638</u>	<u>\$ 2,614</u>	<u>\$ 11,352</u>	<u>\$ 42,921</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 4,010	\$ 154	\$ 267	\$ 1,309	\$ 5,740
Due to other funds	8,007	2,657		612	11,276
Deferred revenue	3,224	418	2,244	2,568	8,454
Total liabilities	<u>15,241</u>	<u>3,229</u>	<u>2,511</u>	<u>4,489</u>	<u>25,470</u>
Fund balances:					
Reserved	425	1,285		1,885	3,595
Unreserved, reported in:					
General Fund	11,651				11,651
Special Revenue Funds			103	2,643	2,746
Capital Project Funds		(2,876)		2,335	(541)
Total fund balances	<u>12,076</u>	<u>(1,591)</u>	<u>103</u>	<u>6,863</u>	<u>17,451</u>
Total Liabilities and Fund Balances	<u>\$ 27,317</u>	<u>\$ 1,638</u>	<u>\$ 2,614</u>	<u>\$ 11,352</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					68,571
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					6,676
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 fund are included in governmental activities in the statement of net assets.					(2,211)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					<u>(30,840)</u>
Net Assets of Governmental Activities (Exhibit I)					<u>\$ 59,647</u>

The accompanying notes are an integral part of the financial statements

## CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007

	General	Bond Expenditure	Community Development	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, interest and liens	\$ 49,920	\$	\$	\$ 3,056	\$ 52,976
Intergovernmental revenues	38,859	175	1,820	13,055	53,909
Charges for services	3,032			3,890	6,922
Licenses, permits and fees	906				906
Investment income	920			251	1,171
Other	1,235		159	875	2,269
Total revenues	<u>94,872</u>	<u>175</u>	<u>1,979</u>	<u>21,127</u>	<u>118,153</u>
Expenditures:					
Current:					
General government	5,409			373	5,782
Public safety	10,682		241	5,240	16,163
Social services	2,089		1,394	789	4,272
Public works	8,873		430	1,109	10,412
Education	62,507		31	11,685	74,223
Other	4,286				4,286
Capital outlay		3,216		3,121	6,337
Debt service	5,041				5,041
Total expenditures	<u>98,887</u>	<u>3,216</u>	<u>2,096</u>	<u>22,317</u>	<u>126,516</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,015)</u>	<u>(3,041)</u>	<u>(117)</u>	<u>(1,190)</u>	<u>(8,363)</u>
Other Financing Sources (Uses):					
Transfers in	7,173	163		2,549	9,885
Transfers out	(2,371)			(1,295)	(3,666)
Proceeds from capital leases				192	192
Total other financing sources	<u>4,802</u>	<u>163</u>		<u>1,446</u>	<u>6,411</u>
Net Change in Fund Balances	787	(2,878)	(117)	256	(1,952)
Fund Balances at Beginning of Year	<u>11,289</u>	<u>1,287</u>	<u>220</u>	<u>6,607</u>	
Fund Balances at End of Year	<u>\$ 12,076</u>	<u>\$ (1,591)</u>	<u>\$ 103</u>	<u>\$ 6,863</u>	

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 3,571

In the statement of activities, the loss on the sale or disposal of capital assets is reported, whereas in the governmental funds, the transaction is not reported. Thus the change in net assets differs from the change in fund balance by the loss on the assets disposed. (251)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (773)

Bonds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 3,470

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 13

Internal service funds are used by management to charge the costs of risk management to individual funds. The net expense of the internal service fund is reported with governmental activities (Exhibit VI). (1,161)

Change in Net Assets of Governmental Activities (Exhibit II) \$ 2,917

The accompanying notes are an integral part of the financial statements

## CITY OF NORWICH, CONNECTICUT

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007  
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 17,118	\$ 263	\$ 17,381	\$ 297
Receivables, net:				
Intergovernmental				
User charges	10,498	300	10,798	
Assessments receivable	3,297		3,297	
Other	613		613	41
Due from other funds	13	88	101	2,287
Inventories	1,975	97	2,072	
Other assets	1,550		1,550	
Total current assets	35,064	748	35,812	2,625
Capital assets, net	86,965	10,913	97,878	
Total assets	122,029	11,661	133,690	2,625
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	6,784	249	7,033	71
Due to other funds		128	128	
Unearned revenue		215	215	
Due to CMEEC	357		357	
Notes payable - current	435		435	
Bonds payable - current	639		639	
Capital leases payable - current	458		458	
Compensated absences - current	240		240	
Risk management claims - current	76		76	1,621
Total current liabilities	8,989	592	9,581	1,692
Noncurrent liabilities:				
Customer deposits	562		562	
Due to CMEEC	750		750	
Notes payable	4,995		4,995	
Bonds payable	5,923		5,923	
Capital leases payable	944		944	
Compensated absences	2,165		2,165	
Risk management claims	224		224	3,144
Total noncurrent liabilities	15,563		15,563	3,144
Total liabilities	24,552	592	25,144	4,836
Net Assets:				
Invested in capital assets, net of related debt	72,450	10,913	83,363	
Restricted for energy conservation	876		876	
Unrestricted	24,151	156	24,307	(2,211)
Total Net Assets	\$ 97,477	\$ 11,069	\$ 108,546	\$ (2,211)

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, 2007

(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 75,286	\$ 2,168	\$ 77,454	\$ 16,079
Use of property	677		677	
Other services	711		711	
Total operating revenues	<u>76,674</u>	<u>2,168</u>	<u>78,842</u>	<u>16,079</u>
Operating Expenses:				
Purchased gas and electric	38,552		38,552	
General and administrative	10,498		10,498	
Depreciation	5,152	356	5,508	
Operations and maintenance	8,427	2,018	10,445	
Customer accounts	1,455		1,455	
Bad debt expense	689		689	
Gross revenue and property taxes	1,769		1,769	
Claims				16,351
Premiums and administrative charges				919
Total operating expenses	<u>66,542</u>	<u>2,374</u>	<u>68,916</u>	<u>17,270</u>
Operating Income (Loss)	<u>10,132</u>	<u>(206)</u>	<u>9,926</u>	<u>(1,191)</u>
Nonoperating Income (Expenses):				
Interest income	418	5	423	28
Interest expense	(292)	(1)	(293)	
Loss on disposal of capital assets	(49)		(49)	
Total nonoperating income	<u>77</u>	<u>4</u>	<u>81</u>	<u>28</u>
Income Before Contributions and Transfers	10,209	(202)	10,007	(1,163)
Capital Contributions	953	84	1,037	
Transfers Out	<u>(6,219)</u>		<u>(6,219)</u>	
Change in Net Assets	4,943	(118)	4,825	(1,163)
Total Net Assets at Beginning of Year	<u>92,534</u>	<u>11,187</u>	<u>103,721</u>	<u>(1,048)</u>
Total Net Assets at End of Year	<u>\$ 97,477</u>	<u>\$ 11,069</u>	<u>\$ 108,546</u>	<u>\$ (2,211)</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, 2007

(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	\$ 74,954	\$ 2,070	\$ 77,024	\$ 13,019
Cash paid to vendors	(48,121)	(1,065)	(49,186)	(14,058)
Cash paid to employees for services	(12,659)	(965)	(13,624)	
Net cash provided by (used in) operating activities	<u>14,174</u>	<u>40</u>	<u>14,214</u>	<u>(1,039)</u>
Cash Flows from Noncapital and Related Financing Activities:				
Advances to other funds		(192)	(192)	
Transfers to City	(6,219)		(6,219)	
Net cash used in operating activities	<u>(6,219)</u>	<u>(192)</u>	<u>(6,411)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:				
Cash advance to CMEEC and other funds	(791)		(791)	
Assessments and state grant subsidies	595		595	
Purchase of capital assets	(3,408)	(57)	(3,465)	
Principal payment on bonds and notes	(1,037)	(25)	(1,062)	
Principal payment on capital leases	(565)		(565)	
Interest payment on debt	(292)	(1)	(293)	
Net cash used in capital and related financing activities	<u>(5,498)</u>	<u>(83)</u>	<u>(5,581)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on Investments	<u>418</u>	<u>5</u>	<u>423</u>	<u>28</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,875	(230)	2,645	(1,011)
Cash and Cash Equivalents at Beginning of Year	<u>14,243</u>	<u>493</u>	<u>14,736</u>	<u>1,308</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,118</u>	<u>\$ 263</u>	<u>\$ 17,381</u>	<u>\$ 297</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 10,132	\$ (206)	\$ 9,926	\$ (1,191)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	5,152	356	5,508	
Provision for uncollectible accounts	689		689	
(Increase) decrease in receivables	(1,834)	(171)	(2,005)	31
Increase (decrease) in customer deposits	113		113	
Police services cost reimbursement credit		78	78	
(Increase) decrease in inventories and other assets	(397)	(20)	(417)	
Increase (decrease) in unearned revenues		(5)	(5)	
(Increase) decrease in due from other funds				(1,116)
Increase (decrease) in accounts payable and accrued liabilities	319	116	435	1,237
Increase (decrease) in due to other funds		(108)	(108)	
Total adjustments	<u>4,042</u>	<u>246</u>	<u>4,288</u>	<u>152</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 14,174</u>	<u>\$ 40</u>	<u>\$ 14,214</u>	<u>\$ (1,039)</u>
Noncash Capital and Financing Activities:				
Capital contributions	\$ 358	\$ 84		
Borrowing under capital lease	350			

The accompanying notes are an integral part of the financial statements

## CITY OF NORWICH, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

**JUNE 30, 2007**  
**(In Thousands)**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and cash equivalents	\$ 989	\$ 353
Investments:		
Mutual funds	156,441	
Certificates of deposit	857	
Due from other funds	<u>358</u>	<u>84</u>
Total assets	<u>158,645</u>	<u>\$ 437</u>
Liabilities:		
Accounts and other payables	13	\$
Due to student groups and agencies	<u>          </u>	<u>437</u>
Total liabilities	<u>13</u>	<u>\$ 437</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 158,632</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, 2007

(In Thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 2,990
Plan members	2,221
Total contributions	<u>5,211</u>
Investment income:	
Net appreciation in fair value of investments	20,551
Interest and dividends	2,512
Total investment income	<u>23,063</u>
Less investment expense	(250)
Net investment income	<u>22,813</u>
Total additions	<u>28,024</u>
Deductions:	
Benefits	8,674
Administration	53
Total deductions	<u>8,727</u>
Net Increase	19,297
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>139,335</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 158,632</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

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(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.

The various funds included in the financial statements are described below:

**Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

*Special Revenue Funds* account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Projects Funds* account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

*Enterprise Funds* account 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. The Department of Public Utilities (gas, electric, water and sewer), Golf Course Authority, Stadium Authority and Ice Rink Authority are the City's enterprise funds.

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

### **Fiduciary Funds**

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:

*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 employees.

*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.

## **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 Community Development Fund accounts for loan and grant activities associated with housing and community development.

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 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.

#### **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 4.

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 thirty 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 \$880 has been established as an allowance for uncollected taxes. At June 30, 2007, this represents 28.3% 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 two separate categories. The two categories, and their general meanings, are as follows:

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

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

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$30,840 difference are as follows:

Bonds payable	\$ 24,952
Deferred charge on refunding (to be amortized over life of debt)	(641)
Capital leases payable	146
Accrued interest payable	248
Net pension obligation	441
Compensated absences	3,457
Landfill closure	<u>2,237</u>
 Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	 <u>\$ 30,840</u>

Another element of the reconciliation states long-term assets that are not available to pay for current period expenditures are deferred in the governmental funds. The details of this \$6,676 difference are as follows:

Property taxes receivable	\$ 1,727
Accrued interest on property taxes receivable	515
Housing assistance loans receivable	2,244
School building grants receivable	722
Other receivables	<u>1,468</u>
 Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	 <u>\$ 6,676</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,571 difference are as follows:

Capital outlay	\$ 6,553
Depreciation expense	<u>(2,982)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>3,571</u></u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$3,470 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (192)
Principal repayments:	
General obligation debt	3,616
Capital leases	<u>46</u>
Net Adjustment to Increase Net Change in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>3,470</u></u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of this \$13 difference are as follows:

Compensated absences	\$ (117)
Net pension obligation	116
Landfill closure	43
Other	<u>(29)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u><u>13</u></u>

**3. 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 and Refuse 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. Additional appropriations of \$88 were made during the year.

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, 2007 as follows:

Bond Expenditure Fund	\$	1,591*
Internal Service Funds:		
Workers' Compensation		3,340

\* Deficit will be reduced in future years through additional transfers from the General Fund or through permanent bond financing.

#### 4. 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.

##### A. Cash and Cash Equivalents

The following is a summary of the City’s cash and cash equivalents at June 30, 2007:

Deposits:	
Demand accounts	\$ 5,829
Savings accounts	17,149
Certificates of deposit	<u>11,085</u>
Total deposits	34,063
Petty cash	6
Cash equivalents:	
State Tax Exempt Bond Proceeds Fund (TEPF)	1,066
MBIA, Inc. - Cooperative Liquid Assets Security System (CLASS)	298
First American Treasury Obligation	558
Financial Investors Trust Money Market Fund	4,212
Columbia Funds Treasury SER Treasury Reserves	2,556
Fidelity Institutional Money Market Fund	140
Less certificates of deposit classified as investments	<u>(11,085)</u>
Total Cash and Cash Equivalents	<u>\$ 31,814</u>

## Deposits

At June 30, 2007, the carrying amount of the City's deposits, including \$11,085 of certificates of deposits classified as investments, was \$34,063 and the bank balance was \$36,144.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City Treasurer is responsible for selection of financial institutions for deposit of the City's funds. Financial institutions are selected based on criteria defined in the due diligence section of the formal investment policy. Of the June 30, 2007 bank balance, \$1,525 was covered by federal depository insurance. 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. A minimum of \$3,587 based on June 30, 2007 deposits was collateralized (collateral held by the pledging bank's trust department is not in the City's name). The balance of deposits of \$31,032 was uninsured and uncollateralized.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2007, the City's cash equivalents amounted to \$8,830. 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.

	<u>Rating Agency</u>	<u>Rating</u>
State Tax Exempt Bond Proceeds Fund (TEPF)		*
MBIA, Inc. - Cooperative Liquid Assets Security System (CLASS)	Fitch	AAA
First American Treasury Obligation		*
Financial Investors Trust Money Market Fund	Standard and Poor's	AAAm
Fidelity Institutional Money Market Fund		*
Columbia Funds Treasury SER Treasury Reserves	Standard and Poor's	AAAm

\*Fund is not rated.

## B. Investments

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest-bearing investments:		
Certificates of deposit *	\$ 11,085	.52
Federal agency securities	50	.80
Corporate bonds	223	1.86
Other investments:		
Common stock equities:		
Cemetery Trust Fund	897	
Open-end mutual funds:		
Cemetery Trust Fund:		
Columbia mutual funds	286	
Pension Trust Fund:		
Russell Real Estate Equity Fund	18,546	
Investors Bank & Trust Pooled Account	<u>137,895</u>	
Total	<u>\$ 168,982</u>	
Portfolio weighted average maturity for interest bearing investments		0.54

\*Subject to coverage by federal depository insurance and collateralization as described under "Deposits" above.

*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. The following table provides a summary of the City's investments (excluding U.S. government guaranteed obligations) as rated by nationally statistical rating organizations. The City's other investments are held in various pooled accounts and mutual funds which have not been rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor's</u>	<u>Moody's Investor Service</u>
Federal agency securities	AAA	Aaa
Corporate bonds	AA to A+	Aa to A

*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'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.

