

FINAL OFFICIAL STATEMENT DATED MARCH 3, 2005

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

**\$12,090,000
CITY OF NORWICH, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2005
BOOK-ENTRY-ONLY**

**\$3,520,000
SERIES A, CAPITAL PROJECT BONDS**

Dated: March 15, 2005

Due: September 15, 2006 - 2015

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND/OR YIELDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip Number</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip Number</u>
2006	\$355,000	5.00%	2.25%	669402-QB8	2011	\$350,000	3.50%	3.20%	669402-QG7
2007	355,000	3.00	2.50	669402-QC6	2012	350,000	3.50	3.35	669402-QH5
2008	355,000	3.00	2.70	669402-QD4	2013	350,000	3.50	3.50	669402-QJ1
2009	355,000	3.00	2.90	669402-QE2	2014	350,000	3.50	3.60	669402-QK8
2010	350,000	3.125	3.05	669402-QF9	2015	350,000	3.60	3.70	669402-QL6

Interest on the Series A Bonds will be payable on September 15, 2005 and semiannually thereafter on March 15 and September 15 in each year until maturity. **The Series A Bonds are subject to redemption prior to their stated dates of maturity.**

The scheduled payment of principal of and interest on the Series A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series A Bonds by FINANCIAL SECURITY ASSURANCE INC.



**\$8,570,000
SERIES B, REFUNDING BONDS**

Dated: March 15, 2005

Due: September 15, 2005 - 2019

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND/OR YIELDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip Number</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip Number</u>
2005	\$ 40,000	3.00%	2.00%	669402-QM4	2013	\$810,000	3.50%	3.50%	669402-QV4
2006	40,000	3.00	2.25	669402-QN2	2014	795,000	3.625	3.60	669402-QW2
2007	240,000	3.00	2.50	669402-QP7	2015	785,000	3.75	3.70	669402-QX0
2008	235,000	3.25	2.70	669402-QQ5	2016	580,000	4.00	3.85	669402-QY8
2009	830,000	3.25	2.90	669402-QR3	2017	570,000	4.00	3.95	669402-QZ5
2010	895,000	3.375	3.05	669402-QS1	2018	565,000	4.00	4.00	669402-RA9
2011	810,000	4.00	3.20	669402-QT9	2019	560,000	4.00	4.05	669402-RB7
2012	815,000	3.50	3.35	669402-QU6					

Interest on the Series B Bonds will be payable on September 15, 2005 and semiannually thereafter on March 15 and September 15 in each year until maturity. **The Series B Bonds are subject to redemption prior to their stated dates of maturity as described herein.**

Payment of the principal of and interest on the Series B Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series B Bonds.



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

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.

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

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

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

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

The information in this Official Statement has been prepared by the City's Financial Advisor, UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts (the "Financial Advisor"), 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 independent auditors for the City are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A, "Financial Statements" herein), and makes no representation that it has independently verified the same. The auditors have not been engaged nor performed audit procedures regarding the post audit period.

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 City deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

BOND COUNSEL

MURTHA CULLINA LLP

Hartford, Connecticut
(860) 240-6080

FINANCIAL ADVISOR

UNIBANK FISCAL ADVISORY SERVICES, INC.

Whitinsville, Massachusetts
(508) 234-8112

ISSUE SUMMARY – SERIES A

The information in this section and on the cover page 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.

Issuer:	City of Norwich, Connecticut (the “City”)
Date of Sale:	Thursday, March 3, 2005 at 11:30 A.M. (E.S.T.)
Method of Sale:	Sealed and Electronic Bids
Location of Sale:	Offices of Murtha Cullina LLP, CityPlace I, 185 Asylum St., New Main Conference Room, 29 th Floor Hartford, CT 06103.
Issue:	\$3,520,000 City of Norwich General Obligation Bonds, Series A, Capital Project Bonds
Dated Date:	March 15, 2005
Principal Due:	Serially, September 15, 2006-2015, as detailed in this Official Statement
Interest Due:	September 15 and March 15 in each year until maturity, commencing September 15, 2005
Purpose:	The proceeds of this issue are being used to finance various general purpose capital and sewer projects. See “Authorization and Use of Proceeds” herein.
Credit Ratings:	Application for a rating on this issue has been made to Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”). The City’s outstanding bonds have a credit rating of “A+” from S & P and “AA-” from Fitch. See “Ratings” herein.
Redemption	The Series A Bonds are subject to redemption prior to their stated dates of maturity. (See “Optional Redemption” herein).
Security:	The Series A Bonds will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Series A Bonds when due. See “Security and Remedies” herein.
Basis of Award:	Lowest true interest cost (“TIC”) as of the dated date.
Tax Exemption:	Refer to Appendix B – “Form of Opinion of Bond Counsel and Tax Exemption” herein.
Continuing Disclosure:	The City currently files its official statements for primary offerings with all nationally recognized municipal securities information repositories. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, financial information and operating data and notices of material events with respect to the Series A Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form of Appendix B to this Official Statement. See "Form of Continuing Disclosure Agreement" herein.
Bank Qualification:	The Series A Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Separate CUSIPS:	It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Series A Bonds prior to delivery.
Certifying, Paying, Registrar, Escrow and Transfer Agent:	U.S. Bank National Association, Hartford, Connecticut
Bond Counsel:	Murtha Cullina LLP, of Hartford and New Haven, Connecticut
Delivery and Payment:	It is expected that delivery of the Series A Bonds in Book-Entry-Only form to The Depository Trust Company or its agent will be made on or about March 17, 2005 . Delivery of the Series A Bonds will be made against payment in Federal Funds.
Issue Contacts:	Joseph A. Ruffo, Comptroller, City of Norwich, Connecticut, Telephone # (860) 823-3730; David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc., Telephone # (508) 234-8112 ext. 3114.
Additional Information:	Refer to Preliminary Official Statement dated February 17, 2005.

ISSUE SUMMARY - SERIES B

The information in this section and on the cover page 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.

Issuer: City of Norwich, Connecticut (the “City”)

Date of Sale: Thursday, March 3, 2005 at 11:30 A.M. (E.S.T.)

Method of Sale: Sealed and Electronic Bids

Location of Sale: Offices of Murtha Cullina LLP, CityPlace I, 185 Asylum St., New Main Conference Room, 29th Floor Hartford, CT 06103.

Issue: \$8,570,000 City of Norwich General Obligation Bonds, Series B, Refunding Bonds

Dated Date: March 15, 2005

Principal Due: Serially, September 15, 2005-2019, as detailed in this Official Statement

Interest Due: September 15 and March 15 in each year until maturity, commencing September 15, 2005

Purpose: The proceeds of this issue are being used to refund prior to maturity certain principal amounts of its General Obligation Bonds dated February 1, 1996 and General Obligation Bonds dated April 5, 2001. See “Authorization and Use of Proceeds” herein.

Credit Ratings: Application for a rating on this issue has been made to Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”). The City’s outstanding bonds have a credit rating of “A+” from S & P “AA-” from Fitch. See “Ratings” herein.

Redemption: The Series B Bonds are subject to redemption prior to their stated dates of maturity. (See “Optional Redemption” herein).

Security: The Series B Bonds will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Series B Bonds when due. See “Security and Remedies” herein.

Basis of Award: Lowest true interest cost (“TIC”) as of the dated date.

Tax Exemption: Refer to Appendix B – “Form of Opinion of Bond Counsel and Tax Exemption” herein.

Continuing Disclosure: The City currently files its official statements for primary offerings with all nationally recognized municipal securities information repositories. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, financial information and operating data and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form of Appendix B to this Official Statement. See "Form of Continuing Disclosure Agreement" herein.

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

Separate CUSIPS: It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Series B Bonds prior to delivery.

Certifying, Paying, Registrar, Escrow and Transfer Agent: U.S. Bank National Association, Hartford, Connecticut

Bond Counsel: Murtha Cullina LLP, of Hartford and New Haven, Connecticut

Delivery and Payment: It is expected that delivery of the Series B Bonds in Book-Entry-Only form to The Depository Trust Company or its agent will be made on or about **March 17, 2005**. Delivery of the Series B Bonds will be made against payment in Federal Funds.

Issue Contacts: Joseph A. Ruffo, Comptroller, City of Norwich, Connecticut,
Telephone # (860) 823-3730;
David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc.,
Telephone # (508) 234-8112 ext. 3114.

Additional Information: Refer to Preliminary Official Statement dated February 17, 2005.

OFFICIAL STATEMENT

CITY OF NORWICH, CONNECTICUT

\$12,090,000 GENERAL OBLIGATION BONDS

Consisting of

**\$3,520,000 Series A Capital Project Bonds
and \$8,570,000 Series B Refunding Bonds**

INTRODUCTION

This Official Statement, including the cover page, inside cover and appendices, is provided only in connection with the initial offering and sale of the Bonds to present certain financial and supplementary economic and demographic data relevant to the City of Norwich, Connecticut (the "City"), in connection with the sale of \$3,520,000 Series A, Capital Project Bonds (the "Series A Bonds") dated March 15, 2005 and \$8,570,000 Series B, Refunding Bonds (the "Series B Bonds"), dated March 15, 2005 (collectively the "Bonds") of the City, and may not be reproduced or used in whole or in part for any other purpose.. The Bonds are being issued to finance various capital purposes and to advance refund certain maturities of the City's 1996 and 2001 (Series A) bond issues. See "Authorization and Use of Proceeds".

The Bonds are being offered for sale at a public bidding. A Notice of Sale dated February 17, 2005, has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included in Appendix B, for the terms and conditions of bidding.

The Bonds will be general obligations of the City for which its full faith and credit are pledged. They are not guaranteed by the State of Connecticut (the "State") or any other entity. The security for the Bonds is more fully described under the caption "Security and Remedies" below. See also the caption "Form of Opinion of Bond Counsel and Tax Exemption," Appendix B.

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

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

The Bonds will be general obligations of the City for which its full faith and credit are pledged. They are not guaranteed by the State of Connecticut (the "State") or any other entity. The security for the Bonds is more fully described under the caption "Security and Remedies" below. See also the caption "Form of Opinion of Bond Counsel and Tax Exemption," Appendix B.

U.S. Bank National Association, Hartford, Connecticut, will certify the Bonds and act as Registrar, Transfer Agent and Paying Agent for the Bonds and Escrow Agent for the Series B Bonds.

The City deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Joseph A. Ruffo, C.P.A, Comptroller, City of Norwich, Connecticut (860) 823-3730; or David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc., (508) 234-8112 ext. 3114.

The information contained herein has been obtained from the sources indicated or from the City.

PART I
THE BONDS

DESCRIPTION OF THE BONDS

The Series A Bonds will be dated March 15, 2005, and will mature on September 15 of the years and in the principal amounts as follows:

<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>
2006	\$355,000	2011	\$350,000
2007	355,000	2012	350,000
2008	355,000	2013	350,000
2009	355,000	2014	350,000
2010	350,000	2015	350,000

The Series A Bonds will bear interest at the rate or rates per annum specified by the successful bidder. The Series A Bonds are subject to optional redemption prior to their stated dates of maturity.

The Series B Bonds will be dated March 15, 2005, and will mature on September 15 of the years and in the principal amounts as follows:

<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>
2005	\$40,000	2013	\$810,000
2006	40,000	2014	795,000
2007	240,000	2015	785,000
2008	235,000	2016	580,000
2009	830,000	2017	570,000
2010	895,000	2018	565,000
2011	810,000	2019	560,000
2012	815,000		

The Series B Bonds will bear interest at the rate or rates per annum specified by the successful bidder. The Series B Bonds are subject to optional redemption prior to their stated dates of maturity, as described herein.

Interest on the Bonds will be payable September 15, 2005 and semiannually thereafter on March 15, 2005 and September 15 in each year until the date of maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder, using the True Interest Cost "TIC" method. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Transfer System" herein. The Registrar, Certifying, Transfer Agent, Escrow Agent and Paying Agent will be U.S. Bank National Association, of Hartford, Connecticut. The Bonds are subject to optional redemption prior to maturity. See "Optional Redemption" herein. The legal opinion on the Bonds will be rendered by Murtha Cullina LLP, of Hartford and New Haven, Connecticut, as set forth in Appendix B. The Bonds are being issued for purposes described herein under "Authorization and Use of Proceeds". The Bonds SHALL NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein.

COMPUTING INTEREST

Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder, using the True Interest Cost (“TIC”) method.

OPTIONAL REDEMPTION

The following terms of optional redemption apply separately to each of the Series A and Series B Bonds. The Bonds maturing on or before September 15, 2013 are not subject to redemption prior to maturity.

The Bonds maturing on September 15, 2014 and thereafter are subject to redemption prior to maturity, at the election of the City, on and after September 15, 2013, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the redemption price or prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 15, 2013 and thereafter	100.00%

Notice of Redemption

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

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

The City, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the City will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by or the responsibility of the City, the Registrar or Paying Agent.

SECURITY AND REMEDIES

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

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

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

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

The City is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has 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 therefore 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 by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

QUALIFICATION FOR FINANCIAL INSTITUTIONS

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

BOOK-ENTRY TRANSFER SYSTEM

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

DTC, is the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Director Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend (including principal and interest) payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or 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 (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend (including principal and interest) payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

DTC Practices

The Issuer can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission. See "Book-Entry Transfer System" for steps Beneficial Owners may take to augment the receipt of information from DTC.

Replacement Bonds

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

AUTHORIZATION AND USE OF PROCEEDS (1)

The Bonds are issued pursuant to Title 7 of the general statutes of the State of Connecticut, as amended, the charter of the City, and various bond ordinances adopted by the City.

Series A Bonds

The Series A Bonds were authorized for the following capital purposes.

<u>Project</u>	<u>Amount Authorized</u>	<u>Notes Outstanding</u>	<u>New Money(2)</u>	<u>This Issue (2)</u>
Otis Library	\$800,000	\$ 0	\$800,000	\$800,000
Wawecus St. Bridge	800,000	0	500,000	500,000
Dodd Stadium	510,000	0	510,000	510,000
Main & Water sidewalk	400,000	0	400,000	400,000
Wawecus Sewer (3)	400,000	0	370,000	370,000
Pine Street Sewer (3)	765,000	0	265,000	265,000
Harland/Cuprak Road Sewer	800,000	0	75,000	75,000
Waterline Extension	<u>3,110,000</u>	<u>0</u>	<u>600,000</u>	<u>600,000</u>
Total	<u>\$7,785,000</u>	<u>\$ 0</u>	<u>\$3,520,000</u>	<u>\$3,520,000</u>

(1) *Expected use, however the City may expend proceeds on other capital projects to meet its capital cash flow requirements.*

(2) *Subject to change.*

(3) *Debt service for these purposes is expected to be fully supported by user fees.*

Series B Bonds

The Series B Bonds are issued to refund the callable maturities of general obligation bonds of the City, dated February 1, 1996 and April 5, 2001. The City expects to achieve present value savings in its debt service by issuing the Series B Bonds. See "The Refunding Plan" herein.

SOURCES AND USES OF FUNDS

The following information summarizes the estimated sources and uses of funds on the Bonds:

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:

Principal amount of the Bonds	\$ 12,090,000
Net original issue premium	118,413
Accrued interest	<u>2,418</u>
Total sources	\$ 12,210,831

Uses:

Refunding bond escrow deposit fund	\$ 8,496,207
Deposit to capital project fund	3,493,360
Costs of issuance	136,500
Underwriters' discount	80,244
Accrued interest	2,418
Contingency/rounding	<u>2,102</u>
Total uses	\$12,210,831

The Refunding Plan

The Series B Bonds are being issued to refund the Issuer's outstanding general obligation bonds as set forth below (the "Refunded Bonds"). The list of Refunded Bonds may be changed by the City in its sole discretion due to market factors or other factors considered relevant by the City at the time of pricing of the Series B Bonds, and no assurance can be given that any particular series of bonds listed or that any particular maturity thereof will be refunded. The refunding is contingent upon delivery of the Series B Bonds.

<u>Issue</u>	<u>Original Issue</u>	<u>Principal Amount Refunded*</u>	<u>Maturities Refunded</u>	<u>Payment/ Redemption Date</u>	<u>Payment/ Redemption Price</u>
General Obligation Bonds dated February 1, 1996	\$3,750,000	\$1,750,000	2007-2015	08/01/06	101%
General Obligation Bonds dated April 5, 2001	23,520,000	6,455,000	2010-2020	04/01/09	100%

*Preliminary; subject to change.

The Refunded Bonds mature as set forth below:

<u>Bonds Dated February 1, 1996</u>				<u>Bonds Dated April 5, 2001</u>			
<u>Due August 15</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Due April 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>
2007	\$200,000	4.70%	669402JJ9	2010	\$ 585,000	4.000%	669402MA4
2008	195,000	4.70	669402JK6	2011	655,000	4.100	669402MB2
2009	195,000	4.80	669402JL4	2012	575,000	4.250	669402MC0
2010	195,000	4.90	669402JM2	2013	585,000	4.375	669402MD8
2011	195,000	5.00	669402JN0	2014	585,000	4.500	669402ME6
2012	195,000	5.00	669402JP5	2015	585,000	5.000	669402MF3
2013	195,000	5.00	669402JQ3	2016	585,000	5.000	669402MG1
2014	190,000	5.00	669402JR1	2017	575,000	5.000	669402MH9
2015	190,000	5.00	669402JS9	2018	575,000	5.000	669402MJ5
Total	\$1,750,000			2019	575,000	5.000	669402MK2
				2020	575,000	5.500	669402ML0
				Total	\$6,455,000		

Upon delivery of the Series B Bonds, the proceeds of the Series B Bonds together with certain funds of the Issuer will be placed in an irrevocable trust (the “Escrow Deposit Fund”) established with U.S. Bank National Association as escrow agent (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) to be dated as of March 17, 2005 between the Escrow Agent and the Issuer. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America, which may include, without limitation, United States Treasury State and Local Government Securities (“SLGS”), or non-callable non-prepayable Federal National Mortgage Association (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FHLMC”) obligations, (collectively the “Government Obligations”). The principal of and interest on the Government Obligations, when due, will provide amounts sufficient to meet principal, interest payments, and redemption prices of the Refunded Bonds on the redemption dates. All investment income on and maturing principal of the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal of, interest, and redemption premium on the Refunded Bonds will be irrevocably deposited by the Issuer for payment of the Refunded Bonds. The balance of the proceeds of the Refunding Bonds will be used to pay costs of issuance and underwriter’s discount. The Escrow Agreement requires that the Escrow Agent call for redemption of the Refunded Bonds.

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

Verification of Mathematical Computations

The accuracy of the mathematical computations as of the date of the closing on the Bonds of (1) the adequacy of the maturing principal amounts of the Government Obligations together with interest income thereon and uninvested cash, if any, to pay when due, the principal, interest and call premium payments required on the Refunded Bonds to and including on the redemption date, (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of Internal Revenue Code of 1986, as amended, and (iii) net present value savings, will be verified by McGladrey & Pullen, LLP, independent certified public accountants. Such verification shall be based on information and assumptions supplied by the underwriters and the Issuer, and such verification, information, assumptions, and calculations of net present value savings to the Issuer as a result of issuance of the Refunding Bonds, will be relied upon by Bond Counsel in rendering its opinion described herein. McGladrey & Pullen, LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

RATINGS

Standard & Poor's and Fitch Ratings have assigned their municipal bond rating of "AAA" to the Series A Bonds, with the understanding that with the delivery of the Series A Bonds, a policy insuring the payment when due of the principal and interest on the Series A Bonds will be issued by Financial Security Assurance Inc. (See Appendix C)

Standard & Poor's and Fitch Ratings have assigned their municipal bond ratings of "AAA" to the Series B Bonds, with the understanding that with the delivery of the Series B Bonds, a policy insuring the payment when due of the principal and interest on the Series B Bonds will be issued by Ambac Assurance Corporation. (See Appendix D)

The underlying rating for the issue issued by Standard & Poor's was A+. The underlying rating issued by Fitch was AA-.

CONTINUING DISCLOSURE

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

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

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

BOND INSURANCE

Financial Security Assurance Inc. will issue an insurance policy guaranteeing payment of principal and interest on the Series A Bonds (See Appendix C herein).

Ambac Assurance Corporation will issue an insurance policy guaranteeing payment of the principal of and interest on the Series B Bonds. (See Appendix D herein.)

PART II

THE CITY

Norwich, founded in 1659, is one of the major urban centers of eastern Connecticut. While Norwich ranks 26th in population statewide, it is the second largest municipality in eastern Connecticut (defined as New London, Tolland, and Windham counties.) Norwich is one of the larger municipalities as well in a larger area that shares important economic and cultural ties. This area includes Rhode Island and Southern Worcester County, Massachusetts, as well as eastern Connecticut. Within this area, Norwich ranks eighth in population. The city was incorporated in May, 1784. The city and town were consolidated on January 1, 1952. Norwich covers an area of 27.1 square miles located 40 miles southeast of Hartford surrounded by Montville, Preston, Lisbon, Sprague, Franklin and Bozrah.

The city is 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 which connects to I-95 and I-90. 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, T.F. Green Airport (Providence) to the east and Bradley Airport to the northwest. Norwich Harbor provides a 600 foot turning basin connecting with the Thames River and Long Island Sound.

The city is rich in historical significance. Throughout the city there are hundreds of historical and architecturally significant structures, including a central business district which is a registered historic district containing some of the oldest structures in Connecticut and a variety of former mill structures (many of which are being reused for residential and commercial purposes). 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 industrial park offers commercial and industrial sites on more than 400 wooded acres with current businesses within the Park employing over 2,200 people.

The city has the 350-acre Mohegan Park in the heart of the city as well as an eighteen-hole public golf course, a modern municipal ice rink and Dodd Stadium, which is home to the Norwich Navigators (a Double-A minor league baseball team). Mohegan Park facilities include a public beach, hiking trails, rose gardens, tennis courts, picnic areas, concession stands and a restaurant.

The city school system includes 11 public and three parochial elementary schools, two public junior high schools, a public high school, and a privately-endowed high school, The 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 Technical College, offering associate degree programs.

Also located within the city are various health facilities including the 213 bed Backus Hospital, which has recently implemented a fully-integrated computer information system in order to serve its patients better and faster. Additionally, one of the two courthouses in the County is located in the downtown area.

FORM OF GOVERNMENT

The City of Norwich operates under a charter adopted in 1952, which was most recently revised March 27, 2001. 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 a Mayor, all elected at large. Elections are held during odd calendar years as provided by state statute.

In addition to all powers granted to town and cities under the Connecticut 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 by-laws 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.

Principal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection & Term</u>	<u>Length of Service</u>
City Council:			
Mayor	Arthur L. Lathrop	Elected – 4 years	3 years
Aldersperson	John P. Mereen	Elected – 2 years	9 years
Aldersperson	John M. Newson	Elected – 2 years	1 year
Aldersperson	Todd C. Postler	Elected – 2 years	5 years
Aldersperson	Jacqueline Caron	Elected – 2 years	3 years
Aldersperson	John D. Crooks, Sr.	Elected – 2 years	1 year
Aldersperson	Benjamin P. Lathrop	Elected – 2 year	5 years
City Manager	Richard A. Podurgiel	Appointed – Indefinite	34 years
Assistant City Manager	Robert Zarnetske	Appointed – Indefinite	1 year
Comptroller	Joseph A. Ruffo	Appointed – Indefinite	18 years
Deputy Comptroller	Joshua A. Pothier	Appointed – Indefinite	2 years
Treasurer	William J. Murray	Elected – 2 years	15 years
Tax Collector	Theresa M. Giovanni	Appointed – Indefinite	30 years
Assessor	Charles Glinski	Appointed – Indefinite	24 years
City Clerk	Dee Anne Brennan	Appointed – Indefinite	26 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	3 years
Superintendent of Schools	Michael Frechette, PhD.	Appointed – Indefinite	8 years
Chairman, Board of Education	John P. LeVangie	Elected – 2 years	1 year

Municipal Employees

<u>Fiscal Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Public Utilities</u>	<u>Total</u>
2005	302	548	137	987
2004	301	548	137	986
2003	322	535	138	995
2002	343	567	133	1,043
2001	334	522	136	992
2000	328	528	130	986
1999	338	530	127	995
1998	321	520	124	965
1997	320	526	129	975
1996	340	631	137	1,108
1995	323	631	137	1,091

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 55 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 137 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 2004-05 were equivalent to 3 mills of taxes. The NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption.

The NPU consists of three divisions: The Utility Operations Division, the Customer Service Division, and the Business Services Division. Each division has clearly defined goals that were developed as part of the current business plan.

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

The Electric Operations is currently involved in upgrading its distribution circuits for 4,800 volts to 13,800 volt service, increasing system reliability and capacity for growth. A recent upgrade in the systems provided connectivity to the newly expanded Mohegan Sun Complex. Agreements between the NPU and the Mohegan Tribe have forged a mutually beneficial link between the City of Norwich and the Mohegan Tribe

The NPU is responsible for the operation of 123 miles of pressurized gas mains and services, and has expanded its distribution system to transport gas for the Mashantucket Pequot Tribal Nation, with a high-pressure distribution system expansion serving portions of the Town of Preston. Gas operations monitors, operates, and maintains a liquified natural gas plant and two peak-shaving plants. The NPU purchases its natural gas supply through the Municipal Gas Authority of Georgia, a non-profit natural gas joint action agency, which ensures the NPU customers are getting all the advantages of a joint action municipal cooperative.

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 2002-03, 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. 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 \$64.00 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.

EDUCATIONAL SYSTEM

Norwich has a nine member Board of Education. The Board members are elected to two-year terms. The officers of the Board include a Chairman, a Vice-Chairman and a Secretary. They are elected by the Board members at the organizational meeting held every year in November.

The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submissions, policies ensuring that funds for education as appropriated by the city are properly expended, implementation of both state and federal laws, and planning for facilities needed by the educational system, including construction and renovation.

The city operates twelve public schools for grades kindergarten through grade twelve. Also located in the city is the Norwich Free Academy, a privately endowed high school that serves the city. Enrollment in grades kindergarten through twelve as of October 1, 2004 was 3,858. The system wide rated capacity of all facilities is 5,810. The Board has 625 employees to fulfill its instructional objective. They comprise two groups: 364 certified personnel and 261 non-certified personnel including secretaries, clerks, cafeteria workers, custodians, maintenance personnel and paraeducators.

School Enrollment (1)

Fiscal Year	Elementary Grades <u>K-6</u>	Junior High Grades <u>7-8</u>	Senior High Grades <u>9-12</u>	Special Education	Total Enrollment	NFA (2) 9-12 Enrollment
1994-1995	3,462	808	49	176	4,495	1,124
1995-1996	3,208	835	37	185	4,265	1,153
1996-1997	3,120	846	46	180	4,192	1,128
1997-1998	2,981	846	43	192	4,062	1,218
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

Fiscal Year	Elementary Grades <u>K-6</u>	Junior High Grades <u>7-8</u>	Senior High Grades <u>9-12</u>	Special Education	Total Enrollment	NFA (2) 12-Sep Enrollment
2005-2006	2,533	1,387	48	323	4,291	1,571
2006-2007	2,524	1,390	48	323	4,285	1,566
2007-2008	2,544	1,254	48	323	4,169	1,562
2008-2009	2,576	1,254	48	323	4,201	1,672

(1) As of October 1

(2) Norwich Free Academy

Source: City of Norwich Board of Education

School Facilities

	<u>Grades</u>	<u>Date of Construction</u>	<u>Number of Classrooms</u>	<u>Estimated Enrollment 10/01/04 (1)</u>	<u>Rated Capacity</u>
Bishop School	PreK-5	1925	11	136	220
Administration Building		1893	N/A	N/A	N/A
Greenville School	PreK-5	1956	18	337	400
Hickory Street School	7-12 (2)	1890	4	15	50
Stanton School	PreK-5	1956	23	304	440
Moriarty School	PreK-5	1975	33	404	620
Kelly School	6-8	1962	45	689	1,170
Norwich High School	9-12	1956	9	84	310
Deborah Tennant-Zinewicz School	7-12 (2)	1975	5	39	70
Huntington School	PreK-5	1928	18	357	450
Teachers School	6-8	1975	30	538	760
Mahan School	PreK-5	1968	17	258	320
Uncas School	PreK-5	1975	18	257	340
Veterans School	PreK-5	1968	17	208	320
Wequonnoc School	PreK-5	1962	17	232	340
Total			265	3,858	5,810

(1) Excludes special education students.

(2) Special Education

Source: City of Norwich, Board of Education.

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 quasi-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/industrial land, 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.

Downtown Activities

The Mercantile Exchange at Chelsea Harbor is an 87,000 square foot class-A office building located on Water and Main Streets overlooking the Harbor. The Mashantucket Pequot Tribal Nation has a long-term lease with an option to purchase the building from the NCDC. Tenants include the Pequot Academy from the Mashantucket Pequot Tribal Nation, audio-visual, internal audit, logistics, and records management, all of which are departments of the MPTN. A 5,000 square foot upscale restaurant pad with outdoor patio overlooking the Harbor remains available for lease. The \$18 million-dollar project was financed through a consortium of regional banks, the State DECD, The City of Norwich and the Mashantucket Pequot Tribal Nation. Construction was completed fall of 2004 and a grand opening held mid October.

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

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

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

Rose City Renaissance – As a Main Street community, RCR is committed to improving and revitalizing downtown Norwich, with the overarching vision of making the downtown district a friendly environment in which to work, live and play. Using the Main Street Program's four-point approach to downtown revitalization – organization, promotion, design and economic restructure – RCR endeavors to motivate the entire community made up of members from business, city government, and private citizens to work together to create a safe and interesting city center for the community to enjoy. The RCR is in the process of establishing a Design Center where citizens can review and discuss various development projects underway. Executive Rick Kramer can be reached at 860-887-3289.

New Businesses

Small businesses and entrepreneurs continue to locate downtown and are starting a renaissance of renovation and rehabilitation of a number of buildings. The Fair Haven Hotel has new owners working to refurbish the upper floors into several housing units. The Norwich Arts Council is renovating space next door to accommodate a coffee house café and the Main Street site of the popular Merrihew's is reopening in early 2005 with a new owner who will eventually offer a special dinner menu. Candlelight Rose, a ceramics shop offering classes and ceramic gift sales, Agaake Salat Art Works Gallery located above Candlelight Rose offers art exhibitions and sales. Athena Trading, a shop that manufactures and mail orders domestics, will soon open a retail section next door to the Norwich Heritage Discovery Center.

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

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

Otis Library expansion. An important community resource is the 150-year-old Otis Library located at 261 Main St. Renovation and reconstruction of the Otis will begin in early 2005 when the library makes a temporary move across the street to allow construction. The library plans to be back into its new space by end of 2006 providing another anchor for downtown development, and is a major component of the city's development efforts in the downtown.

Industrial Sector Activities

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

- Easter Seals of CT & RI opened its doors in 2004 with 35 employees serving a large regional client base.
- Donovan Marine and the Green Dragon also joined the Business Park in 2004.
- The Atlantic City Linen Services - New England, a commercial laundry facility located on Consumers Avenue contracting to the local casino hotels has plans to expand its facility in 2005 bringing with it more employees.
- While not technically inside the boundaries of the Park, four new housing developments are in the works and will provide much needed residential units for employees of the Park and throughout the region. The units are comprised mainly of two bedroom rental and condominium units.

Major long-term companies in the Park include Computer Sciences Corporation, also the Park's largest employer with 700 employees. Longwood Engineered Products has a work force of 155. Consumer's Interstate Corporation, a wholesale paper and food distributor whose business has tripled with new contracts with the local casinos, employees 75, and Levine Distributing, another beverage distributor, employees 55 people. Collins & Jewell Company employees 40 people who custom build machines for industrial applications all over the world. Daticon, employing over 300 people from around the region, is a newly constructed legal and medical document storage and retrieval facility. Prime Enterprises, an electrical contractor, is expanding his business to include a new 10,500 building which is quickly being sought out for new build-out.

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

Housing

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

The anticipated value of this residential construction value to the city is approximately \$246 million and will be added to the city's grand list over the next two years. In addition, prospective developers are considering another 800 units generated through adaptive reuse of a number of historic mill properties. One of the large historic mill complexes, in the Taftville section of Norwich, has a new owner with plans for conversion to residential units in 2006.

ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<u>Year</u>	<u>City of Norwich</u>	<u>New London County</u>	<u>State of Connecticut</u>
2004	36,218	265,499	3,507,246
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; CERC Town Profile December 2004.

Age Characteristics of Population

<u>Age Group</u>	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 18	8,579	23.7%	859,803	24.5%
18-24	3,530	9.8	311,209	8.9
25-49	12,722	35.1	1,239,795	35.4
50-64	5,808	16.0	614,161	17.5
65 and over	5,579	15.4	482,278	13.8
Total	<u>36,218</u>	<u>100.0%</u>	<u>3,405,565</u>	<u>100.0%</u>

Source: CERC Town Profile December 2004.