## 5. 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>Community Development</u>	<u>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes and accrued interest on taxes	\$ 4,407	\$	\$	\$ 275	\$ 4,682
Intergovernmental	724	347		1,363	2,434
User charges			13,623		13,623
Assessments			3,297	154	3,451
Housing and rehabilitation loans		2,244		918	3,162
Accounts and other	655		613	992	2,260
Gross receivables	<u>5,786</u>	<u>2,591</u>	<u>17,533</u>	<u>3,702</u>	<u>29,612</u>
Less allowance for uncollectibles:					
Taxes and accrued interest on taxes	(1,660)			(57)	(1,717)
User charges			(3,125)		(3,125)
Accounts				(193)	(193)
Total allowance	<u>(1,660)</u>	<u>-</u>	<u>(3,125)</u>	<u>(250)</u>	<u>(5,035)</u>
Net Total Receivables	<u>\$ 4,126</u>	<u>\$ 2,591</u>	<u>\$ 14,408</u>	<u>\$ 3,452</u>	<u>\$ 24,577</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:			
Taxes and accrued interest on delinquent property taxes	\$ 2,242	\$	\$ 2,242
School building construction grant receivables	722		722
Other deferred revenues	230	30	260
Bond Expenditure Fund:			
Other receivable	418		418
Community Development Fund:			
Housing loans and interest	2,244		2,244
Nonmajor funds:			
Taxes and accrued interest on delinquent property taxes	203		203
Lead abatement - unamortized loans		668	668
Grant drawdowns prior to meeting all Eligibility requirements		1,073	1,073
Other receivables and deferred revenues	617	7	624
	<u>617</u>	<u>7</u>	<u>624</u>
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>6,676</u>	\$ <u>1,778</u>	\$ <u>8,454</u>

## 6. 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. A summary of interfund balances as of June 30, 2007 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bond Expenditure Fund	\$ 2,657
	Nonmajor Governmental	415
	Nonmajor Enterprise	128
Bond Expenditure Fund	Department of Public Utilities	443
	Nonmajor Governmental	197
Community Development Fund	General Fund	23
Department of Public Utilities	General Fund	456
Nonmajor Governmental	General Fund	4,711
Nonmajor Enterprise	General Fund	88
Internal Service Funds	General Fund	2,287
Pension Trust	General Fund	358
Agency Fund	General Fund	84
		<u>84</u>
Total		\$ <u>11,847</u>

A summary of interfund transfers is presented below:

	<b>Transfers In</b>			
	<b>General</b>	<b>Bond Expenditure</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Transfers out:				
General Fund	\$	\$ 163	\$ 2,208	\$ 2,371
Department of Public Utilities	5,878		341	6,219
Nonmajor Governmental	1,295			1,295
<b>Total Transfers Out</b>	<b>\$ 7,173</b>	<b>\$ 163</b>	<b>\$ 2,549</b>	<b>\$ 9,885</b>

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 ten percent of gross revenues derived from gas, electric and water sales to the General Fund.

## 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,904	\$ 330	\$	\$ 23,234
Construction in progress	3,001	2,470	(1,141)	4,330
Total capital assets not being depreciated	25,905	2,800	(1,141)	27,564
Capital assets being depreciated:				
Buildings and improvements	39,251	434	(49)	39,636
Vehicles, machinery and equipment	14,349	2,419	(1,284)	15,484
Technology upgrade and infrastructure	27,214	2,041	(251)	29,004
Total capital assets being depreciation	80,814	4,894	(1,584)	84,124
Less accumulated depreciation for:				
Buildings and improvements	(18,956)	(1,111)	40	(20,027)
Vehicles, machinery and equipment	(9,769)	(868)	1,066	(9,571)
Technology upgrade and infrastructure	(12,743)	(1,003)	227	(13,519)
Total accumulated depreciation	(41,468)	(2,982)	1,333	(43,117)
Total capital assets being depreciated, net	39,346	1,912	(251)	41,007
Governmental Activities Capital Assets, Net	\$ 65,251	\$ 4,712	\$ 1,392	\$ 68,571

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,397	\$	\$	\$ 2,397
Construction in progress	22,573	4,041	(24,068)	2,546
Total capital assets not being depreciated	<u>24,970</u>	<u>4,041</u>	<u>(24,068)</u>	<u>4,943</u>
Capital assets being depreciated:				
Structures and improvements	63,256	2,761	(49)	65,968
Machinery, equipment, pumping and distribution systems	114,878	21,447	(429)	135,896
Total capital assets being depreciated	<u>178,134</u>	<u>24,208</u>	<u>(478)</u>	<u>201,864</u>
Less accumulated depreciation for:				
Structures and improvements	(29,700)	(1,794)	46	(31,448)
Machinery, equipment, pumping and distribution systems	(74,152)	(3,714)	385	(77,481)
Total accumulated depreciation	<u>(103,852)</u>	<u>(5,508)</u>	<u>431</u>	<u>(108,929)</u>
Total capital assets, being depreciated, net	<u>74,282</u>	<u>18,700</u>	<u>(47)</u>	<u>92,935</u>
Governmental Activities Capital Assets, Net	<u>\$ 99,252</u>	<u>\$ 22,741</u>	<u>\$ (24,115)</u>	<u>\$ 97,878</u>

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

Governmental activities:	
General government	\$ 104
Public safety	565
Social services	56
Public works	1,202
Education	1,055
Total Depreciation Expense - Governmental Activities	<u>\$ 2,982</u>
Business-type activities:	
Department of Public Utilities	\$ 5,152
Golf Course Authority	53
Stadium Authority	145
Ice Rink Authority	158
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,508</u>

### Construction Commitments

The City has active construction projects as of June 30, 2007. At year end, the City's commitments with contractors on active authorizations exceeded \$500 are as follows:

<u>Project</u>	<u>Cumulative Authorization</u>	<u>Current Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Balance June 30, 2007</u>
Intermodal Transportation Center	\$ 14,058	\$ 613	\$ 2,257	\$ 798	\$ 11,801
Road Improvements	5,000	1,246	1,246	798	2,956
OTIS Library Expansion	800	517	800	-	-
Wawecus Street Bridge	890	1	852	5	33
New London Turnpike/Pleasant Bridge	530	191	255	45	230
Fire Apparatus/Ladder Truck	800	337	363	437	-
Fire Pumper	800	730	730	-	70
Paving and Drainage - 2006	969	120	909	-	60
Total	<u>\$ 23,847</u>	<u>\$ 3,755</u>	<u>\$ 7,412</u>	<u>\$ 1,285</u>	<u>\$ 15,150</u>

## 8. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 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	\$ 28,568	\$	\$ 3,616	\$ 24,952	\$ 3,356
Less deferred amounts on refunding	(710)		(69)	(641)	
Total bonds payable	<u>27,858</u>		<u>3,547</u>	<u>24,311</u>	<u>3,356</u>
Compensated absences	3,340	1,092	975	3,457	1,070
Landfill closure	2,280		43	2,237	25
Capital leases		192	46	146	31
Net pension obligation	557		116	441	
Risk management claims	<u>3,424</u>	<u>16,351</u>	<u>15,010</u>	<u>4,765</u>	<u>1,621</u>
Governmental Activities Long-Term Liabilities	<u>\$ 37,459</u>	<u>\$ 17,635</u>	<u>\$ 19,737</u>	<u>\$ 35,357</u>	<u>\$ 6,103</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	\$ 7,217	\$	\$ 641	\$ 6,576	\$ 639
Less deferred amounts on refunding	(17)		(3)	(14)	
State of Connecticut - serial note	<u>5,854</u>		<u>424</u>	<u>5,430</u>	<u>435</u>
Total bonds and notes payable	13,054		1,062	11,992	1,074
CMEEC loan	1,413		306	1,107	357
Compensated absences	2,275	357	227	2,405	240
Capital leases	1,617	350	565	1,402	458
Workers' compensation	<u>425</u>	<u>106</u>	<u>231</u>	<u>300</u>	<u>76</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 18,784</u>	<u>\$ 813</u>	<u>\$ 2,391</u>	<u>\$ 17,206</u>	<u>\$ 2,205</u>

A schedule of bonds outstanding at June 30, 2007 is presented below:

<u>Description</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2007</u>
Governmental Activities:					
General purpose bonds payable:					
General purpose	4.3-5.6	09/15/1992	09/15/2007	\$ 3,000	\$ 200
General purpose and schools	4.5-5.7	11/01/1999	05/01/2008	4,665	650
Refunding - (09/15/1994) bonds	4.0-5.0	04/01/2001	04/01/2014	13,010	7,505
General purpose, schools and water	4.0-5.0	04/01/2001	04/01/2009	10,510	1,060
General purpose - Wauregan Hotel	5.50-6.75	04/01/2001	04/01/2017	400	250
General purpose	4.0-5.0	04/15/2002	04/15/2022	3,345	2,045
General purpose	2.00-3.55	04/15/2004	04/15/2015	1,175	775
Refunding - (11/15/1997 and 11/01/1999) bonds	2.0-4.0	04/15/2004	04/15/2019	2,195	1,812
General purpose and water main	3.0-5.0	03/15/2005	09/15/2015	2,810	2,529
Refunding - (02/01/1996 and 04/01/2001) bonds	3.0-4.0	03/15/2005	09/15/2019	8,570	8,126
Total					\$ <u>24,952</u>

<u>Description</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2007</u>
Business-Type Activities:					
General purpose bonds payable:					
Sewers	4.5-5.7	11/10/1999	05/01/2008	\$ 3,045	\$ 25
Sewers	4.0-5.0	04/15/2002	04/15/2022	2,675	1,995
Sewers	2.00-3.55	04/15/2004	04/15/2015	1,945	1,555
Refunding - (11/15/1997 and 11/01/1999) Sewers	2.0-4.0	04/15/2004	04/15/2019	2,325	2,000
Refunding - (02/1/1996) Stony Brook Reservoir	3.0-4.0	03/15/2005	09/15/2015	368	364
Sewers	3.0-5.0	03/15/2005	09/15/2015	710	636
State of Connecticut serial notes payable:					
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	1,746
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	906
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	666
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	1,458
Economic Development	6.00	07/01/1995	07/01/2012	1,000	455
Industrial Park	1.00	10/26/2001	10/26/2008	200	200
Total					\$ <u>12,006</u>

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>
2008	\$ 3,356	\$ 962	\$ 4,318
2009	2,600	831	3,431
2010	2,649	724	3,373
2011	2,576	629	3,205
2012	2,486	533	3,019
2013-2017	8,580	1,329	9,909
2018-2022	<u>2,705</u>	<u>220</u>	<u>2,925</u>
Total	<u>\$ 24,952</u>	<u>\$ 5,228</u>	<u>\$ 30,180</u>

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issue used for school construction. The amount of principal and interest reimbursements for the year ended June 30, 2007 was \$340. Additional principal payments aggregating \$722 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>
2008	\$ 1,074	\$ 372	\$ 1,446
2009	1,281	342	1,623
2010	1,093	309	1,402
2011	1,098	274	1,372
2012	1,099	240	1,339
2013-2017	4,648	685	5,333
2018-2022	<u>1,713</u>	<u>154</u>	<u>1,867</u>
Total	<u>\$ 12,006</u>	<u>\$ 2,376</u>	<u>\$ 14,382</u>

#### **Prior Year Defeasance of Debt**

In previous years, the City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, the following bonds outstanding are considered defeased:

<u>Original Issue</u>	<u>Date Refunded</u>	<u>Refunded Amount</u>	<u>Defeased Balance</u>
February 1, 1996 and April 5, 2001	03/15/05	\$ 8,205	\$ 8,205
November 1, 1999	04/15/04	4,210	1,930
September 15, 1994	04/01/01	12,320	<u>6,995</u>
Total Defeased Bonds			<u>\$ 17,130</u>

## Capital Leases

### Governmental Activities

The City of Norwich Board of Education entered into a multi-year capital lease for the purchase of computer equipment. Principal payments for 2006-2007 were \$46. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$146 at June 30, 2007. The following is a summary of capital lease commitments as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2008	\$ 46
2009	46
2010	46
2011	46
Total payments	<u>184</u>
Less interest	<u>(38)</u>
Principal Balance	<u>\$ 146</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 and financial management systems hardware and software. Principal payments for 2006-2007 were \$565. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$1,402 at June 30, 2007. The following is a summary of capital lease commitments as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2008	\$ 521
2009	484
2010	440
2011	58
2012	19
Total payments	<u>1,522</u>
Less interest	<u>(120)</u>
Principal Balance	<u>\$ 1,402</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	\$	1,268	
Vacation		603	
Other		289	
Nonvested:			
Sick		1,248	*
Other		49	*
		<u>          </u>	
Total	\$	<u>3,457</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 \$2,237 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, 2007. 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 \$1,000 has been drawn down.

**Bonds Authorized/Unissued**

Bonds authorized/unissued are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Authorized Unissued</u>
Building Demolition	\$ 700	\$ 520	\$ 180
Industrial Park Road	510	470	40
Main and Water Streets Development	800	75	725
Wauregan Hotel	800	400	400
Capehart Mill Historic Preservation	800	115	685
Wawecus Street Bridge	800	500	300
Taftville VFD Ladder Truck	740		740
Fire Apparatus	800		800
Route 32 Mallon Sewer	210	205	5
Sludge Handling	550	495	55
Route 82 Salem Turnpike Sewer	415	395	20
Fairground Circle Sewer	785	520	265
Wawecus Street Sewer	400	370	30
	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ <u>8,310</u>	\$ <u>4,065</u>	\$ <u>4,245</u>

## 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	\$ 118,811	\$ 16,534	\$ 102,277
Schools	237,623	7,432	230,191
Sewers	198,019	10,246	187,773
Urban renewal	171,616		171,616
Pension deficit	158,415		158,415

The total of the City's net statutory indebtedness of \$34,212 does not exceed the legal debt limitation of \$369,600 (seven times the base for debt limitation computation).

## 9. COMMITMENTS AND CONTINGENCIES

### 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.

### 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 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 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.

Under the current fixed cost obligation amortization schedule, it is estimated that the Department's rate stabilization funds held by CMEEC will fully fund the remaining deferred outstanding balance of CMEEC debt service allocated to the Department in May 2010. Funding the deferred debt obligation by May 2010 assumes that the Department's rate stabilization funds on deposit with CMEEC will not be drawn down for other costs and assumes that borrowed funds will be repaid with interest.

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2007 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 17,933
Department's - rate stabilization funds on deposit with CMEEC	<u>(12,043) *</u>
Net Deferred Fixed Cost Obligation	<u>\$ 5,890</u>

\* Assumes that the \$1.1 million of approved rate stabilization funds borrowed by the Department and reported as a loan payable to CMEEC at June 30, 2007 will be repaid with interest.

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 \$2,800.

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

## 10. FUND EQUITY

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

### A. Fund Balance

Reserved for Inventories - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts which the Town intends to honor.

Reserved for Trusts - represents the amount of funds accumulated in other governmental funds to pay for specific endowment activities.

Fund balance reserves are as follows:

	<u>General</u>	<u>Bond Expenditure</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Encumbrances and commitments	\$ 425	\$ 1,285	\$ 119	\$ 1,829
Inventories			41	41
Trusts			1,725	1,725
Total	<u>\$ 425</u>	<u>\$ 1,285</u>	<u>\$ 1,885</u>	<u>\$ 3,595</u>

**B. Fund Balance - Designations**

General Fund - the City follows a policy whereby a portion of audited unreserved fund balance may be used for balancing the budget during the next fiscal year. The amount of \$2,020 has been designated to balance the General Fund budget for the 2007-2008 fiscal year.

**C. 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, 2007 on behalf of the Department were \$876. Investment income earned on the Department’s deposits along with the Fund’s authorized expenses during the year are 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.

**11. 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 2007 for hospitalization with a maximum aggregate for all claims of approximately \$14,156.

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

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

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

	<u>Beginning of Fiscal Year Liability</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year End</u>
Medical:							
2006-2007	1,144	\$	13,093	\$	13,034	\$	1,203
2005-2006	871		13,094		12,821		1,144
Workers' Compensation:							
2006-2007	2,280		3,258		1,976		3,562
2005-2006	1,870		1,683		1,273		2,280

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

Workers' Compensation:

	<u>Beginning of Fiscal Year Liability</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year End</u>
2006-2007	425	\$	128	\$	253	\$	300
2005-2006	411		214		200		425

## 12. OTHER POSTEMPLOYMENT BENEFITS

In accordance with various collective bargaining agreements, the City also provides postretirement health care benefits to some employees who retire from the City. Currently, 422 retirees meet these eligibility requirements. Expenditures for postretirement health care benefits are recognized and funded on a pay-as-you-go basis and approximated \$3,112 for the year ended June 30, 2007.

## 13. 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 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 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 5 years of continuous service or after 25 years of service and attainment of age 55. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension. City employees receive a retirement benefit of 2.1% of average final earnings during the highest 3 years out of the last 10 consecutive year period with a maximum of 73.5% 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.

At January 1, 2006, the plan members consisted of:

Retirees and beneficiaries currently receiving benefits	394
Terminated employees not yet receiving benefits	16
Active plan members	<u>555</u>
Total	<u><u>965</u></u>

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

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to Plan provisions and contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan.

Plan Changes and Changes in Actuarial Assumptions: The January 1, 2006 actuarial valuation reflects the following:

Plan Changes

The retirement age provision for General City employees was changed to the earlier of age 60 with 5 years of service or age 55 with 25 years of service. The Disability Retirement Benefit for General City employees was changed to reflect the difference in service and nonservice related disabilities. Board of Education employees are now valued as other General City employees.

Changes in Actuarial Assumptions and Methods:

The retirement age assumption for General City employees was changed to the earlier of age 60 with 5 years or age 55 with 25 years of service.

Method Used to Value Investments: Investments are recorded at fair value. The funds are managed by the Investors Bank & Trust and the Russell Investment Group. The City invests in common stock equities and mutual funds.

**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 7%. Police and firefighter participants are required to contribute 8%. The City's funding policy provides for periodic employer

contributions at actuarially determined rates. The City's current contribution percentage is 11.5% 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, 2007 were as follows:

Annual required contribution	\$ 2,662
Interest on net pension obligation	41
Adjustment to annual required contribution	<u>(42)</u>
Annual pension cost	2,661
Contributions made	<u>2,830</u>
Decrease in net pension obligation	(169)
Net pension obligation, beginning of year	<u>495</u>
Net Pension Obligation, End of Year	<u>\$ 326</u>

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

Actuarial valuation date	January 1, 2006
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*	3.25% until 2006, then 3.5%
Contribution rates:	
City	Determined by valuation
Plan member	General City 7%; Police 8%; Fire 8%
Turnover assumption:	Age 20: 5% males, 7.5% females; Age 30: 3.75% males, 5% females; Age 40: 1.5% males, 2.5% females; Age 50: None
Mortality table:	Actives: 1994 Uninsured Pensioners Mortality Table Projected to 2015 Police and Fire Disabled: RP2000 Blue Collar Table Projected to 2015 General Retirees: RP2000 Disabled Life Mortality Table Term Vested: RP2000 Projected to 2015 Health Annuitants Table
Retirement age:	General City: Earlier of age 60 and 5 years of service or age 55 and 25 years of service; Fire: Earlier of age 50 with 20 years service or 25 years of service; Police: 20 years of service

Death benefits:	Liabilities for police and fire employees are included in recognition of in-service death benefits
Disability assumptions:	Age 20: .029% males, .03% females Age 30: .048% males, .08% females Age 40: .12% males, .21% females Age 50: .36% males, .53% females
Expenses:	Estimate based on the prior year's actual expenses
*inflation rate included	2%

#### 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>
6/30/05	\$ 1,213	119%	\$ 640	\$ 1,446
6/30/06	1,861	108%	495	2,006
6/30/07	2,661	106%	326	2,830

#### F. Pension Plan Required Supplemental Information

##### Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 1,226	70%
2003	1,226	133
2004	1,049	102
2005	1,214	119
2006	1,862	108
2007	2,662	106

##### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded Frozen Actuarial Liability (UFAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UFAL as a % of Covered Payroll ((b-a)/c)</u>
1-1-06	\$ 136,011	\$ 156,516	\$ 20,505	86.9%	\$ 24,540	83.6%
1-1-05	129,290	148,850	19,560	86.9	23,691	82.6
1-1-04	131,244	140,498	9,254	93.4	23,426	39.5
1-1-03	133,571	133,043	(528)	100.4	22,616	(2.3)
1-1-02	135,923	129,364	(6,559)	105.1	25,718	(25.5)
1-1-01	131,220	123,910	(7,310)	105.9	25,743	(28.4)

## City of Norwich Volunteer Firefighters' Relief Plan

### A. Plan Description

The City of Norwich is the administrator of a Volunteer Firefighters' Relief 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 \$15 multiplied by the years of credited service (to a maximum of 35 years).

At January 1, 2006, the plan members consisted of:

Retirees and beneficiaries receiving benefits	42
Active plan members	<u>124</u>
Total	<u><u>166</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 expenditures when the liability is incurred.

**Plan Changes and Changes in Actuarial Assumptions:** The January 1, 2006 actuarial valuation reflects the following:

#### Plan Changes:

The monthly benefits were increased for retirees retiring after January 1, 2006 to \$15 per month per year of credited service. The maximum years of credited service was increased from 30 to 35 years. The annuity benefits for surviving spouses were increased from 50% to 90%. The contributions from members were increased from \$120/year to \$180/year.

#### Change in actuarial assumptions and methods:

The interest rate of return changed from 4.5% to 4.75% for 2007 and 2008 and 7% thereafter.

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

### C. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$180 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, 2007 were as follows:

Annual required contribution/annual pension cost	\$ 213
Contributions made	<u>160</u>
Increase in net pension obligation	53
Net pension obligation, beginning of year	<u>62</u>
Net Pension Obligation, End of Year	<u><u>\$ 115</u></u>

The following is a summary of certain significant actuarial assumptions:

Actuarial valuation date	July 1, 2006
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	4.75% for 2007 and 2008; 7% thereafter

**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>
6/30/05	\$ 151	79%	\$ 31	\$ 120
6/30/06	151	79	62	120
6/30/07	213	75	115	160

**F. Pension Plan Required Supplemental Information**

<u>Schedule of Employer Contributions</u>		
<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 213	75%
2006	151	79
2005	151	79
2004	120	100
2003	120	100

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) Entry Age (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>
1-1-06	\$ 1,150	\$ 3,305	\$ 2,155	34.78%
1-1-05	N/A	N/A	N/A	N/A
1-1-04	1,057	2,779	1,722	38.02
1-1-03	N/A	N/A	N/A	N/A
1-1-02	933	2,054	1,121	45.40
1-1-01	797	1,888	1,091	42.20

N/A - Denotes no valuation completed

**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, 2007 and the changes in net assets for the year then ended.

	<b>Combining Schedule of Plan Net Assets</b>		
	<b>City Employees</b>	<b>Volunteer Fire</b>	<b>Totals</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 706	\$ 283	\$ 989
<b>Investments:</b>			
Mutual funds	156,441		156,441
Certificates of deposit		857	857
Due from other funds	343	15	358
Total assets	<u>157,490</u>	<u>1,155</u>	<u>158,645</u>
<b>Liabilities:</b>			
Accounts and other payables	<u>13</u>		<u>13</u>
<b>Net Assets:</b>			
Held in Trust for Pension Benefits	<u>\$ 157,477</u>	<u>\$ 1,155</u>	<u>\$ 158,632</u>

	<b>Combining Schedule of Changes in Plan Net Assets</b>		
	<b>City Employees</b>	<b>Volunteer Fire</b>	<b>Totals</b>
Additions:			
Contributions:			
Employer	\$ 2,830	\$ 160	\$ 2,990
Plan member	2,192	29	2,221
Total contributions	<u>5,022</u>	<u>189</u>	<u>5,211</u>
Investment income:			
Net appreciation in fair value of investments	20,551		20,551
Interest and dividends	2,459	53	2,512
Total	<u>23,010</u>	<u>53</u>	<u>23,063</u>
Less investment expense	(250)		(250)
Net investment income	<u>22,760</u>	<u>53</u>	<u>22,813</u>
Total additions	<u>27,782</u>	<u>242</u>	<u>28,024</u>
Deductions:			
Benefits	8,473	201	8,674
Administration	48	5	53
Total deductions	<u>8,521</u>	<u>206</u>	<u>8,727</u>
Net increase	19,261	36	19,297
Net assets held in trust for pension benefits, beginning of year	<u>138,216</u>	<u>1,119</u>	<u>139,335</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 157,477</u>	<u>\$ 1,155</u>	<u>\$ 158,632</u>

### **Teacher Retirement**

The faculty and professional personnel of the Board of Education participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. 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 \$18,648 or 72% of the total Board of Education payroll of \$25,750.

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. For the year ended June 30, 2007, the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$2,342 as payments made by the State of Connecticut on behalf of the City. The City does not have any liability for teacher pensions.

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.

## **15. 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.

**Required Supplementary  
Information**

## CITY OF NORWICH, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General property taxes:				
Current tax levy	\$ 47,374	\$ 47,374	\$ 47,595	\$ 221
Motor vehicle supplement	600	600	684	84
Prior years levy	1,100	1,100	959	(141)
Interest and liens	700	700	682	(18)
Total	<u>49,774</u>	<u>49,774</u>	<u>49,920</u>	<u>146</u>
Licenses, permits and fees:				
Miscellaneous permits and fees	630	630	906	276
Intergovernmental revenues:				
Building maintenance	221	221	202	(19)
City housing	111	111	62	(49)
Fish and game license	50	50	60	10
New manufacturers machinery	168	168	137	(31)
Pequot funds	2,053	2,053	2,023	(30)
Total disability	2	2	3	1
Payment in lieu of taxes	1,653	1,653	1,572	(81)
Youth Services	86	86	87	1
School bond interest	227	227	340	113
Veterans exemptions	11	11	11	-
Federal DCPA match funds	10	10	11	1
Health services	80	80	96	16
LOCIP	304	304	301	(3)
Transportation	1,066	1,066	1,121	55
Special education	1,497	1,497	2,095	598
Education cost sharing	28,244	28,244	28,346	102
Services to Blind			50	50
Total	<u>35,783</u>	<u>35,783</u>	<u>36,517</u>	<u>734</u>
Charges for services:				
Town Clerk - recording fees	390	390	395	5
Town Clerk - conveyance tax	800	800	925	125
Land recording capital improvement fee	27	27	27	-
Probate court	19	19	20	1
Landfill	2,451	2,451	2,132	(319)
City property - relocation	45	45		(45)
Police outside services	23	23	21	(2)
Senior Citizens Center	42	42	44	2
Parking commission	124	124	124	-
Tuition	150	150	215	65
Total	<u>4,071</u>	<u>4,071</u>	<u>3,903</u>	<u>(168)</u>
Use of money:				
Interest from investments	550	550	920	370

(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, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Other revenue:				
Sewer assessments	\$ 600	\$ 600	\$ 600	\$ -
In lieu of taxes/telephone	200	200	229	29
NGCA debt service	26	26	26	-
Public utilities 10%	5,878	5,878	5,878	-
DPU - City service	73	73	73	-
Bond and note payments	100	100	100	-
Traffic violations	40	40	22	(18)
Anthem demutualization	600	600	620	20
Miscellaneous	204	204	247	43
Total	<u>7,721</u>	<u>7,721</u>	<u>7,795</u>	<u>74</u>
Total revenues	<u>98,529</u>	<u>98,529</u>	<u>99,961</u>	<u>1,432</u>
Other financing sources:				
Transfers in:				
Educational Grants			320	320
Cemetery Trust	30	30	52	22
Total	<u>30</u>	<u>30</u>	<u>372</u>	<u>342</u>
Total	<u>\$ 98,559</u>	<u>\$ 98,559</u>	100,333	<u>\$ 1,774</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.

2,342

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

(30)

Sewer assessment collections and related debt service charges are reported in the Norwich Public Utilities enterprise fund and, therefore, are netted from the General Fund budgetary activities.

(600)Total Revenues and Other Financing Sources as Reported on the Statement of Revenues,  
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV\$ 102,045

## 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, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General government:				
City Manager	\$ 319	\$ 319	\$ 315	\$ 4
Finance	1,275	1,282	1,268	14
City Treasurer	201	201	192	9
Assessment	334	337	336	1
Personnel	382	384	372	12
Law	418	418	408	10
City Clerk	356	356	346	10
City Council	133	148	147	1
Street lighting	562	562	562	-
Election	136	136	136	-
Planning and Neighborhood Services	970	1,065	1,062	3
Economic Development	270	255	250	5
Emergency Management	63	64	60	4
Total general government	5,419	5,527	5,454	73
Public safety:				
Police	9,329	9,368	9,238	130
Fire:				
East Great Plain	148	150	148	2
Laurel Hill	54	57	56	1
Occum	74	77	67	10
Taftville	145	150	144	6
Yantic	123	130	130	-
Fire Central	1,135	1,135	1,004	131
Total public safety	11,008	11,067	10,787	280
Social Services:				
Recreation	828	833	784	49
Human services	575	578	569	9
Senior Citizens Center	499	506	493	13
Youth and Family Services	240	242	242	-
Total social services	2,142	2,159	2,088	71
Public works:				
Engineering and administration	564	567	537	30
Fleet maintenance	1,190	1,190	1,201	(11)
Solid waste	2,804	2,804	2,657	147
Maintenance and cleaning	2,729	2,729	2,791	(62)
Parks and cemeteries	732	732	744	(12)
Building maintenance	946	946	960	(14)
Parking maintenance	124	124	122	2
Total public works	9,089	9,092	9,012	80
Board of Education	60,339	60,339	60,339	-

(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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Other	\$ 6,457	\$ 6,358	\$ 6,228	\$ 130
Debt Service:				
Principal	4,341	4,341	4,341	-
Interest	1,463	1,463	1,463	-
Total debt service	5,804	5,804	5,804	-
Total	\$ 100,258	\$ 100,346	99,712	\$ 634

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

2,342

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

(425)

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

229

Sewer assessment collections and related debt service charges are reported in the Norwich Public Utilities enterprise fund and, therefore, are netted from the General Fund budgetary activities

(600)

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

\$ 101,258

**Combining and Individual  
Fund Statements and Schedules**

**General Fund**

## **GENERAL FUND**

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

## CITY OF NORWICH, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2007 AND 2006

(In Thousands)

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,764	\$ 15,285
Investments	10,227	2,200
Receivables:		
Property taxes receivable, net	2,232	2,208
Property taxes accrued interest receivable, net	515	975
Intergovernmental receivable:		
School building grants receivable	722	988
Other grants receivable	2	259
Accounts receivable, net	655	636
Due from other funds	<u>3,200</u>	<u>624</u>
Total Assets	<u>\$ 27,317</u>	<u>\$ 23,175</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,010	\$ 4,447
Due to other funds	8,007	2,608
Deferred revenue	<u>3,224</u>	<u>4,831</u>
Total liabilities	<u>15,241</u>	<u>11,886</u>
Fund balance:		
Reserved for encumbrances	425	259
Unreserved:		
Designated for subsequent budget	2,020	1,700
Undesignated	<u>9,631</u>	<u>9,330</u>
Total fund balance	<u>12,076</u>	<u>11,289</u>
Total Liabilities and Fund Balance	<u>\$ 27,317</u>	<u>\$ 23,175</u>