Educational Attainment

Years of School Completed, Age 25 & Over

<u>Group</u>	<u>City of Norwich</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th Grade	1,925	8.0%	132,917	5.8%
9 th to 12 th 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
Associates degree	1,447	6.0	150,926	6.6
Bachelor's degree	2,588	10.7	416,751	18.2
Graduate or professional degree	<u>1,970</u>	<u>8.2</u>	<u>304,243</u>	<u>13.2</u>
Total	<u>24,125</u>	<u>100.0%</u>	<u>2,295,617</u>	<u>100.0%</u>

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

Percent of High School Graduates	79.5%	84.0%
Percent of College Graduates	18.9%	31.4%

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

Selected Wealth and Income Indicators

Median family income and, as available, per capita income statistics are provided for the city, New London County, the State, and the United States.

	Median Family Income (2000)	Per Capita Income (2000)
City of Norwich	\$49,155	\$20,742
New London County	59,857	24,678
Connecticut	65,521	28,766
United States	35,353	14,617

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

Value of Building Permits

The following schedule shows the level of building permits and their estimated value over the last ten years:

Fiscal Year Ended 6/30	Residential	Commercial/ Industrial	Other	Total
2005 (1)	\$17,109,318	\$4,102,195	\$3,850	\$21,215,363
2004	45,593,530	16,831,954	3,115,550	65,541,034
2003	19,089,299	17,880,992	1,294,840	38,265,131
2002	13,356,824	12,439,424	309,100	26,105,348
2001	7,823,231	14,108,218	1,878,841	23,810,290
2000	14,620,476	10,088,388	930,620	25,639,484
1999	6,453,551	13,336,265	12,300,487	32,090,303
1998	7,687,355	6,985,600	4,305,435	18,978,390
1997	8,463,023	25,789,017	967,660	35,219,700
1996	7,500,999	26,977,713	1,221,988	35,700,700
1995	8,429,667	5,699,998	12,199,687	26,329,352

(1) As of December 31, 2004

Source: City of Norwich, Building Department.

Age Distribution of Housing

Year Built	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
1939 or earlier	8,003	48.6%	336,626	25.5%
1940 to 1969	4,991	30.3	569,937	43.1
1970 to 1979	1,877	11.4	206,852	15.7
1980 to March 1990	1,601	9.7	207,435	15.7
Total Housing Units, 1990	<u>16,472</u>	<u>100.0%</u>	<u>1,320,850</u>	<u>100.0%</u>

Source: U.S. Department of Commerce, Bureau of Census, 1990.

Number of Dwelling Units

<u>2002 (1)</u>	<u>1999 (1)</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>% Increase 1980-2002</u>	<u>% Increase 1970-2002</u>
16,746	16,580	16,472	15,265	14,005	8.61%	18.39%

(1) CT Town Profiles, CT Department of Economic and Community Development

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

Unemployment Rate Statistics

The following table presents unemployment rates for the city, the New London Labor Market, the State, and the United States:

<u>Yearly Average</u>	<u>City of Norwich</u>	<u>New London Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
1990	6.8%	5.7%	5.1%	6.0%
1991	8.4	7.0	6.7	6.8
1992	8.3	7.0	7.5	7.3
1993	6.8	5.9	6.2	6.8
1994	6.1	5.3	5.6	6.1
1995	6.3	5.3	5.5	5.6
1996	7.3	5.9	5.7	5.4
1997	6.9	5.7	5.1	4.9
1998	4.9	3.9	3.4	4.5
1999	4.4	3.3	3.2	4.2
2000	2.9	2.2	2.3	4.0
2001	3.5	2.8	3.3	4.7
2002	4.7	3.7	4.3	5.8
2004	5.8	4.3	4.8	5.8

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

Major Employers

The following are the largest employers located in Norwich.

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
William W. Backus Hospital	Medical Center	1,650
Computer Science Corporation	Computer Services	700
ShopRite Norwich	Grocery Store	418
Interim Healthcare of Eastern CT	Healthcare	400
Daticon	Legal document storage	300
Norwich Inn and Spa	Lodging/Health Spa	300
US Foodservice	Food/Merch Distributor	223
Bob's Furniture	Furniture Distribution	202
The American Group	Financial Services	200
Big Y Foods	Grocery Store	200
The Norwich Bulletin	Newspaper	200
Walmart	Department Store	200
Three Rivers Community College	Higher Education	166
Longwood Engineering Products	Gasketing/Sealing Manufacturing	155
Phelps Dodge	Copper Rod Manufacturer	150
Gunther International	Light Machinery Assembly	150
Stop & Shop	Grocery Store	130
Norwichtown Convalescent Home	Convalescent Home	115
Total		<u>5,859</u>

Source: NCDC

CITY INDEBTEDNESS - Pro Forma as of March 17, 2005

Computation of Statutory Debt Limit and Debt Margin

The following table sets forth the computation of the statutory debt limit of the city and the debt margin as of March 17, 2005, adjusted to give effect to this financing:

Total Fiscal Year 2004 collections of the city (including interest and lien fees)	\$43,025,812
Total Fiscal Year 2004 collections of the city Fire District (including interest and lien fees)	2,523,115
Total Fiscal Year 2004 collections of the city Refuse Division (including interest and lien fees)	1,472,179
State Grant for Revenue Loss on Tax Relief for the Elderly	<u>40,772</u>
Base for Establishing Debt Limit	<u>\$47,061,818</u>

Debt Limit (1)

The following table presents the debt limits applicable to the city. Under Connecticut General Statutes in no case, however, shall total indebtedness exceed seven times annual receipts from taxation (the "Base") or \$329,432,726.

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit	Total
Debt limitation:						
2-1/4 times base	105,889,091	-	-	-	-	-
4-1/2 times base	-	211,778,181	-	-	-	-
3-3/4 times base	-	-	176,481,818	-	-	-
3-1/4 times base	-	-	-	152,950,909	-	-
3 times base	-	-	-	-	141,185,454	-
7 times base	-	-	-	-	-	329,432,726
Debt as defined by statute:						
Bonds and notes payable						
(excluding water \$2,966,938)	16,253,112	7,869,656	6,810,232	-	-	30,933,000
This Issue	5,304,305	4,020,757	710,000	-	-	10,035,062
Less: School Grants	-	1,842,000	-	-	-	1,842,000
Bond authorized but unissued	3,472,000	660,000	1,040,000	-	-	5,172,000
Total indebtedness	25,029,417	10,708,413	8,560,232	-	-	44,298,062
Debt limitation in excess of outstanding and authorized debt	80,859,674	201,069,768	167,921,586	152,950,909	141,185,454	285,134,664

Calculation of Net Direct Indebtedness

The following table sets forth all outstanding bond and note indebtedness of the city, as of March 17, 2005, adjusted to give effect to this financing except for the refunding portion thereof, less applicable exclusions:

INDEBTEDNESS (1)		
BONDED DEBT – THIS ISSUE		
General	\$ 5,304,305	
Schools	4,020,757	
Water	2,054,938	
Sewer	<u>710,000</u>	
Total This Issue		\$12,090,000
BONDED DEBT – OUTSTANDING ISSUES (2)		
General	\$16,253,112	
Schools	7,869,656	
Sewer	6,810,232	
Water	912,000	
Urban Renewal	-	
Pensions	-	
Other	<u>-</u>	
Total Outstanding Issues		<u>31,845,000</u>
Total Bonded Indebtedness		\$43,935,000
SHORT TERM DEBT		
Bond Anticipation Notes	\$ 0	
Grant Anticipation Notes	0	
Revenue Anticipation Notes	<u>0</u>	
Total Short Term Debt		<u>0</u>
TOTAL DIRECT INDEBTEDNESS		<u>\$43,935,000</u>
EXCLUSIONS		
Self Supporting Debt (3)	\$ 8,875,369	
School Construction Grants (4)	<u>1,842,000</u>	
Total Exclusions		<u>10,717,369</u>
NET DIRECT INDEBTEDNESS		<u>\$33,217,631</u>

(1) Does not include city capital leases. See "Capital Lease Agreements", page 34 herein. Does not include revenue debt secured solely by the revenues of the Utility Enterprise Fund. Outstanding revenue bonds excluded are the following: \$5,494,153 principal currently outstanding on State of Connecticut Clean Water Fund Obligations, and \$515,569 principal currently outstanding on a State of Connecticut Development loan for water system improvements.

(2) Excludes bonds refunded by the Series B Bonds.

(3) Exclusions for self-supporting debt include certain water and sewer issues of the city: \$242,000 outstanding for bonds issued for water main improvements, originally dated April 15, 1986; \$448,137 outstanding bonds issued for the Stony Brook Reservoir, originally dated February 1, 1996; \$2,106,888 outstanding bonds issued for sewerage improvements, originally dated November 15, 1997; \$433,344 outstanding bonds issued for sewerage improvements, originally dated November 1, 1999, \$1,945,000 outstanding bonds issued for sewerage improvements, originally dated April 9, 2002; \$2,930,000 outstanding bonds issued for sewerage improvements, originally dated April 15, 2004 and \$770,000 for the current offering.

(4) Takes into account school construction grants including \$1,842,000 of grants receivable for school projects financed prior to July 1, 1996.

History of Outstanding Indebtedness

The following table sets forth the total long-term bonded indebtedness and short-term indebtedness outstanding as of the end of the fiscal years 1995-2004.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Bonded</u> <u>Indebtedness</u>	<u>Short Term</u> <u>Indebtedness</u>	<u>Total Outstanding</u> <u>Indebtedness</u>
2004	\$40,325,000	\$ -	\$40,325,000
2003	40,945,000	-	40,945,000
2002	45,306,000	-	45,306,000
2001	43,415,000	-	43,415,000
2000	33,875,000	6,510,000	40,385,000
1999	29,845,000	9,910,000	39,755,000
1998	32,685,000	9,910,000	42,595,000
1997	25,220,000	2,880,000	28,100,000
1996	27,110,000	105,000	27,215,000
1995	29,000,000	4,710,000	33,710,000
1994	12,270,000	5,795,000	18,065,000

Outstanding Short-Term Indebtedness

As of March 17, 2005, the city has no outstanding bond anticipation notes.

Clean Water Fund Program

The City of Norwich is a participant in the State of Connecticut's Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible cost (with the exception of combined sewer overflow correction projects, which are financed with a 50% grant and a 50% loan). Loans to each municipality are made pursuant to a Project Loan and Grant Agreement. During construction the municipality enters into a short term borrowing agreement with the State called an Interim Funding Obligation ("IFO") from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion a 20-year debt obligation called a Project Loan Obligation ("PLO") is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the loan agreement, or the actual project completion date. The final maturity of each loan is 20 years from the scheduled completion date. Principal and interest payments are payable (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in a single annual installment representing 1/20 of total principal not later than one year from the project completion date specified in the loan agreement, the first year's date, and thereafter in monthly installments. Borrowers may elect to make level debt payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The City's Clean Water Act Program financings are solely secured by the water and sewer revenues, as applicable. See "Revenue Bonds".

Revenue Bonds

The city has four Project Loan Obligations (PLO) issued to the State of Connecticut under the Clean Water Fund Program to finance the planning, design and construction of various sewerage and water improvements. The original principal amount issued was \$7,526,301.04, of which \$5,494,153 is outstanding as of March 17, 2005. The city has received \$4,476,000 in grants to date for the projects funded by the PLOs. The debt service payable on such obligations is secured solely from revenues of the Sewer and Water Divisions of the NPU.

The city has bonds outstanding for the amount of \$430,000, the proceeds of which were used for improvements to Stony Brook Reservoir. The bonds are secured by the city's General Obligation pledge, but are paid from Water Division revenues. Additional Stony Brook Reservoir improvements were financed through a water revenue secured loan from the State of Connecticut Department of Economic Development in the principal amount of \$1,000,000, bearing interest at 6%, originally issued on May 11, 1993, for which \$515,569 is outstanding.

Capital Lease Agreements

The city enters into leases to fund the purchase of miscellaneous equipment and vehicles. The Department of Public Utilities has outstanding Lease Agreements of \$1,641,000, both as of March 17, 2005. The NPU Lease Agreements are secured by revenues of the NPU.

Overlapping and Underlying Indebtedness

The city has no overlapping or underlying indebtedness.

Debt Ratios

The following table sets forth certain ratios relating to the city's indebtedness, giving effect to this financing, as of March 17, 2005:

	<u>Amount of Indebtedness</u>	<u>Per Capita (1)</u>	<u>% of Full Valuation (2)</u>
Direct Indebtedness (3)	\$43,935,000	\$1,213	1.75%
Net Direct Indebtedness (3)	33,217,631	917	1.32

(1) The city's 2004 population is 36,218 (See "Population Trends" herein.)

(2) The October 1, 2002, Equalized Net Grand List, i.e. the estimated valuation of taxable property, is \$2,512,264,380. Source: October 2004 State of Connecticut Municipal Fiscal Indicators

(3) See "Calculation of Net Direct Indebtedness" on page 24 herein.

Authorized Unissued Debt

The following table presents the total debt authorizations, the amounts included in the Bonds (except the refunding portion), and the remaining authorized unissued debt of the city.

Project Purpose	Original Authorization	Prior Bonds Issued/Paydowns	The Bonds	Authorized but Unissued
General:				
Building Demolition	700,000	520,000	-	180,000
Industrial Park Road	510,000	470,000	-	40,000
Main & Water Streets (Heritage Museum)	800,000	75,000	-	725,000
Wauregan Hotel	800,000	400,000	-	400,000
Capehart Mill Historic Preservation	800,000	115,000	-	685,000
Purchase of Flatiron Building	142,000	-	-	142,000
Otis Library Expansion	800,000	-	800,000	0
Wawecus Street Bridge	800,000	-	500,000	300,000
NL Tpke & Pleasant St Bridges	200,000	-	-	200,000
Dodd Stadium Improvements	510,000	-	510,000	0
Main & Water Sts. & Boswell Ave Sidewalks & Lighting	400,000	-	400,000	0
<i>Subtotal - General Purpose</i>	<i>7,262,000</i>	<i>1,580,000</i>	<i>2,210,000</i>	<i>3,472,000</i>
Schools:				
Kelly/Memorial Middle Schools	660,000	-	-	660,000
<i>Subtotal - Schools</i>	<i>660,000</i>	<i>-</i>	<i>-</i>	<i>660,000</i>
Sewer:				
Sludge Handling	550,000	495,000	-	55,000
Fairground Circle Sewer	785,000	520,000	-	265,000
Wawecus Street Sewers	400,000	-	370,000	30,000
Harland/Cuprak Rd. Sewers	800,000	725,000	75,000	0
Pine Street Sewers	765,000	500,000	265,000	0
<i>Subtotal - Sewers</i>	<i>4,590,000</i>	<i>2,840,000</i>	<i>710,000</i>	<i>1,040,000</i>
Water:				
Extension of City Water Lines	3,110,000	2,510,000	600,000	0
<i>Subtotal - Water</i>	<i>3,110,000</i>	<i>2,510,000</i>	<i>600,000</i>	<i>0</i>
Grand Total	15,622,000	6,930,000	3,520,000	5,172,000

(1) Expected to be grant funded.

**COMBINED SCHEDULE OF BONDED DEBT THROUGH MATURITY
GENERAL FUND**

**AS OF
March 17, 2005**

Fiscal Year	Principal Payments	Interest Payments	Total Debt Service	Principal The Bonds (1)	Total All Principal
2005	\$4,202,000	\$1,718,233	\$5,920,233	-	\$4,202,000
2006	4,597,000	1,523,731	6,120,731	-	4,597,000
2007	3,796,000	1,320,808	5,116,808	281,000	4,077,000
2008	3,560,000	1,157,873	4,717,873	281,000	3,841,000
2009	2,800,000	1,018,540	3,818,540	281,000	3,081,000
2010	2,840,000	911,781	3,751,781	281,000	3,121,000
2011	2,770,000	803,100	3,573,100	281,000	3,051,000
2012	2,675,000	693,904	3,368,904	281,000	2,956,000
2013	2,670,000	584,111	3,254,111	281,000	2,951,000
2014	2,660,000	469,779	3,129,779	281,000	2,941,000
2015	1,605,000	352,891	1,957,891	281,000	1,886,000
2016	1,375,000	281,515	1,656,515	281,000	1,656,000
2017	1,220,000	221,755	1,441,755	-	1,220,000
2018	1,145,000	165,172	1,310,172	-	1,145,000
2019	1,040,000	111,709	1,151,709	-	1,040,000
2020	840,000	61,875	901,875	-	840,000
2021	265,000	19,875	284,875	-	265,000
2022	265,000	6,625	271,625	-	265,000
2023	-	-	-	-	-
2024	-	-	-	-	-
<hr/>					
	\$40,325,000	\$11,423,277	\$51,748,277	\$2,810,000	\$43,045,000
<hr/>					

(1) The Series A Bonds only.