**Nonmajor  
Governmental Funds**

**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

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

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
Dog License	License fees	Operation of dog pound
Town Aid Roads	State grant	Road maintenance
School Lunch Program	State and Federal grants, program income	Operations of the school lunch program
Sidewalk	Charges for service and City appropriation	Sidewalk replacement
Fire and Refuse	Taxes, charges for service and State grants	Fire and refuse services
Education Grants	Federal and State grants	Specific education programs
Adult Education	Federal and State grants	Adult Education programs
Revolving Loan Program	State grants	Loans for economic development and improvement
Parking Commission	Charges for service and fees	City parking authority
Youth Services	Federal and State grants, contributions and charges for service	Youth Service Bureau
Grant Operating	Various grants	Various activities and programs
C.O.P.S. Grant	Federal grant	Public safety
Lead Paint Abatement	Federal grant and program income	Removal and disposal of lead paint
Other Grants and Programs	Various	Miscellaneous activities
Economic Development	Contributions	Economic development
Planning and Neighborhood Assistance	Federal grants and blight citation fees	Neighborhood services
Education Programs	State grants and contributions	Miscellaneous education activities
Fire Grants and Programs	Federal grants	Fire equipment and supplies
Police Asset Forfeiture	Federal and State grants	Drug enforcement and education
Police Grants and Programs	Federal and State grants and contributions	Police equipment and enforcement
Recreation Grants and Programs	Charges for service	Recreational programs and activities
Social Services Grants and Programs	Federal and State grants and contributions	Health and welfare assistance
Senior Citizens Programs	Charges for service and contributions	Senior Citizens functions and activities
Mohegan Park	Charges for service, state grant and investment income	Mohegan Park improvements and programs
Benefits Reserve	Transfers in from other funds	Reserve for other postretirement benefits
Brown Park	Trust and investment income	Maintenance and improvement of Brown Park
Esther Gilbert	Trust and investment income	Recreational projects

**Capital Projects Funds**

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

**Permanent Funds**

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

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

**JUNE 30, 2007**  
**(In Thousands)**

	Special Revenue							
	Dog License	Town Aid Roads	School Lunch Program	Sidewalk	Fire and Refuse	Education Grants	Adult Education	Revolving Loan Program
<b>ASSETS</b>								
Cash and cash equivalents	\$	\$	\$ 297	\$	\$	\$	\$	\$
Investments								
Receivables, net:								
Property taxes					218			
Intergovernmental			212			600	25	
Loans								250
Other			22	154	188	14	59	
Due from other funds	40	99		22	142	393		
Other assets			41					
<b>Total Assets</b>	<b>\$ 40</b>	<b>\$ 99</b>	<b>\$ 572</b>	<b>\$ 176</b>	<b>\$ 548</b>	<b>\$ 1,007</b>	<b>\$ 84</b>	<b>\$ 250</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts and other payables	\$ 13	\$ 7	\$ 145	\$ 2	\$ 98	\$ 656	\$	\$
Due to other funds							56	
Deferred revenue			7	154	390	7		250
<b>Total liabilities</b>	<b>13</b>	<b>7</b>	<b>152</b>	<b>156</b>	<b>488</b>	<b>663</b>	<b>56</b>	<b>250</b>
<b>Fund balance:</b>								
<b>Reserved:</b>								
Encumbrances								
Inventories			41					
Trust purposes								
<b>Unreserved:</b>								
Undesignated	27	92	379	20	60	344	28	
<b>Total fund balance</b>	<b>27</b>	<b>92</b>	<b>420</b>	<b>20</b>	<b>60</b>	<b>344</b>	<b>28</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 40</b>	<b>\$ 99</b>	<b>\$ 572</b>	<b>\$ 176</b>	<b>\$ 548</b>	<b>\$ 1,007</b>	<b>\$ 84</b>	<b>\$ 250</b>

(Continued on next page)

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

**JUNE 30, 2007**  
**(In Thousands)**

	Special Revenue							
	Parking Commission	Youth Services	Grant Operating	C.O.P.S. Grant	Lead Paint Abatement	Other Grants and Programs	Economic Development	Planning and Neighborhood Assistance
<b>ASSETS</b>								
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$
Investments								
Receivables, net:								
Property taxes								
Intergovernmental		12		9				
Loans					668			
Other	45							
Due from other funds	56	61			262	153	27	61
Other assets								
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ <u>101</u>	\$ <u>73</u>	\$ <u>-</u>	\$ <u>9</u>	\$ <u>930</u>	\$ <u>153</u>	\$ <u>27</u>	\$ <u>61</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts and other payables	\$ 8	\$ 9	\$	\$	\$ 4	\$ 14	\$	\$
Due to other funds				9				
Deferred revenue	26				668			
Total liabilities	<u>34</u>	<u>9</u>	<u>-</u>	<u>9</u>	<u>672</u>	<u>14</u>	<u>-</u>	<u>-</u>
Fund balance:								
Reserved:								
Encumbrances								
Inventories								
Trust purposes								
Unreserved:								
Undesignated	67	64			258	139	27	61
Total fund balance	<u>67</u>	<u>64</u>	<u>-</u>	<u>-</u>	<u>258</u>	<u>139</u>	<u>27</u>	<u>61</u>
Total Liabilities and Fund Balances	\$ <u>101</u>	\$ <u>73</u>	\$ <u>-</u>	\$ <u>9</u>	\$ <u>930</u>	\$ <u>153</u>	\$ <u>27</u>	\$ <u>61</u>

(Continued on next page)

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

**JUNE 30, 2007**  
(In Thousands)

	Special Revenue								
	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Benefits Reserve
<b>ASSETS</b>									
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments									
Receivables, net:									
Property taxes									
Intergovernmental				18					
Loans									
Other							130		
Due from other funds	46		99	37	49	78	55		622
Other assets									
Total Assets	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 55</u>	<u>\$ 49</u>	<u>\$ 78</u>	<u>\$ 55</u>	<u>\$ 130</u>	<u>\$ 622</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts and other payables	\$ 5	\$	\$	13	3	2	1	\$	
Due to other funds								31	
Deferred revenue						2			
Total liabilities	<u>5</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>3</u>	<u>4</u>	<u>1</u>	<u>31</u>	<u>-</u>
Fund balance:									
Reserved:									
Encumbrances									
Inventories									
Trust purposes									
Unreserved:									
Undesignated	41		99	42	46	74	54	99	622
Total fund balance	<u>41</u>	<u>-</u>	<u>99</u>	<u>42</u>	<u>46</u>	<u>74</u>	<u>54</u>	<u>99</u>	<u>622</u>
Total Liabilities and Fund Balances	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 55</u>	<u>\$ 49</u>	<u>\$ 78</u>	<u>\$ 55</u>	<u>\$ 130</u>	<u>\$ 622</u>

(Continued on next page)

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

**JUNE 30, 2007**  
**(In Thousands)**

	Special Revenue			Capital Projects			
	Brown Park	Esther Gilbert	Total	Capital Improvement	2000 Bond Issue	Intermodal Transportation Center	Landfill Closure
<b>ASSETS</b>							
Cash and cash equivalents	\$	\$	\$ 297	\$	\$ 516	\$ 1,064	\$
Investments			-				
Receivables, net:							
Property taxes			218				
Intergovernmental			876			487	
Loans			918				
Other			612				
Due from other funds	47	25	2,374	1,288		817	73
Other assets			41				
<b>Total Assets</b>	<u>\$ 47</u>	<u>\$ 25</u>	<u>\$ 5,336</u>	<u>\$ 1,288</u>	<u>\$ 516</u>	<u>\$ 2,368</u>	<u>\$ 73</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts and other payables	\$	\$	\$ 980	\$ 119	\$	\$ 210	\$
Due to other funds			96		516		
Deferred revenue			1,504			1,064	
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>2,580</u>	<u>119</u>	<u>516</u>	<u>1,274</u>	<u>-</u>
<b>Fund balance:</b>							
<b>Reserved:</b>							
Encumbrances			-	119			
Inventories			41				
Trust purposes	47	25	72				
<b>Unreserved:</b>							
Undesignated			2,643	1,050		1,094	73
<b>Total fund balance</b>	<u>47</u>	<u>25</u>	<u>2,756</u>	<u>1,169</u>	<u>-</u>	<u>1,094</u>	<u>73</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 47</u>	<u>\$ 25</u>	<u>\$ 5,336</u>	<u>\$ 1,288</u>	<u>\$ 516</u>	<u>\$ 2,368</u>	<u>\$ 73</u>

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

**JUNE 30, 2007**  
**(In Thousands)**

	Capital Projects			Permanent Funds					Total Nonmajor Governmental Funds
	School Projects	Capital Lease	Total	Various Trusts	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	Total	
<b>ASSETS</b>									
Cash and cash equivalents	\$	\$	\$ 1,580	\$	\$ 3	\$	\$ 152	\$ 155	\$ 2,032
Investments			-				1,457	1,457	1,457
Receivables, net:									
Property taxes			-					-	218
Intergovernmental			487					-	1,363
Loans			-					-	918
Other			-					-	612
Due from other funds	118		2,296		36	5		41	4,711
Other assets			-					-	41
<b>Total Assets</b>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 4,363</u>	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 5</u>	<u>\$ 1,609</u>	<u>\$ 1,653</u>	<u>\$ 11,352</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts and other payables	\$	\$	\$ 329	\$	\$	\$	\$	\$ -	\$ 1,309
Due to other funds			516					-	612
Deferred revenue			1,064					-	2,568
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>1,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,489</u>
<b>Fund balance:</b>									
<b>Reserved:</b>									
Encumbrances			119					-	119
Inventories			-					-	41
Trust purposes			-		39	5	1,609	1,653	1,725
<b>Unreserved:</b>									
Undesignated	118		2,335					-	4,978
<b>Total fund balance</b>	<u>118</u>	<u>-</u>	<u>2,454</u>	<u>-</u>	<u>39</u>	<u>5</u>	<u>1,609</u>	<u>1,653</u>	<u>6,863</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 4,363</u>	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 5</u>	<u>\$ 1,609</u>	<u>\$ 1,653</u>	<u>\$ 11,352</u>

**CITY OF NORWICH, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<b>Special Revenue</b>							
	<b>Dog License</b>	<b>Town Aid Roads</b>	<b>School Lunch Program</b>	<b>Sidewalk</b>	<b>Fire and Refuse</b>	<b>Education Grants</b>	<b>Adult Education</b>	<b>Revolving Loan Program</b>
Revenues:								
Property taxes, interest and liens	\$	\$	\$	\$	3,056	\$	\$	\$
Intergovernmental revenues		239	1,439		1,474	7,616	681	36
Charges for services	24		540	70	1,413	287	894	
Investment income	1	2		1	30		1	
Other						180		
Total revenue	<u>25</u>	<u>241</u>	<u>1,979</u>	<u>71</u>	<u>5,973</u>	<u>8,083</u>	<u>1,576</u>	<u>36</u>
Expenditures:								
Current:								
General government								
Public safety	31				4,535			
Social services								36
Public works		330		127	622			
Education			1,869			8,073	1,617	
Capital outlay								
Total expenditures	<u>31</u>	<u>330</u>	<u>1,869</u>	<u>127</u>	<u>5,157</u>	<u>8,073</u>	<u>1,617</u>	<u>36</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6)</u>	<u>(89)</u>	<u>110</u>	<u>(56)</u>	<u>816</u>	<u>10</u>	<u>(41)</u>	
Other Financing Sources (Uses):								
Transfers in					58	89	69	
Transfer out					(916)	(388)		(53)
Proceeds from capital leases								
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(858)</u>	<u>(299)</u>	<u>69</u>	<u>(53)</u>
Net Change in Fund Balances	(6)	(89)	110	(56)	(42)	(289)	28	(53)
Fund Balance at Beginning of Year	<u>33</u>	<u>181</u>	<u>310</u>	<u>76</u>	<u>102</u>	<u>633</u>		<u>53</u>
Fund Balance at End of Year	<u>\$ 27</u>	<u>\$ 92</u>	<u>\$ 420</u>	<u>\$ 20</u>	<u>\$ 60</u>	<u>\$ 344</u>	<u>\$ 28</u>	<u>\$ -</u>

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

**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<b>Special Revenue</b>							
	<b>Parking Commission</b>	<b>Youth Services</b>	<b>Grant Operating</b>	<b>C.O.P.S. Grant</b>	<b>Lead Paint Abatement</b>	<b>Other Grants and Programs</b>	<b>Economic Development</b>	<b>Planning and Neighborhood Assistance</b>
Revenues:								
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues		159	12	6				
Charges for services	304							
Investment income	1							
Other		138			215	99		39
Total revenue	<u>305</u>	<u>297</u>	<u>12</u>	<u>6</u>	<u>215</u>	<u>99</u>	<u>-</u>	<u>39</u>
Expenditures:								
Current:								
General government	191		12			154		
Public safety				6				
Social services		265			129		9	
Public works								
Education								
Capital outlay								
Total expenditures	<u>191</u>	<u>265</u>	<u>12</u>	<u>6</u>	<u>129</u>	<u>154</u>	<u>9</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>114</u>	<u>32</u>			<u>86</u>	<u>(55)</u>	<u>(9)</u>	<u>39</u>
Other Financing Sources (Uses):								
Transfers in		1				31		
Transfer out	(124)		(42)					
Proceeds from capital leases								
Total other financing sources (uses)	<u>(124)</u>	<u>1</u>	<u>(42)</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(10)	33	(42)		86	(24)	(9)	39
Fund Balance at Beginning of Year	<u>77</u>	<u>31</u>	<u>42</u>		<u>172</u>	<u>163</u>	<u>36</u>	<u>22</u>
Fund Balance at End of Year	<u>\$ 67</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 139</u>	<u>\$ 27</u>	<u>\$ 61</u>

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

**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	Special Revenue								
	Education Programs	Fire Grants and Programs	Police Asset Forfeiture	Police Grants and Programs	Recreation Grants and Programs	Social Services Grants and Programs	Senior Citizens Programs	Mohegan Park	Benefits Reserve
Revenues:									
Property taxes, interest and liens	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues	100	213	44	51		146		130	
Charges for services				256	29	11	61	1	
Investment income			1					10	
Other	24			61	22	97			
Total revenue	<u>124</u>	<u>213</u>	<u>45</u>	<u>368</u>	<u>51</u>	<u>254</u>	<u>61</u>	<u>141</u>	<u>-</u>
Expenditures:									
Current:									
General government									
Public safety		221	54	393					
Social services					29	262	52	7	
Public works									
Education	126								
Capital outlay								332	
Total expenditures	<u>126</u>	<u>221</u>	<u>54</u>	<u>393</u>	<u>29</u>	<u>262</u>	<u>52</u>	<u>339</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2)</u>	<u>(8)</u>	<u>(9)</u>	<u>(25)</u>	<u>22</u>	<u>(8)</u>	<u>9</u>	<u>(198)</u>	
Other Financing Sources (Uses):									
Transfers in		6		19		42			622
Transfer out									
Proceeds from capital leases									
Total other financing sources (uses)	<u>-</u>	<u>6</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>622</u>
Net Change in Fund Balances	(2)	(2)	(9)	(6)	22	34	9	(198)	622
Fund Balance at Beginning of Year	<u>43</u>	<u>2</u>	<u>108</u>	<u>48</u>	<u>24</u>	<u>40</u>	<u>45</u>	<u>297</u>	
Fund Balance at End of Year	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 42</u>	<u>\$ 46</u>	<u>\$ 74</u>	<u>\$ 54</u>	<u>\$ 99</u>	<u>\$ 622</u>

(Continued on next page)

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

**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	Special Revenue			Capital Projects				
	Brown Park	Esther Gilbert	Total	Capital Improvement	2000 Bond Issue	Intermodal Transportation Center	Landfill Closure	School Projects
Revenues:								
Property taxes, interest and liens	\$	\$	\$ 3,056	\$	\$	\$	\$	\$
Intergovernmental revenues			12,346	219		490		
Charges for services			3,890					
Investment income			47					
Other			875					
Total revenue	-	-	20,214	219	-	490	-	-
Expenditures:								
Current:								
General government			357					
Public safety			5,240					
Social services			789					
Public works			1,079				30	
Education			11,685					
Capital outlay			332	1,985		612		
Total expenditures	-	-	19,482	1,985	-	612	30	-
Excess (Deficiency) of Revenues Over Expenditures			732	(1,766)		(122)	(30)	
Other Financing Sources (Uses):								
Transfers in			937	1,774		75		118
Transfer out			(1,523)	(75)				
Proceeds from capital leases			-					
Total other financing sources (uses)	-	-	(586)	1,699	-	75		118
Net Change in Fund Balances			146	(67)		(47)	(30)	118
Fund Balance at Beginning of Year	47	25	2,610	1,236		1,141	103	
Fund Balance at End of Year	\$ 47	\$ 25	\$ 2,756	\$ 1,169	\$ -	\$ 1,094	\$ 73	\$ 118

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)

	Capital Projects		Permanent Funds					Interfund Eliminations	Total Nonmajor Governmental Funds
	Capital Lease	Total	Various Trusts	Public Parks & Gardens	Fred Abbot Summer Concert	Cemetery Trust	Total		
Revenues:									
Property taxes, interest and liens	\$	\$ -	\$	\$	\$	\$	\$ -	\$	\$ 3,056
Intergovernmental revenues		709					-		13,055
Charges for services		-					-		3,890
Investment income		-	1				203	204	251
Other		-					-		875
Total revenue	<u>-</u>	<u>709</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>204</u>	<u>-</u>	<u>21,127</u>
Expenditures:									
Current:									
General government		-	3				13	16	373
Public safety		-					-	-	5,240
Social services		-					-	-	789
Public works		30					-	-	1,109
Education		-					-	-	11,685
Capital outlay	192	2,789					-	-	3,121
Total expenditures	<u>192</u>	<u>2,819</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>16</u>	<u>-</u>	<u>22,317</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(192)</u>	<u>(2,110)</u>	<u>(2)</u>			<u>190</u>	<u>188</u>		<u>(1,190)</u>
Other Financing Sources (Uses):									
Transfers in		1,967		39	5	24	68	(423)	2,549
Transfer out		(75)	(68)			(52)	(120)	423	(1,295)
Proceeds from capital leases	192	192					-		192
Total other financing sources (uses)	<u>192</u>	<u>2,084</u>	<u>(68)</u>	<u>39</u>	<u>5</u>	<u>(28)</u>	<u>(52)</u>	<u>-</u>	<u>1,446</u>
Net Change in Fund Balances		(26)	(70)	39	5	162	136		256
Fund Balance at Beginning of Year		2,480	70			1,447	1,517	-	6,607
Fund Balance at End of Year	\$ <u>-</u>	\$ <u>2,454</u>	\$ <u>-</u>	\$ <u>39</u>	\$ <u>5</u>	\$ <u>1,609</u>	\$ <u>1,653</u>	\$ <u>-</u>	\$ <u>6,863</u>

## CITY OF NORWICH, CONNECTICUT

## FIRE AND REFUSE FUND REVENUES

BUDGETARY BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Taxes, interest and lien fees:				
Fire	\$ 2,722	\$ 2,722	\$ 2,694	\$ (28)
Volunteer fire	340	340	362	22
Total taxes, interest and lien fees	<u>3,062</u>	<u>3,062</u>	<u>3,056</u>	<u>(6)</u>
Intergovernmental:				
City Housing	163	163	163	-
In lieu of taxes - fire	41	41	41	-
Elderly reimbursement	251	251	242	(9)
Mashantucket Pequot	<u>1,028</u>	<u>1,028</u>	<u>1,028</u>	<u>-</u>
Total Intergovernmental	<u>1,483</u>	<u>1,483</u>	<u>1,474</u>	<u>(9)</u>
Charges for services:				
Refuse	1,526	1,526	1,338	(188)
Other	<u>75</u>	<u>75</u>	<u>75</u>	<u>-</u>
Total charges for services	<u>1,601</u>	<u>1,601</u>	<u>1,413</u>	<u>(188)</u>
Other:				
Special service	<u>58</u>	<u>58</u>	<u>58</u>	<u>-</u>
Investment income	<u>28</u>	<u>28</u>	<u>30</u>	<u>2</u>
Total	<u>\$ 6,232</u>	<u>\$ 6,232</u>	<u>\$ 6,031</u>	<u>\$ (201)</u>

## CITY OF NORWICH, CONNECTICUT

## FIRE AND REFUSE FUND EXPENDITURES

BUDGETARY BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Public safety:				
Employees	\$ 2,315	\$ 2,315	\$ 2,230	\$ 85
Replacement costs	638	638	721	(83)
Hospitalization	169	169	169	-
Fringe benefits	1,244	1,244	1,244	-
Other	340	340	340	-
Total public safety	<u>4,706</u>	<u>4,706</u>	<u>4,704</u>	<u>2</u>
Sanitation	<u>1,526</u>	<u>1,526</u>	<u>1,369</u>	<u>157</u>
Total	<u>\$ 6,232</u>	<u>\$ 6,232</u>	<u>\$ 6,073</u>	<u>\$ 159</u>



**Nonmajor  
Enterprise Funds**

## **NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

**CITY OF NORWICH, CONNECTICUT**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**

**JUNE 30, 2007**  
**(In Thousands)**

	<b>Business-Type Activities</b>			<b>Totals</b>
	<b>Golf Course Authority</b>	<b>Stadium Authority</b>	<b>Ice Rink Authority</b>	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 249	\$	\$ 14	\$ 263
Receivables, net:				
User charges		276	24	300
Due from other funds		88		88
Inventories			97	97
Total current assets	<u>249</u>	<u>364</u>	<u>135</u>	<u>748</u>
Capital assets, net	<u>2,260</u>	<u>7,490</u>	<u>1,163</u>	<u>10,913</u>
Total assets	<u>2,509</u>	<u>7,854</u>	<u>1,298</u>	<u>11,661</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	102	124	23	249
Due to other funds			128	128
Unearned revenue	<u>212</u>		<u>3</u>	<u>215</u>
Total liabilities	<u>314</u>	<u>124</u>	<u>154</u>	<u>592</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,260	7,490	1,163	10,913
Unrestricted	<u>(65)</u>	<u>240</u>	<u>(19)</u>	<u>156</u>
Total Net Assets	<u>\$ 2,195</u>	<u>\$ 7,730</u>	<u>\$ 1,144</u>	<u>\$ 11,069</u>

## CITY OF NORWICH, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Business-Type Activities			Totals
	Golf Course Authority	Stadium Authority	Ice Rink Authority	
Operating Revenues:				
Charges for services	\$ 1,221	\$ 152	\$ 795	\$ 2,168
Operating Expenses:				
Operations and maintenance	1,075	158	785	2,018
Depreciation	53	145	158	356
Total operating expenses	1,128	303	943	2,374
Operating Income (Loss)	93	(151)	(148)	(206)
Nonoperating Income (Expenses):				
Interest income	2	3		5
Interest expense	(1)			(1)
Total nonoperating income	1	3	-	4
Net Income (Loss) Before Contributions	94	(148)	(148)	(202)
Capital Contributions		84		84
Change in Net Assets	94	(64)	(148)	(118)
Net Assets at Beginning of Year	2,101	7,794	1,292	11,187
Net Assets at End of Year	\$ 2,195	\$ 7,730	\$ 1,144	\$ 11,069

**CITY OF NORWICH, CONNECTICUT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

(In Thousands)

	<b>Business-Type Activities</b>			<b>Totals</b>
	<b>Golf Course Authority</b>	<b>Stadium Authority</b>	<b>Ice Rink Authority</b>	
<b>Cash Flows from Operating Activities:</b>				
Cash received from charges for services	\$ 1,213	\$ 64	\$ 793	\$ 2,070
Cash paid to vendors	(585)	(56)	(424)	(1,065)
Cash paid to employees for services	(563)		(402)	(965)
Net cash provided by (used in) operating activities	<u>65</u>	<u>8</u>	<u>(33)</u>	<u>40</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Advances to other funds		(192)		(192)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	(39)	(10)	(8)	(57)
Prior year capital grant receivable received		200		200
Prior year capital acquisition payable paid		(200)		(200)
Principal payment on bonds	(25)			(25)
Interest payment on debt	(1)			(1)
Net cash used in capital and related financing activities	<u>(65)</u>	<u>(10)</u>	<u>(8)</u>	<u>(83)</u>
<b>Cash Flows from Investing Activities:</b>				
Income on investments	2	3		5
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2</u>	<u>(191)</u>	<u>(41)</u>	<u>(230)</u>
Cash and Cash Equivalents at Beginning of Year	247	191	55	493
Cash and Cash Equivalents at End of Year	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 263</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income (loss)	\$ 93	\$ (151)	\$ (148)	\$ (206)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation expense	53	145	158	356
(Increase) decrease in receivables		(166)	(5)	(171)
Police services cost reimbursement credit		78		78
(Increase) decrease in inventories and other assets			(20)	(20)
Increase (decrease) in unearned revenues	(8)		3	(5)
Increase (decrease) in accounts payable and accrued liabilities	3	102	11	116
Increase (decrease) in due to other funds	(76)		(32)	(108)
Total adjustments	<u>(28)</u>	<u>159</u>	<u>115</u>	<u>246</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 65</u>	<u>\$ 8</u>	<u>\$ (33)</u>	<u>\$ 40</u>
<b>Noncash Capital and Financing Activities</b>				
Capital asset contribution		<u>\$ 84</u>		

## **Internal Service Funds**

## **INTERNAL SERVICE FUNDS**

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

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

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

## CITY OF NORWICH, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDSJUNE 30, 2007  
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets:			
Current:			
Cash and cash equivalents	\$ 297	\$	\$ 297
Accounts receivable	41		41
Due from other funds	<u>2,064</u>	<u>223</u>	<u>2,287</u>
Total assets	<u>2,402</u>	<u>223</u>	<u>2,625</u>
Liabilities:			
Current:			
Accounts payable	70	1	71
Risk management claims	<u>1,203</u>	<u>418</u>	<u>1,621</u>
Total current liabilities	<u>1,273</u>	<u>419</u>	<u>1,692</u>
Noncurrent:			
Risk management claims	<u></u>	<u>3,144</u>	<u>3,144</u>
Total liabilities	<u>1,273</u>	<u>3,563</u>	<u>4,836</u>
Net Assets:			
Unrestricted	<u>\$ 1,129</u>	<u>\$ (3,340)</u>	<u>\$ (2,211)</u>

## CITY OF NORWICH, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)**

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 14,281	\$ 1,798	\$ 16,079
Operating Expenses:			
Claims expense	13,093	3,258	16,351
Premiums and administrative expenses	919		919
Total operating expenses	<u>14,012</u>	<u>3,258</u>	<u>17,270</u>
Operating Income (Loss)	269	(1,460)	(1,191)
Nonoperating Income:			
Interest income	<u>28</u>		<u>28</u>
Change in Net Assets	297	(1,460)	(1,163)
Net Assets at Beginning of Year	<u>832</u>	<u>(1,880)</u>	<u>(1,048)</u>
Net Assets at End of Year	<u>\$ 1,129</u>	<u>\$ (3,340)</u>	<u>\$ (2,211)</u>

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

**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

	<u>Medical Benefits</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from charges for services	\$ 13,019	\$	\$ 13,019
Cash paid to vendors	<u>(14,058)</u>	<u>                    </u>	<u>(14,058)</u>
Net cash used in operating activities	(1,039)	-	(1,039)
Cash Flows from Investing Activities:			
Income on investments	<u>28</u>	<u>                    </u>	<u>28</u>
Net Decrease in Cash and Cash Equivalents	(1,011)		(1,011)
Cash and Cash Equivalents at Beginning of Year	<u>1,308</u>	<u>                    </u>	<u>1,308</u>
Cash and Cash Equivalents at End of Year	<u>\$ 297</u>	<u>\$ -</u>	<u>\$ 297</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	<u>\$ 269</u>	<u>\$ (1,460)</u>	<u>\$ (1,191)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in receivables	31		31
(Increase) decrease in due from other funds	(1,293)	177	(1,116)
Increase (decrease) in accounts payable and accrued liabilities	<u>(46)</u>	<u>1,283</u>	<u>1,237</u>
Total adjustments	<u>(1,308)</u>	<u>1,460</u>	<u>152</u>
Net Cash Used In Operating Activities	<u>\$ (1,039)</u>	<u>\$ -</u>	<u>\$ (1,039)</u>

## **Fiduciary Funds**

## **FIDUCIARY FUNDS**

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

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

The City's Agency Funds are listed below:

Student Activities

Rehabilitation Deposits

Bid Deposit

Dangerous Buildings

Performance Bonds

## CITY OF NORWICH, CONNECTICUT

## AGENCY FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>Student Activities</u>	<u>Rehabilitation Deposits</u>	<u>Bid Deposit</u>	<u>Dangerous Buildings</u>	<u>Performance Bonds</u>	<u>Totals</u>
Assets:						
Cash and cash equivalents	\$ 59	\$	\$	\$ 16	\$ 278	\$ 353
Due from other funds		32	52			84
	<u>59</u>	<u>32</u>	<u>52</u>	<u>16</u>	<u>278</u>	<u>437</u>
Total Assets	<u>\$ 59</u>	<u>\$ 32</u>	<u>\$ 52</u>	<u>\$ 16</u>	<u>\$ 278</u>	<u>\$ 437</u>
Liabilities:						
Due to student groups and agencies	<u>\$ 59</u>	<u>\$ 32</u>	<u>\$ 52</u>	<u>\$ 16</u>	<u>\$ 278</u>	<u>\$ 437</u>

## CITY OF NORWICH, CONNECTICUT

## AGENCY FUNDS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2007  
(In Thousands)

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<b>Student Activities</b>				
Assets:				
Cash and cash equivalents	\$ 59	\$ 219	\$ 219	\$ 59
Liabilities:				
Due to student groups and agencies	\$ 59	\$ 219	\$ 219	\$ 59
<b>Rehabilitation Deposits</b>				
Assets:				
Due from other funds	\$ 68	\$ 194	\$ 230	\$ 32
Liabilities:				
Due to student groups and agencies	\$ 68	\$ 194	\$ 230	\$ 32
<b>Bid Deposit</b>				
Assets:				
Due from other funds	\$ 47	\$ 299	\$ 294	\$ 52
Liabilities:				
Due to student groups and agencies	\$ 47	\$ 299	\$ 294	\$ 52
<b>Dangerous Buildings</b>				
Assets:				
Cash and cash equivalents	\$ 21	\$ -	\$ 5	\$ 16
Liabilities:				
Due to student groups and agencies	\$ 21	\$ -	\$ 5	\$ 16
<b>Performance Bonds</b>				
Assets:				
Cash and cash equivalents	\$ 249	\$ 144	\$ 115	\$ 278
Liabilities:				
Due to student groups and agencies	\$ 249	\$ 144	\$ 115	\$ 278
<b>Total - All Funds</b>				
Assets:				
Cash and cash equivalents	\$ 329	\$ 363	\$ 339	\$ 353
Due from other funds	115	493	524	84
Total	\$ 444	\$ 856	\$ 863	\$ 437
Liabilities:				
Due to student groups and agencies	\$ 444	\$ 856	\$ 863	\$ 437

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

**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

The following schedules present only the capital asset balances related to governmental funds. The assets are reported at historical cost or estimated historical cost.