**COMBINED SCHEDULE OF BONDED DEBT THROUGH MATURITY
ENTERPRISE FUNDS**

**AS OF
March 17, 2005**

Fiscal Year	Principal Payments	Interest Payments	Total Debt Service	Principal The Bonds (1)	Total All Principal
2005	\$ 462,344	\$ 186,097	\$ 648,441	\$ -	\$ 462,344
2006	491,026	171,521	662,547	-	491,026
2007	496,066	156,588	652,654	74,000	570,066
2008	481,471	139,800	621,271	74,000	555,471
2009	692,261	142,623	834,884	74,000	766,261
2010	503,450	114,025	617,475	74,000	577,450
2011	515,060	98,968	614,028	74,000	589,060
2012	527,619	83,434	611,053	69,000	596,619
2013	447,258	67,416	514,674	69,000	516,258
2014	454,705	56,461	511,166	69,000	513,705
2015	457,326	45,459	502,785	69,000	526,326
2016	465,119	34,408	499,527	69,000	534,119
2017	300,590	24,853	325,443	-	300,590
2018	236,528	19,052	255,580	-	236,528
2019	240,551	13,428	253,979	-	240,551
2020	169,381	8,396	177,777	-	169,381
2021	172,720	4,066	176,786	-	172,720
2022	60,781	491	61,272	-	60,781
2023	-	-	-	-	-
2024	-	-	-	-	-
	<u>\$ 7,174,256</u>	<u>\$ 1,367,086</u>	<u>\$ 8,541,342</u>	<u>\$710,000</u>	<u>\$ 7,884,256</u>

(1) The Series A Bonds only.

CITY FINANCIAL DATA

Accounting Policies

The city's accounting policies are summarized in Note 1 "Reporting Entity, Description of funds and Account Groups, and Summary of Significant Account Policies" in the Notes to Financial Statements, in Appendix A herein.

Basis of Accounting

See Note 1 of "Notes to General Purpose Financial Statements", in Appendix A herein.

Audit

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the City Charter, the city is obligated to undergo an annual examination by an independent certified public accountant. The auditors, McGladrey & Pullen, LLP, were appointed by the City Council, and are required to conduct their examination under the guidelines issued by the State of Connecticut, Office of Policy & Management, who receive a copy of said Audit Report when completed. The 2003-04 Audit Report was completed during December, 2004.

Budgetary Procedures

The City of Norwich conforms to the following budgetary sequences and time schedules:

	<u>By</u>
Preparation of expenditure and revenue estimates by all department heads and Board of Education and submitted to the City Manager	January 2 nd
Department Heads review proposals with City Manager	During January
Preparation of the City Manager's proposed budget	During February - March
The City Manager's proposed budget is submitted to the City Council	First Monday in April
The first public hearing on the budget	Prior to Third Monday in April
The Council reviews department head budgets	Month of April
Council acts on proposed budget	By the Second Monday in May
Second public hearing on the budget	Prior to the Third Monday in May
City Council adopts the budget	No later than the Second Monday in June

Revenues

The City derives its revenues from a direct tax levy on property, State and federal aid, various fees and charges, and certain miscellaneous sources. City revenues are summarized for fiscal years ended 2000-2004 in "Statement of Revenues, Expenditures and Changes in Fund Balance General Fund (GAAP)" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the city for inclusion onto the Grand list is the responsibility of the Assessor's Office. The Grand List represents the total of assessed value for all taxable real and personal property located within the city on October 1, in accordance with Section 12-62a of the Connecticut General Statutes. A Board of Tax Review determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at 70 percent of the market value.

When a new structure, or modification to an existing structure, is undertaken, the 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 at the time of the revaluation (Grand List of October 1, 2003). The property depreciation and obsolescence factors are also considered when arriving at an equitable value. The last revaluation was completed on October 1, 2003 Grand List.

Motor vehicle lists are furnished to the city by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually with manufacturers and businesses completing and returning to the Assessor's Office standard worksheets for computing value. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70 percent of present market value.

For fiscal year 2003-04 the city received 49.3% of its annual revenues from the direct property tax. For fiscal year 2004-05 the city has budgeted 50.1% of its annual revenues from the direct property tax.

Real Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due on July 1, payable in two installments, one half on July 1 and one half on January 1. Payments not received by August 1 and February 1 become delinquent.

According to the provisions of Public Act No. 81-44, effective July 1, 1981, and applicable to property taxes due on or after said date, delinquent property taxes were subject to interest at the rate of 1.25% per month. Public Act No. 82-141, effective July 1, 1982, changed the interest rate to 1.5% per month for all delinquent property taxes.

Real Property Tax Levies

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. At the discretion of the city and for the convenience of the taxpayer, tax bills are payable in installments – July 1 and January 1. 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. **The city's practice is to budget current property tax revenue based on a three-year rolling average of current property tax collections.** A modest 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 three times a year, with interest charged at the rate of one and one-half percent per month in accordance with Connecticut General Statutes, with a minimum charge of \$2. Outstanding Real Estate tax accounts are automatically liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Real Estate accounts and other accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Taxable Grand List and Tax Collections

The following table sets forth the amount of annual property tax levy and the tax collection record of the city and for the city Consolidated District ("Fire") for fiscal years 1995-2004 and as budgeted for 2005:

Fiscal Year Ended June 30	Taxable Grand List	Tax Rate (Mills)	Total Adjusted Tax Levy	% Collected End of Fiscal Year (2)	Uncollected Taxes	
					% As of End of 6/30/2004	\$ As of End of 6/30/2004
2005 City	\$1,733,295,237	25.69	\$44,528,355	In Process	In Process	In Process
Fire	614,657,442	3.84	2,360,285	In Process	In Process	In Process
2004 City	1,163,693,146	36.47	42,439,889	96.14%	3.86%	1,637,535
Fire	395,655,670	5.64	2,231,498	93.55%	6.45%	143,832
2003 City	1,145,882,067	35.62	41,399,752	96.00%	1.60%	664,238
Fire	390,492,395	5.49	2,405,474	91.80%	2.88%	69,248
2002 City	1,141,544,015	33.89	39,126,916	95.90%	0.87%	339,831
Fire	390,850,820	5.33	2,359,648	90.70%	1.64%	38,659
2001 City	1,132,024,510	33.89	36,537,152	95.40%	0.89%	324,891
Fire	386,583,344	5.33	1,895,119	93.30%	1.60%	30,388
2000 City	1,439,788,210	25.62	35,113,785	95.10%	0.71%	248,108
Fire	529,961,556	3.64	1,773,470	93.10%	1.27%	22,582
1999 City	1,435,534,271	25.03	35,586,624	95.00%	0.68%	241,775
Fire	531,027,391	3.76	1,969,222	91.70%	1.15%	22,621
1998 City	1,417,524,928	24.48	34,067,241	94.60%	0.19%	65,545
Fire	529,045,442	4.33	2,121,785	91.40%	0.42%	8,878
1997 City	1,406,626,988	24.22	32,248,961	94.70%	0.19%	62,813
Fire	530,287,819	4.39	2,104,226	91.00%	0.44%	9,308
1996 City	1,399,566,205	22.22	30,586,984	94.70%	0.16%	48,032
Fire	526,878,758	4.7	2,433,146	92.00%	0.35%	8,585
1995 City	1,383,144,564	22.3	30,310,299	94.20%	0.12%	35,412
Fire	524,557,824	4.83	3,308,989	89.80%	0.20%	6,705

(1) Revaluation of all property within the city was completed October 1, 1999, effective the budget year July 1, 2000 – June 30, 2001. Generally, the law requires a revaluation every five years and a general revaluation based on physical evaluation where the preceding revaluation in the five year cycle was statistical revaluation. Another revaluation was performed on October 1, 2003 grand list, effective for budget year July 1, 2004 - June 30, 2005.

(2) The amount collected to the end of each fiscal years represents collections of twelve months. Taxes for the fiscal year are laid on the Grand List of October 1, and are due and payable in two installments, one-half July 1 and one-half January 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent. Effective July 1, 1982 (P.A. 82-141 of the 1982 Connecticut General Assembly), if the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1½% per month (18% per annum) is charged from the due date on the tax. Real Estate is liened for delinquent taxes within one year after the due date.

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

Taxable Grand List

The following table sets forth the city's taxable grand lists by component:

<u>Grand List As of 10/1</u>	<u>% Industrial Commercial Property</u>	<u>% Real Estate Property</u>	<u>% Motor Vehicle</u>	<u>% Personal Property</u>	<u>Gross Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>
2003	23.25%	62.30%	8.73%	5.72%	\$1,758,211,317	\$24,916,080	\$1,733,295,237
2002	23.00	57.00	13.00	7.00	1,191,263,643	25,168,000	1,166,095,643
2001	23.00	57.00	13.00	7.00	1,174,382,497	28,500,430	1,145,882,067
2000	22.76	56.92	13.02	7.30	1,169,114,115	27,570,100	1,141,544,015
1999	22.68	57.30	12.74	7.28	1,159,102,659	27,078,149	1,132,024,510
1998	25.37	59.81	9.08	5.60	1,468,789,730	29,001,520	1,439,788,210
1997	25.88	59.38	9.08	5.66	1,464,789,730	28,503,645	1,436,286,085
1996	25.52	59.84	9.02	5.62	1,447,435,678	29,910,750	1,417,524,928
1995	25.43	60.56	8.90	5.11	1,427,542,888	20,915,900	1,406,626,988
1994	26.20	60.60	8.00	5.20	1,416,736,625	17,170,420	1,399,566,205

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the city per the Grand List dated October 1, 2003.

<u>Business Name</u>	<u>Nature of Business</u>	<u>Total Estimated Assessment</u>
CSC Dynamics Corporation	Computer Products and Services	\$16,629,350
Phelps Dodge	Copper rod manufacturer	13,460,810
SEA Norwich LLC	Shopping Center	12,034,000
Plaza Enterprizes	Shopping Center	10,332,000
Kalimian Elias as Trustee	Apartments	8,143,000
Norwich Mall Realty Associates	Shopping Center	7,099,000
Bob's Discount Furniture	Retail Store & Warehouse	6,516,000
IBM Credit Corporation	Department Store	6,269,570
Mashantucket Pequot Tribe	Real Estate	5,943,960
Rose Hill Estates	Apartments	5,663,000
Total		<u>\$92,090,690</u>

(1) Represents 5.31% of the net taxable Grand List of \$1,733,295,237 dated October 1, 2003.
Source: City of Norwich, Assessor's Office.

State and Federal Aid

The city is partially dependent upon financial assistance from the State and Federal government, which comes primarily in the form of grants for city operations and education.

The following table sets forth the percentage of city General Fund revenues comprised of State aid for each of the fiscal years ended 1995-2004, and as budgeted for fiscal year 2004-05:

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid</u>	<u>State Aid as a Percentage Of General Fund Revenue</u>
2005 (Budget)	\$89,904,474	\$34,239,694	38.08%
2004	87,676,569	34,357,108	39.19
2003	87,181,539	35,881,132	41.16
2002	84,960,395	35,613,273	41.92
2001	83,509,339	33,274,186	39.84
2000	81,643,685	33,306,179	40.79
1999	81,307,702	35,335,729	43.46
1998	79,613,300	34,983,514	43.94
1997	74,473,266	33,185,129	44.56
1996	72,840,594	33,822,333	46.43
1995	69,078,660	31,308,570	45.32

Source: Annual audited financial statements; City Officials; 2004-05 fiscal year budget

Expenditures

The city's major expenditure is for education. Approximately 60.14% of fiscal year 2003-04 General Fund expenditures were for that purpose. For fiscal year 2004-05 the city has budgeted 59.84% for education and for other major expenditures and their approximate percentages are estimated: 31.53% for city operations; 1.55% for Capital Improvements and 7.08% for Debt Service. city expenditures are summarized for Fiscal Years ended June 30, 2000 through 2004 in "Statements of Revenues, Expenditures and Changes in Fund Balance General Fund (GAAP)" herein.

**COMPARATIVE GENERAL FUND OPERATING STATEMENT
BUDGET AND ACTUAL (BUDGETARY BASIS)
FISCAL YEAR ENDED JUNE 30, 2004**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes, Interest, and Lien Fees	\$43,627,837	\$43,254,101	(\$373,736)
Intergovernmental	33,054,467	34,357,108	1,302,641
Licenses, Permits, Fees, and Other	9,382,655	9,803,235	420,580
Interest	325,000	262,123	(62,877)
Total Revenues	\$86,389,959	\$87,676,567	\$1,286,608
EXPENDITURES			
General Government	\$4,767,600	\$4,597,518	\$170,082
Education	52,582,177	52,582,177	-
Public Safety	9,325,965	9,062,976	262,989
Social Services	1,948,607	1,858,437	90,170
Public Works	8,784,206	8,761,254	22,952
Other	3,431,639	3,470,313	(38,674)
Capital Improvements	800,000	800,000	-
Debt Service	6,401,100	6,301,100	100,000
Total Expenditures	\$88,041,294	\$87,433,775	\$607,519
Revenues and other financing sources (under) expenditures	-	242,792	1,894,127
Net change in Reserves and Property Taxes		(101,176)	
Net change in unreserved fund balance		141,616	
UNRESERVED FUND BALANCE, Beginning		8,770,626	
UNRESERVED FUND BALANCE, Ending		8,912,242	

**COMPARATIVE BALANCE SHEETS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS					
Cash and Cash Equivalents	\$14,500,106	\$12,628,993	\$13,362,083	\$11,356,547	\$8,936,009
Receivables					
Property Taxes	3,474,515	3,139,033	2,990,005	3,922,601	4,517,067
Accounts Receivable	366,601	882,527	904,847	745,214	606,470
Intergovernmental	231,555	650,731	1,129,580	1,503,965	1,666,051
Other	9,750	459	197	306	46,500
Due from Other Funds	1,418,191	2,332,238	1,660,659	349,421	571,787
TOTAL ASSETS	<u>\$20,000,718</u>	<u>\$19,633,981</u>	<u>\$20,047,371</u>	<u>\$17,878,054</u>	<u>\$16,343,884</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities (1)	\$5,597,040	\$5,683,200	\$5,428,505	\$3,530,515	\$3,803,592
Due to Other Funds	178,561	159,315	1,096,573	794,592	770,327
Deferred Revenues	4,508,273	4,715,859	5,075,782	5,390,048	5,216,901
TOTAL LIABILITIES	<u>\$10,283,874</u>	<u>\$10,558,374</u>	<u>\$11,600,860</u>	<u>\$9,715,155</u>	<u>\$9,790,820</u>
FUND BALANCES					
Reserved for Encumbrances	\$414,700	\$304,981	\$288,424	\$222,574	\$647,137
Reserved for Advances					
Unreserved					
Designated - Continuing Appropriations	0	0	0	781,493	553,577
Designated - Subsequent Year	0	0	0	2,152,301	450,000
Expenditures					
Undesignated	9,302,144	8,770,626	8,158,087	5,006,531	4,902,350
TOTAL FUND BALANCES	<u>9,716,844</u>	<u>9,075,607</u>	<u>8,446,511</u>	<u>8,162,899</u>	<u>6,553,064</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$20,000,718</u>	<u>\$19,633,981</u>	<u>\$20,047,371</u>	<u>\$17,878,054</u>	<u>\$16,343,884</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
(GAAP)
FISCAL YEARS ENDED JUNE 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
REVENUES					
Property Taxes	\$43,313,935	\$41,486,602	\$40,008,261	\$39,215,733	\$37,768,454
Intergovernmental	34,357,108	35,200,179	35,613,273	33,274,186	33,306,179
State On Behalf Payments	1,108,000	1,124,000	1,410,000	1,514,000	1,467,000
Licenses, Permits, Fees, and Other	9,004,056	8,894,111	8,313,640	9,704,495	8,117,426
Interest	262,124	324,981	511,221	1,006,114	984,626
Total Revenues	<u>\$88,045,223</u>	<u>\$87,029,873</u>	<u>\$85,856,395</u>	<u>\$84,714,528</u>	<u>\$81,643,685</u>
EXPENDITURES					
General Government	\$4,588,207	\$4,657,697	\$4,712,189	\$4,294,607	\$4,857,848
Education	52,582,177	51,194,721	50,246,700	48,410,409	47,502,805
State On Behalf Payments	1,108,000	1,124,000	1,410,000	1,514,000	1,467,000
Public Safety	8,295,464	8,243,850	7,737,778	6,015,234	5,847,043
Social Services	1,863,498	2,315,795	2,518,901	1,916,745	1,963,150
Public Works	8,577,635	6,797,917	8,403,925	7,033,776	6,673,343
Other	2,831,612	1,719,921	2,328,406	5,345,123	5,469,565
Capital Improvements	0	2,626,734	800,000	812,608	692,724
Debt Service	6,177,807	6,652,497	6,187,538	5,738,925	5,536,321
Total Expenditures	<u>\$86,024,400</u>	<u>\$85,333,132</u>	<u>\$84,345,437</u>	<u>\$81,081,427</u>	<u>\$80,009,799</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$1,351,887	\$1,215,373	\$514,000	\$308,811	\$0
Transfers (Out)	(2,804,740)	(2,283,018)	(1,741,346)	(2,333,718)	(1,482,569)
Other	73,267	0	0	1,641	0
Total Sources (Uses)	<u>(\$1,379,586)</u>	<u>(\$1,067,645)</u>	<u>(\$1,227,346)</u>	<u>(\$2,023,266)</u>	<u>(\$1,482,569)</u>
Revenues and other financing sources (under) expenditures	<u>641,237</u>	<u>629,096</u>	<u>283,612</u>	<u>1,609,835</u>	<u>151,317</u>
FUND BALANCE, Beginning	\$9,075,607	\$8,446,511	\$8,162,899	\$6,553,064	\$6,401,747
FUND BALANCE, Ending	<u>\$9,716,844</u>	<u>\$9,075,607</u>	<u>\$8,446,511</u>	<u>\$8,162,899</u>	<u>\$6,553,064</u>

**COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS					
Cash and Cash Equivalents	\$3,617,890	\$2,507,902	\$2,716,639	\$2,578,548	\$2,656,090
Intergovernmental	328,258	328,258	0	640,742	221,343
Other Receivables	0	1,509	0	892,142	0
Due from Other Funds	1,272,681	1,072,996	1,298,207	0	910,255
TOTAL ASSETS	<u>\$5,218,829</u>	<u>\$3,910,665</u>	<u>\$4,014,846</u>	<u>\$4,111,432</u>	<u>\$3,787,688</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities (1)	\$230,338	\$159,752	\$367,328	\$423,248	\$1,428,368
Due to Other Funds	851,998	2,518,807	2,378,095	933,384	1,110,893
BANs Payable	0	0	0	0	6,510,000
TOTAL LIABILITIES	<u>\$1,082,336</u>	<u>\$2,678,559</u>	<u>\$2,745,423</u>	<u>\$1,356,632</u>	<u>\$9,049,261</u>
FUND BALANCES					
Reserved for Encumbrances	\$475,075	\$610,363	\$609,832	\$1,623,867	\$10,678
Reserved for Advances					
Unreserved					
Designated - Continuing Appropriations					
Designated - Subsequent Year Expenditures					
Undesignated	3,661,418	621,743	659,591	1,130,933	(5,272,251)
TOTAL FUND BALANCES	<u>\$4,136,493</u>	<u>\$1,232,106</u>	<u>\$1,269,423</u>	<u>\$2,754,800</u>	<u>(\$5,261,573)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$5,218,829</u>	<u>\$3,910,665</u>	<u>\$4,014,846</u>	<u>\$4,111,432</u>	<u>\$3,787,688</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
REVENUES					
Intergovernmental	\$328,744	\$1,095,882	\$1,531,571	\$2,234,343	\$7,977,553
Licenses, Permits, Fees, and Other	262,766	0	1,500	0	0
Interest	3,500	0	0	0	3,000
Total Revenues	<u>\$595,010</u>	<u>\$1,095,882</u>	<u>\$1,533,071</u>	<u>\$2,234,343</u>	<u>\$7,980,553</u>
EXPENDITURES					
Capital Improvements	<u>\$2,663,029</u>	<u>\$2,840,241</u>	<u>\$9,943,138</u>	<u>\$6,403,132</u>	<u>\$17,982,265</u>
Total Expenditures	<u>\$2,663,029</u>	<u>\$2,840,241</u>	<u>\$9,943,138</u>	<u>\$6,403,132</u>	<u>\$17,982,265</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$1,962,406	\$1,707,042	\$904,690	\$1,466,667	\$780,303
Transfers (Out)	(110,000)	0	0	(191,505)	0
Other	3,120,000	0	6,020,000	10,910,000	800,000
Total Sources (Uses)	<u>\$4,972,406</u>	<u>\$1,707,042</u>	<u>\$6,924,690</u>	<u>\$12,185,162</u>	<u>\$1,580,303</u>
Revenues and other financing sources (under) expenditures	<u>\$2,904,387</u>	<u>(\$37,317)</u>	<u>(\$1,485,377)</u>	<u>\$8,016,373</u>	<u>(\$8,421,409)</u>
FUND BALANCE, Beginning	\$1,232,106	\$1,269,423	\$2,754,800	(\$5,261,573)	\$3,159,836
FUND BALANCE, Ending	<u>\$4,136,493</u>	<u>\$1,232,106</u>	<u>\$1,269,423</u>	<u>\$2,754,800</u>	<u>(\$5,261,573)</u>

**COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS					
Cash and Cash Equivalents	\$3,543,576	\$1,857,897	\$2,322,495	\$2,036,783	\$1,836,566
Receivables					
Property Taxes	584,574	683,884	662,058	731,753	900,129
Intergovernmental	371,966	935,824	535,358	490,356	330,960
Other	3,004,098	1,745,585	1,946,886	2,217,888	1,430,811
Inventories	20,637	25,825	34,606	27,091	30,089
Due from Other Funds	50,219	108,650	283,385	571,229	635,334
TOTAL ASSETS	<u>\$7,575,070</u>	<u>\$5,357,665</u>	<u>\$5,784,788</u>	<u>\$6,075,100</u>	<u>\$5,163,889</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities (1)	\$894,369	\$1,198,017	\$749,339	\$199,935	\$416,194
Deferred Revenues	3,962,110	2,666,385	3,310,975	3,670,924	2,361,365
Due to Other Funds	1,075,817	228,589	38,438	90,768	226,315
TOTAL LIABILITIES	<u>\$5,932,296</u>	<u>\$4,092,991</u>	<u>\$4,098,752</u>	<u>\$3,961,627</u>	<u>\$3,003,874</u>
FUND BALANCES					
Reserved for Encumbrances	\$0	\$692,653	\$34,205	\$111,348	\$124,943
Reserved for Inventories	20,637	25,825	34,606	27,091	30,089
Unreserved	56,309	0	0	0	0
	<u>1,565,828</u>	<u>546,196</u>	<u>1,617,225</u>	<u>1,975,034</u>	<u>2,004,983</u>
TOTAL FUND BALANCES	<u>\$1,642,774</u>	<u>\$1,264,674</u>	<u>\$1,686,036</u>	<u>\$2,113,473</u>	<u>\$2,160,015</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$7,575,070</u>	<u>\$5,357,665</u>	<u>\$5,784,788</u>	<u>\$6,075,100</u>	<u>\$5,163,889</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
REVENUES					
Property Taxes	\$3,875,256	\$3,839,452	\$3,136,920	\$2,924,860	\$2,413,804
Intergovernmental	11,135,362	12,070,409	10,713,922	9,114,345	11,154,585
Licenses, Permits, Fees, and Other	2,337,916	1,426,428	1,605,386	1,606,647	1,291,506
Interest	88,003	11,128	15,845	34,282	35,179
Total Revenues	<u>\$17,436,537</u>	<u>\$17,347,417</u>	<u>\$15,472,073</u>	<u>\$13,680,134</u>	<u>\$14,895,074</u>
EXPENDITURES					
General Government	\$1,949,881	\$3,879,715	\$3,221,319	\$2,534,876	\$3,759,552
Education	8,189,890	8,202,505	7,580,310	7,162,295	6,685,740
Public Safety	4,429,667	4,402,092	4,876,966	4,481,645	4,569,011
Sanitation	599,911	600,968	513,978	193,846	194,296
Social Services	1,222,353	2,880	48,782	84,385	50,492
Capital Outlay	107,182	41,222	37,298	19,374	119,998
Total Expenditures	<u>\$16,498,884</u>	<u>\$17,129,382</u>	<u>\$16,278,653</u>	<u>\$14,476,421</u>	<u>\$15,379,089</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$682,334	\$575,976	\$836,656	\$1,170,030	\$1,135,404
Transfers (Out)	(1,241,887)	(1,215,373)	(514,000)	(420,285)	(433,138)
Other	0	0	0		
Total Sources (Uses)	<u>(\$559,553)</u>	<u>(\$639,397)</u>	<u>\$322,656</u>	<u>\$749,745</u>	<u>\$702,266</u>
Revenues and other financing sources (under) expenditures	<u>\$378,100</u>	<u>(\$421,362)</u>	<u>(\$483,924)</u>	<u>(\$46,542)</u>	<u>\$218,251</u>
FUND BALANCE, Beginning	\$1,264,674	\$1,686,036	\$2,169,960	\$2,160,015	\$1,941,764
FUND BALANCE, Ending	<u>\$1,642,774</u>	<u>\$1,264,674</u>	<u>\$1,686,036</u>	<u>\$2,113,473</u>	<u>\$2,160,015</u>

Note: Beginning in 2002, the Funds formally classified as Expendable Trust Funds were reclassified as Special Revenue Funds. Because of this reclassification, \$56,487 was added to the Special Revenue Funds' fund balance.

**COMPARATIVE BALANCE SHEETS
ENTERPRISE FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS					
Cash and Cash Equivalents	\$14,908,847	\$12,005,687	\$9,469,747	\$8,417,938	\$8,464,940
Restricted Assets	10,910,800	10,647,318	10,738,562	10,123,740	-
Receivables					
Accounts Receivable	4,043,596	4,201,799	3,661,301	4,410,252	4,800,377
Other	253,424	241,672	278,500	-	1,184,540
Inventories	1,557,511	1,299,363	1,048,227	1,058,893	2,431,852
Due from Other Funds	-	-	127,325	192,357	-
Other Assets	489,610	574,179	610,920	1,251,535	147,009
Property and Equipment	87,929,909	89,047,448	91,105,964	85,445,918	85,003,745
TOTAL ASSETS	<u>\$120,093,697</u>	<u>\$118,017,466</u>	<u>\$117,040,546</u>	<u>\$110,900,633</u>	<u>\$102,032,463</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Liabilities (1)	\$5,254,085	\$9,007,294	\$7,010,101	\$8,489,635	\$9,139,200
Deferred Revenues	15,155,661	10,853,695	10,942,260	10,651,843	526,299
Due to Other Funds	634,715	336,288	262,058	363,704	348,720
Bonds and Notes Payable	7,174,256	7,648,974	8,115,841	6,990,946	5,945,879
Capital Lease Obligations	1,609,366	1,806,550	2,722,353	4,028,786	5,591,147
TOTAL LIABILITIES	<u>\$29,828,083</u>	<u>\$29,652,801</u>	<u>\$29,052,613</u>	<u>\$30,524,914</u>	<u>\$21,551,245</u>
NET ASSETS					
Contributed Capital	\$54,011,639	\$53,871,103	\$53,796,497	\$46,262,107	\$47,064,550
Net assets reserved	0	0	0	0	0
Unreserved	36,253,975	34,493,562	34,191,436	34,113,612	33,416,668
TOTAL NET ASSETS	<u>\$90,265,614</u>	<u>\$88,364,665</u>	<u>\$87,987,933</u>	<u>\$80,375,719</u>	<u>\$80,481,218</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$120,093,697</u>	<u>\$118,017,466</u>	<u>\$117,040,546</u>	<u>\$110,900,633</u>	<u>\$102,032,463</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES					
Operating Revenues	\$60,050,528	\$55,938,455	\$50,226,867	\$54,118,714	\$52,338,269
Total Operating Revenues	<u>\$60,050,528</u>	<u>\$55,938,455</u>	<u>\$50,226,867</u>	<u>\$54,118,714</u>	<u>\$52,338,269</u>
EXPENSES					
Purchased Gas and Electric	\$28,426,466	\$25,653,150	\$22,267,556	\$25,998,796	\$24,797,694
General and Administrative	8,320,786	7,514,396	6,664,776	6,977,225	6,742,432
Administrative payment to General Fund	4,441,300	4,827,000	4,625,604	4,463,400	4,322,100
Depreciation	4,602,680	4,095,177	4,560,901	4,734,092	5,463,506
Operations	8,061,071	8,709,208	8,071,648	8,582,084	8,123,239
Customer Accounts and Service	1,719,519	1,867,812	1,672,781	1,789,910	2,175,385
Taxes	2,729,844	2,635,578	2,203,040	2,319,377	2,277,742
Total Expenses	<u>\$58,301,666</u>	<u>\$55,302,321</u>	<u>\$50,066,306</u>	<u>\$54,864,884</u>	<u>\$53,902,098</u>
OPERATING INCOME (LOSS)	<u>\$1,748,862</u>	<u>\$636,134</u>	<u>\$160,561</u>	<u>(\$746,170)</u>	<u>(\$1,563,829)</u>
NONOPERATING INCOME (EXPENSE)					
Interest Income	\$137,630	\$170,765	\$266,684	\$331,941	\$388,296
Interest Expense	(286,079)	(504,773)	(349,421)	(482,703)	(430,042)
TOTAL NONOPERATING INCOME (LOSS)	<u>(\$148,449)</u>	<u>(\$334,008)</u>	<u>(\$82,737)</u>	<u>(\$150,762)</u>	<u>(\$41,746)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$1,600,413</u>	<u>\$302,126</u>	<u>\$77,824</u>	<u>(\$896,932)</u>	<u>(\$1,605,575)</u>
CAPITAL CONTRIBUTIONS	\$300,536	\$74,606	\$7,534,390	\$791,433	\$425,372
TOTAL CHANGE IN NET ASSETS	<u>\$1,900,949</u>	<u>\$376,732</u>	<u>\$7,612,214</u>	<u>(\$105,499)</u>	<u>(\$1,180,203)</u>
NET ASSETS, Beginning	\$88,364,665	\$87,987,933	\$80,375,719	\$80,481,218	\$81,661,421
NET ASSETS, Ending	<u>\$90,265,614</u>	<u>\$88,364,665</u>	<u>\$87,987,933</u>	<u>\$80,375,719</u>	<u>\$80,481,218</u>

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
DEPARTMENT OF PUBLIC UTILITIES – GAS DIVISION
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES					
Operating Revenues	\$12,911,300	\$12,724,377	\$9,688,080	\$13,806,223	\$9,732,044
Total Operating Revenues	<u>\$12,911,300</u>	<u>\$12,724,377</u>	<u>\$9,688,080</u>	<u>\$13,806,223</u>	<u>\$9,732,044</u>
EXPENSES					
Purchased Gas and Electric	\$7,125,453	\$6,467,720	\$4,812,964	\$8,044,742	\$4,431,085
General and Administrative	1,870,187	1,597,631	1,499,905	1,580,647	1,311,316
Administrative payment to General Fund	968,800	1,380,600	973,200	920,600	876,400
Depreciation	991,112	830,015	833,304	853,632	874,119
Operations	900,341	995,860	667,818	1,338,119	795,200
Customer Accounts and Service	680,100	710,652	615,131	628,335	746,163
Taxes	741,975	999,548	416,698	533,292	438,657
Total Expenses	<u>\$13,277,968</u>	<u>\$12,982,026</u>	<u>\$9,819,020</u>	<u>\$13,899,367</u>	<u>\$9,472,940</u>
OPERATING INCOME (LOSS)	<u>(\$366,668)</u>	<u>(\$257,649)</u>	<u>(\$130,940)</u>	<u>(\$93,144)</u>	<u>\$259,104</u>
NONOPERATING INCOME (EXPENSE)					
Interest Income	\$15,125	\$41,555	\$50,396	\$72,882	\$70,169
Interest Expense	(12,220)	(106,772)	(45,809)	(59,515)	(43,996)
TOTAL NONOPERATING INCOME (LOSS)	<u>\$2,905</u>	<u>(\$65,217)</u>	<u>\$4,587</u>	<u>\$13,367</u>	<u>\$26,173</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(\$363,763)</u>	<u>(\$322,866)</u>	<u>(\$126,353)</u>	<u>(\$79,777)</u>	<u>\$285,277</u>
CAPITAL CONTRIBUTIONS	\$13,049	\$0	\$8,119	\$49,449	\$0
TOTAL CHANGE IN NET ASSETS	<u>(\$350,714)</u>	<u>(\$322,866)</u>	<u>(\$118,234)</u>	<u>(\$30,328)</u>	<u>\$285,277</u>
NET ASSETS, Beginning	\$9,642,569	\$9,965,435	\$10,083,669	\$7,432,778	\$7,147,501
NET ASSETS, Ending	<u>\$9,291,855</u>	<u>\$9,642,569</u>	<u>\$9,965,435</u>	<u>\$7,402,450</u>	<u>\$7,432,778</u>

Note: In 2002 the City of Norwich changed to the GASB 34 method of financial reporting. The change in methods resulted in additional items being capitalized which increased the Net Assets.