The City's capitalization policy requires the recording of capital assets with original cost of \$5,000 or more. Provision for depreciation is not included in the schedules.

## CITY OF NORWICH, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## COMPARATIVE SCHEDULE BY SOURCE

JUNE 30, 2007 AND 2006

(In Thousands)

	<u>2007</u>	<u>2006</u>
Governmental Funds Capital Assets:		
Land	\$ 23,234	\$ 22,904
Buildings and improvements	39,636	39,251
Vehicles, machinery and equipment	15,484	14,349
Technology upgrade and infrastructure	29,004	27,214
Construction in progress	<u>4,330</u>	<u>3,001</u>
Total	<u>\$ 111,688</u>	<u>\$ 106,719</u>
Investment in Governmental Funds Capital Assets	<u>\$ 111,688</u>	<u>\$ 106,719</u>

## CITY OF NORWICH, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2007

(In Thousands)

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Vehicles, Machinery and Equipment</u>	<u>Technology Upgrade and Infrastructure</u>	<u>Construction in Progress</u>
General Government	\$ 26,932	\$ 22,429	\$ 1,325	\$ 696	\$ 142	\$ 2,340
∞ Public Safety	10,976	19	2,919	7,835	203	
Public Works and Parks	38,939	73	9,933	4,447	22,496	1,990
Senior Center	2,316		1,996	218	102	
Parking Garage	2,352		2,352			
Education	<u>30,173</u>	<u>713</u>	<u>21,111</u>	<u>2,288</u>	<u>6,061</u>	
Total	<u>\$ 111,688</u>	<u>\$ 23,234</u>	<u>\$ 39,636</u>	<u>\$ 15,484</u>	<u>\$ 29,004</u>	<u>\$ 4,330</u>

## CITY OF NORWICH, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
General Government	\$ 26,059	\$ 985	\$ 112	\$ 26,932
Public Safety	10,351	1,739	1,114	10,976
Public Works and Parks	36,128	3,163	352	38,939
Senior Center	2,316			2,316
Parking Garage	2,352			2,352
Education	<u>29,513</u>	<u>666</u>	<u>6</u>	<u>30,173</u>
Total	\$ <u>106,719</u>	\$ <u>6,553</u>	\$ <u>1,584</u>	\$ <u>111,688</u>

**Supplementary Data**

## CITY OF NORWICH, CONNECTICUT

## SCHEDULE OF BONDS AND SERIAL NOTES PAYABLE

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Description	Interest Rate (%)	Issue Date	Maturity Date	Original Amount Issued	Balance Beginning of Year	Issued During Year	Paid During Year	Balance End of Year
Governmental Activities:								
General purpose bonds payable:								
General purpose	4.3-5.6	09/15/1992	09/15/2007	\$ 3,000	\$ 400	\$	\$ 200	\$ 200
General purpose	4.5-5.0	02/01/1996	08/01/2006	3,000	160		160	-
General purpose and schools	4.5-5.7	11/01/1999	05/01/2008	4,665	1,300		650	650
Refunding - (09/15/1994) bonds	4.0-5.0	04/01/2001	04/01/2014	13,010	8,605		1,100	7,505
General purpose, schools, and water	4.0-5.0	04/01/2001	04/01/2009	10,510	1,585		525	1,060
General purpose - Wauregan Hotel	5.50-6.75	04/01/2001	04/01/2017	400	275		25	250
General purpose	4.0-5.0	04/15/2002	04/15/2022	3,345	2,304		259	2,045
General purpose	2.00-3.55	04/15/2004	04/15/2015	1,175	970		195	775
Refunding - (11/15/1997 and 11/01/1999) bonds	2.0-4.0	04/15/2004	04/15/2019	2,195	1,995		183	1,812
General purpose and water main	3.0-5.0	03/15/2005	09/15/2015	2,810	2,810		281	2,529
Refunding - (02/01/1996 and 04/01/2001) bonds	3.0-4.0	03/15/2005	09/15/2019	8,570	8,164		38	8,126
Total					28,568	-	3,616	24,952
Business-Type Activities:								
General purpose bonds payable:								
Stony Brook Reservoir	4.5-5.0	02/01/1996	08/01/2006	750	40		40	-
Sewers	4.5-5.7	11/01/1999	05/01/2008	3,045	50		25	25
Sewers	4.0-5.0	04/15/2002	04/15/2022	2,675	2,131		136	1,995
Sewers	2.00-3.55	04/15/2004	04/15/2015	1,945	1,750		195	1,555
Refunding - (11/15/1997 and 11/15/1999) Sewers	2.0-4.0	04/15/2004	04/15/2019	2,325	2,145		145	2,000
Refunding - (11/15/1997) Golf Course Improvements	2.0-4.0	04/15/2004	04/15/2007	55	25		25	-
Refunding - (02/01/1996) Stony Brook Reservoir	3.0-4.0	03/15/2005	09/15/2015	368	366		2	364
Sewers	3.0-5.0	03/15/2005	09/15/2015	710	710		74	636
State of Connecticut serial notes payable:								
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	1,913		167	1,746
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	981		75	906
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	705		39	666
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	1,539		81	1,458
Economic Development	6.00	07/01/1995	07/01/2012	1,000	516		61	455
Industrial Park	1.00	10/26/2001	10/26/2008	200	200		-	200
Total					13,071	-	1,065	12,006
Total					\$ 41,639	\$ -	\$ 4,681	\$ 36,958

CITY OF NORWICH, CONNECTICUT

**BOND AND SERIAL NOTES PAYABLE**  
**SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS**  
(In Thousands)

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	General Obligation Bonds		General Obligation Bonds And Serial Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2008	\$ 3,356	\$ 962	\$ 1,074	\$ 372	\$ 4,430	\$ 1,334
2009	2,600	831	1,281	342	3,881	1,173
2010	2,649	724	1,093	309	3,742	1,033
2011	2,576	629	1,098	274	3,674	903
2012	2,486	533	1,099	240	3,585	773
2013	2,477	434	1,110	204	3,587	638
2014	2,467	336	1,025	167	3,492	503
2015	1,399	236	1,030	134	2,429	370
2016	1,344	184	853	102	2,197	286
2017	893	139	630	78	1,523	217
2018	878	102	496	59	1,374	161
2019	868	67	399	41	1,267	108
2020	693	31	298	29	991	60
2021	133	13	302	18	435	31
2022	133	7	218	7	351	14
<b>Total</b>	<b>\$ 24,952</b>	<b>\$ 5,228</b>	<b>\$ 12,006</b>	<b>\$ 2,376</b>	<b>\$ 36,958</b>	<b>\$ 7,604</b>

## **Statistical Section**

## Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

## CITY OF NORWICH, CONNECTICUT

## NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS  
(In Thousands)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
Governmental activities:						
Invested in capital assets, net of related debt	\$ 44,114	\$ 38,680	\$ 34,514	\$ 24,968	\$ 25,716	\$ 17,812
Restricted	1,725	1,590	1,610			
Unrestricted	13,808	16,460	15,074	18,077	10,412	11,586
Total governmental activities net assets	<u>59,647</u>	<u>56,730</u>	<u>51,198</u>	<u>43,045</u>	<u>36,128</u>	<u>29,398</u>
Business-type activities:						
Invested in capital assets, net of related debt	83,363	83,151	81,679	79,147	80,094	80,269
Restricted	876	643	279			
Unrestricted	24,307	19,927	17,083	11,119	8,272	7,720
Total business-type activities net assets	<u>108,546</u>	<u>103,721</u>	<u>99,041</u>	<u>90,266</u>	<u>88,366</u>	<u>87,989</u>
Primary government:						
Invested in capital assets, net of related debt	127,477	121,831	116,193	104,115	105,810	98,081
Restricted	2,601	2,233	1,889			
Unrestricted	38,115	36,387	32,157	29,196	18,684	19,306
Total primary government net assets	<u>\$ 168,193</u>	<u>\$ 160,451</u>	<u>\$ 150,239</u>	<u>\$ 133,311</u>	<u>\$ 124,494</u>	<u>\$ 117,387</u>

## Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

TABLE 2

## CITY OF NORWICH, CONNECTICUT

## CHANGES IN NET ASSETS

## LAST SIX FISCAL YEARS

(In Thousands)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental activities:						
General government	\$ 11,926	\$ 9,638	\$ 8,958	\$ 10,414	\$ 11,597	\$ 11,810
Public safety	16,108	15,754	14,105	13,032	14,109	13,604
Social services	3,984	4,048	3,037	1,880	2,432	2,699
Public works	11,504	11,109	13,781	10,271	6,752	10,429
Education	75,171	71,268	64,819	61,478	61,797	60,404
Interest on long-term debt	1,454	1,476	1,646	1,948	2,222	2,236
Total governmental activities expenses	<u>120,147</u>	<u>113,293</u>	<u>106,346</u>	<u>99,023</u>	<u>98,909</u>	<u>101,182</u>
Business-type activities:						
Department of Public Utilities	66,885	67,275	57,133	56,062	53,171	48,003
Other enterprise funds	2,373	2,583	2,505	2,526	2,636	2,413
Total business-type activities expenses	<u>69,258</u>	<u>69,858</u>	<u>59,638</u>	<u>58,588</u>	<u>55,807</u>	<u>50,416</u>
Total primary government expenses	<u>189,405</u>	<u>183,151</u>	<u>165,984</u>	<u>157,611</u>	<u>154,716</u>	<u>151,598</u>
Program Revenues:						
Governmental activities:						
Charges for services	8,484	8,248	7,834	11,307	9,893	9,903
Operating grants and contributions	47,469	47,561	41,727	36,509	35,923	34,752
Capital grants and contributions	934	1,736	1,907	4,459	2,903	3,492
Total governmental activities program revenues	<u>56,887</u>	<u>57,545</u>	<u>51,468</u>	<u>52,275</u>	<u>48,719</u>	<u>48,147</u>
Business-type activities:						
Charges for services:						
Gas	16,612	18,999	15,099	12,911	12,724	9,688
Electric	49,607	46,158	38,706	36,089	32,142	30,051
Water	5,115	5,099	4,970	4,854	4,971	4,584
Sewer	5,340	5,384	4,077	4,030	3,826	3,564
Other nonmajor enterprise funds	2,168	2,269	2,299	2,166	2,275	2,340
Capital grants and contributions	1,037	1,696	2,115	141	75	7,534
Total business-type activities program revenues	<u>79,879</u>	<u>79,605</u>	<u>67,266</u>	<u>60,191</u>	<u>56,013</u>	<u>57,761</u>
Total primary government program revenues	<u>136,766</u>	<u>137,150</u>	<u>118,734</u>	<u>112,466</u>	<u>104,732</u>	<u>105,908</u>
Net (expense) revenue:						
Governmental activities	(63,260)	(55,748)	(54,878)	(46,748)	(50,190)	(53,035)
Business-type activities	<u>10,621</u>	<u>9,747</u>	<u>7,628</u>	<u>1,603</u>	<u>206</u>	<u>7,345</u>
Total Primary Government Net Expense	<u>\$ (52,639)</u>	<u>\$ (46,001)</u>	<u>\$ (47,250)</u>	<u>\$ (45,145)</u>	<u>\$ (49,984)</u>	<u>\$ (45,690)</u>

(Continued on next page)

## CITY OF NORWICH, CONNECTICUT

## CHANGES IN NET ASSETS (CONTINUED)

## LAST SIX FISCAL YEARS

(In Thousands)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes	\$ 52,327	\$ 49,726	\$ 45,426	\$ 48,044	\$ 46,923	\$ 42,572
Unrestricted grants and contributions	5,522	4,786	5,030	5,250	9,643	9,596
Investment earnings	1,199	843	488	530	354	419
Other general revenues	910	540	1,217			
Transfers	6,219	5,385	5,006	(160)	-	-
Total governmental activities	<u>66,177</u>	<u>61,280</u>	<u>57,167</u>	<u>53,664</u>	<u>56,920</u>	<u>52,587</u>
Business-type activities:						
Investment earnings	423	318	204	138	171	267
Transfers	(6,219)	(5,385)	(5,006)	160	-	-
Total business-type activities	<u>(5,796)</u>	<u>(5,067)</u>	<u>(4,802)</u>	<u>298</u>	<u>171</u>	<u>267</u>
Total Primary Government	<u>\$ 60,381</u>	<u>\$ 56,213</u>	<u>\$ 52,365</u>	<u>\$ 53,962</u>	<u>\$ 57,091</u>	<u>\$ 52,854</u>
Changes in Net Assets:						
Governmental activities	\$ 2,917	\$ 5,532	\$ 2,289	\$ 6,916	\$ 6,730	\$ (448)
Business-type activities	<u>4,825</u>	<u>4,680</u>	<u>2,826</u>	<u>1,901</u>	<u>377</u>	<u>7,612</u>
Total Primary Government	<u>\$ 7,742</u>	<u>\$ 10,212</u>	<u>\$ 5,115</u>	<u>\$ 8,817</u>	<u>\$ 7,107</u>	<u>\$ 7,164</u>

## Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.
- (3) 10% of sales contribution from the Department of Public Utilities to the General Fund is classified as a transfer starting in fiscal year 2005. Before that, it was included in charges for services.

**CITY OF NORWICH, CONNECTICUT**  
**FUND BALANCES, GOVERNMENTAL FUNDS**

**LAST SIX FISCAL YEARS**  
**(In Thousands)**

	<b>FISCAL YEAR</b>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:						
Reserved	\$ 425	\$ 259	\$ 398	\$ 415	\$ 305	\$ 289
Unreserved	<u>11,651</u>	<u>11,030</u>	<u>10,573</u>	<u>9,302</u>	<u>8,771</u>	<u>8,158</u>
Total General Fund	<u>\$ 12,076</u>	<u>\$ 11,289</u>	<u>\$ 10,971</u>	<u>\$ 9,717</u>	<u>\$ 9,076</u>	<u>\$ 8,447</u>
All other governmental funds:						
Reserved	\$ 3,170	\$ 3,077	\$ 2,475	\$ 2,051	\$ 2,679	\$ 2,084
Unreserved, reported in:						
Special revenue funds	2,746	2,577	2,532	3,617	514	1,566
Capital projects funds	<u>(541)</u>	<u>2,460</u>	<u>3,265</u>	<u>1,610</u>	<u>622</u>	<u>660</u>
Total All Other Governmental Funds	<u>\$ 5,375</u>	<u>\$ 8,114</u>	<u>\$ 8,272</u>	<u>\$ 7,278</u>	<u>\$ 3,815</u>	<u>\$ 4,310</u>

## Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Data has not been presented for years prior to the implementation of GASB Statement No. 34 in 2002.

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

**LAST SIX FISCAL YEARS**  
**(In Thousands)**

	<b>FISCAL YEAR</b>					
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenues:						
Property taxes, interest and liens	\$ 52,976	\$ 49,704	\$ 47,652	\$ 47,815	\$ 45,326	\$ 43,145
Intergovernmental	53,909	53,572	48,159	46,929	49,490	49,269
Charges for services, licenses, permits, fees and other	10,097	9,283	10,296	11,041	10,321	9,921
Investment income	1,171	813	462	517	379	575
Total revenues	<u>118,153</u>	<u>113,372</u>	<u>106,569</u>	<u>106,302</u>	<u>105,516</u>	<u>102,910</u>
Expenditures:						
General government	5,782	5,290	5,262	6,665	8,651	8,194
Public safety	16,163	15,634	13,736	12,725	12,646	12,615
Social services	4,272	4,273	3,782	3,094	2,319	2,568
Public works	10,412	9,964	10,095	9,178	7,399	8,918
Education	74,223	70,592	65,363	61,880	60,521	59,237
Other	4,286	3,531	3,529	2,832	1,720	2,328
Capital outlay	6,337	3,707	3,929	2,679	5,508	10,780
Debt service:						
Principal	3,616	3,975	3,928	4,180	4,135	3,803
Interest	1,425	1,631	1,759	1,998	2,517	2,385
Total expenditures	<u>126,516</u>	<u>118,597</u>	<u>111,383</u>	<u>105,231</u>	<u>105,416</u>	<u>110,828</u>
Excess of revenues over (under) expenditures	<u>(8,363)</u>	<u>(5,225)</u>	<u>(4,814)</u>	<u>1,071</u>	<u>100</u>	<u>(7,918)</u>
Other financing sources (uses):						
Transfers in	9,885	8,760	8,246	3,997	3,498	2,255
Transfers out	(3,666)	(3,375)	(3,240)	(4,157)	(3,498)	(2,255)
Proceeds from capital leases	192					
Bonds issued			2,810	3,120		6,020
Refunding bonds issued			8,202	4,575		
Payment to refunding bond escrow agent			(8,128)	(4,502)		
Total other financing sources	<u>6,411</u>	<u>5,385</u>	<u>7,890</u>	<u>3,033</u>	<u>-</u>	<u>6,020</u>
Net change in fund balances	(1,952)	160	3,076	4,104	100	(1,898)
Fund Balances at Beginning of Year	<u>19,403</u>	<u>19,243</u>	<u>16,167</u> *	<u>12,891</u>	<u>12,791</u>	<u>14,689</u>
Fund Balances at End of Year	<u>\$ 17,451</u>	<u>\$ 19,403</u>	<u>\$ 19,243</u>	<u>\$ 16,995</u>	<u>\$ 12,891</u>	<u>\$ 12,791</u>
Debt Service as a Percentage of Noncapital Expenditures	4.20%	4.91%	5.27%	5.99%	6.66%	6.08%

\* as restated

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting
- (2) Data has not been presented for years prior to the implementation of GASB Statement No. 34 in 2002

**CITY OF NORWICH, CONNECTICUT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**  
(In Thousands)

Fiscal Year	Grand List Year	Real Property		Motor Vehicle	Personal Property	Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Grand List	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	State Equalized Net Grand List
		Industrial and Commercial	Residential								
2007	2005	\$ 326,636	\$ 1,213,923	\$ 177,323	\$ 93,706	\$ 1,811,588	\$ 19,838	\$ 1,791,750	\$ 2,559,643	70.00 %	\$ N/A
2006	2004	326,235	1,190,123	165,690	90,463	1,772,511	27,325	1,745,186	2,493,123	70.00	3,276,807
2005	2003	408,784	1,095,366	153,492	100,570	1,758,212	24,916	1,733,296	2,476,137	70.00	2,502,936
2004	2002	273,991	679,020	154,864	83,388	1,191,263	25,168	1,166,095	1,665,850	70.00	2,512,264
2003	2001	270,108	669,398	152,670	82,207	1,174,383	28,500	1,145,883	1,636,976	70.00	2,155,512
2002	2000	266,090	665,460	152,219	85,345	1,169,114	27,570	1,141,544	1,630,777	70.00	1,945,909
2001	1999	262,884	664,166	147,670	84,383	1,159,103	27,078	1,132,025	1,617,179	70.00	1,647,369
2000	1998	372,632	878,483	133,366	82,252	1,466,733	29,002	1,437,731	2,053,901	70.00	1,756,642
1999	1997	379,088	869,792	133,003	82,907	1,464,790	28,504	1,436,286	2,051,837	70.00	1,719,567
1998	1996	369,386	866,146	130,559	81,346	1,447,437	29,911	1,417,526	2,025,037	70.00	1,653,814

Source: City of Norwich, Assessor's Office

Notes:

- (1) 2003 and 1999 Real property grand list is adjusted to reflect statutory revaluation
- (2) Assessed Value is 70% of Estimated Actual Value
- (N/A) October 1, 2005 Equalized Grand List is not available

**CITY OF NORWICH, CONNECTICUT**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**OCTOBER 1, 2005 AND OCTOBER 1, 1996**

Business Name	Nature of Business	October 1, 2005			October 1, 1996		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Computer Science Corporation	Computer Products and Services	\$ 18,355	1	1.02%	\$ 18,242	2	1.29%
Phelps Dodge	Manufacturing - Copper	14,264	2	0.80%	22,537	1	1.59%
Norwichtown Mall Realty Associates	Shopping Center	11,717	3	0.65%	8,565	4	0.60%
Mashantucket Pequot Tribe	Real Estate	10,720	4	0.60%	11,064	3	0.78%
Plaza Enterprises	Shopping Center	10,577	5	0.59%			
US Foodservice	Food Distributors	8,580	6	0.48%			
Kalimian Elias as Trustee	Apartments	7,889	7	0.44%			
Bob's Discount Furniture	Retail Store and Distribution Warehouse	7,442	8	0.42%			
Norwich Realty Associates, LP	Shopping Center	6,545	9	0.37%			
Rose Hill Estates, LLC	Apartments	5,633	10	0.31%			
Hamilton Park Association	Apartments				7,812	5	0.55%
Royal Book Manufacturing	Manufacturing				7,309	6	0.52%
Genlyte Group, Inc.	Manufacturing - Lighting Fixtures				5,898	7	0.42%
Wal-Mart Stores, Inc.	Department Store				5,786	8	0.41%
Decorative Screen Printers	Manufacturing				4,888	9	0.34%
Big Y Food	Supermarket				4,782	10	0.34%
<b>Total</b>		<b>\$ 101,722</b>		<b>5.68%</b>	<b>\$ 96,883</b>		<b>6.83%</b>

Source: City of Norwich Assessor's Office

Note:

(1) The October 1, 2005 grand list was the base grand list utilized for the tax bills issued July 1, 2006 for the 2007 fiscal year.

**CITY OF NORWICH, CONNECTICUT**  
**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year Ended June 30,	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy	Collections Within the Fiscal Year of Levy		Tax Collections In Subsequent Years	Tax Collections To Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
<b>General Fund</b>								
2007	\$ 1,791,750	27.77	\$ 49,971	\$ 48,324	96.70%	\$	\$ 48,324	96.70%
2006	1,745,186	26.72	46,541	44,977	96.64%	952	45,929	98.69%
2005	1,733,296	25.69	43,999	42,681	97.00%	947	43,628	99.16%
2004	1,166,095	36.47	42,774	41,136	96.17%	1,597	42,733	99.90%
2003	1,145,883	35.62	41,064	39,438	96.04%	1,599	41,037	99.93%
2002	1,141,544	33.89	38,794	37,208	95.91%	1,565	38,773	99.95%
2001	1,132,025	33.89	38,419	36,648	95.39%	1,753	38,401	99.95%
2000	1,437,731	25.62	37,050	34,976	94.40%	2,036	37,012	99.90%
1999	1,436,286	25.03	35,237	34,040	96.60%	1,159	35,199	99.89%
1998	1,417,526	24.48	34,581	32,705	94.58%	1,841	34,546	99.90%
<b>City Consolidated District (CCD) Fire Tax</b>								
2007	\$ 633,603	4.25	\$ 2,724	\$ 2,595	95.26%	\$	\$ 2,595	95.26%
2006	620,505	4.03	2,511	2,399	95.54%	67	2,466	98.21%
2005	614,657	3.84	2,332	2,233	95.75%	71	2,304	98.80%
2004	392,560	5.64	2,227	2,142	96.18%	81	2,223	99.82%
2003	390,492	5.49	2,157	2,072	96.06%	82	2,154	99.86%
2002	390,851	5.33	2,089	2,004	95.93%	83	2,087	99.90%
2001	386,583	5.33	2,063	1,968	95.40%	93	2,061	99.90%
2000	529,962	3.64	1,940	1,831	94.38%	104	1,935	99.74%
1999	531,027	3.79	1,973	1,906	96.60%	62	1,968	99.75%
1998	529,045	4.33	2,283	2,159	94.57%	118	2,277	99.74%
<b>Town Consolidated District (TCD) Volunteer Fire Relief Tax</b>								
2007	\$ 1,158,147	0.31	\$ 361	\$ 351	97.23%	\$	\$ 351	97.23%
2006	1,124,681	0.30	337	326	96.74%	8	334	99.11%
2005	1,118,639	0.21	232	226	97.41%	5	231	99.57%
2004	773,535	0.30	233	225	96.57%	9	234	100.43%
2003	755,391	0.30	228	219	96.05%	9	228	100.00%
2002	750,693	0.28	211	202	95.73%	9	211	100.00%
2001	745,442	0.31	231	220	95.24%	11	231	100.00%
2000	907,769	0.14	128	121	94.53%	7	128	100.00%
1999	905,259	0.12	106	102	96.23%	4	106	100.00%
1998	888,481	0.12	106	100	94.34%	6	106	100.00%

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

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Notes	Capital Leases			
2007	\$ 24,952	\$ 146	\$ 6,576	\$	\$ 5,430	\$ 1,402	\$ 38,506	2.15%	\$ 1,049
2006	28,568		7,217		5,854	1,617	43,256	2.48%	1,179
2005	32,700 *		7,795 *		6,269	2,222	48,986	2.83%	1,353
2004	40,325		555		6,619	1,641	49,140	4.21%	1,357
2003	40,945		630		7,019	1,806	50,400	4.40%	1,415
2002	43,011		705		7,411	2,722	53,849	4.72%	1,491
2001	42,680	150	770		6,221	4,029	53,850	4.76%	1,491
2000	33,875	753	840		5,106	5,591	46,165	3.21%	1,325
1999	28,935	1,373	910	275	4,475	5,029	40,997	2.85%	1,174
1998	28,865	1,964	3,820	550	4,444	5,775	45,418	3.20%	1,292

\* Sewer extension bonds converted to business-type activity

Notes:

- (1) 2003 and 1999 Real property taxable assessed value adjusted to reflect statutory revaluation
- (2) Details regarding the City's outstanding debt can be found in the notes to the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF DEBT LIMITATION**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**(In Thousands)**

Total Tax Collections, Including Interest and Lien Fees					\$	49,721
Total Tax Collections, Norwich Fire District						3,064
Reimbursement for Loss on:						
Tax relief for elderly - freeze						<u>20</u>
Base					\$	<u>52,805</u>
		<b>General</b>				
		<b>Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban</b>	<b>Pension</b>
					<b>Renewal</b>	<b>Deficit</b>
Debt Limitation:						
2-1/4 times base	\$	118,811	\$		\$	
4-1/2 times base				237,623		
3-3/4 times base				198,019		
3-1/4 times base					171,616	
3 times base						158,415
		<u>118,811</u>		<u>237,623</u>		<u>158,415</u>
Total debt limitation		<u>118,811</u>		<u>237,623</u>		<u>158,415</u>
Indebtedness:						
Bonds and serial						
notes payable*		14,204	8,154	9,871		
Bonds authorized and						
unissued		2,330		375		
Grants receivable			(722)			
		<u>16,534</u>	<u>7,432</u>	<u>10,246</u>	<u>-</u>	<u>-</u>
Total indebtedness		<u>16,534</u>	<u>7,432</u>	<u>10,246</u>	<u>-</u>	<u>-</u>
Debt Limitation in						
Excess of Outstanding						
and Authorized Debt	\$	<u>102,277</u>	\$	<u>230,191</u>	\$	<u>187,773</u>
					\$	<u>171,616</u>
					\$	<u>158,415</u>

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$370 million.

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

Note 3: Bonds and serial notes payable do not include Water bonds of \$2,816 and State of Connecticut serial notes payable of \$1,913.

Note 4: School Building Grants totaling \$722 are applicable to outstanding bond issues.

**CITY OF NORWICH, CONNECTICUT**  
**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**  
**(In Thousands)**

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Legal Debt Limit:										
Seven times taxable base	\$ 369,635	\$ 348,698	\$ 333,578	\$ 329,433	\$ 320,343	\$ 303,704	\$ 296,573	\$ 282,945	\$ 274,740	\$ 262,519
Indebtedness:										
Bonds and serial notes payable	36,958	41,639	46,764	47,499	50,400	55,918	53,850	52,675	41,082	45,419
Bonds authorized and unissued	2,705	2,705	2,705	4,640	4,455	2,730	8,220	9,938	25,297	25,297
Total indebtedness	39,663	44,344	49,469	52,139	54,855	58,648	62,070	62,613	66,379	70,716
Less:										
Water bonds and serial notes payable	(4,729)	(3,045)	(3,357)	(1,044)	(1,139)	(1,279)	(1,365)	(1,448)	(1,917)	(2,037)
School building grants	(722)	(988)	(1,262)	(1,842)	(1,943)	(2,280)	(3,337)	(3,445)	(3,882)	(4,385)
Net indebtedness applicable to legal debt limit (1)	34,212	40,311	44,850	49,253	51,773	55,089	57,368	57,720	60,580	64,294
Debt Limitation in Excess of Outstanding and Authorized Debt (1)	\$ 335,423	\$ 308,387	\$ 288,728	\$ 280,180	\$ 268,570	\$ 248,615	\$ 239,205	\$ 225,225	\$ 214,160	\$ 198,225
Total net debt applicable to the limit as a percentage of debt limit	9.26%	11.56%	13.45%	14.95%	16.16%	18.14%	19.34%	20.40%	22.05%	24.49%
Total indebtedness as a percentage of net taxable assessed value (1)	1.909%	2.310%	2.588%	4.224%	4.518%	4.826%	5.068%	4.015%	4.218%	4.536%
Total indebtedness per capita (1)	\$ 932	\$ 1,099	\$ 1,238	\$ 1,360	\$ 1,453	\$ 1,525	\$ 1,588	\$ 1,656	\$ 1,734	\$ 1,830
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 39,663	\$ 44,344	\$ 49,469	\$ 52,139	\$ 54,855	\$ 58,648	\$ 62,070	\$ 62,613	\$ 66,379	\$ 70,716
Less authorized and unissued debt	(2,705)	(2,705)	(2,705)	(4,640)	(4,455)	(2,730)	(8,220)	(9,938)	(25,297)	(25,297)
Total direct debt	36,958	41,639	46,764	47,499	50,400	55,918	53,850	52,675	41,082	45,419
Less water and sewer indirect self-funding debt	(12,006)	(13,071)	(14,064)	(7,089)	(6,079)	(6,549)	(6,957)	(4,713)	(4,919)	(5,182)
Less school building grants	(722)	(988)	(1,262)	(1,842)	(1,943)	(2,280)	(3,337)	(3,445)	(3,882)	(4,385)
Total Net Direct Debt	\$ 24,230	\$ 27,580	\$ 31,438	\$ 38,568	\$ 42,378	\$ 47,089	\$ 43,556	\$ 44,517	\$ 32,281	\$ 35,852
Total direct debt as a percentage of State Equalized grand list	N/A	1.271%	1.868%	1.891%	2.338%	2.874%	3.269%	2.999%	2.389%	2.746%
Total direct debt per capita	\$ 1,007	\$ 1,135	\$ 1,291	\$ 1,311	\$ 1,415	\$ 1,548	\$ 1,491	\$ 1,511	\$ 1,176	\$ 1,292
Total net debt as a percentage of State Equalized grand list	N/A	0.842%	1.256%	1.535%	1.966%	2.420%	2.644%	2.534%	1.877%	2.168%
Total net debt per capita	\$ 660	\$ 752	\$ 868	\$ 1,065	\$ 1,189	\$ 1,304	\$ 1,206	\$ 1,277	\$ 924	\$ 1,020

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

(2) The City has no overlapping

(N/A) October 1, 2005 Equalized Grand List is not available

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

Fiscal Year	Population (1)	School Enrollment (2)	Employed (3)	Unemployed (3)	Median Household Income (5)	Percentage Unemployed (3)			
						City of Norwich	New London/ Norwich Market	State of Connecticut	United States
2007	36,693	5,513	20,083	1,033	N/A	4.9%	4.2%	4.4%	4.6%
2006	36,693	5,425	20,284	1,044	43,608	4.9%	4.2%	4.4%	4.6%
2005	36,218	5,425	20,033	1,248	42,656	5.9%	4.9%	5.3%	4.9%
2004	36,218	5,507	19,745	1,207	42,075	5.8%	4.3%	4.8%	5.8%
2003	35,628	5,489	19,561	1,239	42,113	6.0%	4.6%	5.2%	6.5%
2002	36,117	5,419	18,500	542	N/A	2.8%	2.5%	3.5%	5.4%
2001	36,117	5,060	18,381	542	N/A	2.9%	2.5%	3.1%	4.7%
2000	34,852	5,119	18,600	610	N/A	3.2%	2.6%	2.6%	3.8%
1999	34,931	5,151	18,561	726	39,181	3.8%	3.3%	3.0%	4.3%
1998	35,142	5,280	18,333	930	N/A	4.8%	4.6%	3.8%	4.5%

## Sources:

- (1) US Department of Commerce, Bureau of Census; State of Connecticut Department of Health.  
(2) School enrollment includes Norwich students attending the quasi-private high school, Norwich Free Academy.  
(3) U.S. Department of Labor and Employment Security Division; Labor Department, State of Connecticut.  
N/A - Not available.

## CITY OF NORWICH, CONNECTICUT

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND 2002

Business Name	Nature of Business	2007			2002		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
William W. Backus Hospital	Medical Center	1,850	1	9.21%	1,537	1	8.31%
City of Norwich (incl. NPU & BOE)	Municipality	1,020	2	5.08%	944	2	5.10%
Computer Science Corporation	Computer Products and Services	500	3	2.49%	476	3	2.57%
Bob's Discount Furniture	Retail Store and Warehouse	433	4	2.16%			
ShopRite Norwich	Grocery Store	418	5	2.08%			
Interim Healthcare of Eastern CT	Healthcare	400	6	1.99%			
Three Rivers Community Tech College	Community College	307	7	1.53%	166	7	0.90%
US Foodservice	Food Distributors	278	8	1.38%	250	4	1.35%
Daticon	Legal document storage	212	9	1.06%			
The American Group	Ambulance Service and other operations	175	10	0.87%			
Gunther International	Light Machinery Assembly				150	9	0.81%
Ortronics	Communication Technology				160	8	0.86%
Phelps Dodge	Manufacturing - Copper				177	6	0.96%
The American Group	Financial Services				200	5	1.08%
Total		5,593		27.85%	4,060		21.95%

Source: Norwich Community Development Corporation

Note: This information was not reported prior to 2002.

## CITY OF NORWICH, CONNECTICUT

## BUDGETED FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

## LAST SIX FISCAL YEARS

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
General City:						
City Manager	3.0	3.0	3.0	3.0	3.0	3.0
Finance	14.0	14.0	14.0	14.0	15.0	15.0
Treasurer	3.0	3.0	3.0	3.0	3.0	3.0
Assessment	4.0	3.5	3.5	3.5	4.0	3.5
Personnel	4.5	4.5	4.5	4.5	5.5	5.5
City Clerk	5.0	5.0	5.0	5.0	5.0	5.0
City Council	2.0	2.0	2.0	2.0	2.0	1.5
Police	100.0	100.0	101.0	100.5	102.5	107.5
Fire	55.5	55.5	55.5	55.0	55.5	55.5
Recreation	7.0	7.0	7.0	6.0	9.0	9.0
Human Services	8.5	8.5	8.5	8.5	10.5	11.0
Senior Citizens Center	6.0	6.0	6.0	6.0	7.0	8.0
Youth Service Bureau	3.0	3.0	3.0	3.0	5.0	5.0
PW Engineering and Administration	6.0	7.0	7.0	6.5	8.0	8.0
PW Fleet Maintenance	9.0	9.0	9.0	9.0	10.0	11.0
PW Solid Waste	2.0	2.0	3.0	3.0	3.0	4.0
PW Street Maintenance	32.0	32.0	33.0	33.0	35.0	35.0
PW Parks & Cemeteries	9.0	9.0	10.0	11.0	12.0	12.0
PW Building Maintenance	7.0	6.0	7.0	7.0	8.0	7.5
PW Parking Maintenance	2.0	2.0	2.0	2.0	2.0	2.0
Election	2.5	2.5	2.5	2.5	3.0	3.0
Planning and Neighborhood Services	13.0	13.0	12.0	11.0	12.5	13.0
Economic Development	0.0	0.0	0.0	0.0	0.0	1.0
Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0
Tourism	0.5	0.5	0.5	0.5	0.5	2.0
Total General City	<u>299.5</u>	<u>299.0</u>	<u>303.0</u>	<u>300.5</u>	<u>322.0</u>	<u>332.0</u>
Board of Education:						
General Fund-funded positions	384.2	373.8	386.3	375.9	392.1	502.5
State and federal grant-funded positions	117.1	114.1	99.8	86.6	74.7	66.3
School Lunch (state and federal grant)	39.0	39.0	39.0	40.0	42.0	41.0
Adult Education (state and federal grant)	13.0	13.0	13.0	12.0	11.0	13.0
Family Resource Center (state grant)	22.0	24.0	10.0	10.0	10.0	10.0
Total Board of Education	<u>575.3</u>	<u>563.9</u>	<u>548.0</u>	<u>524.5</u>	<u>529.8</u>	<u>632.7</u>
Norwich Public Utilities	<u>137.0</u>	<u>137.0</u>	<u>137.0</u>	<u>136.5</u>	<u>138.0</u>	<u>136.0</u>
Total	<u>1011.8</u>	<u>999.9</u>	<u>988.0</u>	<u>961.5</u>	<u>989.8</u>	<u>1100.7</u>

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

<b>Function</b>	<b>FISCAL YEAR</b>					
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
General Government:						
Finance:						
Number of tax and refuse bills mailed	68,144	68,182	67,225	66,048	65,643	67,115
Number of internal control reviews performed	7	2	7	4	-	-
Assessor:						
Number of deeds processed	1,310	2,100	1,800	1,600	998	798
Number of veterans exemptions	3,053	2,850	2,800	2,779	2,565	2,581
Board of assessment appeals adjustments	243	150	225	425	249	38
Human Resources:						
Number of applications processed	1,149	1,518	1,850	1,221	1,801	700
Vacancies filled through promotion	15	24	12	28	20	18
Vacancies filled through new hires	28	23	33	33	22	24
Employee turnover rate	6.0%	4.2%	5.4%	7.1%	3.7%	3.8%
City Clerk:						
Land records recorded	9,532	11,124	11,397	11,401	9,882	8,317
Marriage licenses issued	331	357	353	372	265	359
Death certificates recorded	550	561	638	542	579	569
Birth certificates recorded	1,037	998	1,210	1,594	1,220	579
Management Information Systems:						
Help desk calls	1,800	1,700	1,700	1,800	1,250	1,550
Website visits	256,817	94,797	27,500	27,500	12,000	N/A
Election:						
Voters added	580	567	1,200	1,096	1,273	2,329
Voters removed	651	87	800	1,058	1,249	2,503
Voter changes	1,425	1,648	650	927	1,324	3,053
Total voters	17,891	18,346	19,000	17,987	17,863	17,108
Planning and Neighborhood Services:						
Site development plans	27	19	18	21	8	N/A
Zoning permit applications	482	503	471	456	137	N/A
Zoning complaints	170	130	142	138	57	N/A
Code violations	250	1,170	475	465	169	N/A
Citations issued	229	165	119	208	94	N/A
Education:						
Average Class Size - Kindergarten	17.7	18.0	16.4	17.8	N/A	N/A
Average Class Size - Grade 2	20.0	18.6	19.5	18.2	N/A	N/A
Average Class Size - Grade 5	19.1	20.0	20.5	20.4	N/A	N/A
Average Class Size - Grade 7	23.7	22.0	21.9	21.2	N/A	N/A
Total expenditure per student	N/A	\$ 8,016	\$ 7,726	\$ 7,742	N/A	N/A

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**CITY OF NORWICH, CONNECTICUT**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)**  
**LAST SIX FISCAL YEARS**

<b>Function</b>	<b>FISCAL YEAR</b>					
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Public Safety:						
Police:						
911 calls*	N/A	19,212	19,160	19,575	N/A	N/A
Non-emergency calls*	N/A	19,877	35,664	20,932	N/A	N/A
DWI arrests*	N/A	153	150	188	188	175
Fire:						
Central Fire Department Service Calls	2,629	2,942	2,503	3,088	2,571	2,214
East Great Plain VFD Service Calls	864	866	800	688	688	700
Laurel Hill VFD Service Calls	75	105	126	93	102	84
Occum VFD Service Calls	202	232	238	325	207	238
Taftville VFD Service Calls	631	539	538	450	495	496
Yantic VFD Service Calls	593	580	568	595	530	537
Emergency Management:						
Hours of emergency training	N/A	870	1,250	920	70	300
Shelters maintained	N/A	19	19	19	18	20
Flood assistance calls	N/A	73	41	62	N/A	N/A
Social Services:						
Recreation:						
Number of youth registrations	4,510	4,750	4,732	4,821	4,235	3,151
Number of youth program hours	2,205	2,000	1,970	1,971	N/A	N/A
Number of hours provided by volunteers	995	1,024	1,010	996	N/A	N/A
Human Services:						
General Human Services:						
Job placements	243	153	119	133	989	N/A
Individuals relocated due to condemnation	36	30	85	55	74	N/A
Rent and housing assistance cases	83	79	80	49	139	N/A
Senior Center:						
Preventative health clinic services	3,450	3,206	4,500	4,900	4,260	6,882
Outreach services	976	836	200	280	490	572
Youth and Family Services:						
Counseling cases	143	117	168	175	135	N/A
Young parent cases	98	92	107	97	68	N/A
Public Works:						
Engineering and Administration:						
Road miles paved	5.3	4.2	3.0	6.6	6.0	6.5
Department of Public Utilities:						
Gas service calls	6,136	5,552	6,294	4,740	5,328	4,060
Electric service calls	3,125	2,406	3,010	2,672	1,606	898
Water service calls	3,434	4,717	4,542	3,580	3,125	1,782
Sewer service calls	423	341	250	237	-	-

N/A - not available

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

		<b>FISCAL YEAR</b>					
		<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	Education:						
	School buildings	15	15	15	14	14	14
	Administrative buildings	1	1	1	1	1	1
	Public Safety:						
	Police:						
	Stations	1	1	1	1	1	1
	Vehicles	39	39	39	39	39	39
	Fire:						
	Firefighting/rescue vehicles	26	26	26	26	26	26
	Other vehicles	11	11	11	11	11	11
	Fire stations	7	7	7	7	7	7
	Social Services:						
	Recreation:						
	Number of basketball courts	16	16	16	15	15	15
	Number of football fields	1	1	1	1	1	1
	Number of multi-use fields	15	15	15	15	15	15
	Number of playgrounds	14	14	14	13	13	13
	Number of soccer fields	4	4	4	4	4	4
	Number of softball fields	5	5	5	5	5	5
	Number of tennis courts	10	10	10	10	10	10
	Mowers	5	5	5	5	5	5
	Other vehicles	4	4	4	4	4	4
	Public Works:						
	Street Maintenance:						
	Dump trucks	25	25	25	25	25	25
	Sweepers	4	4	4	4	4	4
	Parks and Cemeteries:						
	Parks	7	7	7	7	7	7
	Cemeteries	8	8	8	8	8	8
	Mowers	8	8	7	6	-	-

(Continued on next page)

CITY OF NORWICH, CONNECTICUT

CAPITAL ASSET STATISTICS BY FUNCTION (CONTINUED)

LAST SIX FISCAL YEARS

		FISCAL YEAR					
		2007	2006	2005	2004	2003	2002
Building Maintenance:							
	Parking lots	9	9	9	9	9	9
	Parking garages	3	3	3	3	3	3
Utilities:							
Gas:							
	Gas distribution main (miles)	129	127	126	122	122	122
Electric:							
	Distribution lines	404	400	250	250	250	250
	Street lights	4,099	4,291	4,291	4,291	4,291	4,291
Water:							
	Water distribution system (miles)	191	164	150	150	150	150
Sewer:							
	Sewer distribution system (miles)	139	138	120	120	120	120

**APPENDIX B- OPINION OF BOND COUNSEL AND TAX EXEMPTION**

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Notes in order that interest on the Notes 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 Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Notes 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 Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code.

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 Notes 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 Notes is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax on corporations.

Failure to comply with the continuing requirements of the Code may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes irrespective of the date on which non compliance occurs.

Ownership of the Notes 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 Notes. Prospective purchasers of the Notes, 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 Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Notes 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. The Notes are exempt from property taxation in the State of Connecticut. Prospective purchasers of the Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Notes.

# MURTHA CULLINA LLP

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## **FORM OF OPINION OF BOND COUNSEL**

City of Norwich  
Norwich, Connecticut

Ladies and Gentlemen:

We have examined a record of the proceedings of the City of Norwich, a Tax Regulatory Agreement of the City dated December 17, 2008 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$8,045,000 City of Norwich General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of December 17, 2008, maturing December 16, 2009 (the "notes").

The notes 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 notes.

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 notes (except to the extent, if any, stated in such 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 notes under authority of the constitution and statutes of the State of Connecticut and that the notes are a valid general obligation 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 notes in order that interest on the notes 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 notes 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 notes 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 such interest is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the notes is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the 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 notes.

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

We are further of the opinion that, under existing statutes, interest on the notes 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. The notes are exempt from property taxation in the State of Connecticut. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the notes.

Respectfully yours,

MURTHA CULLINA LLP

**APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENTS FOR NOTES**

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of December 17, 2008

In Connection With The Issuance And Sale Of

\$8,045,000 City Of Norwich, Connecticut

General Obligation Bond Anticipation Notes, Dated December 17, 2008

WHEREAS, the City of Norwich, Connecticut (the "Issuer") has heretofore authorized the issuance of \$8,045,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of December 17, 2008, maturing on December 16, 2009; and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the notes to provide notices of material events 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 notes 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 Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Notes, all for the benefit of the beneficial owners of the Notes, 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:

"Listed Events" shall mean any of the events listed in Section 2 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.

"NRMSIR" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"SID" shall mean any state information depository established or designated by the State of Connecticut for the purposes of the Rule. As of the date of this Agreement no SID has been so established or designated by the State of Connecticut.

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of the occurrence of any of the following events, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; and
- (xi) rating changes.

Section 3. 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 Notes.

Section 4. 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 5. 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 adversely affect the beneficial owners of the Notes 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 (i) each NRMSIR or the MSRB, and (ii) the SID.

Section 6. 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 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 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 notice of occurrence of a Listed Event.

Section 7. Alternative Filing. Any filing under this agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 8. 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 Notes.

Section 9. 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 of the beneficial owners of the Notes and shall be enforceable by them. 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 Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes 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 Notes.

**[Signature Page Follows]**

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF NORWICH, CONNECTICUT

Dated As Of December 17, 2008

In Connection With The Issuance And Sale Of

\$8,045,000 City Of Norwich, Connecticut

General Obligation Bond Anticipation Notes, Dated December 17, 2008

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