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
DEPARTMENT OF PUBLIC UTILITIES – ELECTRIC DIVISION
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES					
Operating Revenues	\$36,089,269	\$32,141,987	\$30,050,967	\$30,612,809	\$32,689,798
Total Operating Revenues	<u>\$36,089,269</u>	<u>\$32,141,987</u>	<u>\$30,050,967</u>	<u>\$30,612,809</u>	<u>\$32,689,798</u>
EXPENSES					
Purchased Gas and Electric	\$21,301,013	\$19,185,430	\$17,454,592	\$17,954,054	\$20,366,609
General and Administrative	3,875,912	3,345,660	2,847,844	3,012,643	2,941,206
Administrative payment to General Fund	3,005,100	3,061,300	3,269,004	3,178,800	3,064,000
Depreciation	1,535,547	1,888,922	1,456,896	1,649,490	1,720,072
Operations	1,646,478	2,107,348	2,357,442	2,035,460	2,053,621
Customer Accounts and Service	660,484	753,633	709,729	728,137	929,627
Taxes	1,668,046	1,335,186	1,522,192	1,541,792	1,599,136
Total Expenses	<u>\$33,692,580</u>	<u>\$31,677,479</u>	<u>\$29,617,699</u>	<u>\$30,100,376</u>	<u>\$32,674,271</u>
OPERATING INCOME (LOSS)	<u>\$2,396,689</u>	<u>\$464,508</u>	<u>\$433,268</u>	<u>\$512,433</u>	<u>\$15,527</u>
NONOPERATING INCOME (EXPENSE)					
Interest Income	\$112,137	\$110,782	\$161,493	\$198,878	\$230,059
Interest Expense	(57,391)	(82,521)	(129,738)	(217,809)	(236,448)
TOTAL NONOPERATING INCOME (LOSS)	<u>\$54,746</u>	<u>\$28,261</u>	<u>\$31,755</u>	<u>(\$18,931)</u>	<u>(\$6,389)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$2,451,435</u>	<u>\$492,769</u>	<u>\$465,023</u>	<u>\$493,502</u>	<u>\$9,138</u>
CAPITAL CONTRIBUTIONS	\$127,487	\$0	\$2,706	\$57,875	\$0
TOTAL CHANGE IN NET ASSETS	<u>\$2,578,922</u>	<u>\$492,769</u>	<u>\$467,729</u>	<u>\$551,377</u>	<u>\$9,138</u>
NET ASSETS, Beginning	\$22,622,577	\$22,129,808	\$21,662,079	\$18,978,004	\$18,968,866
NET ASSETS, Ending	<u>\$25,201,499</u>	<u>\$22,622,577</u>	<u>\$22,129,808</u>	<u>\$19,529,381</u>	<u>\$18,978,004</u>

Note: In 2002 the City of Norwich changed to the GASB 34 method of financial reporting. The change in methods resulted in additional items being capitalized which increased the Net Assets.

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
DEPARTMENT OF PUBLIC UTILITIES – WATER DIVISION
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES					
Operating Revenues	\$4,854,094	\$4,971,422	\$4,583,920	\$3,760,675	\$3,743,758
Total Operating Revenues	<u>\$4,854,094</u>	<u>\$4,971,422</u>	<u>\$4,583,920</u>	<u>\$3,760,675</u>	<u>\$3,743,758</u>
EXPENSES					
Purchased Gas and Electric	\$0	\$0	\$0	\$0	\$0
General and Administrative	1,199,367	1,217,225	1,003,172	1,086,952	1,158,764
Administrative payment to General Fund	458,400	376,100	374,400	364,000	363,700
Depreciation	874,390	578,020	1,056,504	966,263	989,541
Operations	1,556,526	1,667,956	1,507,300	1,496,843	1,894,980
Customer Accounts and Service	169,867	170,761	157,206	180,124	223,800
Taxes	213,919	199,668	162,194	139,262	147,507
Total Expenses	<u>\$4,472,469</u>	<u>\$4,209,730</u>	<u>\$4,260,776</u>	<u>\$4,233,444</u>	<u>\$4,778,292</u>
OPERATING INCOME (LOSS)	<u>\$381,625</u>	<u>\$761,692</u>	<u>\$323,144</u>	<u>(\$472,769)</u>	<u>(\$1,034,534)</u>
NONOPERATING INCOME (EXPENSE)					
Interest Income	\$3,298	\$6,922	\$19,985	\$10,967	\$23,978
Interest Expense	(110,215)	(210,328)	(74,609)	(95,614)	(54,972)
TOTAL NONOPERATING INCOME (LOSS)	<u>(\$106,917)</u>	<u>(\$203,406)</u>	<u>(\$54,624)</u>	<u>(\$84,647)</u>	<u>(\$30,994)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$274,708</u>	<u>\$558,286</u>	<u>\$268,520</u>	<u>(\$557,416)</u>	<u>(\$1,065,528)</u>
CAPITAL CONTRIBUTIONS	\$0	\$0	\$28,239	\$95,170	\$0
TOTAL CHANGE IN NET ASSETS	<u>\$274,708</u>	<u>\$558,286</u>	<u>\$296,759</u>	<u>(\$462,246)</u>	<u>(\$1,065,528)</u>
NET ASSETS, Beginning	\$17,242,857	\$16,684,571	\$16,387,812	\$5,017,683	\$6,083,211
NET ASSETS, Ending	<u>\$17,517,565</u>	<u>\$17,242,857</u>	<u>\$16,684,571</u>	<u>\$4,555,437</u>	<u>\$5,017,683</u>

Note: In 2002 the City of Norwich changed to the GASB 34 method of financial reporting. The change in methods resulted in additional items being capitalized which increased the Net Assets.

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS
DEPARTMENT OF PUBLIC UTILITIES – SEWER DIVISION
FISCAL YEARS ENDED JUNE 30**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING REVENUES					
Operating Revenues	\$4,030,361	\$3,826,249	\$3,564,444	\$3,586,713	\$3,825,466
Total Operating Revenues	<u>\$4,030,361</u>	<u>\$3,826,249</u>	<u>\$3,564,444</u>	<u>\$3,586,713</u>	<u>\$3,825,466</u>
EXPENSES					
Purchased Gas and Electric	\$0	\$0	\$0	\$0	\$0
General and Administrative	1,068,155	1,075,085	956,313	886,131	975,128
Administrative payment to General Fund	0	0	0	0	0
Depreciation	868,408	377,500	927,385	1,013,179	1,526,763
Operations	2,175,352	2,125,436	1,859,693	1,980,471	1,797,699
Customer Accounts and Service	115,274	125,167	119,167	122,764	146,018
Taxes	105,904	101,176	101,956	105,031	92,442
Total Expenses	<u>\$4,333,093</u>	<u>\$3,804,364</u>	<u>\$3,964,514</u>	<u>\$4,107,576</u>	<u>\$4,538,050</u>
OPERATING INCOME (LOSS)	<u>(\$302,732)</u>	<u>\$21,885</u>	<u>(\$400,070)</u>	<u>(\$520,863)</u>	<u>(\$712,584)</u>
NONOPERATING INCOME (EXPENSE)					
Interest Income	\$5,170	\$8,053	\$29,026	\$37,671	\$44,430
Interest Expense	(106,253)	(98,057)	(91,055)	(100,195)	(82,043)
TOTAL NONOPERATING INCOME (LOSS)	<u>(\$101,083)</u>	<u>(\$90,004)</u>	<u>(\$62,029)</u>	<u>(\$62,524)</u>	<u>(\$37,613)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(\$403,815)</u>	<u>(\$68,119)</u>	<u>(\$462,099)</u>	<u>(\$583,387)</u>	<u>(\$750,197)</u>
CAPITAL CONTRIBUTIONS	\$0	\$74,606	\$158,713	\$1,217,337	\$1,140,406
TOTAL CHANGE IN NET ASSETS	<u>(\$403,815)</u>	<u>\$6,487</u>	<u>(\$303,386)</u>	<u>\$633,950</u>	<u>\$390,209</u>
NET ASSETS, Beginning	\$27,567,902	\$27,561,415	\$27,864,801	\$268,234	(\$121,975)
NET ASSETS, Ending	<u>\$27,164,087</u>	<u>\$27,567,902</u>	<u>\$27,561,415</u>	<u>\$902,184</u>	<u>\$268,234</u>

Note: In 2002 the City of Norwich changed to the GASB 34 method of financial reporting. The change in methods resulted in additional items being capitalized which increased the Net Assets.

EMPLOYEE COLLECTIVE BARGAINING

As of the date of this Official Statement, the city employs 1,083 full-time persons. The following table sets forth a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

Municipal Employees' Bargaining Organizations (1)

With the exception of management, most employees are represented by bargaining organizations as follows:

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<u>General Government</u>			
Police	Internal Brotherhood of Police Officers	86	June 30, 2003 (2)
Fire	Internal Association of Fire Fighters	50	June 30, 2007
City Professionals	Municipal Employee Union Independents	12	June 30, 2006
Staff Professionals And Clerical	Norwich City Hall Employees Association/CIPU	89	June 30, 2004 (2)
Public Works	CILU/CIPU	60	June 30, 2004 (2)
Public Works	Supervisors/AFSME	<u>5</u>	June 30, 2005
Sub Total		<u>302</u>	
<u>Department of Public Utilities</u>			
Water	United Steel Workers	8	June 30, 2005
Skilled Labor/Clerical	International Brotherhood of Electrical Workers	98	June 30, 2005
Supervisors	Utility – AFSCME	<u>30</u>	June 30, 2005
Sub Total		<u>136</u>	
<u>Board of Education</u>			
Teachers	Norwich Teachers League	315	June 30, 2008
Custodians	MEUI	26	June 30, 2006
Maintenance	Teamsters Local #493	3	June 30, 2007
Secretaries	Local 1303, AFSCME, Council 4	26	June 30, 2007
Para Educators	Municipal Employees Union Independent	81	June 30, 2005
Administrators	Norwich School Administrators	19	June 30, 2008
School Nurses	N.E. Health Care Employees Union – SEIU		
	District #1199 – AFLCIO	<u>15</u>	June 30, 2005
Sub Total		<u>485</u>	
<u>Non-Bargaining Employees</u>			
	General Government	19	
	Department of Public Utilities	1	
	Board of Education	<u>140</u>	
Sub Total		<u>160</u>	
Grand Total		<u>1,083</u>	

(1) Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teacher's contracts, in assessing the financial capability of a city, 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

EMPLOYEE PENSION SYSTEMS

The city's pension plans cover all employees of the city, excluding teachers, who are covered by the State Teachers Retirement Fund. The city is the administrator of a single-employer public employee retirement system (PERS) established and administered by the city to provide pension benefits for its employees. The PERS is considered to be part of the City of Norwich's financial reporting entity and is included in the city's financial reports. The other pension trust fund (Volunteer Fire) is immaterial; therefore no actuarial or other information is obtained or disclosed. See pages 39-44, Appendix A, Pension Plan, Notes to the independent auditor's financial statements for more details.

LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING

The city 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 requirements of the City Charter for the authorization of indebtedness.

LEGAL MATTERS

Murtha Cullina LLP, Hartford, Connecticut is serving as bond counsel with respect to the authorization and issuance of the Bonds and will render its opinion with respect to the Bonds in substantially the form attached to the Official Statement as Appendix B.

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 Corporation Counsel'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.

FINANCIAL ADVISOR

The city has retained UniBank Fiscal Advisory Services, Inc. of Whitinsville, Massachusetts, as financial advisor in connection with the issuance and sale of the Bonds. Although UniBank Fiscal Advisory Services, Inc. has assisted in the preparation of the Official Statement, UniBank Fiscal Advisory Services, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification of, nor do they assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. UniBank Fiscal Advisory Services, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

INVESTMENT POLICIES AND PRACTICES

The City Charter and under Connecticut General Statutes Sections 7-400, 7-401 and 7-402 govern the investments the city is permitted to acquire. Generally, the city may invest in certificates of deposit, municipal notes and bonds, obligations of the United States, 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, certain mutual funds and money market mutual funds.

Documents to Be Furnished at Closing

The original purchaser will be furnished, subject to delivery of reoffering yield information as requested in the Notice of Sale, the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A signed copy of the Official Statement prepared for the Bonds and a certificate on behalf of the City of Norwich, Connecticut signed by the City Manager and the Comptroller, which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds were accepted, the description and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact 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. The approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut. See Appendix B – "Form of Opinion of Bond Counsel" herein.
4. Within seven business days after the bid opening, the City will furnish the original purchaser of the Bonds one hundred (100) copies of the Official Statement as prepared by the City. Additional copies and/or the printing of underwriting information may be obtained by the original purchaser at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the Issuer's financial advisor. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.
5. A Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix B to this Official Statement.
6. A Receipt for the purchase price of the Bonds.

A record of the proceedings taken by the City in authorizing the Bonds will be kept on file at the 225 Asylum Street, Goodwin Square office of the Registrar and Paying Agent, U.S. National Bank Association, of Hartford, Connecticut, and may be examined upon reasonable request.

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds by the City of Norwich, Connecticut and may not be reproduced or used in whole or in part for any other purposes.

The following officials, in their capacity as officers of the City, and in the name and on behalf of the City, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

City of Norwich, Connecticut

By _____
Richard A. Podurgiel
City Manager

By _____
Joseph A. Ruffo
Comptroller

Dated: March 3, 2005

APPENDIX A

There follows in this Appendix audited financial statements of the City of Norwich, Connecticut, as of June 30, 2004 together with the auditor's report of McGladrey & Pullen, Certified Public Accountants.

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



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

CITY OF NORWICH, CONNECTICUT

**Comprehensive
Annual Financial Report**

for

**The Fiscal Year Ended
June 30, 2004**

Prepared by:

City of Norwich Finance Department

**Joseph A. Ruffo, CPA
Comptroller**

**joshua a. pothier
Deputy Comptroller**

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Introductory Section

December 23, 2004

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

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

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

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

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of Government

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

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

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

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

Factors Affecting Financial Condition

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

Major Initiatives:

Downtown Activities

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

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

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

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

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

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

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

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

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

Industrial Sector Activities

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

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

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

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

Housing

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

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

Budgetary Control

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

Unencumbered amounts lapse at year end. Encumbered amounts at year-end are reported as reservations of fund balance.

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

Cash Management

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

Pension Administrator

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

Risk Management

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

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

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norwich, Connecticut for its comprehensive annual financial report for the year ended June 30, 2003. This was the eleventh consecutive year that the City has received this prestigious award.

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

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

For fiscal years beginning July 1, 2000 through 2003, the Government Finance Officers Association (“GFOA”) awarded the City a “Distinguished Budget Presentation Award” for its adopted budget. The budgets submitted had to satisfy four different criteria: the budget as a Policy Document, the budget as a Financial Plan, the budget as an Operations Guide, and the budget as a Communications Device. The award earned by the City is the highest form of recognition in the area of budgeting.

Acknowledgment

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

Respectfully submitted,

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

Joseph A. Ruffo, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Norwich,
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



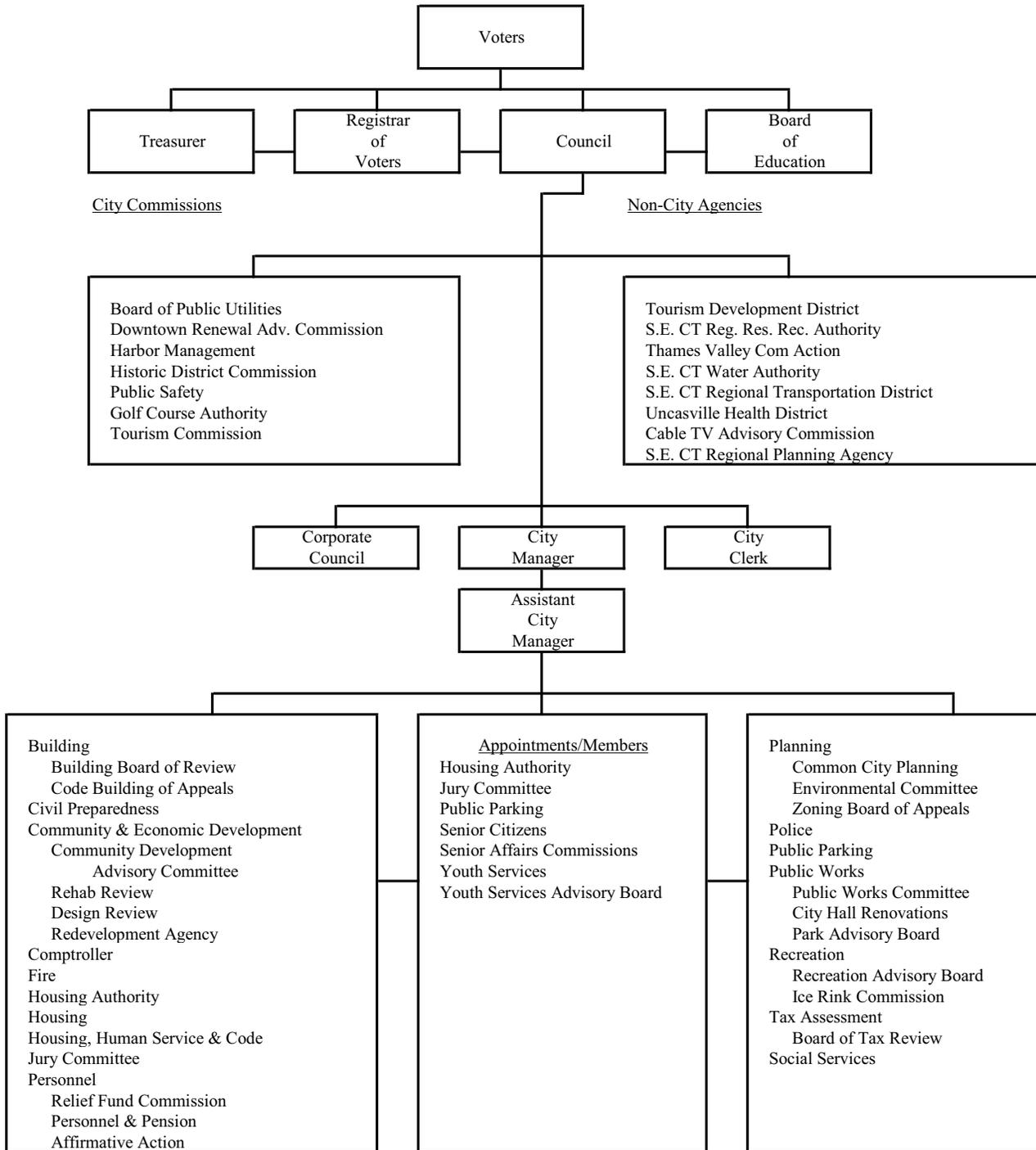
Nancy L. Zielle

President

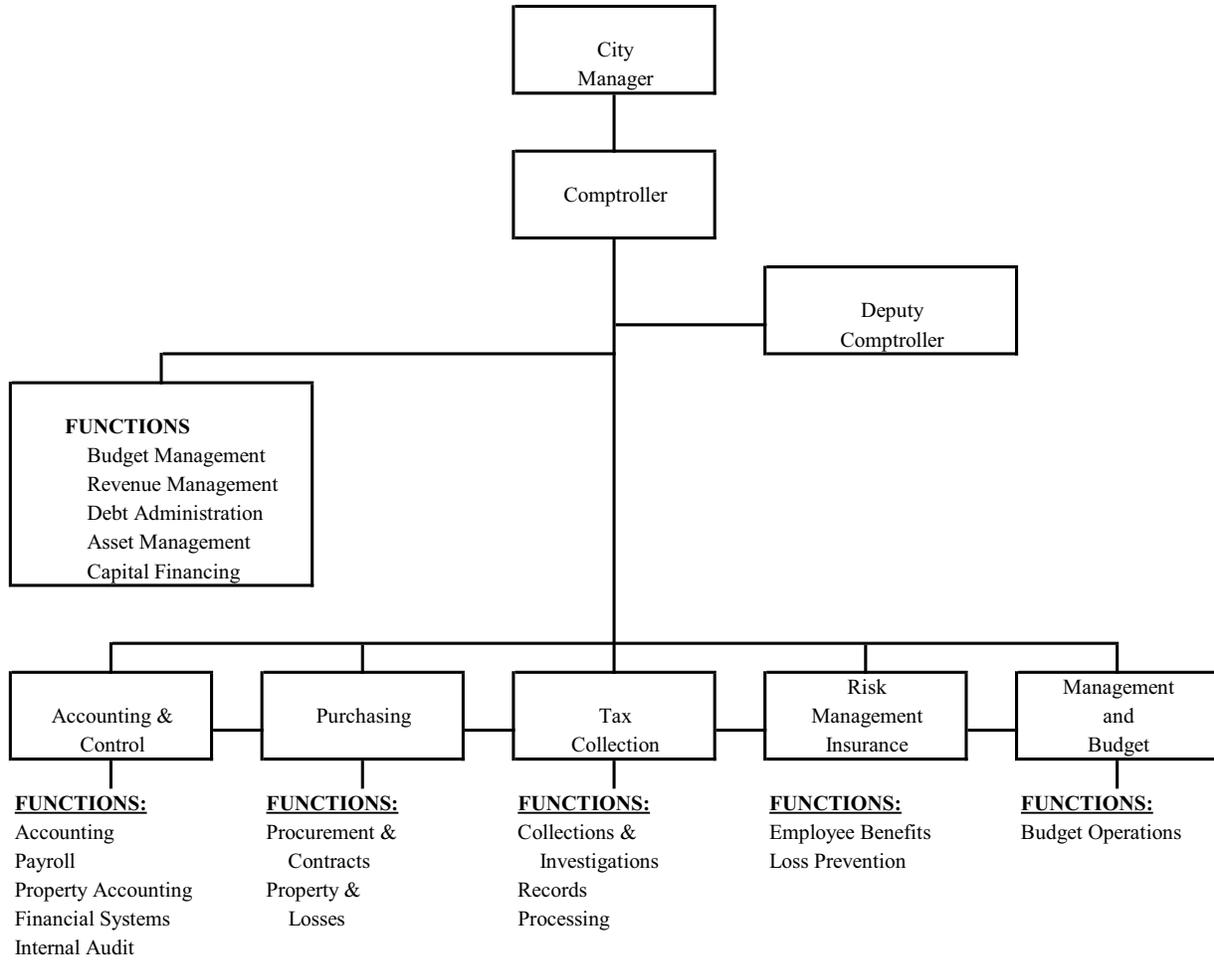
Jeffrey R. Emery

Executive Director

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



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



CITY OF NORWICH, CONNECTICUT

PRINCIPAL CITY OFFICIALS

As of June 30, 2004

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

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Financial Section

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwich, Connecticut (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Norwich, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwich, Connecticut, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated October 24, 2004 on our consideration of the City of Norwich, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

McGladrey & Pullen, LLP

New Haven, Connecticut
October 24, 2004

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

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

Financial Highlights (000's)

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

Government-wide Financial Analysis (000's)

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

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

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

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

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

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

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

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

Governmental Activities

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

Major revenue factors included:

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

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

Major expenditure factors include:

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

Business-Type Activities

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

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

Financial Analysis of the Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

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

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

Capital Assets and Debt Administration

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

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

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

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

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

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

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

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

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

Requests for Information

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

Basic Financial Statements

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2004

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

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

* After internal receivables and payables have been eliminated.

CITY OF NORWICH, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT

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

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

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

CITY OF NORWICH, CONNECTICUT

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

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

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

CITY OF NORWICH, CONNECTICUT

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

For the Year Ended June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

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

For the Year Ended June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

For the Year Ended June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Significant Accounting Policies

Reporting entity

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

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

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

Government-wide and Fund Financial Statements

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency funds are reported using the accrual basis of accounting but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds.

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

The City reports the following major proprietary fund:

The *Department of Public Utilities* accounts for the operation of the City's water, sewer, electric and gas divisions. It is independent in terms of its relationship to other City functions. Its operations are financed from direct charges to the users of the service.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting estimates

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

Property taxes

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

Cash equivalents

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

Investments

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

Inventories

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

Inventories of supplies are recorded at cost.

Loans receivable

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the statement of net assets - proprietary fund. Capital assets are defined by the government as assets with an initial,

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

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

Capital assets of the City is depreciated using the straight-line method over the following estimated useful lives:

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

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

Compensated absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies but does not vest. Sick leave and vacation leave expenditures are recognized in the governmental fund financial statements in the current year to the extent they are due (matured). If an employee is retiring, limited accumulated unused sick leave is not paid but added to the credited service used to calculate pension benefits. The liability for the remainder of the accrued vacation earned and not due is reported in the government-wide and proprietary fund financial statements.

Long-term obligations

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

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

Encumbrances

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

Fund equity and net assets

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

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

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

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

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

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

Deferred revenue - rate stabilization

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

Pension accounting

Pension Trust Funds:

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

Governmental Fund/Activities:

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

Funding Policy:

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

Estimated unbilled utility services

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

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

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 3. Budgets and Budgetary Accounting

The City's general budget policies are as follows:

- A. In October the City Manager, through the Comptroller's Office, distributes budget instructions to department heads.
- B. On or before a date set by the City Manager, the head of every department, office or agency must submit a written proposed budget for the following year, to the City Manager.
- C. The City Manager and Comptroller review these proposals and may revise them as deemed advisable, except in the case of the Department of Education where the City Manager has the authority to revise only the total estimated expenditures.
- D. The City Manager and Comptroller compare proposed expenditures to expected revenues and prepare a proposed budget for presentation to the City Council.
- E. As required by City Charter, on or before the first Monday in April, the City Manager submits a balanced annual budget, as well as appropriation and tax levy ordinances to the City Council.
- F. Between the presentation of the budget and the first public hearing, department heads are given the opportunity to make presentations in support of their proposed budget.
- G. The City Council holds a first public hearing on the budget prior to the third Monday in April, but not sooner than one week after the submission of the budget. This hearing is to listen to citizens' comments on the budget.
- H. The Council meets by the second Monday in May to take initial action on the budget.
- I. A second public hearing is then held regarding the Council's proposed changes, prior to the third Monday in May.
- J. After the second public hearing, the Council may revise expenditures, except that it may not reduce appropriations for debt service, and may revise only the total estimated expenditures for the Department of Education.
- K. The Council adopts the budget, appropriation and tax levy ordinances by the second Monday of June; if it fails to do so, the budget as submitted by the City Manager stands.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

- L. The City Manager may transfer unexpended balances within a department, office or agency; the Council may transfer unexpended balances between departments at the City Manager's request within the last three months of the fiscal year. The Comptroller oversees revenues and expenditures according to the budget established by the City Council.
- M. The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- N. Additional appropriations may be made upon the City Manager's recommendation, provided the Comptroller certifies the availability of a sufficient General Fund surplus. Additional appropriations of \$797,522 were made during the year.
- O. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. If an appropriation is not encumbered, it lapses at year-end and may not be used by the department.
- P. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

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

Special revenue funds

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

Capital projects funds

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

Note 4. Cash and Investments

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

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

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

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

Note 5. Receivables – Fund Basis

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 6. Interfund Receivables, Payables and Transfers

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

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

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

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 7. Capital Assets

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

Business-type activities:

Department of Public Utilities	\$ 4,269,457
Golf Course Authority	62,419
Stadium Authority	108,197
Ice Rink Authority	<u>162,607</u>

Total depreciation expense – business-type activities	<u>\$ 4,602,680</u>
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Note 8. Long-Term Liabilities

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Compensated absences

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

Accrued workers compensation claims

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

Net pension obligation

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

Landfill closure and postclosure care cost

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

Bonded indebtedness

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,202,000	\$ 1,718,233
2006	4,597,000	1,523,731
2007	3,796,000	1,320,808
2008	3,560,000	1,157,873
2009	2,800,000	1,018,540
2010	2,840,000	911,781
2011	2,770,000	803,100
2012	2,675,000	693,904
2013	2,670,000	584,111
2014	2,660,000	469,779
2015	1,605,000	352,891
2016	1,375,000	281,515
2017	1,220,000	221,755
2018	1,145,000	165,172
2019	1,040,000	111,709
2020	840,000	61,875
2021	265,000	19,875
2022	265,000	6,625
	<u>\$ 40,325,000</u>	<u>\$ 11,423,277</u>

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issue used for school construction. The amount of such reimbursement for the year ended June 30, 2004 was approximately \$499,043. Additional payments aggregating approximately \$1,842,000 are expected to be received through the bonds' maturity dates.

2001 General Obligation Bond - In-Substance Defeasance

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

2004 General Obligation Bond - In-Substance Defeasance

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Capital lease obligations

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

Future minimum lease payments under capital leases are as follows:

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

Debt limitation

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

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

Note 9. Commitments and Contingencies

Lawsuits

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

CITY OF NORWICH, CONNECTICUT

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

Municipal Solid Waste Management Services Contract

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

Under the service contract, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 23,000 tons per year and to pay a uniform per ton disposal service payment (the "service payment"). The aggregate minimum commitment of the eleven Contracting Municipalities is approximately 154,000 tons per year.

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

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

Connecticut Municipal Electric Energy Cooperative

The City has entered into a "Power Sales Contract for the Supply of Electric Power and Energy Cooperative" (the "Power Contract") with its present electric supplier, Connecticut Municipal Electric Energy Cooperative (CMEEC). Pursuant to the Power Contract, the City has agreed to maintain electric rates which, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC under the Power Contract.

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

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

Lease commitments

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

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

Note 10. Fund Deficits

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 11. Employee Retirement Plans

Employee Pension Plan

Plan Description

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

The City provides all retirement, death and disability benefits through a single employer, contributory, defined benefit plan. Under the Plan, all full-time salaried City employees, non-certified employees of the Board of Education and all full-time uniformed and investigatory employees classified as Police Officers and Firefighters are eligible after a probationary period. General City employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension. City employees receive a retirement benefit of 2.1% of average final earnings during the highest three years out of the last ten consecutive year period with a maximum of 35 years or 73.5%. Police who retire at normal retirement (after 20 years of service) receive 48% of average annual pay (highest three years out of last ten consecutive years) for the first 20 years of service plus 2.2% of pay in excess of 20 years with a maximum benefit of 70% of average annual pay. Firefighters who retire at normal retirement (after 25 years of service or age 50 with 20 years of service) receive 2% of average annual pay (highest three years out of last ten consecutive years) for each year for the first 25 years and 56.25% plus 2.75% for each year over 25 years with a maximum benefit of 70% average annual pay. Board of Education employees who retire at age 55 with 25 years of service or age 60 with 10 years of service receive a retirement benefit of 1.67% during the highest three consecutive year period times number of years of service (maximum 35 years or 73.5%). If an employee leaves employment or dies before meeting the vesting requirements, accumulated contributions and interest are refunded. Effective benefits and contributions are established by the City as negotiated with the various unions.

The contribution requirements of plan members and the City are established and may be amended by the City legislature. City employees are required to contribute 7.0%, and police and firefighter participants are required to contribute 8.0%. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

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

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Three-Year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/02	\$ 1,211,889	71.3%	\$ 1,335,799	\$ 863,479
6/30/03	1,206,904	135.2%	910,655	1,632,048
6/30/04	1,036,465	103.6%	873,266	1,073,854

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF PLAN NET ASSETS
June 30, 2004

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF FUNDING PROGRESS

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Additional information as of the latest actuarial valuations follows:

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

* Includes inflation rate @ 3.50%.

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Connecticut State Teachers' Retirement System

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

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

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

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

Note 12. Other Postemployment Benefits

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

Note 13. Risk Management

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

It is the policy of the City to self-insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchases "stop loss" insurance to limit its losses to \$125,000 per person per year for hospitalization with a maximum aggregate for all claims of approximately \$9,567,000 per year.

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

The workers' compensation costs are funded by the General Fund and the Department of Public Utilities Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Note 14. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The current estimated total cost of the landfill closure and postclosure care of \$2,459,085, is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the landfill as of June 30, 2004. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Also, the City is eligible for approximately \$3 million in State grants. The remaining portion will be funded through the issuance of General Obligation Bonds.

Note 15. Related Party Transactions

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

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

Note 16. Pronouncements Issued, Not Yet Effective

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

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

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

CITY OF NORWICH, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

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

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

APPENDIX B-1

**FORMS OF OPINION OF BOND COUNSEL
AND TAX EXEMPTION**

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FORM OF OPINION OF BOND COUNSEL – Series A

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 March 17, 2005 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$3,520,000 City of Norwich General Obligation Bonds, Issue of 2005, Series A, Capital Project Bonds, bearing a dated date of March 15, 2005 and an original issue date of March 17, 2005 (the "Series A Bonds"). Simultaneously with the issuance of the Series A Bonds, the City is issuing its Series B, Refunding Bonds (the "Series B Bonds"). The Series A Bonds and Series B Bonds, collectively the "Bonds". The Series A Bonds are subject to redemption prior to maturity as therein provided.

The Series A Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the Series A Bonds.

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

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

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

In our opinion, under existing statutes and court decisions, interest on the Series A Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and such interest is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Series A Bonds 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 Series A Bonds.

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

We are further of the opinion that, under existing statutes, interest on the Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Series A Bonds 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 Series A Bonds.

Respectfully yours,

MURTHA CULLINA LLP

MURTHA CULLINA LLP

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FORM OF OPINION OF BOND COUNSEL – Series B

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 March 17, 2005 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$8,570,000 City of Norwich General Obligation Bonds, Issue of 2005, Series B, Refunding Bonds, bearing a dated date of March 15, 2005 and an original issue date of March 17, 2005 (the "Series B Bonds"). Simultaneously with the issuance of the Series B Bonds, the City is issuing its Series A, Capital Project Bonds (the "Series A Bonds"). The Series A Bonds and Series B Bonds, collectively the "Bonds". The Series B Bonds are subject to redemption prior to maturity as therein provided.

The Series B Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the Series B Bonds.

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

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

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

In our opinion, under existing statutes and court decisions, interest on the Series B Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and such interest is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Series B Bonds 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 Series B Bonds.

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

We are further of the opinion that, under existing statutes, interest on the Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Series B Bonds 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 Series B Bonds.

Respectfully yours,

MURTHA CULLINA LLP

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code.

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

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

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

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

ORIGINAL ISSUE DISCOUNT

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

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

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

ORIGINAL ISSUE PREMIUM

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

APPENDIX B-2

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

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CONTINUING DISCLOSURE AGREEMENT

by the

CITY OF NORWICH, CONNECTICUT

Dated As Of March 17, 2005

In Connection With The Issuance And Sale of

\$3,520,000 City Of Norwich, Connecticut

General Obligation Bonds, Issue of 2005, Series A, Capital Project Bonds

Dated March 15, 2005

WHEREAS, the City of Norwich, Connecticut (the "Issuer") has heretofore authorized the issuance of \$3,520,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated March 15, 2005 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"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. Annual Reports.

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

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

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

(a) the amounts of the gross and net taxable grand list;

(b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(c) the percentage or amount of the annual property tax levy collected and uncollected;

(d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);

(f) the direct debt and overall net debt of the Issuer per capita;

(g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

(h) a statement of statutory debt limitations and debt margins;

(i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Financial Report. The information may be provided in whole or in part by cross-reference to other documents provided to each NRMSIR and the SID, including official statements of the Issuer which will be available from the MSRB.

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

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

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of the occurrence of any of the following events, if material:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;

- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions or events affecting the tax-exempt status of the security;
- g) modifications to rights of security holders;
- h) bond calls;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities; and
- k) rating changes.

Section 5. Notice of Failure. 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 any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) each NRMSIR or the MSRB, and

(ii) the SID. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

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

Section 10. 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 11. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 12. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

CONTINUING DISCLOSURE AGREEMENT

by the

CITY OF NORWICH, CONNECTICUT

Dated As Of March 17, 2005

In Connection With The Issuance And Sale of

\$3,520,000 City Of Norwich, Connecticut

General Obligation Bonds, Issue of 2005, Series A, Capital Project Bonds

Dated March 15, 2005

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 _____
Richard A. Podurgiel
City Manager

By _____
Joseph A. Ruffo
Comptroller

CONTINUING DISCLOSURE AGREEMENT

by the

CITY OF NORWICH, CONNECTICUT

Dated As Of March 17, 2005

In Connection With The Issuance And Sale of

\$8,570,000 City Of Norwich, Connecticut

General Obligation Bonds, Issue of 2005, Series B, Refunding Bonds

Dated March 15, 2005

WHEREAS, the City of Norwich, Connecticut (the "Issuer") has heretofore authorized the issuance of \$8,550,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated March 15, 2005 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"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. Annual Reports.

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

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

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

(a) the amounts of the gross and net taxable grand list;

(b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(c) the percentage or amount of the annual property tax levy collected and uncollected;

(d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);

(f) the direct debt and overall net debt of the Issuer per capita;

(g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

(h) a statement of statutory debt limitations and debt margins;

(i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Financial Report. The information may be provided in whole or in part by cross-reference to other documents provided to each NRMSIR and the SID, including official statements of the Issuer which will be available from the MSRB.

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

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

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to (i) each NRMSIR or to the MSRB, and (ii) the SID, notice of the occurrence of any of the following events, if material:

- l) principal and interest payment delinquencies;
- m) non-payment related defaults;
- n) unscheduled draws on debt service reserves reflecting financial difficulties;

- o) unscheduled draws on credit enhancements reflecting financial difficulties;
- p) substitution of credit or liquidity providers, or their failure to perform;
- q) adverse tax opinions or events affecting the tax-exempt status of the security;
- r) modifications to rights of security holders;
- s) bond calls;
- t) defeasances;
- u) release, substitution or sale of property securing repayment of the securities; and
- v) rating changes.

Section 5. Notice of Failure. 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 any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) each NRMSIR or the MSRB, and

(ii) the SID. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

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

Section 10. 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 11. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 12. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

CONTINUING DISCLOSURE AGREEMENT

by the

CITY OF NORWICH, CONNECTICUT

Dated As Of March 17, 2005

In Connection With The Issuance And Sale of

\$8,570,000 City Of Norwich, Connecticut

General Obligation Bonds, Issue of 2005, Series B, Refunding Bonds

Dated March 15, 2005

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 _____
Richard A. Podurgiel
City Manager

By _____
Joseph A. Ruffo
Comptroller

APPENDIX B-3

NOTICE OF SALE AND BID FORMS

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NOTICE OF SALE

\$12,070,000*

**CITY OF NORWICH, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2005**

CONSISTING OF

\$3,520,000* SERIES A, CAPITAL PROJECT BONDS

AND

\$8,550,000* SERIES B, REFUNDING BONDS

SEALED PROPOSALS and Electronic Bids via *PARITY*[®] will be received by the City of Norwich, Connecticut (the "Issuer"), at the offices of Murtha Cullina LLP, Bond Counsel, CityPlace I, 185 Asylum Street, 29th Floor, New Main Conference Room, Hartford, Connecticut 06103, until 11:30 A.M. (E.S.T.) on Thursday, March 3, 2005, for the purchase of

SERIES A:

\$3,520,000* Series A, Capital Project Bonds dated March 15, 2005, maturing on September 15 in each of the years as follows: \$355,000 in the years 2006-2009 and \$350,000 in the years 2010-2015, bearing interest payable semiannually on March 15 and September 15 in each year until maturity, commencing September 15, 2005 (the "Series A Bonds").

SERIES B:

\$8,550,000* Series B, Refunding Bonds dated March 15, 2005, maturing on September 15 in each of the years as follows: \$40,000 in the years 2005-2006, \$245,000 in the year 2007, \$240,000 in the year 2008, \$830,000 in the year 2009, \$890,000 in the year 2010, \$805,000 in the years 2011-2012, \$800,000 in the year 2013, \$790,000 in the year 2014, \$775,000 in the year 2015, \$580,000 in the year 2016, \$575,000 in the year 2017, \$570,000 in the year 2018, and \$565,000 in the year 2019, bearing interest payable semiannually on March 15 and September 15 in each year until maturity, commencing September 15, 2005 (the "Series B Bonds").

**Subject to change as set forth herein. See "Adjustment of Principal Amount of Bonds".*

Separate forms of proposal will be provided for the Series A Bonds and Series B Bonds (collectively the "Bonds"). Bidders may submit proposals for either Series and are not

required to submit proposals for each. **The winning bidder must provide a separate CUSIP number for each Series.**

Unless otherwise provided provisions regarding the Bonds in this Notice of Sale apply separately to the Series A Bonds and Series B Bonds.

The Bonds maturing on or before September 15, 2013 are not subject to redemption prior to maturity. The Bonds maturing on September 15, 2014 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after September 15, 2013, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 15, 2013 and thereafter	100%

The Bonds will be dated March 15, 2005 and will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Separate bond certificates will be deposited for the Series A Bonds and the Series B Bonds. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

A separate proposal must be submitted for the purchase of the bonds of each Series and proposals for purchase of Bonds of each Series must be in the form of proposal attached hereto. Bidders may submit proposals for Series A, Series B, or both Series. Each bid must be for the entire \$3,520,000 of bonds of Series A or the entire \$8,550,000 of bonds of Series B and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of

360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds for each Series will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder of each Series, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to March 15, 2005, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to March 17, 2005, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Sealed proposals for the Series A Bonds, Series B Bonds, or both, must be enclosed in sealed envelopes (a separate envelope for each Series bid is required) marked "Proposal for Bonds" and addressed to Richard A. Podurgiel, City Manager and Joseph A. Ruffo, Comptroller, City of Norwich, c/o Murtha Cullina LLP, Bond Counsel, CityPlace I, 185 Asylum Street, 29th Floor, New Main Conference Room, Hartford, Connecticut 06103.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of *PARITY*[®] until 11:30 A.M. (E.S.T.) on Thursday, March 3, 2005. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*[®], including any fee charged, may be obtained from *PARITY*[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of *PARITY*[®] is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via *PARITY*[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of *PARITY*[®], or the inaccuracies of any information, including bid information or worksheets supplied by *PARITY*[®], the use of *PARITY*[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of *PARITY*[®] prospective electronic bidders shall be solely responsible to make necessary arrangements to access *PARITY*[®] for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the

Issuer nor *PARITY*[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or *PARITY*[®] shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*[®]. The Issuer is using *PARITY*[®] as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of *PARITY*[®] to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY*[®] are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone *PARITY*[®] at (212) 849-5021. If any provision of this Notice shall conflict with information provided by *PARITY*[®], this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on *PARITY*[®] shall constitute the official time.

ADJUSTMENT OF PRINCIPAL AMOUNT OF THE BONDS

Any adjustment in either the aggregate principal amount or the individual maturities of the Series B Bonds will be in an amount of \$5,000 or an integral multiple thereof and will be made only as necessary to effect the refunding in accordance with the City's objectives. Those objectives include (1) maintaining preferred debt service savings placement and (2) issuing a final par amount of Series B Bonds that will be sufficient to fund the refunding escrow plus costs of issuance, given the price bid by the successful underwriter, while avoiding an overissuance of Series B Bonds. Underwriters should be advised that bidding with a large premium will likely result in a corresponding reduction in the par amount of the Series B Bonds. Resizing the Series B Bonds may also cause an adjustment in either the aggregate principal amount or individual maturities of the Series A Bonds.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Series B Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original discount/premium, if any, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the City as stated herein. The successful bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

The Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low

income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The Bonds will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut, and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a signed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinions will further state that, under existing statutes and court decisions (i) interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) such interest is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax imposed on corporations under the Code, (iii) under existing statutes, the interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax, and (v) the Bonds are exempt from property taxation in the State of Connecticut. In rendering the legal opinions, Murtha Cullina LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement, and the material accuracy of the calculations of McGladrey & Pullen, LLP with respect to the yield on the bonds and on certain escrowed securities purchased with the proceeds of the Series B Bonds, and net present value savings to the City as a result of issuance of the Bonds. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

The Bonds **shall NOT** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER OR BIDDERS TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS THE PRICES AT

WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

The Bonds will be delivered to DTC in New York City on or about March 17, 2005. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. **A separate CUSIP for the Series A Bonds and Series B Bonds is required.** It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds will be awarded or all bids will be rejected promptly after the bid opening, and not later than 5:00 P.M. (Hartford time) on March 3, 2005. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated February 17, 2005, may be obtained from David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, Massachusetts, 01588, (508) 234-8112, ext. 3114. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 100 copies of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

The Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be

conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Richard A. Podurgiel
City Manager

Joseph A. Ruffo
Comptroller

February 17, 2005

(See attached for form of Proposal for Bonds)

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PROPOSAL FOR BONDS
Series A: \$3,520,000*

March 3, 2005

Richard A. Podurgiel, City Manager
 Joseph A. Ruffo, Comptroller
 City of Norwich
 c/o Murtha Cullina LLP, Bond Counsel
 CityPlace I
 185 Asylum Street, 29th Floor, New Main Conference Room
 Hartford, Connecticut 06103

Gentlemen:

Subject to the provisions of the Notice of Sale dated February 17, 2005, which Notice is made a part of this proposal, we offer to purchase all **\$3,520,000* Series A Bonds** of the City of Norwich comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount*	Interest Rate	Year of Maturity	Principal Amount*	Interest Rate
2006	\$355,000	_____ %	2011	\$350,000	_____ %
2007	\$355,000	_____ %	2012	\$350,000	_____ %
2008	\$355,000	_____ %	2013	\$350,000	_____ %
2009	\$355,000	_____ %	2014	\$350,000	_____ %
2010	\$350,000	_____ %	2015	\$350,000	_____ %

**Subject to change in accordance with the Notice of Sale.*

(Name of Bidder)	(Mailing Address)
(Authorized Signature)	(Telephone Number)
	(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of **\$3,520,000* Series A Bonds** under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

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PROPOSAL FOR BONDS
Series B: \$8,550,000*

March 3, 2005

Richard A. Podurgiel, City Manager
 Joseph A. Ruffo, Comptroller
 City of Norwich
 c/o Murtha Cullina LLP, Bond Counsel
 CityPlace I
 185 Asylum Street, 29th Floor, New Main Conference Room
 Hartford, Connecticut 06103

Gentlemen:

Subject to the provisions of the Notice of Sale dated February 17, 2005, which Notice is made a part of this proposal, we offer to purchase all **\$8,550,000* Series B Bonds** of the City of Norwich comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount*	Interest Rate	Year of Maturity	Principal Amount*	Interest Rate
2005	\$40,000	_____ %	2013	\$800,000	_____ %
2006	\$40,000	_____ %	2014	\$790,000	_____ %
2007	\$245,000	_____ %	2015	\$775,000	_____ %
2008	\$240,000	_____ %	2016	\$580,000	_____ %
2009	\$830,000	_____ %	2017	\$575,000	_____ %
2010	\$890,000	_____ %	2018	\$570,000	_____ %
2011	\$805,000	_____ %	2019	\$565,000	_____ %
2012	\$805,000	_____ %			

**Subject to change in accordance with the Notice of Sale.*

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of **\$8,550,000* Series B Bonds** under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

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BOND INSURANCE**Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

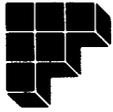
Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2004 Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,255,933,000 and its total unearned premium reserve was approximately \$1,561,771,000 in accordance with statutory accounting practices. At September 30, 2004, Financial Security's total shareholder's equity was approximately \$2,612,989,000 and its total net unearned premium reserve was approximately \$1,286,985,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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AMBAC ASSURANCE DISCLOSURE LANGUAGE AND SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**Payment Pursuant to Financial Guaranty Insurance Policy**

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Obligations effective as of the date of issuance of the Obligations. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Obligations which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Obligations and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Obligations become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Obligations, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Obligations on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Obligations, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent/Bond Registrar has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Obligations to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Obligations to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$8,329,000,000** (unaudited) and statutory capital of approximately **\$5,224,000,000** (unaudited) as of **December 31, 2004**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations.

Ambac Assurance makes no representation regarding the Obligations or the advisability of investing in the Obligations and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Appendix D".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;
7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004;
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 filed on November 9, 2004;
9. The Company's Current Report on Form 8-K dated November 12, 2004 and filed on November 12, 2004; and
10. The Company's Current Report on Form 8-K dated January 26, 2005 and filed on January 26, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee