

Official Statement Dated May 26, 2009

REFUNDING ISSUE

STANDARD & POOR'S RATING: AAA

(See "Ratings" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Series C Bonds may be includable in the calculation of certain taxes under the Code, including the alternative minimum tax on certain corporations. Interest on the Series D Bonds is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations. 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 "Tax Matters" herein).

CITY OF NORWALK, CONNECTICUT

\$18,320,000

GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2009, COMPRISED OF:

\$1,850,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES C

AND

\$16,470,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES D

BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: July 1, as shown below

The Series C Bonds and the Series D Bonds (the "Bonds") will bear interest payable on July 1, 2009 and semiannually thereafter on January 1 and July 1 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of 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 Transfer System" herein).

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

The Registrar, Certifying, Transfer, Escrow and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The Bonds ARE subject to redemption prior to maturity.

MATURITY SCHEDULE AND AMOUNTS

\$1,850,000 SERIES C BONDS

| <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> |
|-----------------|---------------|----------------------|--------------|--------------|
| 2023 | \$1,850,000 | 4.000% | 3.520%* | 668844AA1 |

\$16,470,000 SERIES D BONDS

| <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> | <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> |
|-----------------|---------------|----------------------|--------------|--------------|-----------------|---------------|----------------------|--------------|--------------|
| 2011 | \$1,185,000 | 3.000% | 1.000% | 668844AB9 | 2020 | \$2,450,000 | 5.000% | 3.000%* | 668844AL7 |
| 2012 | 1,350,000 | 3.000 | 1.350 | 668844AC7 | 2021 | 2,270,000 | 5.000 | 3.120* | 668844AM5 |
| 2013 | 1,430,000 | 3.000 | 1.550 | 668844AD5 | 2022 | 2,280,000 | 4.000 | 3.400* | 668844AN3 |
| 2014 | 1,425,000 | 4.000 | 1.880 | 668844AE3 | 2023 | 1,345,000 | 4.000 | 3.520* | 668844AP8 |
| 2019 | 1,420,000 | 4.000 | 2.820 | 668844AK9 | 2024 | 1,315,000 | 4.000 | 3.630* | 668844AQ6 |

* - Priced assuming redemption on July 1, 2019. Any such redemption will be at the option of the City. (See "Optional Redemption" herein).

PiperJaffray.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Robinson & Cole LLP, of Hartford, Connecticut, Bond Counsel. It is expected that delivery of the Bonds in book-entry-only form will be made on or about June 9, 2009.

Dated: May 26, 2009

No dealer, broker, salesman or other person has been authorized by the City of Norwalk, Connecticut (the "City"), to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representation must not be relied upon as having been authorized by the foregoing. 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. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

Other than as to matters expressly set forth in Appendix A – "Audited Financial Statements" herein, the independent auditors for the City are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same. The independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The independent auditor also has not performed any procedures relating to this official statement.

Other than as to matters expressly set forth in Appendix B – "Form of Legal Opinion of Bond Counsel" herein, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

Independent Bond and Investment Consultants LLC, the City's Financial Advisor, has assisted the City in the preparation of this Official Statement from information supplied by City officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made 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.

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, (i) annual financial information and operating data; (ii) timely notice of an 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 on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form of Appendix C to this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

BOND COUNSEL

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INDEPENDENT FINANCIAL ADVISOR

**INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC**

Madison, Connecticut
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SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the City of Norwalk, Connecticut (the "City") in connection with the issuance and sale of \$18,320,000 General Obligation Refunding Bonds, Issue of 2009, comprised of the \$1,850,000 Series C (the "Series C Bonds") and \$16,470,000 Series D (the "Series D Bonds") (herein collectively, "the Bonds").

All quotations from the summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and 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 presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other areas presented herein as provided by the City.

Description of the Bonds

The Bonds will be dated the date of delivery and will mature in annual installments on July 1 in each of the years and in the principal amounts set forth on the cover page hereof. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest will be payable on July 1, 2009 and semiannually thereafter on January 1 and July 1 in each year until maturity. 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, Escrow and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The Bonds ARE subject to redemption prior to maturity. (See "Optional Redemption" below).

Optional Redemption

The Bonds maturing on or before July 1, 2019 are not subject to redemption prior to maturity. The Bonds maturing on July 1, 2020, and thereafter are subject to redemption prior to maturity, at the option of the City, on or after July 1, 2019, 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 prices (expressed as a percentage of principal amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|-----------------------------|-------------------------|
| July 1, 2019 and thereafter | 100% |

Notice of Redemption

Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered owner of such Bonds at his address as it appears on the registration books for the Bonds kept for such purpose. So long as a book-entry system is used for the Bonds, the City will send any notice of redemption only to DTC (or a successor securities depository) or its nominee.

Authorization and Purpose

Authorization: The Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the City of Norwalk and a resolution adopted by the Common Council of the City on January 13, 2009 and as amended on February 24, 2009 authorizing the issuance of refunding bonds in an amount not to exceed \$85,000,000.

Purpose: The Bonds are being issued to refund all or a portion of the aggregate principal amount outstanding of certain City of Norwalk General Obligation Bonds (the "Refunded Bonds") as shown under "Plan of Refunding" herein.

Plan of Refunding

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

Series C Bonds

| <u>Issue</u> | <u>Dated Date</u> | <u>Maturity Date</u> | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>Redemption Price</u> |
|--------------|-------------------|----------------------|----------------------------------|----------------------|------------------------|-------------------------|
| 2003 | 07/15/2003 | 07/15/2023 | <u>\$ 1,875,000</u> 1,875,000 | 4.000% | 07/10/2009 | 100.00% |

Series D Bonds

| | | | | | | |
|--------|------------|------------|-------------------------------|--------|------------|--------|
| 2005 B | 07/01/2005 | 07/01/2011 | 1,175,000 | 3.250% | 07/01/2010 | 100.00 |
| 2005 B | 07/01/2005 | 07/01/2020 | 1,150,000 | 4.000 | 07/01/2010 | 100.00 |
| 2005 B | 07/01/2005 | 07/01/2021 | 950,000 | 4.000 | 07/01/2010 | 100.00 |
| 2005 B | 07/01/2005 | 07/01/2022 | <u>950,000</u> 4,225,000 | 4.000 | 07/01/2010 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2012 | 1,350,000 | 4.250 | 07/01/2011 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2020 | 1,325,000 | 4.375 | 07/01/2011 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2021 | 1,325,000 | 4.375 | 07/01/2011 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2022 | 1,325,000 | 4.375 | 07/01/2011 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2023 | 1,325,000 | 4.500 | 07/01/2011 | 100.00 |
| 2006 | 07/01/2006 | 07/01/2024 | <u>1,325,000</u> 7,975,000 | 4.500 | 07/01/2011 | 100.00 |
| 2007 | 07/15/2007 | 07/15/2013 | 1,450,000 | 4.000 | 07/15/2012 | 100.00 |
| 2007 | 07/15/2007 | 07/15/2014 | 1,450,000 | 4.000 | 07/15/2012 | 100.00 |
| 2007 | 07/15/2007 | 07/15/2019 | <u>1,450,000</u> 4,350,000 | 4.250 | 07/15/2012 | 100.00 |

Total \$18,425,000

Upon delivery of the Bonds, a portion of the Bond proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of June 9, 2009 between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by the government of the United States of America, including, Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes all of which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities"). All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the City for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and the Underwriter's discount.

Verification of Mathematical Computations

Barthe & Wahrman, a Professional Association, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of: (1) the computations that the anticipated receipts from the Escrow Securities and cash deposits set forth in the Underwriter's schedules, will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, payment requirements of the Refunded Bonds, and (2) the computations of yield on the Bonds and the Escrow Securities contained in the provided schedules. Barthe & Wahrman, a Professional Association, will express no opinion on the assumptions provided to them.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:

| | |
|---------------------------------|------------------------|
| Proceeds of the Series C Bonds | \$ 1,850,000.00 |
| Proceeds of the Series D Bonds | 16,470,000.00 |
| Original Issue Premium/Discount | <u>1,561,188.25</u> |
| Total Sources | <u>\$19,881,188.25</u> |

Uses:

| | |
|--------------------------------|------------------------|
| Deposit to Escrow Deposit Fund | \$19,735,598.95 |
| Underwriter's Discount | 65,952.00 |
| Costs of Issuance | 79,000.00 |
| Additional Proceeds | <u>637.30</u> |
| Total Uses | <u>\$19,881,188.25</u> |

Ratings

The Bonds have been rated "AAA" by Standard & Poor's Corporation ("S&P") and S&P has affirmed the underlying rating on the City's outstanding bonds as "AAA". Certain outstanding issues of the City are also rated "Aaa" by Moody's Investors Service and "AAA" by Fitch Ratings. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from said agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely, if in the judgment of said agencies, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the City's Bonds.

Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Tax Regulatory Agreement, which will be executed and delivered by the City concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditures and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the City 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 be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Series C Bonds is includable in adjusted current earnings for purposes of computing the federal alternative minimum tax on certain corporations. Interest on the Series D Bonds, however, is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations.

Ownership of the Bonds may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit 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, or receipt of interest on, 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 opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective. Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Amortized original issue premium on the Bonds is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on, the Bonds.

Original Issue Discount

The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of Bonds.

Security and Remedies

The Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from 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 certain classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

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 to secure the Bonds, or judgments thereon, in priority to other claims.

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

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, 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. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code or thereof by state law or by a governmental officer or organization empowered by state law to authorized such entity to become a debtor under such Chapter. 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.

THE CITY OF NORWALK, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Qualifications for Financial Institutions

The Bonds shall NOT be designated 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, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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 confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds and the Notes 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 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.

Redemption notices shall be sent to DTC if less than all of 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 any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Replacement Bonds

The determination of the City authorizing the Bonds provides for issuance of fully registered Bond certificates directly to Beneficial Owners of the Bonds or their nominees 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. 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.

DTC Practices

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

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series C Bonds from the City at the net aggregate purchase price of \$1,917,987.50, (consisting of the principal amount of \$1,850,000.00, plus original issue premium of \$74,647.50 and less Underwriter's discount of \$6,660.00) and to purchase the Series D Bonds from the City at the net aggregate purchase price of \$17,897,248.75, (consisting of the principal amount of \$16,470,000.00, plus original issue premium of \$1,486,540.75 and less Underwriter's discount of \$59,292.00). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

Piper Jaffray & Co., ("the Underwriter") has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

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SECTION II - THE ISSUER

Description of the City

Norwalk, first settled in 1640, is Connecticut's sixth largest city by population. In 1913 the former City of Norwalk, the City of South Norwalk, and the East Norwalk Fire District consolidated and incorporated as the City of Norwalk. Rowayton and Silvermine are also sections of the City. Norwalk covers an area of 26.6 square miles located on Long Island Sound between Bridgeport and Stamford. It is bound on the west by Darien and New Canaan, north by Wilton, and east by Westport.

The City is about one hour from New York City by rail or highway transportation. It is on the main line of Metro North Commuter Railroad, Amtrak and Conrail, which provide daily passenger and freight service. It is served by interstate, intrastate, and local bus lines. The Connecticut Turnpike, Interstate 95; the Boston Post Road, U.S. Route 1; U.S. Route 7; and the Merritt Parkway, State Route 15 traverse the City.

Norwalk is a diversified research, development and industrial center with over three hundred manufacturing establishments. It is also an important residential suburb as well as a shopping and service community located in one of the highest per capita income areas of the United States. The U.S. Bureau of Census 2000 Census Report lists Norwalk's per capita income as \$31,781 and the median family income as \$68,219. Both figures are well above the corresponding state and national figures. A large portion of the City's work force is employed in local industrial, commercial and retail establishments.

Form of Government

The City of Norwalk operates under a Charter adopted in 1913 which was most recently revised November 2005. The most recent charter revision changed the schedule for the adoption of the City's Operating Budget, increasing the time-frame of the process to 15 weeks from 14 weeks. The final budget is now due by the first Monday in May. Left unchanged by the recent revision were the provisions which allow the Common Council to establish a cap on expenditures that the Board of Estimate and Taxation may not exceed when setting the budget and the electors to petition for a single binding referendum to reduce the budget.

The chief executive officer of the City is the Mayor, elected for a two-year term of office. The legislative function is performed by an elected fifteen-member Common Council. A Board of Estimate and Taxation, appointed by the Mayor and confirmed by the Common Council, is responsible for fiscal matters. The Director of Finance is appointed by the Mayor. Under the direction of the Mayor, the Director of Finance has supervision over the Department of Finance and is responsible for the administration of the financial affairs of the City.

Municipal Officials

The following provides information about the City's principal officials:

| <u>Office</u> | <u>Name</u> | <u>Manner of Selection & Term</u> | <u>Length of Service</u> |
|---------------------------|---------------------|---------------------------------------|--------------------------|
| Mayor | Richard A. Moccia | Elected - 2 years | 3 years |
| Director of Finance | Thomas S. Hamilton | Appointed - Indefinite | 5 years |
| Superintendent of Schools | Dr. Salvatore Corda | Appointed - 3 years | 7 years |

Biographies of Municipal Officials

Mayor: Richard A. Moccia was elected Mayor in November 2005 to his first term of office. Prior to his election, Mayor Moccia served one term on the Norwalk Common Council and also served on various Commissions/Committees for the City of Norwalk.

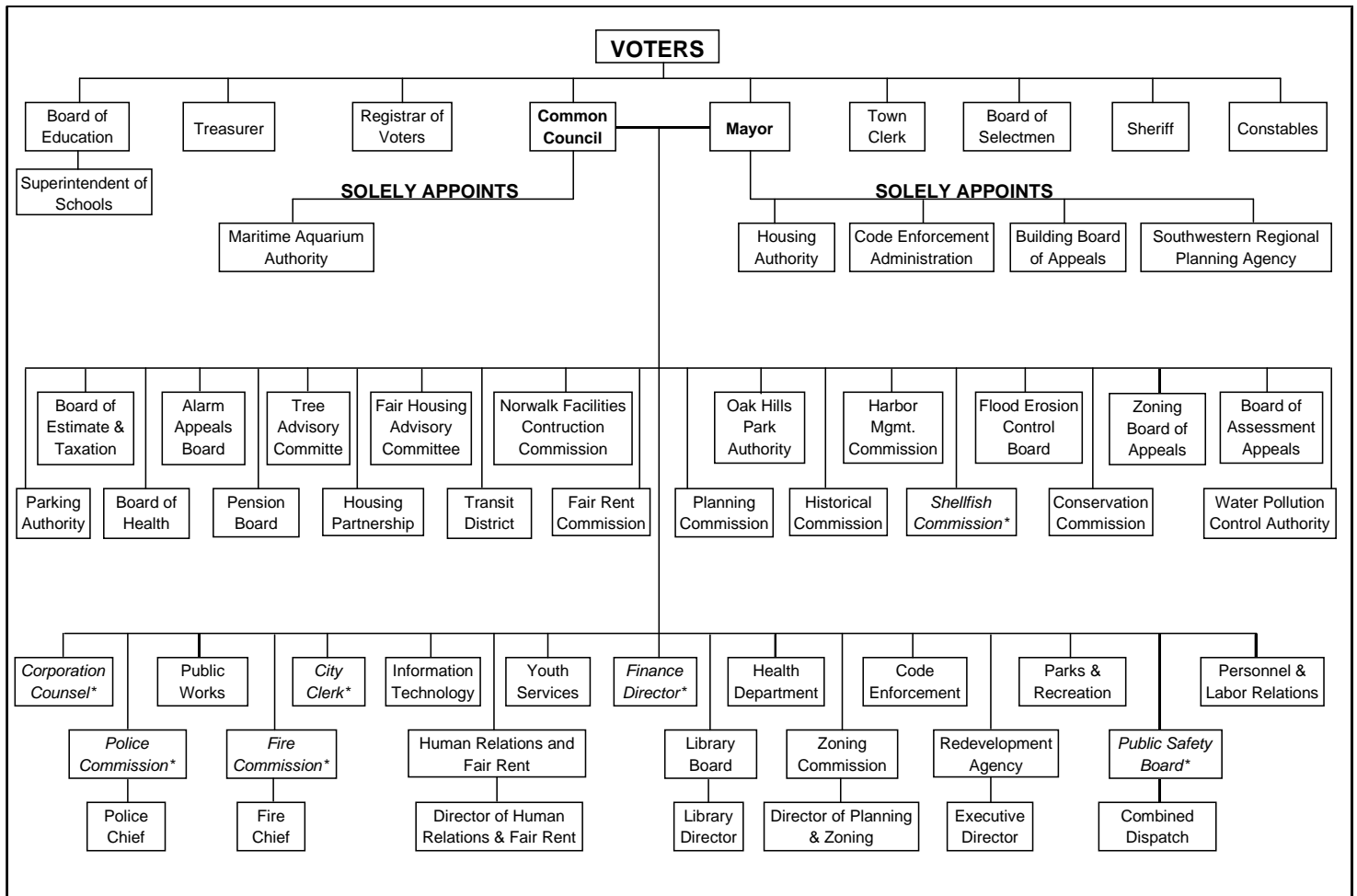
Mayor Moccia has lived in Norwalk since 1972 and was elected as Constable and City Sheriff and served these positions for many years.

Director of Finance: Thomas Hamilton was appointed Director of Finance on September 3, 2003. Mr. Hamilton earned a B.A. in Public Management from the University of Maine and a Master's in Government Administration from the University of Pennsylvania.

Mr. Hamilton has 24 years experience in municipal administration. Prior to becoming Director of Finance for the City of Norwalk, Mr. Hamilton served as the chief financial officer for the City of Stamford, Connecticut from 1996 until 2003, and served as Finance Director in West Haven, Connecticut between 1992 and 1996. Mr. Hamilton also served as Norwalk's Budget Director from 1987 to 1992. Mr. Hamilton is a member of the Government Finance Officers Association of the United States and Canada, and is a past president of the Government Finance Officers Association of Connecticut.

Superintendent of Schools: Salvatore Corda is Superintendent of Schools. He earned his PhD from New York University and his B.A. and M.A. from Queens College. Prior to coming to Norwalk, Dr. Corda was Superintendent of Schools in Peekskill, New York for 12 years.

City Organization



All Boards, Commissions and Department Heads are chosen by the Mayor and require Common Council approval unless otherwise noted

* These Department Heads, Boards and Commissions are solely appointed by the Mayor

Municipal Employees (1)

| | <u>2009</u> (2) | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| General Government | 621 | 626 | 616 | 615 | 616 | 601 |
| Board of Education (full-time) | <u>1,394</u> | <u>1,388</u> | <u>1,377</u> | <u>1,353</u> | <u>1,320</u> | <u>1,304</u> |
| Total | <u>2,015</u> | <u>2,014</u> | <u>1,993</u> | <u>1,968</u> | <u>1,936</u> | <u>1,905</u> |

(1) General Fund supported employees only as of July 1 in each fiscal year.

(2) Current General Fund supported employees

Municipal Employees by Category

The following is a breakdown by category of full-time, General Fund supported employees as of June 9, 2009:

| <u>Department</u> | <u>Employees</u> |
|-------------------------------|------------------|
| <u>General Government</u> | |
| General Government | 80 |
| Health & Welfare | 20 |
| Police | 185 |
| Fire | 138 |
| Other Protection | 42 |
| Public Works | 103 |
| Recreation, Arts & Culture | <u>53</u> |
| Total General Government | <u>621</u> |
| <u>Board of Education</u> | |
| Administration and Principals | 75 |
| Teachers | 852 |
| Other | <u>467</u> |
| Total Board of Education | <u>1,394</u> |
| Total City Employees | <u>2,015</u> |

Source: City Officials

Municipal Employee Collective Bargaining Representation

| <u>Employees</u> | <u>Organization</u> | <u>Number of Employees</u> | <u>Current Contract Expiration Date</u> |
|--|---|----------------------------|---|
| General Government | | | |
| Police | Local 1727, Council #15 AFSCME, AFL-CIO | 168 | June 30, 2010 |
| Fire | Local 830, IAFF | 133 | June 30, 2010 |
| Engineers, Labor & Maintenance | Local 2405, Council #4 AFSCME, AFL-CIO | 116 | June 30, 2009 |
| Clerical & Technical | Norwalk Municipal Employees Association | 123 | June 30, 2012 |
| Public Health Nurses | Council #4 AFSCME, AFL-CIO | 3 | June 30, 2009 |
| Assistants & Supervisors | Norwalk Assistants & Supervisors Association | 54 | June 30, 2011 |
| Non-Bargaining Management | | <u>24</u> | |
| | Subtotal | 621 | |
| Board of Education | | | |
| Teachers | Norwalk Federation of Teachers Local 1723, AFT, AFL-CIO | 852 | August 31, 2010 |
| Principals, Assistant Principals and Supervisors | Association of Norwalk School Administrators | 55 | June 30, 2012 |
| School Nurses | CHCA, District 1199 | 20 | August 31, 2011 |
| Custodians-Maintenance and Monitors | Local 1042, Council #4 AFSCME, AFL-CIO | 119 | June 30, 2011 |
| Secretaries, Clerks & Teachers Aides | Norwalk Federation of Educational Personnel Local 3793, CSFT, AFL-CIO | 320 | June 30, 2009 |
| Technicians | Local 72, Support, AFSA AFL-CIO | 8 | June 30, 2009 |
| Cabinet/Executive Support Staff | | <u>20</u> | N/A |
| | Subtotal | <u>1,395</u> | |
| | Grand Total – General Fund Supported Positions | 2,015 | |
| Cafeteria Workers | Local 1748, Council #4 AFSCME, AFL-CIO | <u>18</u> (1) | June 30, 2009 |
| | Grand Total – All Positions | <u>2,033</u> | |

(1) Cafeteria Workers are not funded by the General Fund, but supported from a self-supporting special enterprise fund. Therefore, Cafeteria Workers are not included in General Fund supported totals.

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 certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee's 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 municipality, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment 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.

Source: City of Norwalk.

Educational Facilities

Norwalk has a nine (9) member Board of Education, with the Mayor serving as an ex-officio member. The Board members are elected to four-year terms, four and five, respectively, every two years. 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 January.

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 system, including construction and renovation.

The City has two high schools, one alternative high school, four middle schools and twelve elementary schools, one of which is a nationally recognized magnet school. The Board has 1,395 employees to fulfill its instructional objective. They comprise two groups: 907 certified personnel and 488 non-certified personnel including secretaries, clerks, nurses, cafeteria workers, custodians, maintenance personnel and teachers' aides.

Public School Enrollment (1)

| <u>Fiscal Year</u> | <u>Elementary School K – 5</u> | <u>Middle School 6 – 8</u> | <u>High School 9 – 12</u> | <u>Special Education</u> | <u>Total</u> |
|--------------------|--------------------------------|----------------------------|---------------------------|--------------------------|--------------|
| 1999-2000 | 5,462 | 2,197 | 2,801 | 405 | 10,865 |
| 2000-2001 | 5,459 | 2,412 | 2,940 | 188 | 10,999 |
| 2001-2002 | 5,391 | 2,501 | 3,081 | 190 | 11,163 |
| 2002-2003 | 5,294 | 2,570 | 3,122 | 207 | 11,193 |
| 2003-2004 | 5,313 | 2,596 | 3,210 | N/A | 11,119 |
| 2004-2005 | 5,264 | 2,578 | 3,238 | N/A | 11,080 |
| 2005-2006 | 5,112 | 2,505 | 3,306 | N/A | 10,923 |
| 2006-2007 | 5,041 | 2,392 | 3,349 | N/A | 10,782 |
| 2007-2008 | 5,028 | 2,268 | 3,320 | N/A | 10,616 |
| 2008-2009 | 5,077 | 2,337 | 3,334 | N/A | 10,748 |
| Projections | | | | | |
| 2009-2010 | 5,159 | 2,337 | 3,256 | N/A | 10,752 |
| 2010-2011 | 5,003 | 2,333 | 3,205 | N/A | 10,541 |
| 2011-2012 | 5,039 | 2,250 | 3,202 | N/A | 10,491 |
| 2012-2013 | 5,084 | 2,248 | 3,137 | N/A | 10,469 |

(1) As of October 1.

Source: City of Norwalk Board of Education.

Colleges

Norwalk Community College, the first public two-year liberal arts college in Connecticut, was founded in 1961. It became a part of the State of Connecticut Community College system in 1966. Norwalk Community College provides a broad range of credit and non-credit liberal arts, science, career, and technical programs which offer accessible and affordable learning opportunities to diverse populations. The current enrollment is approximately 6,000.

Norwalk Transit District

The Norwalk Transit District (the "District") provides public transportation services in the communities from Greenwich to Westport. The District's core service is the WHEELS Public Bus System which operates 23 buses, 17 during peak periods on 12 routes throughout Norwalk and Wilton. Service is provided between the hours of 6:00 a.m. and 7:15 p.m. Monday through Friday and 7:00 a.m. to 6:40 p.m. on Saturdays. Evening shuttle service operates from 7 p.m. to 10 p.m. Monday through Fridays and from 6:30 a.m. to 9:30 p.m. on Saturday. Service is within a 5-minute walk of 80% of Norwalk's residents. The District also partners with the Greater Bridgeport and Milford Transit Districts in operating the Coastal Link, a bus service operating 7 days a week between Norwalk and Milford, and Housatonic Area Regional Transit for service between Norwalk and Danbury.

During fiscal year 2008, the Norwalk Transit District's services carried over 2,300,000 passengers.

For fiscal year 2009, the City has contributed \$462,187 to the Transit District. The Norwalk Transit District is not a component unit of government of the City under the criteria established by the GASB.

Housing Authority

The Housing Authority of the City of Norwalk consists of five (5) Commissioners appointed by the Mayor. The Commissioners elect housing officials including a Chairman, Vice Chairman, and Treasurer. The Housing Authority also employs an Executive Director, who also acts as the Secretary. The Executive Director hires the staff, which consists of 30 administrative, 22 maintenance and 40 part-time employees.

The Housing Authority owns and manages both Federal and State subsidized housing for low income families of Norwalk. The inventory of housing consists of 1,131 apartments of which 823 units are federal low-income public housing and 308 units are state moderate, affordable or elderly rental units. Elderly state housing units are subsidized under the State Rental Assistance Program.

Various Section 8 funded programs provide subsidy for 909 additional families under the following sections:

| | |
|-------------------------|-----------|
| New Construction | 45 Units |
| Section 8 Voucher | 680 Units |
| Moderate Rehabilitation | 166 Units |
| Single Room Occupancy | 8 Units |
| Shelter Plus Care | 10 Units |

The Authority provides assistance to 2,043 families or seniors.

The following summary recaps capital improvement funds the City has received from HUD since 1998:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 1999 | \$1,478,673 |
| 2000 | 1,518,439 |
| 2001 | 1,549,355 |
| 2002 | 1,470,154 |
| 2003 | 1,382,466 |
| 2004 | 1,400,869 |
| 2005 | 1,398,905 |
| 2006 | 1,290,574 |
| 2007 | 1,310,423 |
| 2008 | 1,337,635 |

Maritime Center Authority

The Maritime Center Authority (the "Authority") is an agency established by state statute and the City code to oversee the development and operations of the Maritime Center (the "Center"). The ordinance creating the Authority provided that the City would be the sole participating municipality, and that the Authority would have a term of existence until the later of (i) the City abolition of the Authority by subsequent ordinance of the Common Council or (ii) the extinguishment of all obligations of the Authority, including, without limitation, the retirement of all outstanding debt of the Authority. In addition, the ordinance provides that the powers of the Authority shall be exercised by a commission of nine (9) members consisting of the Mayor, two (2) members of the Common Council, two (2) current or former members of the Common Council and four (4) additional members. The Mayor and the current and former members of the Common Council serve for two-year terms coterminous with the term of the office of the Mayor and the Common Council. Four additional members serve for staggered five-year terms from the date of their appointments. Appointments to the Authority (except for the position held by the Mayor) are made by a majority vote of the membership of the Common Council. Vacancies for any reason during the term of office are filled in the same manner as regular appointments. The operations of the Authority are accounted for as a special revenue fund of the City.

The City as lessor, and the Authority as lessee, have entered into a lease of the property in South Norwalk, Connecticut on which the Center was constructed. The Authority has entered into a sublease with The Maritime Center at Norwalk, Inc., a nonprofit organization that operates the site (the "Operator"), pursuant to which the Operator is obligated to develop and operate the Center. Construction was completed and the Center commenced operations in July, 1988.

The Director of Finance of the City is required to submit to the Authority a recommended annual budget for the Authority on or before March 1 in each year. The Authority then adopts its annual budget for the ensuing fiscal year on or before April 1 in each year. The fiscal year of the Authority commences July 1. In October 1985, the City agreed to lend its full faith and

credit backing to the development of the Center and guaranteed payment on the bonds and notes issued to finance the Center and is obligated to cover any deficiency in net revenues from the Center's operations to pay debt service. Beginning in fiscal year 1990-91 the City has included in its annual budget the debt service payments for the Maritime Center debt. Because revenue projections for the Center did not materialize as projected, the City deemed it prudent to include the guaranteed debt payments within its budget until the Center generates adequate revenues to cover operations and debt service. The Maritime Center debt payments are still included in the City's annually approved budget.

Norwalk Redevelopment Agency

The Norwalk Redevelopment Agency consists of five (5) commissioners appointed by the Mayor and approved by the Common Council. The Commissioners elect a Chairman, a Vice Chairman, a Secretary and a Treasurer and employ an Executive Director and staff.

The Agency has responsibility for the development and coordination of programs for the growth of Norwalk's seven urban renewal/redevelopment areas: Wall Street/Main Street in Norwalk Center; South Norwalk including the Webster Street/Martin Luther King Boulevard area; Washington Street/South Main area; the Wood Burbank area; the Reed Putnam area; the South Main Corridor; and Norwalk's most recent, the West Avenue Corridor.

These renewal projects, the earliest of which dates from 1959, have been reviewed regularly and amended as necessary to recognize changing development trends and to be responsive to changing market conditions. The seven area programs continue to serve as catalysts for increasing numbers of private development projects. Most recently, in June 2006, the West Avenue Corridor Redevelopment Plan was approved to provide the stimulus to revitalize the City's urban spine. The Plan centers on a retail and housing development to create a restored downtown for the whole Norwalk community. The City has completed approvals of a Master Development Agreement with a local developer, who was approved in March 2007, to undertake the new development which intends to bring under-performing land parcels back to the tax base at a level typical of healthy commercial centers nation-wide. The project includes approximately 350 housing units, 567,350 s.f. new and existing retail and 149,000 SF new and existing office space to establish a critical mass that will be the link between Wall Street to the north and Reed Putnam/SoNo to the south.

The initiative to redevelop Norwalk's Wall Street area has resulted in an approved development agreement with the City's designated developer-partner for Redevelopment Parcel 2A. Negotiations continue on the development program for Parcel 3. Consistent with the revitalization strategy of the area's master and redevelopment plans, each Redevelopment Parcel will focus on residential development with ancillary retail and associated parking.

Redevelopment Parcel 2A will consist of 378 residential units (half rental, half ownership), 788 parking spaces, and 75,000 s.f. of commercial and retail space scheduled to break ground in calendar year 2009. Redevelopment Parcel 3 will consist of 176 residential units (36 rental, and 140 ownership), 359 parking spaces, and 21,000 s.f. of commercial and retail space.

In addition, the Avalon Bay project in the Wall Street area, which includes 312 housing units, is under construction despite some delay brought about by the settlement of some existing leases.

The Reed Putnam Plan was originally approved in 1983, and was substantially amended in 1998 to create six waterfront redevelopment parcels and a preservation area. In its amended form the Plan provided for a total of one million square feet of Class A office space, a hotel site, residential as well as retail development. The project also included a 775 car public parking garage for use by new tenants as well as visitors to The Maritime Aquarium. Development on three of the six development parcels has been completed. The first of these, the Lock Art and Technology Center, a 100,000 square foot, \$17.5 million, renovated historic factory building, was completed in 2000, and is now fully leased. Construction of the \$14.3 million public parking garage on North Water Street was completed in 2004, and in addition to 774 parking spaces, the project also includes 10 residential units (which are fully occupied), 2,880 square feet of office space and 3,750 square feet of retail. The development of structured parking enabled 4 acres of waterfront property (previously used for Maritime Aquarium parking) to be released for the construction of 197 residential units. Construction of Maritime Yards, the \$65 million residential project, including 61 ownership units and 136 rental units (of which 10% have been set aside as affordable) was completed in 2007. The project also includes 38,400 square feet commercial space, of which 15,000 square feet is now occupied by the North American headquarters of Virgin Atlantic Airways.

The remaining 3 development parcels, totaling approximately 12 acres, were assembled for the proposed Reed Putnam office development site adjacent to I-95 between 2002 and 2004. This site was transferred in 2005 from the original developer to 95/7 Ventures LLC, who was approved by the City as the developer for a mixed-use project on the site. The revised development program includes 240 residential units, 125,000 s.f. of retail and 600,000 s.f. of Class A office space and a 145

room hotel. This project has now received all local land use approvals. Design of the associated infrastructure is 90% complete and contracts have been awarded for the construction of significant segments of the infrastructure. A major component of the infrastructure improvements include the Reed Street Railroad Underpass which is partially funded by a \$20 million grant from the State of Connecticut Department of Economic & Community Development and is currently 60% complete. Site work and environmental remediation commenced in late 2007. Design review was completed in 2008 and construction of the initial Phase I improvements is scheduled to commence in 2009.

Also within the Reed Putnam area, the State Heritage Park, which includes the 13-acre Oyster Shell Park, extends a pedestrian/bike path connection along the Norwalk River between the Maritime Aquarium and Mathews Park. The City has completed a Master Plan design for walkways, lighting and landscape improvements to Oyster Shell Park and is preparing to go out for bid on construction of Phase I in the second quarter of 2009 utilizing State grant funds from the Department of Economic & Community Development and the Department of Environmental Protection.

Stepping Stones Museum for Children, in their ninth year of operation, enjoys an annual attendance of over 200,000 and has a new exhibit educating young children on health and environmental issues that affect them. The Museum broke ground for Phase I of their expansion plan in March of 2009.

The South Norwalk urban renewal areas include the successfully revitalized Washington Street Historic District, within which the Agency has a stewardship role to ensure that additional development reinforces the historic integrity of the District and that building renovation and new construction of adjacent neighborhoods is consistent in quality and design. Recognizing the market value of the Historic District and neighboring properties, new private investment continues to occur with a major new housing and retail project under design for the corner of Washington Street and North Water Street utilizing the 19th century façade of the former Norwalk Company industrial building as its architectural theme. When constructed, this project will complete the physical connection between the retailing center of Washington Street and the Maritime Aquarium visitors. Other new projects proposed in the area include theme restaurants, building renovations/adaptive re-use and office expansions. In addition, study of the potential for an inter-modal transit center and associated development possibilities is nearing completion at the South Norwalk railroad station site.

The South Norwalk public improvements including the new parking facility, the police station, renovation of the South Norwalk Library are proving to be a catalyst for new private investment as evidenced by the recent sale of several key properties along North Main at aggressive sales prices. In addition there are new local and national investors looking at Norwalk as evidenced by the 2008 South Norwalk portfolio purchase for just over \$279 per square foot.

In anticipation of increasing traffic and infrastructure demands in urban centers of Norwalk as a result of development projects along the West Avenue Corridor and Wall Street, the City has completed a comprehensive analysis which reviews the potential impact on existing infrastructure and recommends mitigating improvements. Public funding for these infrastructure improvements is being pursued at the State and Federal level and has currently received \$5 million and \$2.3 million respectively to begin this work. In addition, the City is providing local funding for a plan for the connectivity of all of these development projects utilizing alternative circulation options including bicycle, pedestrian and public transit. In support of the connectivity plan, the Redevelopment Agency recently completed a feasibility study of circulator link along West Avenue between the South Norwalk Railroad Station and Wall Street.

Overlaying parts of the South Norwalk Urban Renewal areas is Norwalk's Enterprise Zone, established in 1982 and one of the nation's first. During calendar year 2008, 41 projects representing a total public and private investment of \$3,882,934 were undertaken within the Zone. In addition, in program year 2008, one company was certified for State Enterprise Zone/Urban Jobs Benefits creating and/or retaining 58 jobs.

In addition to these economic development programs, the Redevelopment Agency collaborates with other City departments to aggressively promote the City of Norwalk as a business location. In the last year, the City attracted such major businesses as the Connecticut Film Center, Heidmar and IMS Health. These leases alone brought over 200 new jobs to the community. In addition, a number of major companies such as HEI Hotels & Resorts, Kyack.com, FactSet, MediaSpace Solutions and Kodak Polychrome chose to expand and/or renew leases. Norwalk is also the site selected for a number of dynamic small companies including eNR Services, a technology support group; Financial Marketing Group, a financial support service; Liquid Assets Global LLC, a financial consulting firm from UK; and Tavrow/Lund Consulting LLC, a consultant to non-profits as well as innovative start-ups like Solar Creations LLC.

The past year has been marked by significant planning for new construction in the office and residential markets, the majority of which has taken place along the Route 7 corridor north of the Merritt Parkway. Merritt 7 management has completed the 1,000,000 million square foot office park creatively unrolling a small tenant product of built-out space under

3,000 square feet. Construction has been completed for the \$86 million Building 901 at Merritt River which brought 360,000 square feet of Class A office space to the market. At present, 95% of the space is leased. National RE/Sources LLC acquired the 300,000 square foot former Perkin Elmer Site on Main Avenue and have begun the \$50 million renovation to create a LEED certifiable building (of which there are only seven in Connecticut). Tenant list includes a health club and Soundview Medical Group among others. A number of residential projects have been completed bringing 184 new condo units to market and 136 rental units. Most of these projects have been 50% pre-sold before completion.

In 2006, the Norwalk Redevelopment Agency was the recipient of a \$400,000 grant award from the US Environmental Protection Agency to capitalize and implement the Norwalk Brownfields Initiative. The Norwalk Brownfields Initiative (Initiative) is a formal coordinated effort to characterize the extent of environmental impacts generated by potential brownfield sites in the City of Norwalk's urban core areas. This Initiative has relied extensively on community input in order to identify properties for assessment and reuse plans for these sites. The goal of the Initiative is to integrate assessment activities into a comprehensive strategy for revitalization of Norwalk's urban core neighborhoods.

To date the Initiative has resulted in the completion of a comprehensive inventory of 261 documented, or potential, Brownfield sites. The Agency, in partnership with its Brownfield consultant, has initiated or completed environmental assessment on eleven (11) such sites focused on City-held properties located in close proximity to the South Norwalk Train Station serving as a vital pre-development activity necessary to foster Transit-Oriented Development (TOD) at Norwalk's primary transportation node.

Additionally, the activities of the Initiative have served to leverage the initial infusion of USEPA funds. In the Fall of 2008 the City of Norwalk and the Agency received an award of \$300,000 from the State of Connecticut's Brownfield Municipal Pilot Program to complete the remediation of the surface parking lot serving the eastside of the South Norwalk Train Station to support the TOD. The Agency will match the State grant with a grant of services from the USEPA.

The Norwalk Redevelopment Agency administers a number of programs which provide assistance to area homeowners and encourage improvements to existing housing stock. These programs include residential rehabilitation, technical assistance and financial loans. Recently the Agency partnered with the Family and Children's Agency for a program to install accessible ramps to households with mobility issues. This pilot program is funded through the Residential Rehabilitation Program in the form of grants and currently has completed two ramps with one more under contract.

The Agency's Homeownership Program has closed 9 loans totaling \$370,300 in the last year. These loans have leveraged over \$1,650,000 in private funds. This program offers first time homebuyers loans up to \$50,000 at 0%. The loans are forgiven over a 10-15 year period. There remains over \$629,000 available for new loans.

The Agency's loan portfolio as of February 2009 includes 178 loans totaling over \$6,509,000 of which 56 (\$4,468,000) originate with the Residential Rehabilitation Program. Through funding from the Community Development Block Grant Program, the Agency also provides predevelopment funding to area for-profit and non-profit groups to facilitate the development of affordable housing. This equity portfolio includes approximately \$175,000 invested in two projects generating 5 affordable units and a new homeless shelter. The Agency has been awarded a grant from the State for \$715,000 for a targeted residential rehabilitation program to supplement the Agency's loan funds.

The Norwalk Redevelopment Agency is aggressively pursuing funding through the State for Neighborhood Stabilization Program funds. The City is eligible for a first time funding of \$867,000 with additional monies to follow. Funding is expected to be available in early calendar 2009. The program will identify and purchase foreclosed, residential bank-owned properties, fix up the properties if needed and sell the homes to first time homebuyers. The Agency will leverage these funds with existing program funds from the Rehabilitation program as well as the Homeownership program.

Parking Authority

The City enacted an ordinance establishing a Parking Authority as an enterprise fund of the City which was effective July 1, 2002. The Parking Authority is responsible for the acquisition of land for and the construction of new parking facilities as well as the improvement of the existing parking facilities within the City (except for three facilities located along the Metro-North Railroad). The Parking Authority is also responsible for the payment of debt service on bonds used to finance the acquisition, construction and improvements on both the existing and new parking facilities. Revenues from the parking facilities will be used to pay the debt service on any outstanding existing bonds. The City backs the debt with its full faith and credit for these existing bonds.

On January 7, 2003, the Parking Authority issued \$9,110,000 of Lease Revenue Bonds for the construction of the Maritime Center Parking Garage. The City leased the ground that the Garage occupies to the Parking Authority and the Parking Authority in turn leased the Garage back to the City. The obligation of the City to make lease payments pursuant to the lease is subject to and dependent upon lawful appropriations being made by the Common Council of the City for such purpose. The Parking Authority's obligation to make bond payments on the bonds is limited to the amount of lease payments received by the trustee from the City pursuant to the assignment of the lease and from certain other limited sources as set forth in the trust agreement. The bonds do not represent indebtedness of, or a pledge of the full faith, credit or taxing power of, the State of Connecticut, the City or the Parking Authority. The Parking Authority has no taxing power. Payment of principal and interest on the bonds is insured in accordance with the terms of a financial guaranty insurance policy issued by Ambac Assurance Corporation.

Solid Waste - Solid Waste Disposal

For the first half of the current fiscal year, Norwalk remained under contract (Master Service Agreement) with the Connecticut Resources Recovery Authority (CRRA) for the disposal of municipal solid waste (MSW). From July 1, 2008 through December 31, 2008, Norwalk was assessed by CRRA a fixed charge of \$18.50 per ton for its Minimum Tonnage Guarantee (67,000 tons per year), and \$80.00 per ton of MSW actually delivered to the Bridgeport Resource Recovery Facility. The City's contract with CRRA expired on December 31, 2008, at which time all obligations to CRRA or any of its contractors ceased.

In 2007, the City issued a Request for Proposals (RFP) seeking vendors to operate the Norwalk Transfer Station and to provide transportation and disposal of its MSW for a multi-year period. As a result of this procurement, the City entered into a five-year contract with City Carting, Inc. of Stamford, CT for the transport and disposal of its MSW and the operation of the Norwalk transfer station. For calendar year 2009, the City is charged \$74.88 per ton (the tipping fee) for transport and disposal of MSW. Under the contract, the tipping fee increases by four percent (4%) each year. The new contract has also provided for enhancements at the Norwalk Transfer Station, such as improved appearance and cleanliness, the addition of electronics recycling, the expansion of plastics recycling, the addition of managed disposal of oils and batteries, and generally more efficient operation.

Water Pollution Control Authority

The City has enacted an ordinance to create a Water Pollution Control Authority and establish it as an enterprise fund of the City. The Water Pollution Control Authority is responsible for constructing, operating and maintaining the sewerage system for the City. As of July 1, 2002, the Authority is responsible for establishing rates and charges sufficient to pay debt service on all bonds of the City issued to finance the acquisition, construction and improvements of both the existing and new sewerage system. Revenues from sewer charges will be used to pay debt service on the bonds. The bonds are secured by the full faith and credit of the City.

Wastewater Treatment Plant

On April 17, 2000, the City entered into a 20-year contract with Operations Management International, Inc., for the operation and maintenance of the City's wastewater treatment facility, its wastewater collection system, and its 22 pumping stations. The City continues to exercise system management and control over its rate setting authority and the City retains full legal title and ownership of the facility. The contract contains additional performance standards which are more stringent than those required by the City's current NPDES operating permit.

Norwalk's wastewater treatment plant is permitted to treat up to 18 MGD in dry weather and 30 MGD in wet weather. When current plant flows exceed 30 MGD, up to 75 MGD of wastewater receives rudimentary treatment through an aged screening system and is disinfected before discharge into the Norwalk River. A planned combined sewer overflow project will maximize flows through the treatment plant up to 120 MGD through screening, grit removal, primary treatment and disinfection. Additionally, a planned low level nitrogen removal project will reduce the amount of nitrogen discharged into Long Island Sound and reduce the occurrence of hypoxia in the Sound.

These projects have an enormous impact on the quality of life of Norwalk residents and surrounding communities that rely on Long Island Sound for recreation, tourism, and education. In addition to a positive environmental impact, the projects will favorably impact the regional economy as they support the shell fishing industry, commercial fishing, construction, and redevelopment opportunities. The low level nitrogen removal project will significantly increase revenue from the sale of nitrogen trading credits.

The total cost of these projects approaches \$140 million. Norwalk has currently secured \$38.6 million in clean water loans and grants and intends to seek clean water funds for the balance of the projects.

Economic Factors

Even as the national development outlook slows, a variety of projects, both large and small, are underway in Norwalk, providing opportunities in all sectors. Due to the diversity of its commercial real estate base, the City of Norwalk maintained its economic growth throughout 2008 and anticipates continued growth in 2009. In fact, the City of Norwalk led the entire State of Connecticut in the number of residential building permits issued in February of this year; issuing 92 out of the 200 permits issued statewide.

Norwalk has several large projects currently underway. Construction is nearing completion on 235 units of luxury multifamily housing to replace the former Pepperidge Farm manufacturing facility on U. S. Route 1 at the Westport town line. When complete, this site will also have 100,000 square feet of corporate office space for Pepperidge Farm, retaining a valuable employer in the City. In Norwalk Center, AvalonBay Communities began construction on a new mixed-use development with 312 new units of multifamily housing and 15,000 square feet of new retail space. This development is located along the Norwalk River and will bring new life to the existing Riverview Plaza shopping center on Belden Avenue, adding new residents and round-the clock activity to downtown Norwalk.

Further south on East Avenue, occupants are moving in at Marquis on the River, a new 36 unit multifamily development with waterfront public access along the Norwalk Harbor. These two new buildings will also have 5,400 square feet of ground floor office space located across the street from City Hall. In addition to the above, the ongoing development of i-Park, the former Perkin Elmer site on Main Avenue by National RE/Sources, LLC continues in 2009. A new 48,000 square foot LA Fitness health club opened this fall and new Class A medical office space is repositioning this former office and warehouse complex into a mixed use complex with state-of-the-art medical offices. In each instance, the City has expedited permitting while ensuring that the infrastructure improvements needed to accommodate new development and mitigate any adverse impacts are provided.

2009 promises to be an exciting year in Norwalk as several large-scale mixed-use developments will be moving forward. Site improvements are currently underway to extend Reed Street under the Danbury Line Railroad, connecting North Water Street and the Maritime Aquarium with West Avenue, and should be complete by year's end. This is the first step in implementing the approved plans for District 95/7, a 1.1 million square foot mixed use development with office, retail and restaurant space along the west side of the Norwalk Harbor just south of Interstate 95. A 2009 groundbreaking is planned for another project known as Wall Street Place; built by POKO-IWSR Partners, this project will redesign the Isaacs Street municipal parking lot into a new mixed-use development with 101 residential units and the City's first automated parking garage. Further south on West Avenue at Maple Street, The Berkeley, a new six-story, 150,000 square foot mixed use development, was approved for 60 new residential units, ground floor retail and state of the art medical office space. This project will begin construction in 2009. Summerview Square, a 63 unit multifamily development located at Jefferson and West Main Streets was approved in December 2008 and is expected to break ground this spring. Combined, these projects will bring more than 200 new housing units to downtown Norwalk.

The Zoning Commission has recently approved one mixed-used project and is currently reviewing plans for a second in downtown Norwalk. On April 15th the Commission approved the SoNo Hotel, a new 121 room hotel on South Main Street located just north of the South Norwalk Railroad Station. The Waypointe project, a mixed-use development by Seligson Properties, continues to move forward with plans for 350 new multifamily units and over 500,000 square feet of retail, office and restaurants along West Avenue just north of I-95. The Commission anticipates taking action on Waypointe applications later this year.

As the economy continues to change, the occupancy of major parcels is subject to change and the City is working to accommodate the repositioning of several parcels to permit new uses. A new health club and office space is currently under construction on Connecticut Avenue, across from Costco, to establish new uses for this manufacturing facility. Later this year, Wüsthof-Trident of America, Inc, a German knife manufacturer, will relocate from Briarcliff, New York to a new 45,000 square foot warehouse located at 355 Wilson Avenue. In addition, the former Norwalk Company property in historic SoNo is scheduled to be transformed into a new mixed-use development reusing manufacturing space with 128 residential units and ground floor retail. This project will begin construction in 2009. Q Properties has begun construction on a new 51,000 square foot indoor recreation facility to replace the former GuardAll chemical site on Ely Avenue. A new 155,000 square foot office building at NordenPark along with the conversion of existing space from manufacturing to office is continuing to ensure the future viability of this industrial park in East Norwalk.

Merritt 7 Corporate Park continues to provide Class A office space to some of the nation's largest corporations. The Towers at Merritt includes two Class A office buildings totaling 650,000 square feet, and has introduced major new corporate tenants to the City. Xerox Corporation relocated its corporate headquarters from Stamford to 45 Glover Avenue, where it shares space with Hewitt Associates. Building 801 is fully occupied by the world headquarters of Diageo PLC and Building 901 is home to General Electric Commercial Finance, occupying 87,000 square feet on the top two floors. A new 82,700 square foot office building is planned to replace an existing parking lot located south of Glover Avenue adjacent to the Merritt Parkway.

Implementation is currently underway on the City's newly-adopted Plan of Conservation and Development for Norwalk, which was signed by the Mayor on June 18, 2008. The Plan envisions new transit-oriented green development with active street level uses and upper floor housing located near existing MetroNorth transportation facilities. The plan also recommends the creation of new Village Districts to preserve Norwalk's historic character while permitting compatible new development. The Zoning Commission recently approved a new Silvermine Tavern Village District to ensure that the historic Silvermine Tavern along the Silvermine River will continue as a historic landmark into the future. The Plan maintains the City's focus on preserving a diverse and affordable housing stock in Norwalk. This will ensure a favorable housing-to-job ratio and provide real opportunities for people to live near their place of employment.

Continued, steady growth is expected in 2009. Although the number of zoning permits issued has slowed slightly, development is expected to continue to be even with last year's pace.

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SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

| <u>Year</u> | <u>City of Norwalk</u> | <u>Fairfield County</u> | <u>State of Connecticut</u> |
|-------------|----------------------------|-----------------------------|---------------------------------|
| 1960 | 67,776 | 653,589 | 2,535,234 |
| 1970 | 79,113 | 792,814 | 3,032,217 |
| 1980 | 77,767 | 807,143 | 3,107,576 |
| 1990 | 78,331 | 827,542 | 3,287,116 |
| 2000 | 82,951 | 882,567 | 3,405,565 |
| 2007 | 83,456 | 895,015 | 3,502,309 |

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

Age Characteristics of Population

| | <u>City of Norwalk</u> | | <u>State of Connecticut</u> | |
|-----------------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Persons</u> | <u>Percent</u> | <u>Persons</u> | <u>Percent</u> |
| Under 5 years of age | 5,689 | 6.8 | 223,344 | 6.5 |
| 5 to 9 years of age | 5,373 | 6.5 | 244,144 | 7.2 |
| 10 to 14 years of age | 4,724 | 5.7 | 241,587 | 7.1 |
| 15 to 19 years of age | 4,028 | 4.9 | 216,627 | 6.4 |
| 20 to 24 years of age | 4,332 | 5.2 | 187,571 | 5.5 |
| 24 to 34 years of age | 14,644 | 17.7 | 451,640 | 13.2 |
| 35 to 44 years of age | 14,809 | 17.8 | 581,049 | 17.2 |
| 45 to 54 years of age | 11,007 | 13.3 | 480,807 | 14.1 |
| 55 to 59 years of age | 4,354 | 5.2 | 176,961 | 5.2 |
| 60 to 64 years of age | 3,390 | 4.1 | 131,652 | 3.9 |
| 65 to 74 years of age | 5,704 | 6.9 | 231,565 | 6.8 |
| 75 to 84 years of age | 3,632 | 4.4 | 174,345 | 5.1 |
| Over 85 years of age | <u>1,265</u> | <u>1.5</u> | <u>470,183</u> | <u>1.9</u> |
| Total | 82,951 | 100.0 | 3,405,565 | 100.0 |

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

Educational Attainment

| | <u>City of Norwalk</u> | | <u>State of Connecticut</u> | |
|--------------------------------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Less than 9th grade | 3,533 | 6.0 | 132,917 | 5.8 |
| 9th to 12th grade | 6,617 | 11.2 | 234,739 | 10.2 |
| High School graduate | 14,768 | 25.1 | 653,300 | 28.4 |
| Some college - no degree | 9,901 | 16.8 | 402,741 | 17.5 |
| Associate degree | 3,922 | 6.7 | 150,926 | 6.6 |
| Bachelor's degree | 12,402 | 21.1 | 416,751 | 18.2 |
| Graduate or professional degree | <u>7,742</u> | <u>13.1</u> | <u>304,243</u> | <u>13.3</u> |
| Total | 58,885 | 100.0 | 2,295,617 | 100.0 |
| Total high school graduate or higher | | 82.8% | | 84.0% |
| Total bachelor's degree or higher | | 34.2% | | 31.4% |

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

Selected Wealth and Income Indicators

| | <u>Median Family Income</u> | | <u>Per Capita Income</u> | |
|------------------|-----------------------------|---------------|--------------------------|---------------|
| | <u>(1990)</u> | <u>(2000)</u> | <u>(1990)</u> | <u>(2000)</u> |
| City of Norwalk | \$55,269 | \$68,219 | \$23,075 | \$31,781 |
| Fairfield County | 57,990 | 77,690 | 26,161 | 38,350 |
| Connecticut | 49,199 | 65,521 | 20,189 | 28,766 |
| United States | 35,353 | 49,600 | 14,617 | 21,690 |

Source: U.S. Department of Commerce, Bureau of Census, 1990 and 2000 Census.

Income Distribution

| | <u>City of Norwalk</u> | | <u>State of Connecticut</u> | |
|--------------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Families</u> | <u>Percent</u> | <u>Families</u> | <u>Percent</u> |
| \$ -0- to 9,999 | 641 | 3.0 | 33,423 | 3.8 |
| 10,000 to 14,999 | 442 | 2.1 | 23,593 | 2.7 |
| 15,000 to 24,999 | 1,517 | 7.2 | 63,262 | 7.1 |
| 25,000 to 34,999 | 1,936 | 9.2 | 75,413 | 8.5 |
| 35,000 to 49,999 | 2,546 | 12.1 | 120,134 | 13.6 |
| 50,000 to 74,999 | 4,552 | 21.6 | 198,924 | 22.5 |
| 75,000 to 99,999 | 3,279 | 15.5 | 141,981 | 16.0 |
| 100,000 to 149,999 | 3,302 | 15.6 | 132,177 | 14.9 |
| 150,000 to 199,999 | 1,386 | 6.6 | 42,472 | 4.8 |
| 200,000 or more | <u>1,514</u> | <u>7.2</u> | <u>54,368</u> | <u>6.1</u> |
| | <u>21,115</u> | <u>100.0</u> | <u>885,747</u> | <u>100.0</u> |

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

Per Capita Personal Income - by Metropolitan Statistical Area, 2005-2007

| <u>Metro-Area Name</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>Rank in 2007</u> |
|---|-------------|-------------|-------------|---------------------|
| Bridgeport-Stamford-Norwalk, CT | \$68,840 | \$74,281 | \$81,576 | 1 |
| Naples-Marco Island, FL | 54,166 | 57,466 | 63,276 | 2 |
| San Francisco-Oakland-Fremont, CA | 54,191 | 57,747 | 60,983 | 3 |
| Sebastian-Vero Beach, FL | 50,369 | 54,045 | 59,419 | 4 |
| San Jose-Sunnyvale-Santa Clara, CA | 51,277 | 55,020 | 59,338 | 5 |
| Washington-Arlington-Alexandria, DC-VA-MD-WV | 49,442 | 51,868 | 54,971 | 6 |
| Boston-Cambridge-Quincy, MA-NH | 47,491 | 50,542 | 53,443 | 7 |
| Midland, TX | 43,182 | 48,992 | 52,974 | 8 |
| New York-Northern New Jersey-Long Island NY-NY-PA | 46,221 | 49,789 | 52,855 | 9 |
| Casper, WY | 42,414 | 48,605 | 52,543 | 10 |
| State of Connecticut | 48,032 | 51,600 | 54,981 | |
| United States | 34,690 | 36,794 | 38,615 | |

Source: "Survey of Current Business," U.S. Bureau of Economic Analysis, April, 2009.

Employment by Industry

| Industry | City of Norwalk | | Fairfield County | | State of Connecticut | |
|--|-----------------|--------------|------------------|--------------|----------------------|--------------|
| | Number | Percent | Number | Percent | Number | Percent |
| Agriculture, forestry, fisheries | 61 | 0.1 | 1,024 | 0.2 | 7,445 | 0.5 |
| Construction | 3,555 | 7.9 | 27,627 | 6.5 | 99,913 | 6.0 |
| Manufacturing | 5,390 | 12.0 | 56,520 | 13.3 | 246,607 | 14.8 |
| Wholesale | 1,555 | 3.5 | 14,052 | 3.3 | 53,231 | 3.2 |
| Retail trade | 5,482 | 12.3 | 46,957 | 11.0 | 185,633 | 11.2 |
| Transportation, warehousing, utilities | 1,418 | 3.2 | 13,636 | 3.2 | 64,662 | 3.9 |
| Information | 2,191 | 4.9 | 19,367 | 4.5 | 55,202 | 3.3 |
| Finance, insurance, real estate | 4,392 | 9.8 | 50,701 | 11.9 | 163,568 | 9.8 |
| Professional, scientific, management, administrative | 6,978 | 15.6 | 61,695 | 14.5 | 168,334 | 10.1 |
| Educational, health, social services | 7,535 | 16.8 | 78,620 | 18.4 | 366,568 | 22.0 |
| Arts, entertainment, recreation | | 0.0 | | | | |
| accommodation, food | 2,737 | 6.1 | 24,357 | 5.7 | 111,424 | 6.7 |
| Other professional services | 2,471 | 5.5 | 21,097 | 4.9 | 74,499 | 4.5 |
| Public Administration | 966 | 2.2 | 10,985 | 2.6 | 67,354 | 4.0 |
| Total | <u>44,731</u> | <u>100.0</u> | <u>426,638</u> | <u>100.0</u> | <u>1,664,440</u> | <u>100.0</u> |

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

Unemployment Rate Statistics

(Not Seasonally Adjusted)

| Yearly Average | City of Norwalk | Bridgeport/Stamford Labor Market (1) | State of Connecticut | United States |
|---------------------|-----------------|--------------------------------------|----------------------|---------------|
| 2002 | 3.3% | 2.8% | 3.9% | 5.8% |
| 2003 | 4.1 | 3.3 | 5.0 | 6.0 |
| 2004 | 4.3 | 2.9 | 4.7 | 5.5 |
| 2005 | 4.2 | 4.7 | 5.1 | 5.1 |
| 2006 | 3.6 | 3.9 | 4.3 | 4.6 |
| 2007 | 3.7 | 4.1 | 4.5 | 4.6 |
| 2008 | 4.8 | 5.3 | 5.8 | 5.8 |
| <u>2009 Monthly</u> | | | | |
| January | 7.3 | 7.3 | 7.9 | 8.5 |
| February | 7.4 | 7.4 | 8.0 | 8.9 |
| March | 7.2 | 7.2 | 7.8 | 9.0 |

(1) Beginning in January 2005, the State of Connecticut Department of Labor combined the Stamford and Bridgeport Labor Market Areas.

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

Major Employers

| <u>Name</u> | <u>Nature of Business</u> | <u>Employees</u> |
|-------------------------------------|---------------------------------|------------------|
| Norwalk Health Services Corporation | Hospital/Health Services | 1,900 |
| Stew Leonard's | Retail Dairy Store/Grocery | 800 |
| MBI | Direct Mail Marketing | 800 |
| Diageo | Premium Beverage Manufacturer | 700 |
| Hewitt Associates | Management Consultants | 600 |
| U.S. Surgical Corporation | Automatic Suture Instruments | 500 |
| Northrup Grumman Norden Systems | Electronic & Radar Systems | 500 |
| Beiersdorf, Inc. | Personal Care Products | 450 |
| Reed Exhibition Company | Trade Show/Publisher | 450 |
| Affinion Group | Membership Services | 425 |
| FactSet Research | Research Systems | 356 |
| Act Media, Inc. | In-Store Advertising | 350 |
| Xerox | Office equipment | 320 |
| Modem Media | Internet Advertising | 300 |
| Priceline.com | Internet Marketing | 300 |
| Vertrue | Internet Marketing | 300 |
| G.E. Capital Corporation | Financial Services | 250 |
| G.E. Commercial Finance | Financial Services | 250 |
| Information Resources | Consumer Products Manufacturing | 250 |
| Virgin Atlantic Airways | Airline & Leisure Company | 250 |
| Trans-Lux Corporation | Electronic Signage | 200 |
| Combustion Engineering | Engineering Services | 200 |
| Cablevision of Connecticut | TV/DSL Cable Line Installation | 200 |
| Arch Chemical | Chemicals Manufacturing | 200 |
| R.T. Vanderbilt | Chemical Manufacturing | 175 |
| Carlson Marketing Group | Marketing Consultant | 175 |
| Tauk World Discovery | Travel Services | 175 |
| King Industries, Inc. | Chemical Manufacturing | 170 |
| Klaff's | Lighting & Plumbing Supplies | 150 |
| Applera Corporation | Biotech | 130 |
| Kodak Polychrome Graphics | Graphic Arts Supply | 125 |
| Marsh & McLennan Companies | Insurance | 120 |
| Webloyalty.com | Membership Services | 120 |
| Callanen International | Watches | 105 |
| Integrated Marketing Services | Marketing Consultant | 100 |
| Muelstein International Ltd. | Plastic Resins Distribution | 100 |
| Total | | <u>12,496</u> |

Source: City of Norwalk Redevelopment Authority.

Norwalk Area Corporate/Regional Headquarters

The following companies located in the City are either regional or corporate headquarters.

| <u>Company</u> | <u>Business</u> |
|--------------------------------------|---|
| Act Media, Inc. | In-store Promotional Advertising |
| Affinion Group | Membership Services |
| Applera Corporation | Biotech |
| Arch Chemical, Inc. | Chemical Manufacturing |
| Beiersdorf | Personal Care Products |
| Bolt Technology Corporation | Oil & Gas Exploration Technologies |
| Cablevision of Connecticut | Cable/DSL System Operator |
| Carlson Marketing Group | Marketing Consultants |
| Cartesis | Financial & Management Software |
| Charkit Chemicals | Chemical Manufacturing |
| Combustion Engineering | Engineering Services |
| Diageo | Premium Beverage Manufacturing |
| Dooney & Burke | Leather Good Manufacturing |
| Emcor | Mechanical Contractor |
| FactSet Research | Research Systems |
| Financial Accounting Standards Board | Accounting Standards Regulation |
| Fitlinxx | Computerized System for Fitness Equipment |
| HEI Hospitality | Hotel/Hospitality Management |
| Hewitt Associates | Management Consulting |
| Hitachi Credit America | Financial Credit |
| IMS Health Inc | Market Data for Pharmaceutical Industry |
| Information Resources | Consumer Research |
| King Industries | Chemical Manufacturing |
| Kodak Polychrome | Graphic Arts Supplier |
| MBI, Inc. | Direct Mail Marketing/Collectibles |
| Modem Media | Internet Advertising |
| mPhase Technologies, Inc | Telecommunications Technologies |
| Muehlstein International, Inc. | Plastic Resin Distributor |
| Northrup Grumman Norden Systems | Electronic & Radar Systems |
| Pepperidge Farm, Inc. | Baked Goods |
| Priceline, Inc. | Internet Marketing/Shopping |
| Reed Exhibition Companies | Trade Show Management |
| Stew Leonard's | Retail Dairy & Grocery |
| Stolt-Nielson | Shipping |
| Tauck World Discovery | Travel Services |
| Trans-Lux Corporation | Electronic Signage |
| R.T Vanderbilt Company, Inc. | Industrial Minerals & Chemicals |
| Virgin Atlantic Airways | Airline/Leisure Travel |
| Webloyalty.com | Customer Rewards Programs |
| Xerox Corporation | Documentation Management |

Source: City of Norwalk Redevelopment Authority.

Value of Building Permits

| Fiscal Year Ended 6/30 | <u>Building</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---------------------------|-----------------|----------------------|---------------|
| 2009 ⁽¹⁾ | \$ 89,795,451 | \$22,642,112 | \$112,437,563 |
| 2008 | 122,167,830 | 41,837,356 | 164,005,186 |
| 2007 | 168,993,472 | 53,186,067 | 222,179,539 |
| 2006 | 173,785,844 | 17,841,057 | 191,626,901 |
| 2005 | 154,889,408 | 21,528,397 | 176,417,805 |
| 2004 | 226,461,685 | 20,401,098 | 246,862,783 |
| 2003 | 122,793,362 | 9,204,130 | 131,997,492 |
| 2002 | 88,316,351 | 7,490,071 | 95,806,422 |
| 2001 | 168,863,786 | 15,718,061 | 184,581,847 |
| 2000 | 112,671,283 | 7,790,459 | 120,461,742 |

(1) As of March 31, 2009.

Source: City of Norwalk, Building Department.

Number of Dwelling Units

| <u>2000</u> | <u>1990</u> | <u>1980</u> | % Increase <u>1990-2000</u> | % Increase <u>1980-1990</u> |
|-------------|-------------|-------------|--------------------------------|--------------------------------|
| 33,753 | 32,224 | 28,309 | 4.7% | 13.8% |

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

Characteristics of Housing Units

| <u>Value of Owner Occupied Units</u> | <u>City of Norwalk</u> | | <u>Fairfield County</u> | | <u>State of Connecticut</u> | |
|--------------------------------------|------------------------|----------------|-------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| \$ 0 to \$ 50,000 | 62 | 0.4 | 1,435 | 0.8 | 5,996 | 0.8 |
| 50,000 to 99,999 | 253 | 1.6 | 6,193 | 3.4 | 85,221 | 11.7 |
| 100,000 to 149,999 | 891 | 5.7 | 17,969 | 9.7 | 212,010 | 29.1 |
| 150,000 to 199,999 | 2,335 | 14.8 | 26,310 | 14.3 | 156,397 | 21.5 |
| 200,000 to 299,999 | 6,024 | 38.3 | 44,679 | 24.3 | 137,499 | 18.9 |
| 300,000 to 499,999 | 4,606 | 29.3 | 44,583 | 24.2 | 79,047 | 10.9 |
| 500,000 to 999,999 | 1,359 | 8.6 | 30,388 | 16.5 | 38,168 | 5.2 |
| 1,000,000 and over | 206 | 1.3 | 12,635 | 6.8 | 13,906 | 1.9 |
| Total | <u>15,736</u> | <u>100.0</u> | <u>184,192</u> | <u>100.0</u> | <u>728,244</u> | <u>100.0</u> |
| Median Value | 270,100 | - | 288,900 | - | 166,900 | - |

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

Age Distribution of Housing

| <u>Year Structure Built</u> | <u>City of Norwalk</u> | | <u>Fairfield County</u> | | <u>State of Connecticut</u> | |
|-----------------------------|------------------------|----------------|-------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| 1939 or earlier | 7,136 | 21.1 | 71,784 | 21.1 | 15,993 | 1.2 |
| 1940 to 1959 | 10,607 | 31.4 | 98,706 | 29.1 | 47,028 | 3.4 |
| 1960 to 1969 | 5,317 | 15.8 | 55,332 | 16.3 | 56,058 | 4.0 |
| 1970 to 1979 | 4,522 | 13.4 | 47,414 | 14.0 | 183,405 | 13.2 |
| 1980 to 1989 | 4,032 | 11.9 | 39,334 | 11.6 | 203,377 | 14.7 |
| 1990 to 1994 | 1,069 | 3.2 | 11,303 | 3.3 | 212,176 | 15.3 |
| 1995 to 1998 | 869 | 2.6 | 11,587 | 3.4 | 359,042 | 25.9 |
| 1999 to March 2000 | 201 | 0.6 | 4,006 | 1.2 | 308,896 | 22.3 |
| Total housing units, 2000 | <u>33,753</u> | <u>100.0</u> | <u>339,466</u> | <u>100.0</u> | <u>1,385,975</u> | <u>100.0</u> |

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

SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of June 9, 2009 (Pro Forma)

| | |
|---|----------------------|
| Total Fiscal Year 2008 tax collections (including interest and lien fees) | \$227,980,812 |
| State Reimbursement for Revenue Loss on: | |
| Tax Relief for the Elderly | <u>42,341</u> |
| Base for Establishing Debt Limit | <u>\$228,023,153</u> |

Debt Limit

| | General <u>Purpose</u> | <u>Schools</u> | <u>Sewers</u> | Urban <u>Renewal</u> | Unfunded Past <u>Pension</u> | Total <u>Debt</u> |
|-------------------|---------------------------|-----------------|---------------|-------------------------|------------------------------------|----------------------|
| (2.25 times base) | \$513,052,095 | | | | | |
| (4.50 times base) | | \$1,026,104,190 | | | | |
| (3.75 times base) | | | \$855,086,825 | | | |
| (3.25 times base) | | | | \$741,075,249 | | |
| (3.00 times base) | | | | | \$684,069,460 | |
| (7.00 times base) | | | | | | \$1,596,162,074 |

Indebtedness (Including the Bonds and Maritime Center Debt)

| | | | | | | |
|-------------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|------------------------|
| Bonds Payable | \$ 69,296,110 (1) | \$ 130,129,736 | \$ - | \$ 8,595,365 | \$ - | \$ 208,021,211 |
| The Refunded Bonds | (2,333,750) | (14,485,500) | (1,292,500) | (313,250) | - | (18,425,000) |
| The Bonds - <i>Series C & D</i> | 2,325,000 | 14,400,000 | 1,285,000 | 310,000 | - | 18,320,000 |
| Parking Authority | 2,683,195 (2) | - | - | - | - | 2,683,195 |
| Water Pollution Control | | | | | | - |
| Authority (WPCA) | - | - | 39,154,250 (3) | - | - | 39,154,250 |
| Authorized but | | | | | | - |
| Unissued Debt | 3,495,000 | 4,959,361 | 53,335,000 | 11,470,000 | - | 73,259,361 |
| Overlapping Indebtedness | <u>25,615,165 (4)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,615,165</u> |
| Total Bonded Indebtedness | 101,080,720 | 135,003,597 | 92,481,750 | 20,062,115 | - | 348,628,182 |
| School Grants Receivable (5) | <u>-</u> | <u>(143,527)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(143,527)</u> |
| Net Bonded Indebtedness | <u>101,080,720</u> | <u>134,860,070</u> | <u>92,481,750</u> | <u>20,062,115</u> | <u>-</u> | <u>348,484,655</u> |
| Excess of Limit Over | | | | | | |
| Outstanding and | | | | | | |
| Authorized Debt | <u>\$411,971,375</u> | <u>\$ 891,244,120</u> | <u>\$762,605,075</u> | <u>\$721,013,134</u> | <u>\$684,069,460</u> | <u>\$1,247,677,419</u> |

- (1) Includes \$1,178,708 Maritime Center Authority Bonds guaranteed by the full faith and credit of the City. (See "Maritime Center Authority" herein)
- (2) Includes \$2,683,195 of Parking Authority Bonds that will be paid from parking revenues, but are guaranteed by the full faith and credit of the City. The City made an appropriation of \$13,207,740 for the Parking Authority of which \$9,110,000 was issued as Lease Revenue Bonds and are excluded from the Authorized but Unissued Debt and Bonds Payable. The Lease Revenue Bonds are backed by a lease between the City of Norwalk and the Parking Authority and are not guaranteed by the full faith and credit of the City. (See "Parking Authority" herein).
- (3) Includes \$8,729,304 of General Obligation Bonds and \$30,424,946 of State of Connecticut Clean Water Fund ("CWF") Program Project Loan Obligations. (See "Water Pollution Control Authority" and "Clean Water Fund" herein).
- (4) The Second Taxing District currently has \$900,000 in bonds outstanding which qualify as overlapping indebtedness of the City. Additionally, on April 30, 2009 the Second Taxing District issued a PLO through the State of Connecticut's Drinking Water Loan program in the amount of \$24,715,165. Any loans undertaken will be supported by the full faith and credit of the Second Taxing District and not the City. (See "Overlapping and Underlying Indebtedness" and "Tax Districts" herein).
- (5) Includes outstanding State of Connecticut school building grants receivable on the eligible principal portion of outstanding school bonds. (See "School Projects" herein).

Calculation of Net Direct Debt

As of June 9, 2009 (Pro Forma)

| | |
|--|----------------------|
| Indebtedness (1) | |
| Bonded Debt | |
| The Refunded Bonds | (\$18,425,000) |
| The Bonds – <i>Series C & D</i> | 18,320,000 |
| General Purpose (2) | 69,296,110 |
| Schools | 130,129,736 |
| Urban Renewal | 8,595,365 |
| Parking Authority (3) | 2,683,195 |
| Water Pollution Control Authority (4) | <u>39,154,250</u> |
| Total Bonded Indebtedness | 249,753,656 |
| Short Term Debt | <u>-</u> |
| Gross Direct Indebtedness | 249,753,656 |
| Exclusions (School Construction Grants) (5) | <u>(143,527)</u> |
| Net Direct Indebtedness | 249,610,129 |
| Overlapping Indebtedness (6) | <u>25,615,165</u> |
| Net Direct and Overlapping Indebtedness | <u>\$275,225,294</u> |

- (1) Does not include authorized but unissued debt of \$73,259,361.
- (2) Includes \$1,178,708 of Maritime Center Authority Bonds guaranteed and paid by the full faith and credit of the City. (See “Maritime Center Authority” herein.)
- (3) Includes \$2,746,177 of Parking Authority Bonds that will be paid from parking revenues, and which are guaranteed by the full faith and credit of the City. Does not include \$9,110,000 of Lease Revenue Bonds issued by the Parking Authority which are not guaranteed by the full faith and credit of the City. (See “Parking Authority” herein.)
- (4) Includes \$8,729,304 of General Obligation Bonds and \$30,424,946 of State of Connecticut Clean Water Fund (“CWF”) Program Project Loan Obligations. (See “Water Pollution Control Authority” and “Clean Water Fund” herein)
- (5) The State of Connecticut reimburses the City for a portion of its outstanding debt for education purposes. (See “School Projects” herein).
- (6) The Second Taxing District currently has \$900,000 in bonds outstanding which qualify as overlapping indebtedness of the City. Additionally, on April 30, 2009 the Second Taxing District issued a PLO through the State of Connecticut’s Drinking Water Loan program in the amount of \$24,715,165. Any loans undertaken will be supported by the full faith and credit of the Second Taxing District and not the City. (See “Overlapping and Underlying Indebtedness” and “Tax Districts” herein).

Current Debt Ratios

As of June 9, 2009 (Pro Forma)

| | |
|---|------------------|
| Total Direct Debt (1) | \$249,753,656 |
| Net Direct Debt (1) | \$249,610,129 |
| Net Direct and Overlapping Debt (1) | \$275,225,294 |
| Population (2) | 83,456 |
| Net Taxable Grand List (10/1/08) | \$12,639,374,669 |
| Estimated Full Value | \$18,056,249,527 |
| Equalized Net Taxable Grand List (2006) (3) | \$20,898,752,371 |
| Per Capita Income (1999) (4) | 38,783 |

| | <u>Total Direct Debt</u> | <u>Net Direct Debt</u> | <u>Net Direct and Overlapping Debt</u> |
|-------------------------------------|--------------------------|------------------------|--|
| Per Capita | \$2,993 | \$2,991 | \$3,298 |
| To Net Taxable Grand List | 1.98% | 1.97% | 2.18% |
| To Estimated Full Value | 1.38% | 1.38% | 1.52% |
| To Equalized Net Taxable Grand List | 1.20% | 1.19% | 1.32% |
| Per Capita to Per Capita Income | 7.72% | 7.71% | 8.50% |

- (1) Includes the Bonds, excludes the Refunded Bonds.
- (2) State of Connecticut, Department of Public Health estimate.
- (3) Office of Policy and Management, State of Connecticut
- (4) U.S. Department of Commerce, Bureau of Census, Census 2000.

Historical Debt Statement

| | <u>2007-08</u> | <u>2006-07</u> | <u>2005-06</u> | <u>2004-05</u> | <u>2003-04</u> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Population (1) | 83,456 | 83,564 | 83,636 | 83,611 | 83,691 |
| Net taxable grand list | \$10,527,527,000 | \$9,468,305,000 | \$8,268,992,000 | \$7,380,696,000 | \$6,526,297,000 |
| Estimated full value | \$15,039,324,286 | \$13,526,150,000 | \$11,812,845,714 | \$10,543,851,429 | \$9,323,281,429 |
| Equalized net taxable grand list (2) | \$20,898,752,371 | \$18,873,044,733 | \$15,734,794,000 | \$15,183,215,000 | \$15,576,343,985 |
| Per capita income (3) | \$31,781 | \$31,781 | \$31,781 | \$31,781 | \$31,781 |
| Short-term debt | \$ - | \$ - | \$ - | \$ - | \$ - |
| Long-term debt | <u>237,743,423</u> | <u>236,743,268</u> | <u>218,567,149</u> | <u>207,843,319</u> | <u>175,981,038</u> |
| Total Direct debt | \$237,743,423 | \$236,743,268 | \$218,567,149 | \$207,843,319 | \$175,981,038 |
| Net Direct debt | \$237,513,351 | \$236,066,324 | \$217,390,745 | \$206,154,280 | \$173,706,227 |
| Net Direct and Overlapping debt | \$238,943,423 | \$238,243,268 | \$219,190,745 | \$208,254,280 | \$176,106,227 |

(1) State of Connecticut, Department of Public Health estimates.

(2) Office off Policy and Management, State of Connecticut

(3) U.S. Department of Commerce, Bureau of Census, Census 2000.

Historical Debt Ratios

| | <u>2007-08</u> | <u>2006-07</u> | <u>2005-06</u> | <u>2004-05</u> | <u>2003-04</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Direct debt: | | | | | |
| Per capita | \$2,849 | \$2,833 | \$2,613 | \$2,486 | \$2,103 |
| To net taxable grand list | 2.26% | 2.50% | 2.64% | 2.82% | 2.70% |
| To estimated full value | 2.51% | 1.75% | 1.85% | 1.97% | 1.89% |
| To equalized net taxable grand list | 1.14% | 1.25% | 1.39% | 1.37% | 1.13% |
| Debt per capita to per capita income | 8.96% | 8.91% | 8.22% | 7.82% | 6.62% |
| Net direct debt: | | | | | |
| Per capita | \$2,846 | \$2,825 | \$2,599 | \$2,466 | \$2,076 |
| To net taxable grand list | 2.26% | 2.49% | 2.63% | 2.79% | 2.66% |
| To estimated full value | 2.51% | 1.75% | 1.84% | 1.96% | 1.86% |
| To equalized net taxable grand list | 1.14% | 1.25% | 1.38% | 1.36% | 1.12% |
| Debt per capita to per capita income | 8.95% | 8.89% | 8.18% | 7.76% | 6.53% |
| Net direct and overlapping debt: | | | | | |
| Per capita | \$2,863 | \$2,851 | \$2,621 | \$2,491 | \$2,104 |
| To net taxable grand list | 2.27% | 2.52% | 2.65% | 2.82% | 2.70% |
| To estimated full value | 2.52% | 1.76% | 1.86% | 1.98% | 1.89% |
| To equalized net taxable grand list | 1.14% | 1.26% | 1.39% | 1.37% | 1.13% |
| Debt per capita to per capita income | 9.01% | 8.97% | 8.25% | 7.84% | 6.62% |

Clean Water Fund Program

The City has financed the renovations to its Sewer Treatment Plant through the State of Connecticut Clean Water Fund Program (General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs, with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and de-nitrification projects which are financed with a 30% grant and a 70% loan. Loans to participating municipalities are made pursuant to a Project Grant and Project Loan Agreement. Participating municipalities are obligated to repay only that amount which it draws down for the payment of project costs. Participating municipalities must permanently finance draws under the Interim Funding Obligations ("IFO") through the issuance of a Project Loan Obligation ("PLO"). Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the PLO, or the actual project completion date. The final maturity of each loan is twenty years from the earlier of the project completion date specified in the PLO, or the actual completion date. Principal and 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 PLO, the first years' date, and thereafter in monthly installments. Municipalities may prepay their loans at any time prior to maturity without penalty. The loans are secured by the full faith and credit, and/or a dedicated source of revenue of the participating municipalities. Although the loans are issued with the guarantee of the full faith and credit of the City, the loans are to be repaid by the Water Pollution Control Authority through user charges. (See "Water Pollution Control Authority" herein).

The City has the following Clean Water Fund loans ("PLO's") outstanding:

| <u>Loan Number</u> | <u>Date of Issue</u> | <u>Original 2% Loan Amount</u> | <u>Amounts Outstanding As of June 9, 2009</u> |
|--------------------|----------------------|------------------------------------|---|
| CWF 190 | 07/01/1996 | \$ 4,550,161 | \$ 1,566,209 |
| CWF 301-C | 12/30/1997 | 1,934,212 | 817,871 |
| CWF 397-C | 01/31/2000 | 673,270 | 355,387 |
| CWF 190-DC | 09/29/2000 | 41,294,122 | 23,167,117 |
| CWF 190-L1 | 12/21/2001 | 4,930,815 | 3,180,813 |
| CWF 190-CD1 | 12/30/2004 | <u>1,830,187</u> | <u>1,337,548</u> |
| Total | | <u>\$55,212,767</u> | <u>\$30,424,946</u> |

Temporary Financing

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

Temporary notes must be permanently funded no later than eight years from their initial borrowing date, except sewer notes issued in anticipation of State and/or Federal grants. If written commitments exist, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

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.

Overlapping and Underlying Indebtedness

The Second Taxing District (the "District") of the City currently has \$900,000 in bonds outstanding. The bonds were originally issued on March 15, 1997 in the amount of \$4,600,000 to finance the acquisition of the New Canaan Reservoir and the installation and extension of transmission lines from the New Canaan Reservoir to the District's City Lake Reservoir. Although the security of the bonds is the full faith and credit of the District, the debt constitutes overlapping indebtedness of the City. (See "Tax Districts" herein).

On May 16, 2006, the Board of District Commissioners of the District adopted a resolution appropriating and authorizing bonds in the amount of \$24,715,165 for the design and construction of improvements to and the expansion of the Water Filtration Plan of the District, which resolution was approved at a Special Meeting of the District in June, 2006. The District

is financing the project through the State of Connecticut Drinking Water Loan Program (General Statute 22a-475 et.seq.) which provides financial assistance through loans bearing interest at a rate of 2% per annum. On April 30, 2009 the Second Taxing District issued a PLO in the amount of \$24,715,165.

School Construction Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. State grants will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs. The projects listed below will be reimbursed through progress payments:

| <u>Project</u> | Total <u>Appropriation</u> | Outstanding Bond Authorization Prior <u>To This Issue</u> | Reimbursement Rate for <u>Eligible Costs</u> | Total Estimated <u>Grant (1)</u> |
|--|-------------------------------|---|--|--|
| Board of Education Construction Projects (2) | <u>\$102,944,076</u> | <u>\$4,959,361</u> | 33.00% | <u>\$32,944,076</u> |

- (1) Estimated, eligible costs to be determined at completion of the project.
- (2) The total appropriation for the Board of Education Construction Projects is \$102,944,076 of which, approximately \$32,944,076 is expected to be reimbursed by the State of Connecticut. As such, the City’s net share of project costs is expected to be \$70,000,000.

Debt service reimbursement will continue under the old reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the municipality for principal and interest costs for eligible school construction expenses over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the project.

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Combined Schedule of Long Term Debt through Maturity (1,2)
As of June 9, 2009 (Pro Forma)

| Fiscal Year | Existing Debt (3, 4) | | | | | | | |
|--------------|-------------------------|------------------------------------|------------------------|-----------------------------------|----------------------|--------------------------|------------------------------|----------------------------------|
| | City Principal Payments | Maritime Center Principal Payments | City Interest Payments | Maritime Center Interest Payments | Total Debt Service | Refunded Bonds Principal | The Bonds Principal Payments | Total Principal All Issues (3,5) |
| 2008-09 | \$ 19,069,590 | \$ 354,356 | \$ 9,125,183 | \$ 1,330,645 | \$ 29,879,774 | \$ - | \$ - | \$ 19,423,946 |
| 2009-10 | 20,239,482 | 326,637 | 9,473,845 | 1,358,363 | 31,398,327 | - | - | 20,566,119 |
| 2010-11 | 19,310,484 | 304,328 | 8,501,054 | 1,380,672 | 29,496,538 | - | - | 19,614,812 |
| 2011-12 | 20,102,615 | 283,552 | 7,711,795 | 1,401,448 | 29,499,410 | (1,175,000) | 1,185,000 | 20,396,167 |
| 2012-13 | 19,540,899 | 264,191 | 6,990,837 | 1,420,809 | 28,216,736 | (1,350,000) | 1,350,000 | 19,805,090 |
| 2013-14 | 19,900,362 | - | 6,374,831 | - | 26,275,193 | (1,450,000) | 1,430,000 | 19,880,362 |
| 2014-15 | 18,381,023 | - | 5,754,222 | - | 24,135,245 | (1,450,000) | 1,425,000 | 18,356,023 |
| 2015-16 | 17,209,959 | - | 5,128,119 | - | 22,338,078 | - | - | 17,209,959 |
| 2016-17 | 15,456,355 | - | 4,460,104 | - | 19,916,459 | - | - | 15,456,355 |
| 2017-18 | 13,864,917 | - | 3,844,043 | - | 17,708,960 | - | - | 13,864,917 |
| 2018-19 | 14,005,523 | - | 3,288,851 | - | 17,294,374 | - | - | 14,005,523 |
| 2019-20 | 11,161,610 | - | 2,786,422 | - | 13,948,032 | (1,450,000) | 1,420,000 | 11,131,610 |
| 2020-21 | 9,522,870 | - | 2,364,966 | - | 11,887,836 | (2,475,000) | 2,450,000 | 9,497,870 |
| 2021-22 | 9,044,671 | - | 1,980,163 | - | 11,024,834 | (2,275,000) | 2,270,000 | 9,039,671 |
| 2022-23 | 9,015,000 | - | 1,600,242 | - | 10,615,242 | (2,275,000) | 2,280,000 | 9,020,000 |
| 2023-24 | 9,035,000 | - | 1,216,821 | - | 10,251,821 | (3,200,000) | 3,195,000 | 9,030,000 |
| 2024-25 | 7,150,000 | - | 867,751 | - | 8,017,751 | (1,325,000) | 1,315,000 | 7,140,000 |
| 2025-26 | 5,625,000 | - | 582,689 | - | 6,207,689 | - | - | 5,625,000 |
| 2026-27 | 4,675,000 | - | 343,814 | - | 5,018,814 | - | - | 4,675,000 |
| 2027-28 | 3,350,000 | - | 159,688 | - | 3,509,688 | - | - | 3,350,000 |
| 2028-29 | 1,900,000 | - | 42,750 | - | 1,942,750 | - | - | 1,900,000 |
| Total | \$267,560,360 | \$1,533,064 | \$82,598,190 | \$6,891,937 | \$358,583,551 | \$(18,425,000) | \$18,320,000 | \$268,988,424 |

- (1) Beginning in fiscal year 1990-91 the City included in its budget the debt service payments for the Maritime Center debt. Prior to fiscal year 1990-91 such debt was not included in the City's budget, but guaranteed by full faith and credit of the City. Because revenue projections for the Center did not materialize as projected, the City deemed it prudent to include the guaranteed debt payments within its budget until the Center generates adequate revenues to cover operations and debt service. The Maritime Center debt payments are still included in the City's annually approved budget. (See "Maritime Center Authority" herein).
- (2) Includes obligations of the Water Pollution Control Authority and the Parking Authority which will be paid from sewer charges and parking revenues. These obligations are also backed by the full faith and credit of the City of Norwalk. It does not include Parking Authority Lease Revenue Bonds which are paid by a lease between the City of Norwalk and the Parking Authority. (See "Parking Authority" and "Water Pollution Control Authority" herein).
- (3) Includes principal payments of \$19,234,768 made as of June 9, 2009.
- (4) Includes the Refunded Bonds, excludes the Bonds.
- (5) Includes The Bonds, excludes the Refunded Bonds.

Source: City of Norwalk

Combined Schedule of City Bonded Debt

As of June 9, 2009 (Pro Forma)

| <u>Fiscal Year</u> | <u>General Principal Payments (3)</u> | <u>General Interest Payments (3)</u> | <u>School Principal Payments</u> | <u>School Interest Payments</u> |
|--------------------|---|--|--|---|
| 2008-09 (4) | \$ 7,823,855 | \$ 3,993,384 | \$ 7,523,676 | \$ 5,120,863 |
| 2009-10 | 8,232,794 | 4,371,227 | 7,964,671 | 4,982,070 |
| 2010-11 | 7,337,764 | 3,932,601 | 7,959,968 | 4,692,103 |
| 2011-12 | 7,112,281 | 3,597,382 | 8,701,204 | 4,383,084 |
| 2012-13 | 6,815,336 | 3,350,401 | 8,358,138 | 4,048,741 |
| 2013-14 | 6,499,430 | 1,722,400 | 8,670,342 | 3,757,767 |
| 2014-15 | 5,484,717 | 1,511,902 | 8,375,327 | 3,467,861 |
| 2015-16 | 4,850,755 | 1,311,810 | 8,249,070 | 3,154,126 |
| 2016-17 | 3,778,960 | 1,110,877 | 7,987,473 | 2,790,855 |
| 2017-18 | 2,705,058 | 957,079 | 7,519,289 | 2,421,154 |
| 2018-19 | 2,737,240 | 833,573 | 7,583,460 | 2,081,451 |
| 2019-20 | 2,809,851 | 648,573 | 6,518,294 | 1,846,636 |
| 2020-21 | 1,779,901 | 484,992 | 6,619,000 | 1,634,781 |
| 2021-22 | 1,596,744 | 369,005 | 6,708,000 | 1,404,078 |
| 2022-23 | 1,596,740 | 303,630 | 6,703,000 | 1,120,175 |
| 2023-24 | 1,100,204 | 246,622 | 7,263,000 | 823,405 |
| 2024-25 | 1,100,204 | 198,928 | 5,378,000 | 551,296 |
| 2025-26 | 1,100,204 | 148,577 | 3,853,000 | 347,233 |
| 2026-27 | 1,100,198 | 95,698 | 2,903,000 | 193,133 |
| 2027-28 | 883,395 | 49,801 | 1,922,500 | 82,884 |
| 2028-29 | <u>674,333</u> | <u>15,173</u> | <u>893,000</u> | <u>20,093</u> |
| Total | <u>\$77,119,965</u> | <u>\$29,253,635</u> | <u>\$137,653,411</u> | <u>\$48,923,789</u> |

- (1) Does not include this issue.
- (2) Excludes obligations of the Water Pollution Control Authority which were issued with the guarantee of the full faith and credit of the City but will be paid from sewer charges. Excludes obligations of the Parking Authority which were issued with the guaranty of the full faith and credit of the City but will be paid from parking revenues. Excludes Parking Authority Lease Revenue Bonds which are paid by a lease between the City of Norwalk and the Parking Authority. (See "Water Pollution Control Authority" and "Parking Authority" herein).
- (3) Includes obligations of the Maritime Center Authority. (See "Maritime Center Authority" herein).
- (4) Includes principal payments of \$15,740,512 made as of June 9, 2009.

Source: City of Norwalk

| Urban Renewal Principal Payments | Urban Renewal Interest Payments | Total Debt Service |
|--|---------------------------------------|-----------------------|
| \$ 392,982 | \$ 184,487 | \$ 25,039,247 |
| 512,485 | 413,723 | 26,476,970 |
| 436,597 | 320,523 | 24,679,557 |
| 679,897 | 299,218 | 24,773,067 |
| 699,599 | 278,187 | 23,550,401 |
| 713,004 | 256,807 | 21,619,750 |
| 607,606 | 232,728 | 19,680,141 |
| 536,579 | 210,841 | 18,313,181 |
| 274,089 | 192,807 | 16,135,061 |
| 280,672 | 179,462 | 14,062,714 |
| 282,581 | 166,790 | 13,685,094 |
| 464,506 | 149,272 | 12,437,132 |
| 403,750 | 129,636 | 11,052,060 |
| 392,250 | 111,581 | 10,581,658 |
| 392,250 | 95,461 | 10,211,256 |
| 336,000 | 80,120 | 9,849,351 |
| 336,000 | 65,694 | 7,630,122 |
| 336,000 | 50,239 | 5,835,253 |
| 336,000 | 33,788 | 4,661,817 |
| 309,500 | 18,766 | 3,266,846 |
| <u>266,000</u> | <u>5,984</u> | <u>1,874,583</u> |
| <u>\$8,988,347</u> | <u>\$3,476,114</u> | <u>\$305,415,261</u> |

- (1) Does not include this issue.
- (2) Excludes obligations of the Water Pollution Control Authority which were issued with the guarantee of the full faith and credit of the City but will be paid from sewer charges. Excludes obligations of the Parking Authority which were issued with the guaranty of the full faith and credit of the City but will be paid from parking revenues. Excludes Parking Authority Lease Revenue Bonds which are paid by a lease between the City of Norwalk and the Parking Authority. (See "Water Pollution Control Authority" and "Parking Authority" herein).

Source: City of Norwalk.

Combined Schedule of Bonded Debt for Parking Authority and Water Pollution Control Authority
As of June 9, 2009 (Pro Forma)

| <u>Fiscal Year</u> | Parking Authority | Parking Authority | Parking Authority | WPCA | WPCA | WPCA |
|------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Principal Payments | Interest Payments | Total Debt Service | Principal Payments | Interest Payments | Total Debt Service |
| 2008-09 ⁽³⁾ | \$ 234,537 | \$ 71,356 | \$ 305,893 | \$ 3,448,895 | \$1,085,740 | \$ 4,534,635 |
| 2009-10 | 283,932 | 133,538 | 417,470 | 3,572,238 | 931,653 | 4,503,891 |
| 2010-11 | 253,644 | 95,857 | 349,501 | 3,626,838 | 840,643 | 4,467,481 |
| 2011-12 | 202,769 | 86,057 | 288,826 | 3,690,016 | 747,503 | 4,437,519 |
| 2012-13 | 190,074 | 78,268 | 268,342 | 3,741,944 | 656,050 | 4,397,994 |
| 2013-14 | 191,381 | 70,954 | 262,335 | 3,826,205 | 566,904 | 4,393,109 |
| 2014-15 | 184,417 | 63,685 | 248,102 | 3,728,956 | 478,045 | 4,207,001 |
| 2015-16 | 133,886 | 57,489 | 191,375 | 3,439,669 | 393,852 | 3,833,521 |
| 2016-17 | 133,886 | 51,910 | 185,796 | 3,281,946 | 313,656 | 3,595,602 |
| 2017-18 | 133,887 | 45,929 | 179,816 | 3,226,011 | 240,419 | 3,466,430 |
| 2018-19 | 133,887 | 39,844 | 173,731 | 3,268,356 | 167,194 | 3,435,550 |
| 2019-20 | 85,787 | 34,981 | 120,768 | 1,283,172 | 106,959 | 1,390,131 |
| 2020-21 | 85,787 | 31,399 | 117,186 | 634,432 | 84,159 | 718,591 |
| 2021-22 | 85,787 | 27,809 | 113,596 | 261,890 | 67,690 | 329,580 |
| 2022-23 | 85,787 | 24,170 | 109,957 | 237,223 | 56,806 | 294,029 |
| 2023-24 | 87,952 | 20,769 | 108,721 | 247,844 | 45,905 | 293,749 |
| 2024-25 | 87,952 | 16,986 | 104,938 | 247,844 | 34,848 | 282,692 |
| 2025-26 | 87,952 | 12,945 | 100,897 | 247,844 | 23,695 | 271,539 |
| 2026-27 | 87,958 | 8,653 | 96,611 | 247,844 | 12,542 | 260,386 |
| 2027-28 | 79,803 | 4,754 | 84,557 | 154,802 | 3,483 | 158,285 |
| 2028-29 | <u>66,667</u> | <u>1,500</u> | <u>68,167</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$2,917,732</u> | <u>\$978,853</u> | <u>\$3,896,585</u> | <u>\$42,413,969</u> | <u>\$6,857,746</u> | <u>\$49,271,715</u> |

(1) The debt service for these obligations is to be paid from sewer charges. In addition, they are guaranteed by the full faith and credit of the City.
(See "Water Pollution Control Authority" herein).

(2) Does not include this issue.

(3) Includes principal payments of \$3,494,256 made as of June 9, 2009.

Source: City of Norwalk.

SECTION V - FINANCIAL DATA

Accounting Policies

The City's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to General Purpose Financial Statements. (Attached as Appendix A)

Basis of Accounting

See Note 1 of "Notes to General Purpose Financial Statements". (Attached as Appendix A).

Audit

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the City of Norwalk Charter, the City is obligated to undergo an annual examination by an independent certified public accountant. The City's current auditors, McGladrey & Pullen LLP, were appointed by the Common 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 most recent audited report covers the fiscal year ended June 30, 2008, included in this Official Statement and made a part hereof as Appendix "A" are the "Financial Statements of the City of Norwalk, Connecticut," as of June 30, 2008, together with the opinion thereon rendered by McGladrey & Pullen, LLP, independent certified public accountants.

Certificate of Achievement for Excellence in Financial Reporting: The City of Norwalk has received a Certificate of Achievement for Excellence in Financial Reporting for the Government Finance Officers Association ("GFOA") of the United States and Canada for its comprehensive annual financial report for fiscal years ending June 30, 1991 through June 30, 2007. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program.

Budgetary Procedures

| The City of Norwalk conforms to the following budgetary sequences and time schedules: | <u>By</u> |
|--|----------------------|
| Each Board, Commission, Committee, Officer and Department of the City shall submit to the Director of Finance a copy of its proposed annual operating budget. | January 15 |
| Capital Budget requests must be submitted to the Planning and Zoning Commission and Director of Finance. | December 31 |
| Finance Director shall submit to the Board of Estimate and Taxation and to the Common Council the proposed annual operating budget for the city by the 2nd Monday and the 2nd Tuesday, respectively. | February February |
| Common Council adopts cap on total appropriations for the operating budget by the 4th Tuesday. | February 1 |
| Finance Director shall submit to the Board of Estimate & Taxation, the Common Council and the Planning Commission the proposed capital budget along with his comments. | February 15 |
| The Planning & Zoning Commission shall hold hearings on the proposed capital budget. | March 5 |
| Proposed capital budget transmitted to the Mayor for his review and recommendation. | March 15 |
| Mayor's proposed capital budget transmitted to the Board of Estimate and Taxation. | |
| Board of Estimate and Taxation considers all operating budget requests and recommendations and submits a proposed budget and tax levy to the Common Council – 2 nd Monday | |
| February to 1st Monday in April | April |
| Common Council may amend the cap on the operating budget not later than the 3rd Tuesday. | April |
| Board of Estimate adjusts operating budget if a new cap is set not later than the 4th Monday. | April |
| Board of Estimate and Taxation forwards Mayor's proposed capital budget to Common Council. | |
| Board may transfer those capital items that it believes should have been included in the operating budget for the ensuing year | April 1 |
| Common Council may approve, reject, reinstate, or reduce any capital budget item by a majority vote of its members present and voting. | April 15 |
| Board of Estimate and Taxation must set final budget and tax levy, 1st Monday. | May |

Tax Districts

The City of Norwalk is divided into a number of districts for taxing purposes. Four of these districts originated with the former independent municipal areas and retain a degree of autonomous government. These districts own certain properties and supply various services to households within, and in some instances, outside the district. By contrast, other taxing districts are essentially taxing units designed to calculate and collect taxes for specific services; they have no autonomous government and they own no properties. The Districts are described below in "Autonomous Districts" and "Service Districts", respectively.

The Autonomous Districts

The First and Second Districts are the former independent cities of Norwalk and South Norwalk, respectively; the Third District is the former East Norwalk Fire District. The districts were consolidated into the City of Norwalk under the Charter of 1913. The Charter created a federation rather than a union form of government, whereby each district retained certain assets. To administer the assets, each District retains a degree of self-government. The Town of Rowayton was incorporated into the City of Norwalk in 1921 and thus became the Sixth Taxing District, and it, too, retained some of its own autonomous features. The four Districts are self-governing within the areas of their responsibilities but the City of Norwalk, as provided by the Charter, is required to levy and collect taxes for each District from the District residents.

The First District owns and operates a water department, maintains streetlights and a number of small parks.

The Second District owns and operates a water department, an electric plant and distribution system, maintains streetlights and numerous small public land areas.

The Third District owns an electric distribution system, a library building, a graveyard, a firehouse, and as with other Districts, various parcels of land.

The Sixth District of Rowayton has its own library, a beach, and two parks for District residents, maintains the street lights, operates a volunteer fire department and collects garbage for those residing within the District.

The Service Districts

The creation of the City in 1913 included not only the City of Norwalk, South Norwalk and East Norwalk, but also the peripheral territory. As the population increased into this area, the City was obligated to provide residents with essential municipal services. To defray the cost, some taxing system had to be devised and thus, the Fourth District was created, enabling the existing Districts to maintain their distinctive identities. As the City grew and the demand for municipal services increased, an umbrella agency, the Fifth Taxing District, encompassing the entire City of Norwalk, was created. The Fourth District was relegated to those areas of Norwalk with sewers and concomitant garbage collection. This District expands periodically as sewers are extended. However, the incursion of sewers into parts of Rowayton, the Sixth District, in recent years created the need for yet another taxing arrangement inasmuch as the Fourth Taxing District would charge the sewered Sixth District for garbage collections which they already receive. As a result, the Seventh Taxing District was created.

In addition to the aforementioned Taxing Districts, there are separate tax levies for specific services. In 1970 the amended City Charter extended the jurisdiction of the Norwalk Fire Department to the entire City, excluding Rowayton which still has its own firehouse and volunteer fire company. Accordingly, a separate mill rate is computed and applied to all other districts.

Streetlights also receive special revenues. The First, Second, Third and Sixth Districts have a special street-lighting tax imposed.

In 1981 two new districts were established. The Eighth District is that part of the Third District that is un-sewered and receives no sewer service. The Ninth District is one street in the First District comprising five homes that do not receive sewer service. For Fiscal Year 2003-2004, the Seventh, Eight and Ninth District were removed. These Districts were used for sewered residential and commercial within a non-sewered district. These districts are not needed because sewer charges will be billed directly by the Water Pollution Control Authority.

In 1987 the Common Council adopted an ordinance establishing a uniform automobile tax rate.

Tax Rates (Mills)

| <u>Grand List Date</u> | <u>Fiscal Year</u> | <u>Dist.1</u> | <u>Dist.2</u> | <u>Dist.3</u> | <u>Dist.4</u> | <u>Dist.5</u> | <u>Dist.6</u> | <u>Dist.7</u> | <u>Dist.8</u> | <u>Dist.9</u> | <u>Motor Vehicle Rate</u> |
|------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------------|
| October 1, 2008 | 2009-10 | 19.78 | 19.78 | 19.78 | 19.84 | 19.37 | 18.23 | (1) | (1) | (1) | 24.36 |
| October 1, 2007 | 2008-09 | 22.48 | 22.48 | 22.48 | 22.55 | 21.98 | 21.06 | (1) | (1) | (1) | 23.57 |
| October 1, 2006 | 2007-08 | 21.66 | 21.66 | 21.66 | 21.72 | 21.15 | 20.20 | (1) | (1) | (1) | 23.28 |
| October 1, 2005 | 2006-07 | 23.16 | 23.16 | 23.16 | 23.24 | 22.63 | 21.45 | (1) | (1) | (1) | 23.24 |
| October 1, 2004 | 2005-06 | 25.10 | 25.10 | 25.10 | 25.21 | 24.56 | 23.47 | (1) | (1) | (1) | 25.21 |
| October 1, 2003 | 2004-05 | 27.12 | 27.12 | 27.12 | 27.23 | 26.51 | 25.41 | (1) | (1) | (1) | 27.23 |
| October 1, 2002 | 2003-04 | 28.97 | 28.97 | 28.97 | 29.08 | 28.33 | 27.10 | (1) | (1) | (1) | 25.00 |
| October 1, 2001 | 2002-03 | 31.87 | 31.87 | 31.87 | 31.98 | 31.14 | 29.63 | 29.63 | 31.87 | 31.87 | 20.00 |
| October 1, 2000 | 2001-02 | 36.53 | 36.53 | 36.53 | 36.67 | 33.36 | 32.00 | 34.38 | 34.15 | 34.15 | 20.00 |
| October 1, 1999 | 2000-01 | 42.75 | 42.75 | 42.75 | 42.91 | 38.97 | 37.18 | 40.03 | 39.90 | 39.90 | 20.00 |

(1) These Districts were established for sewered residential and commercial within a non-sewered district. These districts are no longer required as of the October 1, 2002 Grand List because sewer charges are billed directly by the Water Pollution Control Authority.

Employee Pension Systems

The City’s pension plans cover all employees of the City, except teachers, who are covered by the State Teachers Retirement Fund. There are four separate plans: Municipal Employees Pension Plan, Police Benefit Plan, Firemen’s Benefit Plan and Food Services Plan. As of the July 1, 2008 actuarial valuation, pension assets exceed pension obligations by \$19,243,718 for the Municipal Employees’ Pension Fund; \$(3,237,336) for the Police Benefit Fund; \$12,499,108 for the Firemen’s Benefit Fund and \$(446,288) for the Food Service Fund or \$28,059,202 for the all funds.

Subsequent to year-end June 30, 2008, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. The City estimates that the market value of all pension plan assets was approximately \$263.2 Million as of April 7, 2009. That represents an approximately 30% decline in market value since July 1, 2008, the date of the City’s most recent actuarial valuations.

The following is a schedule of contributions by the City to the pension funds:

City's Contribution

| <u>Fiscal Year</u> | <u>Municipal Employees' Pension Fund</u> | <u>Police Benefit Fund</u> | <u>Firemen's Benefit Fund</u> | <u>Food Service Employee' Pension Fund</u> | <u>Total</u> |
|--------------------|--|----------------------------|-------------------------------|--|--------------|
| 2008-09 (1) | \$ 798,089 | \$ 1,267,867 | \$ 62,744 | \$ 74,182 | \$2,202,882 |
| 2007-08 | 1,506,611 | 1,605,475 | 391,779 | 67,085 | 3,570,950 |
| 2006-07 | 1,339,608 | 1,599,000 | 307,920 | 88,755 | 2,135,013 |
| 2005-06 | 689,596 | 1,240,090 | -0- | 203,189 (2) | 2,135,013 |
| 2004-05 | 911,816 | 868,054 | -0- | -0- | 1,779,870 |
| 2003-04 | 1,066,428 | 896,104 | -0- | 130,655 | 2,093,187 |
| 2002-03 (3) | -0- | -0- | -0- | 130,611 | 130,611 |
| 2001-02 | -0- | -0- | -0- | 65,194 | 65,194 |
| 2000-01 | -0- | -0- | -0- | 63,886 | 63,886 |
| 1999-00 | 1,124,042 | 405,000 | 40,000 | 44,153 | 1,613,195 |

(1) Budgeted in General Fund

(2) Includes Fiscal Year 2004-05 and 2005-06 required contributions.

(3) During Fiscal Year 2002-03, the City's actuary at the time, The Segal Company, completed the actuarial valuation of the City's pension plans well after the Fiscal Year 2002-2003 Budget was approved. The City contributed the actuarially recommended contribution of \$1,962,532 for Fiscal Year 2002-2003 to the pension funds in Fiscal Year 2003-2004. The City is over funded in two of its four pension funds and will continue to fund the recommended amount in the future. City policy requires updated valuations every two years.

Other Post Employment Benefits

| <u>Fiscal Year</u> | <u>Annual OPEB Cost</u> | <u>Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation, end of year</u> |
|--------------------|-----------------------------|---------------------|-----------------------------------|---|
| 2007-08 | \$15,573,000 | \$11,467,370 | 73.6% | \$4,105,630 |
| 2008-09 (1) | \$15,293,300 | \$14,419,759 | 94.3% | \$4,979,171 |
| 2009-10 (2) | \$16,278,000 | \$15,546,028 | 95.5% | \$5,711,143 |

(1) Unaudited estimate.

(2) Adopted budget

The City's actuarial consultant, Milliman USA, performed a valuation of the City's Other Post Employment Benefits ("OPEB") as required under Government Accounting Standards Board Statement (GASB) Statement #45 at July 1, 2007. The valuation included the City and Board of Education employees. As part of that valuation, Milliman USA determined an implicit rate subsidy where applicable, and employed an 8.25% discount rate. Based upon the valuation by Milliman USA, the City's accrued liability is \$152.7 million. The City has created an Internal Revenue Code 115 trust effective July 1, 2007 to pay for these benefits. The OPEB valuation determined for the fiscal year ending June 30, 2006 that the normal and past service cost would be \$13.9 million, assuming a 30 year amortization of the unfunded liability. The City's administration has notified its various boards that implementation of GASB Statement #45 will effect how much the City budgets for post employments benefits and how information is presented in the Financial Statements. The City has elected to annually review its contribution until it reaches the actuarial required contribution level. The phase-in of the actuarial required contribution began in fiscal year 2007-2008.

Self -Insurance Program

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for property losses in excess of \$50,000, and third party liability insurance up to \$11 million per occurrence for claims above a \$1,000,000 self-insured retention. The City and the Board of Education is self-insured for its medical, dental, workers' compensation and heart and hypertension exposures.

As of June 30, 2008 the City's, including the Board of Education, maximum loss potential was approximately \$13,423,528, including accounts payable accruals for claims incurred but not reported and estimates of the costs of settlement for other losses. The City had accumulated total assets of \$19,342,675 in the Internal Service Fund. Thus, on an accrual basis, in accordance with GASB Statement 10, the Internal Service Fund has retained earnings of \$5,919,147. The Internal Service Fund is adequately funded to meet the City's immediate requirements.

Investment Policies and Practices

The City Charter and 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, repurchase agreements, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, certain mutual funds and money market mutual funds.

The City's investment practices have been to invest only in certificates of deposit, repurchase agreements, the State of Connecticut Short-Term Investment Fund (STIF), United States Federal Agency Paper, MBIA Class Investment Fund, the State of Connecticut Tax-Exempt Proceeds Fund and United States Treasury Bills. The City has followed these investment practices and the City's operating funds, capital funds, and enterprise funds are currently invested in Federal Agency Paper having an average maturity of approximately 3.7 years and in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) STIF; (3) the State of Connecticut Tax-Exempt Proceeds fund; (4) United States Treasury Bills; (5) Obligations of agencies of the United States Government and (6) MBIA Class (an investment fund managed by MBIA Municipal Bond Investors Service Corporation, which, according to MBIA Class, invests only in (i) high-grade short-term federal securities and variable rate obligations backed by federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the Program's custodial bank to be held for the benefit of the Plan's participants).

Assessment Practices

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 Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at 70 percent of the estimated market value at the time of the last general revaluation.

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. The property depreciation and obsolescence factors are also considered when arriving at an equitable value.

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 recommended by the Office of Policy and Management.

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.

Connecticut General Statutes Section 12-62 requires each municipality to revalue real property at least every five years by statistical methods and every ten years by physical inspection. The figures shown above for the 2008 Grand List (Fiscal Year 2009-10) are the result of the City's most recent revaluation.

The City completed a real property revaluation with a full inspection on October 1, 2008.

Real Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due 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. 82-141, effective July 1, 1982, and applicable to property taxes due on or after said date, delinquent property taxes were subject to interest at the rate of 1.5% per month.

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. 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 lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Real estate accounts and other accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Tax Collections

| Fiscal Year Ended <u>6/30</u> | Taxable <u>Grand List</u> | Total Tax Rate <u>(Mills)</u> | Adjusted <u>Tax Levy</u> | <u>Uncollected Taxes</u> | | | |
|-------------------------------------|------------------------------|--------------------------------------|-----------------------------|----------------------------------|----------|-----------------------------|----------|
| | | | | End of <u>Fiscal Year</u> (1) | <u>%</u> | As of <u>3/31/09</u> (2) | <u>%</u> |
| 2010 (3,4) | \$12,639,375,000 | 19.65 | \$248,641,899 | N/A | N/A | N/A | N/A |
| 2009 (3) | 10,673,889,000 | 22.55 | 236,921,559 | N/A | N/A | \$6,337,664 | N/A |
| 2008 | 10,527,527,000 | 21.72 | 226,597,402 | \$3,431,799 | 1.5 | 1,195,898 | 0.5 |
| 2007 | 9,468,305,000 | 22.63 | 216,241,703 | 3,603,142 | 1.7 | 156,176 | 0.1 |
| 2006 | 8,268,992,000 | 24.56 | 208,336,045 | 3,089,519 | 1.5 | 26,414 | 0.0 |
| 2005 | 7,380,516,000 | 26.51 | 198,474,780 | 2,597,162 | 1.3 | (298,372) | (0.2) |
| 2004 | 6,526,297,000 | 28.33 | 186,498,884 | 2,805,264 | 1.5 | (210,037) | (0.1) |
| 2003 | 5,794,438,000 | 31.14 | 176,659,067 | 2,861,564 | 1.6 | (217,751) | (0.1) |
| 2002 | 4,961,132,000 | 33.36 | 170,449,270 | 3,290,354 | 1.9 | (175,124) | (0.1) |
| 2001 | 4,212,696,000 | 38.97 | 167,648,305 | 3,232,139 | 1.9 | (196,740) | (0.1) |
| 2000 | 3,529,992,000 | 42.47 | 160,965,677 | 3,502,714 | 2.2 | (1,991) | 0.0 |

(1) The amount collected to the end of each fiscal year 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 1 1/2% 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.

(2) Unaudited estimate.

(3) Adopted budget.

(4) The City's most recent revaluation was completed on October 1, 2008. Please see "Assessment Practices" herein for more information.

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

Taxable Grand List

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

(\$ in Thousands)

| <u>Grand List As of 10/1</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Motor Vehicle Property</u> | <u>Gross Taxable Grand List</u> | <u>Less Exemptions</u> | <u>Net Taxable Grand List</u> |
|----------------------------------|--------------------------|------------------------------|---------------------------------------|---|----------------------------|---------------------------------------|
| 2008 | \$11,489,791 | \$754,470 | \$537,966 | \$12,782,228 | \$ 142,853 | \$12,639,375 |
| 2007 | 9,707,999 | 555,366 | 560,547 | 10,823,912 | 150,023 | 10,673,889 |
| 2006 | 9,601,705 | 552,823 | 542,373 | 10,696,901 | 169,374 | 10,527,527 |
| 2005 | 8,587,523 | 516,510 | 539,399 | 9,643,432 | 175,127 | 9,468,305 |
| 2004 | 7,434,325 | 408,120 | 521,445 | 8,363,890 | 94,897 | 8,268,992 |
| 2003 (1) | 6,590,135 | 410,122 | 481,571 | 7,481,828 | 101,312 | 7,380,516 |
| 2002 | 5,703,118 | 421,287 | 503,046 | 6,627,451 | 101,154 | 6,526,297 |
| 2001 | 4,968,198 | 417,185 | 481,815 | 5,867,198 | 72,760 | 5,794,438 |
| 2000 | 5,537,973 | 432,201 | 466,691 | 6,436,865 | 1,475,733 (2) | 4,961,132 |
| 1999 | 3,449,757 | 402,314 | 434,416 | 4,286,487 | 73,791 | 4,212,696 |

(1) The City's most recent revaluation was completed on October 1, 2008. Please see "Assessment Practices" herein for more information.

(2) Included in exemptions are the phased in values from revaluation effective October 1, 1999.

The following table sets forth the Real Property portion of the City's taxable grand lists by component:

(\$ in Thousands)

| Grand List As of 10/1 | Residential Real Property | Commercial & Industrial Real Property | Vacant Land | Total Real Property |
|--------------------------|---------------------------------|--|----------------|------------------------|
| 2008 | \$8,646,066 | \$2,684,598 | \$130,830 | \$11,489,791 |
| 2007 | 7,305,104 | 2,310,099 | 92,796 | 9,707,999 |
| 2006 | 7,225,029 | 2,289,632 | 87,044 | 9,601,705 |
| 2005 | 6,455,428 | 2,038,024 | 94,071 | 8,587,523 |
| 2004 | 5,634,018 | 1,711,745 | 88,562 | 7,434,325 |
| 2003 | 4,845,240 | 1,684,477 | 60,418 | 6,590,135 |
| 2002 | 4,161,708 | 1,495,689 | 45,721 | 5,703,118 |
| 2001 | 4,125,244 | 1,502,898 | 50,144 | 5,678,286 |
| 2000 | 4,092,740 | 1,399,316 | 45,917 | 5,537,973 |
| 1999 | 2,429,610 | 987,330 | 32,817 | 3,449,757 |

Largest Taxpayers

The following table sets forth the twenty-five largest taxpayers in the City per the Grand List dated October 1, 2008:

| <u>Business-Name</u> | <u>Nature Of Business</u> | Total Estimated Gross Assessment |
|---------------------------------------|---------------------------------|--|
| Connecticut Light & Power | Division of Northeast Utilities | \$324,819,362 |
| Merritt 7 Venture LLC | Office Building Complex | 217,662,760 |
| River Park Property Owner LLC | Office Building | 67,826,074 |
| Thirty Five Glover Partners LLC | Office Building | 53,339,297 |
| Twenty Five Glover Partners LLC | Office Building | 50,372,560 |
| Forty Five Glover Partners LLC | Office Building | 48,055,420 |
| Norwalk Center LLC | Office Building | 47,530,750 |
| Norwalk Power LLC | Utility – Power Plant | 45,439,875 |
| 399 Main Ave. Apartment Investors LLC | Office Complex | 35,233,310 |
| Fairfield Merritt View LP | Office Building | 34,325,760 |
| Merritt River Partners LLC | Office Building/Parking Lot | 33,481,980 |
| Jefferson At Maritime L.P. | Highrise Apartments | 31,018,190 |
| Diageo North America Inc | Premium Beverage Manufacturer | 32,857,942 |
| Beirsdorf Inc. | Industrial | 30,097,777 |
| Transwestern 535 Connecticut LLC | Office Bldg. | 29,122,730 |
| Yankee Gas Co. | Utility Lines | 28,137,115 |
| Townsend Norwalk LLC | Medical Equipment Facility | 26,915,770 |
| HD-Main Avenue LP | Retail Complex | 25,168,150 |
| Graham Capital Management | Financial Services | 24,871,377 |
| One Ninety Seven Conn. | Retail Stores | 23,156,910 |
| Home Depot USA Inc. | Retail Home Improvement | 22,580,180 |
| Costco Wholesale Corporation | Retail Discount | 23,723,701 |
| Passero Rudolph, A Jr. | Shopping Center | 21,770,280 |
| I-Park Norwalk LLC | Office, Ind. Complex | 21,278,840 |
| Graham Realty LLC | Office Bldgs | 20,160,770 |
| Total | | <u>\$1,318,946,880</u> (1) |

(1) Represents 10.4% of the net taxable grand list of \$12,639,374,669 dated October 1, 2008.

Source: City of Norwalk, Assessor's Office.

Revenues

The City derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and other miscellaneous sources. City revenues are summarized for fiscal years ended 2004-2008 in "Statements of General Fund Revenues, Expenditures and Changes in Fund Balance-General Fund" herein.

Property Tax Revenues

| <u>Fiscal Year</u> | <u>General Fund Revenues</u> | <u>Property Tax Revenues</u> | <u>Property Tax Revenues as a Percentage of General Fund Revenues</u> |
|--------------------|------------------------------|------------------------------|---|
| 2009-10 (1) | \$278,654,619 | \$248,641,899 | 89.2% |
| 2008-09 (1) | 273,684,634 | 237,956,035 | 87.0 |
| 2007-08 | 274,289,005 | 229,072,804 | 83.5 |
| 2006-07 | 263,386,839 | 215,669,320 | 81.9 |
| 2005-06 | 251,641,490 | 206,567,186 | 82.1 |
| 2004-05 | 238,741,612 | 200,532,788 | 84.0 |
| 2003-04 | 218,675,179 | 185,043,538 | 84.6 |
| 2002-03 | 207,814,103 | 178,735,767 | 86.0 |
| 2001-02 | 201,888,028 | 167,997,983 | 83.2 |
| 2000-01 | 207,591,803 | 170,814,545 | 82.3 |

(1) Adopted Budget

Source: Annual audited financial statements (GAAP) and Fiscal Years 2008-09 and 2009-10 Adopted Budgets.

Intergovernmental Revenues

| <u>Fiscal Year</u> | <u>General Fund Revenues</u> | <u>Federal and State Aid</u> | <u>Total Aid As a Percentage Of General Fund Revenue</u> |
|--------------------|------------------------------|------------------------------|--|
| 2009-10 (1) | \$278,654,619 | \$15,959,161 | 5.7% |
| 2008-09 (1) | 273,684,634 | 16,989,611 | 6.2 |
| 2007-08 | 274,289,005 | 28,626,555 | 10.4 |
| 2006-07 | 263,386,839 | 28,182,974 | 10.7 |
| 2005-06 | 251,641,490 | 27,086,112 | 10.8 |
| 2004-05 | 238,741,612 | 22,370,645 | 9.4 |
| 2003-04 | 218,675,179 | 21,948,831 | 10.0 |
| 2002-03 | 207,814,103 | 21,339,077 | 10.3 |
| 2001-02 | 201,888,028 | 24,440,382 | 12.1 |
| 2000-01 | 207,591,803 | 25,417,820 | 12.2 |

(1) Adopted Budget

Source: Annual audited financial statements (GAAP) and Fiscal Years 2008-09 and 2009-10 Adopted Budgets.

Expenditures

| <u>Fiscal Year</u> | <u>Education</u> | <u>Public Safety</u> | <u>Employee Benefits</u> | <u>Public Works</u> | <u>Debt Service</u> |
|--------------------|------------------|--------------------------|------------------------------|-------------------------|-------------------------|
| 2009-10 (1) | 54.3% | 13.7% | 9.0% | 5.8% | 9.7% |
| 2008-09 (1) | 54.2 | 13.6 | 8.6 | 6.1 | 9.4 |
| 2007-08 | 56.0 | 13.3 | 8.5 | 6.0 | 8.6 |
| 2006-07 | 56.3 | 13.1 | 8.6 | 5.9 | 8.0 |
| 2005-06 | 56.8 | 14.6 | 7.6 | 6.1 | 7.0 |
| 2004-05 | 57.5 | 13.6 | 7.7 | 6.4 | 6.3 |
| 2003-04 | 57.6 | 14.0 | 7.9 | 6.6 | 5.3 |
| 2002-03 | 56.7 | 13.2 | 6.6 | 7.1 | 8.6 |
| 2001-02 | 55.0 | 14.0 | 5.6 | 9.7 | 7.6 |
| 2000-01 | 54.0 | 13.9 | 5.2 | 10.5 | 8.8 |

(1) Adopted Budget

Source: Annual audited financial statements (GAAP) and Fiscal Years 2008-09 and 2009-10 Adopted Budgets.

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Comparative General Fund Operating Statement
(Budget and Actual (Budgetary Basis))

| | Fiscal Year 2007-2008 | | | Fiscal Year | Fiscal Year |
|--|-----------------------|----------------------|--|------------------------------|------------------------------|
| | Revised Budget | Actual Operations | Variance Favorable (Unfavorable) | 2008-09 Adopted Budget | 2009-10 Adopted Budget |
| REVENUES | | | | | |
| Property Taxes | \$225,191,305 | \$229,072,804 | \$ 3,881,499 | \$237,956,035 | \$248,363,014 |
| Intergovernmental | 17,279,860 | 17,093,813 | (186,047) | 16,989,611 | 15,959,161 |
| Licenses, permits, fees and other | 13,470,519 | 12,068,672 | (1,401,847) | 12,563,988 | 9,132,444 |
| Interest on investments | <u>4,500,000</u> | <u>4,520,974</u> | <u>20,974</u> | <u>2,675,000</u> | <u>1,700,000</u> |
| TOTAL REVENUES | <u>\$260,441,684</u> | <u>262,756,293</u> | <u>2,314,579</u> | <u>\$270,184,634</u> | <u>\$275,154,619</u> |
| EXPENDITURES | | | | | |
| General government | \$ 9,129,320 | 7,331,991 | 1,797,329 | \$ 7,698,546 | \$ 7,370,515 |
| Education | 142,699,918 | 142,651,081 | 48,837 | 148,218,925 | 151,183,303 |
| Public Safety | 37,059,632 | 36,600,667 | 458,965 | 37,310,024 | 38,090,309 |
| Health and Welfare | 2,257,634 | 2,121,668 | 135,966 | 2,227,682 | 2,010,942 |
| Public works | 17,238,549 | 16,394,374 | 844,175 | 16,672,063 | 16,153,259 |
| Community Grants | 2,825,118 | 2,825,896 | (778) | 2,937,294 | 2,996,285 |
| Employee Benefits | 23,343,073 | 23,326,084 | 16,989 | 23,436,561 | 24,941,728 |
| Recreation, Arts & Cultural | 7,445,493 | 7,373,458 | 72,035 | 7,708,271 | 7,023,156 |
| Organizational memberships | 81,088 | 81,088 | - | 83,051 | 129,662 |
| Contingency | 1,233,336 | - | 1,233,336 | 1,694,806 | 1,624,325 |
| Debt Service | <u>23,464,498</u> | <u>23,464,498</u> | <u>-</u> | <u>25,697,411</u> | <u>27,131,135</u> |
| TOTAL EXPENDITURES | <u>266,777,659</u> | <u>262,170,805</u> | <u>4,606,854</u> | <u>273,684,634</u> | <u>278,654,619</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (6,335,975) | 585,458 | 6,921,433 | (3,500,000) | (3,500,000) |
| Other Financing Sources (Uses) Appropriated Fund Balance | <u>3,000,000</u> | <u>-</u> | <u>(3,000,000)</u> | <u>3,500,000</u> | <u>3,500,000</u> |
| Excess (Def.) of Rev. & Other Financing Sources over Expenditures & Other Financing Uses | <u>\$(3,335,975)</u> | <u>585,458</u> | <u>\$3,921,433</u> | <u>\$ -</u> | <u>\$ -</u> |
| Beginning Fund Balance | | 35,645,754 | | | |
| Ending Fund Balance Before Reserves | | <u>36,231,212</u> | | | |
| Less: Designated for Board of Education Future Appropriations | | 56,214 | | | |
| Less: Designated for City Future Appropriations | | <u>4,311,098</u> | | | |
| Ending Balance after Reserves | | <u>\$ 31,863,900</u> | | | |

Comparative Balance Sheets - General Fund

| Fiscal Years Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$11,720,664 | \$25,666,724 | \$35,328,337 | \$31,819,679 | \$20,999,490 |
| Investments | 17,850,508 | 19,844,121 | 17,553,076 | 28,153,186 | 34,185,383 |
| Net receivables: | | | | | |
| Property taxes and sewer assessments | 5,037,614 | 5,158,533 | 4,536,274 | 4,065,169 | 4,415,121 |
| Accounts receivables | 1,601,152 | 1,100,043 | 1,301,823 | 1,386,351 | 1,353,569 |
| Intergovernmental | 192,461 | 284,388 | 1,444,885 | 614,420 | 390,615 |
| Due from other funds | <u>4,659,590</u> | <u>6,953,187</u> | <u>612,261</u> | - | - |
| TOTAL ASSETS | <u>\$41,061,989</u> | <u>\$59,006,996</u> | <u>\$60,776,656</u> | <u>\$66,038,805</u> | <u>\$61,344,178</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 4,551,340 | \$ 5,016,286 | \$ 5,181,303 | \$ 6,836,487 | \$16,309,638 |
| Accrued wages | 7,712,583 | 8,181,273 | 8,002,335 | 8,548,321 | - |
| Unearned revenues | -0- | 14,391,602 | 8,904,209 | 7,892,022 | 3,446,359 |
| Deferred revenue | 8,513,430 | - | 6,040,828 | 5,482,104 | 4,199,844 |
| Due to other governments | <u>13,557</u> | - | - | - | - |
| TOTAL LIABILITIES | <u>20,790,910</u> | <u>27,589,161</u> | <u>28,128,675</u> | <u>28,758,934</u> | <u>23,955,841</u> |
| FUND BALANCES | | | | | |
| Reserved | 185,512 | 554,777 | 289,062 | 1,634,117 | 1,157,112 |
| Unreserved: | | | | | |
| Designated for subsequent years expenditures | 3,031,978 | 5,113,067 | 3,860,429 | 4,424,988 | 4,367,312 |
| Undesignated | <u>17,053,589</u> | <u>25,749,990</u> | <u>28,498,490</u> | <u>31,220,766</u> | <u>31,863,913</u> |
| TOTAL FUND BALANCES | <u>20,271,079</u> | <u>31,417,835</u> | <u>32,647,981</u> | <u>37,279,871</u> | <u>37,388,337</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$41,061,989</u> | <u>\$59,006,996</u> | <u>\$60,776,656</u> | <u>\$66,038,805</u> | <u>\$61,344,178</u> |

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

| Fiscal Years Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| REVENUES | | | | | |
| Property taxes, interest and liens | \$185,043,538 | \$200,532,788 | \$206,567,186 | \$215,669,320 | \$229,072,804 |
| Intergovernmental | 21,948,831 | 22,370,645 | 27,086,112 | 28,182,974 | 28,626,555 |
| Licenses, permits, fees and other | 10,882,018 | 13,067,122 | 14,481,507 | 14,138,573 | 12,068,672 |
| Interest on investments | <u>800,792</u> | <u>2,771,057</u> | <u>3,506,685</u> | <u>5,395,972</u> | <u>4,520,974</u> |
| TOTAL REVENUES | <u>218,675,179</u> | <u>238,741,612</u> | <u>251,641,490</u> | <u>263,386,839</u> | <u>274,289,005</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 6,437,167 | 6,581,024 | 6,740,889 | 6,752,487 | 7,808,214 |
| Health and welfare | 3,303,274 | 3,692,368 | 3,737,937 | 3,891,397 | 2,624,410 |
| Education | 123,731,669 | 130,808,409 | 142,256,785 | 145,969,257 | 153,675,894 |
| Employee benefits | 16,904,823 | 17,558,536 | 19,080,858 | 22,272,134 | 23,407,173 |
| Public safety | 30,019,452 | 30,906,902 | 36,475,806 | 33,930,127 | 36,593,372 |
| Community grants | 2,535,192 | 2,696,242 | 2,513,665 | 2,784,099 | 2,825,889 |
| Public works | 14,085,663 | 14,584,221 | 15,368,566 | 15,351,014 | 16,409,156 |
| Recreation, arts and cultural | 6,474,752 | 6,371,540 | 6,812,027 | 7,076,333 | 7,371,934 |
| Organizational memberships | 65,355 | - | - | - | - |
| Capital Outlay | - | - | - | 655,082 | - |
| Debt service | <u>11,312,035</u> | <u>14,395,614</u> | <u>17,424,811</u> | <u>20,728,101</u> | <u>23,464,497</u> |
| TOTAL EXPENDITURES | <u>214,869,382</u> | <u>227,594,856</u> | <u>250,411,344</u> | <u>259,410,031</u> | <u>274,180,539</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>3,805,797</u> | <u>11,146,756</u> | <u>1,230,146</u> | <u>3,976,808</u> | <u>108,466</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of debt | - | - | - | - | 15,780,000 |
| Premium on bond issuance | - | - | - | - | 785,957 |
| Payment to escrow | - | - | - | - | (16,565,957) |
| Net Transfers | <u>337,799</u> | - | - | <u>655,082</u> | - |
| EXTRAORDINARY ITEMS | | | | | |
| State teachers on-behalf payments | - | - | - | - | (44,531,000) |
| State teachers on-behalf revenue | - | - | - | - | <u>44,531,000</u> |
| TOTAL EXTRAORDINARY ITEMS | - | - | - | - | - |
| NET CHANGE IN FUND BALANCES | <u>4,143,596</u> | <u>11,146,756</u> | <u>1,230,146</u> | <u>4,631,890</u> | <u>108,466</u> |
| Fund balance, July 1 | <u>16,127,483</u> | <u>20,271,079</u> | <u>31,417,835</u> | <u>32,647,981</u> | <u>37,279,871</u> |
| Fund balance, June 30 | <u>\$ 20,271,079</u> | <u>\$ 31,417,835</u> | <u>\$ 32,647,981</u> | <u>\$ 37,279,871</u> | <u>\$ 37,388,337</u> |

Source: Annual audited financial statements.

Comparative Balance Sheets - Capital Project Fund

| Fiscal Years Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$16,671,899 | \$22,006,185 | \$17,449,656 | \$ 8,454,703 | \$ 3,414,089 |
| Investments | 9,213,166 | 7,764,418 | 6,291,080 | 7,347,059 | 3,558,421 |
| Net receivables: | | | | | |
| Property taxes and sewer assessments | 388,105 | 281,229 | 193,682 | 248,699 | 161,272 |
| Intergovernmental | 3,997,689 | 5,493,237 | 3,134,479 | 1,647,789 | 878,364 |
| Other receivables | <u>-</u> | <u>-</u> | <u>46,776</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$30,270,859</u> | <u>\$35,545,069</u> | <u>\$27,115,673</u> | <u>\$17,698,250</u> | <u>\$ 8,012,146</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 6,462,584 | \$ 6,481,592 | \$ 5,707,801 | \$ 9,275,707 | \$ 7,679,441 |
| Accrued wages | -0- | 2,673 | 3,271 | 2,945 | - |
| Unearned revenue | <u>991,641</u> | <u>695,538</u> | <u>1,178,113</u> | <u>301,281</u> | <u>323,213</u> |
| TOTAL LIABILITIES | <u>7,454,225</u> | <u>7,179,803</u> | <u>6,889,185</u> | <u>9,579,933</u> | <u>8,002,654</u> |
| FUND BALANCES | | | | | |
| Unreserved | <u>22,816,634</u> | <u>28,365,266</u> | <u>20,226,488</u> | <u>8,118,317</u> | <u>9,492</u> |
| TOTAL FUND BALANCES | <u>22,816,634</u> | <u>28,365,266</u> | <u>20,226,488</u> | <u>8,118,317</u> | <u>9,492</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$30,270,859</u> | <u>\$35,545,069</u> | <u>\$27,115,673</u> | <u>\$17,698,250</u> | <u>\$ 8,012,146</u> |

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Project Fund

| Fiscal Year Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | |
| Property taxes and assessments | \$ - | \$ - | \$ - | \$ - | \$ 86,665 |
| Intergovernmental | 7,650,264 | 22,269,364 | 13,143,863 | 8,750,147 | 9,610,781 |
| Licenses, permits, fees and other | - | 309,163 | 1,945,043 | 10,541 | 68,895 |
| Interest on investments | - | 1,505,370 | 1,123,639 | 1,462,292 | 708,438 |
| Miscellaneous | <u>299,310</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES | <u>7,949,574</u> | <u>24,083,897</u> | <u>16,212,545</u> | <u>10,222,980</u> | <u>10,474,779</u> |
| EXPENDITURES | | | | | |
| Capital Outlay | 38,796,471 | 57,192,774 | 45,555,432 | 45,596,501 | 42,495,571 |
| Debt service | <u>540,041</u> | <u>-</u> | <u>120,891</u> | <u>-</u> | <u>213,033</u> |
| TOTAL EXPENDITURES | <u>39,336,512</u> | <u>57,192,774</u> | <u>45,676,323</u> | <u>45,596,501</u> | <u>42,708,604</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(31,386,938)</u> | <u>(33,098,877)</u> | <u>(29,463,778)</u> | <u>(35,373,521)</u> | <u>(32,233,825)</u> |
| OTHER FINANCING SOURCES | | | | | |
| Issuance of debt | 40,030,023 | 38,657,509 | 21,325,000 | 23,260,000 | 24,125,000 |
| Premium on bond issuance | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,350</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>40,030,023</u> | <u>38,657,509</u> | <u>21,325,000</u> | <u>23,265,350</u> | <u>24,125,000</u> |
| NET CHANGES IN FUND BALANCES | <u>8,643,085</u> | <u>5,558,632</u> | <u>(8,138,778)</u> | <u>(12,108,171)</u> | <u>(8,108,825)</u> |
| Fund balance, July 1 | <u>14,173,549</u> | <u>22,816,634</u> | <u>28,365,266</u> | <u>20,226,488</u> | <u>8,118,317</u> |
| Fund balance, June 30 | <u>\$ 22,816,634</u> | <u>\$ 28,365,266</u> | <u>\$20,226,488</u> | <u>\$ 8,118,317</u> | <u>\$ 9,492</u> |

Source: Annual audited financial statements.

Comparative Statement of Net Assets – Water Pollution Control Authority

| Fiscal Year Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 1,730,651 | \$ 3,945,662 | \$ 6,126,822 | \$ 5,727,348 | \$ 6,192,008 |
| Charges receivable, net | 204,623 | 207,967 | 243,150 | 338,233 | 440,266 |
| Other receivables | -0- | 6,300 | 82,933 | 21,680 | 62,360 |
| Investments | <u>575,823</u> | <u>1,602,378</u> | <u>2,318,558</u> | <u>4,189,889</u> | <u>6,979,413</u> |
| Total current assets | <u>2,511,097</u> | <u>5,762,307</u> | <u>8,771,463</u> | <u>10,277,150</u> | <u>13,674,047</u> |
| CAPITAL ASSETS | | | | | |
| Net of accumulated depreciation | <u>82,856,755</u> | <u>80,874,681</u> | <u>79,113,381</u> | <u>78,169,401</u> | <u>77,691,903</u> |
| Total assets | <u>85,367,852</u> | <u>86,636,988</u> | <u>87,884,844</u> | <u>88,446,551</u> | <u>91,365,950</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Current maturities of bonds payable | 2,921,273 | 3,109,570 | 3,314,260 | 3,390,394 | 3,448,872 |
| Accounts payable and accrued liabilities | 321,472 | 490,834 | 1,343,348 | 1,195,621 | 1,011,778 |
| Unearned revenue | <u>95,800</u> | <u>195,577</u> | <u>199,244</u> | <u>102,142</u> | <u>48,731</u> |
| Total current liabilities | <u>3,338,545</u> | <u>3,795,981</u> | <u>4,856,852</u> | <u>4,688,157</u> | <u>4,509,381</u> |
| Long-term liabilities | | | | | |
| Bonds and notes payable | <u>44,984,897</u> | <u>43,667,392</u> | <u>41,703,132</u> | <u>39,912,738</u> | <u>39,113,866</u> |
| Total long-term liabilities | <u>44,984,897</u> | <u>43,667,392</u> | <u>41,703,132</u> | <u>39,912,738</u> | <u>39,113,866</u> |
| Total liabilities | <u>48,323,442</u> | <u>47,463,373</u> | <u>46,559,984</u> | <u>44,600,895</u> | <u>43,623,247</u> |
| NET ASSETS | | | | | |
| Investments in capital assets net of | | | | | |
| Related debt | 34,950,585 | 34,097,719 | 34,095,989 | 34,866,269 | 39,593,825 |
| Unrestricted | <u>2,093,825</u> | <u>5,075,896</u> | <u>7,228,871</u> | <u>8,979,387</u> | <u>8,148,878</u> |
| TOTAL NET ASSETS | <u>\$37,044,410</u> | <u>\$39,173,615</u> | <u>\$41,324,860</u> | <u>\$43,845,656</u> | <u>\$47,742,703</u> |

Source: Annual audited financial statements.

Statement of Revenues, Expenses and Changes in Net Assets –Water Pollution Control Authority

| Fiscal Year Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ <u>9,597,472</u> | <u>\$10,034,271</u> | <u>\$10,268,317</u> | <u>\$10,878,270</u> | <u>\$12,201,319</u> |
| Total operating revenues | <u>9,597,472</u> | <u>10,034,271</u> | <u>10,268,317</u> | <u>10,878,270</u> | <u>12,201,319</u> |
| OPERATING EXPENSES | | | | | |
| Administration and operation | 4,832,535 | 5,173,952 | 5,778,414 | 6,029,165 | 6,041,298 |
| Salaries, benefits and claims | -0- | 119,628 | -0- | 173,847 | 311,266 |
| Depreciation | <u>2,020,453</u> | <u>1,982,074</u> | <u>1,943,720</u> | <u>1,962,279</u> | <u>1,986,399</u> |
| Total operating expenses | <u>6,852,988</u> | <u>7,275,654</u> | <u>7,722,134</u> | <u>8,165,291</u> | <u>8,338,963</u> |
| Operating income (loss) | <u>2,744,484</u> | <u>2,758,617</u> | <u>2,546,183</u> | <u>2,712,979</u> | <u>3,862,356</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | | |
| Investment income | 32,922 | 212,690 | 382,899 | 658,111 | 707,700 |
| Interest expense on long-term debt | (1,124,099) | (1,189,602) | (1,076,736) | (1,034,360) | (1,031,658) |
| Net loss on disposals | (1,075) | - | - | - | - |
| Intergovernmental | <u>498,663</u> | <u>-</u> | <u>298,899</u> | <u>-</u> | <u>-</u> |
| Total non-operating revenue (expense) | <u>(593,589)</u> | <u>(976,912)</u> | <u>(394,938)</u> | <u>(376,249)</u> | <u>(323,958)</u> |
| CONTRIBUTED CAPITAL | | | | | |
| | <u>-</u> | <u>347,500</u> | <u>-</u> | <u>184,066</u> | <u>358,649</u> |
| Change in net assets | 2,150,895 | 2,129,205 | 2,151,245 | 2,520,796 | 3,897,047 |
| FUND NET ASSETS, Beginning | <u>34,893,515</u> | <u>37,044,410</u> | <u>39,173,615</u> | <u>41,324,860</u> | <u>43,845,656</u> |
| FUND NET ASSETS, Ending | <u>\$37,044,410</u> | <u>\$39,173,615</u> | <u>\$41,324,860</u> | <u>\$43,845,656</u> | <u>\$47,742,703</u> |

Source: Annual audited financial statements.

Comparative Statement of Net Assets – Parking Authority

| Fiscal Year Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 160,794 | \$ 470,784 | \$ 607,423 |
| Restricted cash | 663,131 | 675,777 | 705,074 | 745,613 | 781,113 |
| Other receivables | - | 19,095 | 39,035 | 2,223 | 1,639 |
| Investments | <u>-</u> | <u>-</u> | <u>60,144</u> | <u>324,569</u> | <u>677,327</u> |
| Total current assets | <u>663,131</u> | <u>694,872</u> | <u>965,047</u> | <u>1,543,189</u> | <u>2,067,502</u> |
| CAPITAL ASSETS | | | | | |
| Net of accumulated depreciation | <u>29,742,672</u> | <u>30,010,170</u> | <u>29,300,319</u> | <u>28,700,725</u> | <u>28,316,430</u> |
| Total assets | <u>30,405,803</u> | <u>30,705,042</u> | <u>30,265,366</u> | <u>30,243,914</u> | <u>30,383,932</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Current maturities of bonds payable | 355,774 | 367,882 | 380,517 | 420,956 | 514,540 |
| Accounts payable and accrued liabilities | 887,096 | 266,378 | 74,605 | 133,362 | 83,570 |
| Due to other funds | 4,659,590 | 6,544,477 | - | - | - |
| Unearned revenue | <u>4,070</u> | <u>-</u> | <u>63,895</u> | <u>113,053</u> | <u>183,897</u> |
| Total current liabilities | <u>5,906,530</u> | <u>7,178,737</u> | <u>519,017</u> | <u>667,371</u> | <u>782,007</u> |
| Long-term liabilities | | | | | |
| Bonds and notes payable | <u>10,040,358</u> | <u>9,999,780</u> | <u>9,944,263</u> | <u>9,663,307</u> | <u>9,373,766</u> |
| Total long-term liabilities | <u>10,040,358</u> | <u>9,999,780</u> | <u>9,944,263</u> | <u>9,663,307</u> | <u>9,373,766</u> |
| Total liabilities | <u>15,946,888</u> | <u>17,178,517</u> | <u>10,463,280</u> | <u>10,330,678</u> | <u>10,155,773</u> |
| NET ASSETS | | | | | |
| Investments in capital assets net of | | | | | |
| Related debt | 14,686,950 | 19,642,508 | 18,975,539 | 18,616,462 | 18,428,125 |
| Restricted for debt service | 663,131 | 675,777 | 705,074 | 745,613 | 781,113 |
| Unrestricted | <u>(891,166)</u> | <u>(6,791,760)</u> | <u>121,275</u> | <u>551,161</u> | <u>1,018,921</u> |
| TOTAL NET ASSETS | <u>\$14,458,915</u> | <u>\$13,526,525</u> | <u>\$19,801,888</u> | <u>\$19,913,236</u> | <u>\$20,228,159</u> |

Source: Annual audited financial statements.

Statement of Revenues, Expenses and Changes in Net Assets –Parking Authority

| Fiscal Year Ended: | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ <u>2,491,293</u> | \$ <u>3,010,050</u> | \$ <u>3,571,713</u> | \$ <u>4,311,469</u> | \$ <u>4,935,847</u> |
| Total operating revenues | <u>2,491,293</u> | <u>3,010,050</u> | <u>3,571,713</u> | <u>4,311,469</u> | <u>4,935,847</u> |
| OPERATING EXPENSES | | | | | |
| Administration and operation | 1,791,964 | 2,035,809 | 3,009,807 | 2,623,068 | 3,113,215 |
| Depreciation | 434,762 | 763,702 | 804,324 | 813,770 | 831,776 |
| Salaries, benefits and claims | <u>274,015</u> | <u>369,718</u> | <u>-0-</u> | <u>348,501</u> | <u>319,758</u> |
| Total operating expenses | <u>2,500,741</u> | <u>3,169,229</u> | <u>3,814,131</u> | <u>3,785,339</u> | <u>4,264,749</u> |
| Operating income (loss) | <u>(9,448)</u> | <u>(159,179)</u> | <u>(242,418)</u> | <u>526,130</u> | <u>671,098</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | | |
| Investment income | - | - | - | 82,197 | 92,149 |
| Interest expense on long-term debt | (462,349) | (773,211) | (413,104) | (481,124) | (448,324) |
| Intergovernmental | - | - | 1,541,985 | - | - |
| Loss on sale of asset | <u>-</u> | <u>-</u> | <u>-</u> | <u>(15,855)</u> | <u>-</u> |
| Total non-operating revenue (expense) | <u>(462,349)</u> | <u>(773,211)</u> | <u>1,128,881</u> | <u>(414,782)</u> | <u>(356,175)</u> |
| CONTRIBUTED CAPITAL | <u>13,267,962</u> | <u>-</u> | <u>5,388,900</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 12,796,165 | (932,390) | 6,275,363 | 111,348 | 314,923 |
| FUND NET ASSETS, Beginning | <u>1,662,750</u> | <u>14,458,915</u> | <u>13,526,525</u> | <u>19,801,888</u> | <u>19,913,236</u> |
| FUND NET ASSETS, Ending | <u>\$14,458,915</u> | <u>\$13,526,525</u> | <u>\$19,801,888</u> | <u>\$19,913,236</u> | <u>\$20,228,159</u> |

Source: Annual audited financial statements.

SECTION VI - ADDITIONAL INFORMATION

Litigation

In the opinion of the City's Corporation Counsel, as of the date of this Official Statement, there are no claims or litigation pending or to his knowledge threatened, which would individually or in the aggregate result in final judgments against the City which would have a material adverse affect on the finances of the City or which would impact the validity of the Bonds or the power of the City to levy and collect taxes to pay them.

Availability of Continuing Disclosure Information

The City of Norwalk prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The City provides to Moody's Investors Service, Standard and Poor's Corporation and Fitch Ratings ongoing disclosure in the form of the Comprehensive Annual Financial Report, Recommended and Adopted Budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, (i) annual financial information and operating data; (ii) timely notices 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 on or before the date specified in the Continuing Disclosure Agreement to be executed by the City in substantially the form attached as Appendix C to this Official Statement.

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

Financial Advisor

The City has retained Independent Bond and Investment Consultants LLC, of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC 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. Independent Bond and Investment Consultants LLC is an independent advisory firm and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Legal Matters

Robinson & Cole LLP, Hartford, Connecticut is serving as bond counsel with respect to the authorization and issuance of the Bonds and will render its opinions with respect to the Bonds in substantially the forms attached to the Official Statement as Appendix B herein.

Documents Accompanying Delivery of the Bonds

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

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened effecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. Certificates on behalf of the City, signed by the Mayor and Director of Finance, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that at the date of execution of the Bond Purchase Agreement, the descriptions and statements in the Official Statement relating to the City of Norwalk and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement;
3. Receipts for the purchase price of the Bonds;

4. The approving opinions of Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut;
5. An executed continuing disclosure agreement for the Bonds in substantially the form attached to the Official Statement as Appendix C.

The City of Norwalk has prepared an Official Statement for the Bonds which is dated May 26, 2009. The City deems such Official Statement final as of its date for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The City will make available to the Underwriter a reasonable number of copies of the Official Statement within seven business days of the signing of the Bond Purchase Agreement.

A transcript of the proceedings taken by the City in authorizing the Bonds will be kept on file at the office of U.S. Bank National Association, Hartford, Connecticut and will be available for examination upon reasonable request.

Concluding Statement

Additional information may be obtained upon request from the Director of Finance, City of Norwalk, 125 East Avenue, Norwalk, Connecticut 06856 at (203) 854-7870 or from Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06442 at (203) 245-8715.

Independent Bond and Investment Consultants LLC, the City's financial advisor, has assisted the City in the preparation of this Official Statement from documents supplied by City officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of statements made herein and makes no representation that it has independently verified the accuracy of supporting documents supplied by the City.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. This Official Statement has been duly authorized and approved by the City and duly executed and delivered on its behalf by the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statements will be realized. 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.

CITY OF NORWALK

By: /s/ RICHARD A. MOCCIA
RICHARD A. MOCCIA
MAYOR

By: /s/ THOMAS S. HAMILTON
THOMAS S. HAMILTON
DIRECTOR OF FINANCE

Dated: May 26, 2009

APPENDIX A - AUDITED FINANCIAL STATEMENTS

CITY OF NORWALK, CONNECTICUT

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Appendix A - Financial Statements - is taken from the Annual Report of the City of Norwalk, Connecticut for the Fiscal Year ending June 30, 2008 as presented by the Auditors at that time and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, City of Norwalk, Connecticut.

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of
the Common Council
City of Norwalk, 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 Norwalk, Connecticut (the "City"), as of and for the year ended June 30, 2008, 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 Norwalk, 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwalk, Connecticut, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows 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.

As described in Note 11 to the basic financial statements, the City adopted GASB Statement No. 45 as of July 1, 2007.

As explained in Note 4, the financial statements include investments valued at \$128,603,000 (34% of pension net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

In accordance with "Government Auditing Standards," we have also issued our report dated December 16, 2008 on our consideration of the City of Norwalk, 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 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

McGladrey & Pullen, LLP

New Haven, Connecticut
December 16, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Norwalk's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter beginning on page i and the City's financial statements beginning on page 11.

FINANCIAL HIGHLIGHTS

- ◆ The City's net assets increased by \$12.0 million or 3.9%. The governmental net assets increased by \$7.8 million or 3.2% and the business-type net assets increased by \$4.2 million or 6.6%.
- ◆ The General Fund (the primary operating fund) reflected on a current financial resource basis, reports an increase of \$.1 million or 0.0%.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions and enhance the City's accountability. The report presents a comparative analysis of government-wide data.

Government-Wide Financial Statements

The government-wide financial statements (see pages 11-12) are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City and its governmental activities. This statement combines and consolidates governmental fund current financial resources (short-term spendable resources) with capital assets and long term obligations.

The Statement of Activities (see page 12) is focused on both the gross and net cost of various activities (including governmental and component unit) which are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services.

Governmental Activities reflects the City's basic services, including Education, Police and Fire Protection, Public Works, Health and Welfare, and Recreational/Cultural services. Property Taxes, Federal, State & Other Grants, Charges for Services and Investment Income finance the majority of these services.

Business-Type activities encompass the Parking Authority and Water Pollution Control Authority. They are reported here as the City charges a fee to customers to help cover all or most of the cost of operations.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

The Governmental Major Fund (see pages 13 – 14) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

The Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) (see pages 13 – 15). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide statements).

The Fund Financial Statements also allow the government to address its Fiduciary (or Trust) Funds (see pages 20 – 21) summarized by type (pension, private purpose trusts and agency). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

Infrastructure Assets

The City has implemented GASB Statement #34 including retroactive reporting of all capitalized infrastructure owned by the City. This includes the government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes, etc). This statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The City has elected to depreciate these assets which should assist financial statement users in evaluating a local government and its performance over time.

GOVERNMENT-WIDE STATEMENT

Summary of Net Assets

Table 1
Summary of Net Assets (In Thousands)
As of June 30, 2008 and 2007

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|---|----------------------------|-------------------|-----------------------------|------------------|---------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 94,527 | \$ 110,411 | \$ 15,741 | \$ 11,820 | \$ 110,268 | \$ 122,231 |
| Capital assets | 430,335 | 398,376 | 106,009 | 106,870 | 536,344 | 505,246 |
| Total assets | 524,862 | 508,787 | 121,750 | 118,690 | 646,612 | 627,477 |
| Current and other liabilities | 37,002 | 59,208 | 1,328 | 1,544 | 38,330 | 60,752 |
| Long-term debt outstanding | 233,432 | 202,971 | 52,451 | 53,388 | 285,883 | 256,359 |
| Total liabilities | 270,434 | 262,179 | 53,779 | 54,932 | 324,213 | 317,111 |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 236,918 | 222,738 | 58,022 | 53,483 | 294,940 | 276,221 |
| Restricted | - | - | 781 | 746 | 781 | 746 |
| Unrestricted (deficit) | 17,510 | 23,870 | 9,168 | 9,530 | 26,678 | 33,400 |
| Total net assets | \$ 254,428 | \$ 246,608 | \$ 67,971 | \$ 63,759 | \$ 322,399 | \$ 310,367 |

For more detailed information see the Statement of Net Assets (page 11).

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

Current Impacts

The major impacts to Net Assets in governmental activities was the issuance of \$24.1 million of new debt and the construction on major capital projects this year: School Construction Projects, \$26.6 million. The other major impacts were \$13.5 million of principal on debt paid this year and \$6.7 million of depreciation on fixed assets. The major impacts to Net Assets in business-type activities was the issuance of \$2.9 million of new debt, \$3.7 principal paid on debt this year and \$2.8 million of depreciation on fixed assets.

Summary of Changes in Net Assets

The following schedule compares the revenues and expenses for the current fiscal year.

| | Table 2 Changes in Net Assets (In Thousands) | | | | | |
|---|---|-------------------|-----------------------------|------------------|---------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Total Government | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charge for services | \$ 23,711 | \$ 23,868 | \$ 17,137 | \$ 15,190 | \$ 40,848 | \$ 39,058 |
| Operating grants and contributions | 44,278 | 37,645 | | | 44,278 | 37,645 |
| Capital grants and contributions | 7,605 | 9,621 | 359 | 184 | 7,964 | 9,805 |
| General Revenues: | | | | | | |
| General property, taxes and assessments | 228,023 | 215,806 | | | 228,023 | 215,806 |
| Interest income | 6,473 | 6,864 | 800 | 740 | 7,273 | 7,604 |
| Other general revenues | 5,229 | 7,352 | - | - | 5,229 | 7,352 |
| Total revenues | 315,319 | 301,156 | 18,296 | 16,114 | 333,615 | 317,270 |
| EXPENSES | | | | | | |
| Program Activities Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | 18,093 | 15,496 | - | - | 18,093 | 15,496 |
| Education | 192,383 | 179,848 | - | - | 192,383 | 179,848 |
| Public safety | 45,115 | 39,370 | - | - | 45,115 | 39,370 |
| Health and welfare | 2,210 | 4,174 | - | - | 2,210 | 4,174 |
| Public Works | 31,020 | 24,552 | - | - | 31,020 | 24,552 |
| Recreation, arts and cultural | 9,387 | 8,783 | - | - | 9,387 | 8,783 |
| Debt service | 9,291 | 7,626 | - | - | 9,291 | 7,626 |
| | 307,499 | 279,849 | - | - | 307,499 | 279,849 |
| Business-Type Activities: | | | | | | |
| Parking Authority | - | - | 4,713 | 4,282 | 4,713 | 4,282 |
| Water Pollution Control Authority | - | - | 9,371 | 9,200 | 9,371 | 9,200 |
| | - | - | 14,084 | 13,482 | 14,084 | 13,482 |
| Total expenses | 307,499 | 279,849 | 14,084 | 13,482 | 321,583 | 293,331 |
| Increase in net assets | 7,820 | 21,307 | 4,212 | 2,632 | 12,032 | 23,939 |
| Net Assets, beginning | 246,608 | 225,301 | 63,759 | 61,127 | 310,367 | 286,428 |
| Net Assets, ending | \$ 254,428 | \$ 246,608 | \$ 67,971 | \$ 63,759 | \$ 322,399 | \$ 310,367 |

Normal Impacts

There are six basic impacts on revenues and expenses as reflected below:

Revenues:

Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on property tax revenue as well as public spending habits for building permits, and elective user fees.

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)– certain recurring revenues may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.

Market Impacts on Investment income – the City’s investment portfolio includes Federal Agency paper which is effected by market conditions.

Expenses:

Increase in Insurance – changes in healthcare costs and changes in the insurance marketplace can have a material effect on these expenses.

Salary Increases (cost of living, merit and market adjustment) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, some functions may experience unusual commodity specific increases.

Current Impacts

Major revenue impacts in governmental activities were an increase in property tax revenue of \$12.0 million due to an increase in the tax levy and continued aggressive measures in collecting delinquent taxes. There was also a decrease in revenue in the Town Clerk’s Office due to less Real Estate Conveyance tax which was caused by less real estate transfer activity. The major impact on expenses was an increase in expenses in education due to school construction projects and the State of Connecticut on-behalf payments. Major impacts in revenue and expenses in business-type activities included both the Water Pollution Control Authority being able to collect revenues and control expenses.

THE CITY FUNDS

General Fund

Comparing Fiscal Year 2008 to Fiscal Year 2007

As of the year-end, the General Fund (as presented on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds on page 14) reported a fund balance of \$37.4 million which is approximately the same as the beginning of the year. Major impacts were that Property Taxes rose

due to an increase in the tax levy and continued aggressive measures in collecting Property Taxes. There was decrease in investment income due to a decline in interest rates. Debt Service interest increased by \$2.7 million mainly due to the first principal payment on the Fiscal Year 2006 \$25 million General Obligation bonds sold primarily for school construction.

Comparing Original Budget to Final Budget

As of the year-end, the General Fund (as presented on the Statement of Revenues, Expenditures, Encumbrances, Transfers and Changes in Fund Balances – Budgetary Basis – Budget and Actual – General Fund on page 18) there was no significant changes in budgeted revenues and expenses.

Comparing Final Budget to Actual Results

As of the year-end, the General Fund (as presented on the Statement of Revenues, Expenditures, Encumbrances, Transfers and Changes in Fund Balances – Budgetary Basis – Budget and Actual – General Fund on page 18), actual Taxes, interest and liens increased from the final budget due to aggressive measures in collecting Property Taxes. There was a variance in Licenses, permits, fees and other which was caused by a decreased active real estate market for residential and major commercial properties. The major variance for expenditures was in Non-Education. Instead of spending this variance by June 30, it was included in the designation for City Future Appropriations.

Capital Projects Fund

Comparing Fiscal Year 2008 to Fiscal Year 2007

As of the year-end, the Capital Projects Fund (as presented on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds on page 14) reported a fund balance of \$0 which is \$8.1 million less than the beginning of the year. Major impacts were Intergovernmental Revenues for school construction from state, issuance of bonds and expenditures mainly for school construction.

Water Pollution Control Authority

Comparing Fiscal Year 2008 to Fiscal Year 2007

As of the year-end, the Water Pollution Control Authority (as presented on the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds on page 18) reported fund net assets of \$47.8 million which is 8.9% more than the beginning of the year (\$43.8 million). Major impacts were a successful year of collecting sewer charges as well as controlling costs.

Parking Authority

Comparing Fiscal Year 2008 to Fiscal Year 2007

As of the year-end, the Parking Authority (as presented on the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds on page 18) reported a fund net assets of \$20.2 million which is 1.6% more than the beginning of the year (\$19.9 million). Major impacts were a successful year of collecting sewer charges as well as controlling costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$536.3 million invested in a variety of capital assets, as reflected in the following schedule:

Table 3
Capital Assets at Year-End
(Net of Depreciation) (In Thousands)

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|------------------------------------|-------------------------------------|-------------------|
| Land | \$ 21,905 | \$ 4,839 | \$ 26,744 |
| Construction in Progress | 42,522 | - | 42,522 |
| Land Improvements | 4,045 | 129 | 4,174 |
| Machinery and Equipment | 8,538 | 1,113 | 9,651 |
| Buildings and Improvements | 218,991 | 83,754 | 302,745 |
| Infrastructure | 134,334 | 16,173 | 150,507 |
| Total | \$ 430,335 | \$ 106,008 | \$ 536,343 |

Major capital activity during the year was for school improvements. See detailed capital asset activity in Note 6.

Debt Outstanding

As of year-end, the City had \$245.9 million in debt (bonds, notes, etc.) outstanding compared to the \$236.7 million last year, a 3.9% net increase (considering new borrowing and debt retirement). The following summarizes Outstanding Debt which is presented in more detail in Note 7.

Table 4
Outstanding Debt, at Year-End
(In Thousands)
Governmental Activities

| | 2008 | 2007 |
|---|-------------------|-------------------|
| Governmental: | | |
| General obligation bonds | \$ 193,417 | \$ 183,356 |
| | <u>193,417</u> | <u>183,356</u> |
| Business-Type: | | |
| Parking Authority-general obligation bonds | 9,888 | 10,084 |
| Water Pollution Control Authority - general obligation bonds and Clean Water Fund notes | 42,563 | 43,303 |
| | <u>52,451</u> | <u>53,387</u> |
| Total | \$ 245,868 | \$ 236,743 |

During the year the City issued \$27 million in new General Obligation Bonds to finance school and infrastructure improvements. The City has a AAA from Fitch Investors Service and Standard and Poors. The Moody's Investors Services rating is Aaa.

ECONOMIC FACTORS

The unemployment rate for Norwalk was 5.2%, up from 3.7% a year ago. This compares favorably to the states and national rate of 6.5%.

Norwalk's income stream is stable because it relies mainly on property taxes and has a diverse tax base. However real estate conveyance tax went down in Fiscal Year 2008 and has continued to be low due to the sluggish real estate market. The City property tax collection rate has not been effected by the current recession in the economy but is constantly monitored as well as the volatile stock market and its effect on future pension contributions.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Finance Director on the 2nd floor of City Hall, 125 East Avenue, PO Box 5125, Norwalk, Connecticut 06856-5125.

Basic Financial Statements

CITY OF NORWALK, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2008

| | Governmental Type Activities | Business-Type Activities | Total |
|---|---------------------------------|-----------------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 38,507,269 | \$ 6,799,431 | \$ 45,306,700 |
| Restricted cash | - | 781,113 | 781,113 |
| Investments | 46,909,576 | 7,656,740 | 54,566,316 |
| Receivables, net of allowances for collection losses: | | | |
| Property taxes, net | 4,576,393 | - | 4,576,393 |
| Charges, net | - | 440,266 | 440,266 |
| Accounts, net | 1,679,678 | 63,999 | 1,743,677 |
| Federal and state governments | 2,288,382 | - | 2,288,382 |
| Inventories | 33,628 | - | 33,628 |
| Deferred charges | 458,362 | - | 458,362 |
| Net pension asset | 73,641 | - | 73,641 |
| Capital assets, not being depreciated | 64,426,847 | 4,838,762 | 69,265,609 |
| Capital assets, net of accumulated depreciation | 365,908,431 | 101,169,571 | 467,078,002 |
| Total assets | 524,862,207 | 121,749,882 | 646,612,089 |
| Liabilities | | | |
| Accounts payable and accruals | 32,371,572 | 1,095,348 | 33,466,920 |
| Unearned revenue | 4,630,442 | 232,628 | 4,863,070 |
| Noncurrent liabilities: | | | |
| Due within one year | 26,954,670 | 3,963,412 | 30,918,082 |
| Due in more than one year | 206,477,062 | 48,487,632 | 254,964,694 |
| Total liabilities | 270,433,746 | 53,779,020 | 324,212,766 |
| Net Assets | | | |
| Investment in capital assets, net of related debt | 236,917,899 | 58,021,950 | 294,939,849 |
| Restricted for debt service | - | 781,113 | 781,113 |
| Unrestricted | 17,510,562 | 9,167,799 | 26,678,361 |
| Total net assets | \$ 254,428,461 | \$ 67,970,862 | \$ 322,399,323 |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ (18,093,199) | \$ 9,245,692 | \$ 1,347,107 | \$ - | \$ (7,500,400) | \$ - | \$ (7,500,400) |
| Education | (192,382,739) | 1,691,087 | 38,423,604 | 5,545,331 | (146,722,717) | - | (146,722,717) |
| Public Safety | (45,115,306) | 2,543,871 | 573,262 | - | (41,998,173) | - | (41,998,173) |
| Health & welfare | (2,209,567) | 554,794 | 1,676,814 | - | 22,041 | - | 22,041 |
| Public Works | (31,019,437) | 8,900,557 | 2,210,091 | 2,060,074 | (17,848,715) | - | (17,848,715) |
| Recreation, arts and cultural | (9,387,230) | 775,185 | 47,156 | - | (8,564,889) | - | (8,564,889) |
| Interest on debt | (9,291,243) | - | - | - | (9,291,243) | - | (9,291,243) |
| Total governmental activities | (307,498,721) | 23,711,186 | 44,278,034 | 7,605,405 | (231,904,096) | - | (231,904,096) |
| Business-type activities: | | | | | | | |
| Parking Authority | (4,713,073) | 4,935,847 | - | - | - | 222,774 | 222,774 |
| Water Pollution Control Authority | (9,370,621) | 12,201,319 | - | 358,649 | - | 3,189,347 | 3,189,347 |
| Total business-type activities | (14,083,694) | 17,137,166 | - | 358,649 | - | 3,412,121 | 3,412,121 |
| Total primary government | \$ (321,582,415) | \$ 40,848,352 | \$ 44,278,034 | \$ 7,964,054 | (231,904,096) | 3,412,121 | (228,491,975) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 228,022,979 | - | 228,022,979 |
| Grants and contributions not restricted to specific programs | | | | | 6,472,623 | - | 6,472,623 |
| Unrestricted investment earnings | | | | | 5,229,412 | 799,849 | 6,029,261 |
| Total general revenues | | | | | 239,725,014 | 799,849 | 240,524,863 |
| Extraordinary item | | | | | | | |
| State teachers on-behalf payments (Note 13) | | | | | 44,531,000 | - | 44,531,000 |
| State teachers on-behalf revenue (Note 13) | | | | | (44,531,000) | - | (44,531,000) |
| | | | | | - | - | - |
| Change in net assets | | | | | 7,820,918 | 4,211,970 | 12,032,888 |
| Net assets - beginning | | | | | 246,607,543 | 63,758,892 | 310,366,435 |
| Net assets - ending | | | | | \$ 254,428,461 | \$ 67,970,862 | \$ 322,399,323 |

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

CITY OF NORWALK, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

| | Major Funds | | | Total Governmental Funds |
|---|----------------------|-----------------------------|-----------------------------------|--------------------------------|
| | General | Capital Projects Fund | Nonmajor Governmental Funds | |
| Assets | | | | |
| Cash and cash equivalents | \$ 20,999,490 | \$ 3,414,089 | \$ 2,367,510 | \$ 26,781,089 |
| Investments | 34,185,383 | 3,558,421 | 1,575,522 | 39,319,326 |
| Receivables (net of allowances for collection losses): | | | | |
| Property taxes | 4,415,121 | 161,272 | - | 4,576,393 |
| Accounts receivable | 1,353,569 | - | 299,864 | 1,653,433 |
| State and federal governments | 390,615 | 878,364 | 1,019,403 | 2,288,382 |
| Inventories | - | - | 33,628 | 33,628 |
| Total assets | \$ 61,344,178 | \$ 8,012,146 | \$ 5,295,927 | \$ 74,652,251 |
| Liabilities | | | | |
| Accounts payable | \$ 16,309,638 | \$ 7,679,441 | \$ 3,474,655 | \$ 27,463,734 |
| Unearned revenues | 3,446,359 | 323,213 | 860,870 | 4,630,442 |
| Deferred revenues | 4,199,844 | - | - | 4,199,844 |
| Total liabilities | 23,955,841 | 8,002,654 | 4,335,525 | 36,294,020 |
| Fund balances | | | | |
| Reserved for: | | | | |
| Encumbrances | 1,157,112 | - | - | 1,157,112 |
| Unreserved, reported in: | | | | |
| General fund | 36,231,225 | - | - | 36,231,225 |
| Special revenue funds | - | - | 960,402 | 960,402 |
| Capital projects funds | - | 9,492 | - | 9,492 |
| Total fund balances | 37,388,337 | 9,492 | 960,402 | 38,358,231 |
| Total liabilities and fund balances | \$ 61,344,178 | \$ 8,012,146 | \$ 5,295,927 | |

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

| | |
|--|---------------|
| Capital assets, net of accumulated depreciation 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. | 430,335,278 |
| Deferred charges | 458,362 |
| Net pension asset | 73,641 |
| Deferred revenues are not available and therefore not recognized in the funds. | 4,199,844 |
| Accrued interest | (4,426,883) |
| 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. | 5,919,147 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (220,489,159) |

Net assets of governmental activities

\$ 254,428,461

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

| | Major Funds | | | Total Governmental Funds |
|--|----------------------|-----------------------------|-----------------------------------|--------------------------------|
| | General | Capital Projects Fund | Nonmajor Governmental Funds | |
| REVENUES | | | | |
| Property taxes, interest and liens | \$ 229,072,804 | \$ 86,665 | \$ - | \$ 229,159,469 |
| Intergovernmental | 17,093,813 | 9,610,781 | 20,504,076 | 47,208,670 |
| State on-behalf payments | 11,532,742 | - | - | 11,532,742 |
| Licenses, permits, fees and other | 12,068,672 | 68,895 | 11,261,868 | 23,399,435 |
| Interest | 4,520,974 | 708,438 | - | 5,229,412 |
| Total revenues | 274,289,005 | 10,474,779 | 31,765,944 | 316,529,728 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,808,214 | - | 1,127,872 | 8,936,086 |
| Health and welfare | 2,624,410 | - | 1,735,420 | 4,359,830 |
| Education | 153,675,894 | - | 18,954,650 | 172,630,544 |
| Employee benefits | 23,407,173 | - | - | 23,407,173 |
| Public safety | 36,593,372 | - | 13,968 | 36,607,340 |
| Community grants | 2,825,889 | - | 881,154 | 3,707,043 |
| Public works | 16,409,156 | - | 362,592 | 16,771,748 |
| Recreation, arts and culture | 7,371,934 | - | 287,018 | 7,658,952 |
| Maritime Center Subsidy | - | - | 8,503,197 | 8,503,197 |
| Capital outlay | - | 42,495,571 | - | 42,495,571 |
| Debt service: | | | | |
| Principal | 13,484,433 | - | - | 13,484,433 |
| Interest | 9,980,064 | 213,033 | - | 10,193,097 |
| Total expenditures | 274,180,539 | 42,708,604 | 31,865,871 | 348,755,014 |
| Excess (deficiency) of revenues over expenditures | 108,466 | (32,233,825) | (99,927) | (32,225,286) |
| OTHER FINANCING SOURCES | | | | |
| Issuance of debt | 15,780,000 | 24,125,000 | - | 39,905,000 |
| Premium on bond issuance | 785,957 | - | - | 785,957 |
| Payment to escrow | (16,565,957) | - | - | (16,565,957) |
| Total other financing sources | - | 24,125,000 | - | 24,125,000 |
| Extraordinary Items | | | | |
| State teachers on-behalf payments (Note 13) | (44,531,000) | - | - | (44,531,000) |
| State teachers on-behalf revenue (Note 13) | 44,531,000 | - | - | 44,531,000 |
| Total extraordinary items | - | - | - | - |
| Net change in fund balances | 108,466 | (8,108,825) | (99,927) | (8,100,286) |
| FUND BALANCES, beginning | 37,279,871 | 8,118,317 | 1,060,329 | 46,458,517 |
| FUND BALANCES, ending | \$ 37,388,337 | \$ 9,492 | \$ 960,402 | \$ 38,358,231 |

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

CITY OF NORWALK, 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, 2008**

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

| | |
|---|---------------------|
| Net change in fund balances – total governmental funds | \$ (8,100,286) |
| 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 capital outlays exceeded depreciation in the current period. | 31,971,149 |
| Net effect of various miscellaneous transactions involving capital assets is to decrease net assets | (12,197) |
| Net pension asset | 724 |
| Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (1,210,089) |
| 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. | (9,780,009) |
| Changes in 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 at the time the liability is incurred. | (6,938,352) |
| The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. | <u>1,889,978</u> |
| Change in net assets of governmental activities | <u>\$ 7,820,918</u> |

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

CITY OF NORWALK, 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, 2008

| | General Fund | | | |
|---|--------------------|-----------------------|------------------------------|--|
| | Budgeted Amounts | | Actual Budgetary Basis | Variance With Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes, interest and lien fees | \$ 225,191,305 | \$ 225,191,305 | \$ 229,072,804 | \$ 3,881,499 |
| Intergovernmental | 16,192,207 | 17,279,860 | 17,093,813 | (186,047) |
| Licenses, permits, fees and other | 13,462,019 | 13,470,519 | 12,068,672 | (1,401,847) |
| Interest | 4,500,000 | 4,500,000 | 4,520,974 | 20,974 |
| Total revenues | 259,345,531 | 260,441,684 | 262,756,263 | 2,314,579 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 7,445,350 | 9,129,320 | 7,331,991 | 1,797,329 |
| Education | 141,556,197 | 142,699,918 | 142,651,081 | 48,837 |
| Public safety | 34,544,529 | 37,059,632 | 36,600,667 | 458,965 |
| Health and welfare | 2,199,616 | 2,257,634 | 2,121,668 | 135,966 |
| Public works | 16,210,011 | 17,238,549 | 16,394,374 | 844,175 |
| Community grants | 2,825,090 | 2,825,118 | 2,825,896 | (778) |
| Employee benefits | 23,304,891 | 23,343,073 | 23,326,084 | 16,989 |
| Recreation, arts and cultural | 7,288,588 | 7,445,493 | 7,373,458 | 72,035 |
| Organizational memberships | 80,981 | 81,088 | 81,088 | - |
| Contingency | 3,425,780 | 1,233,336 | - | 1,233,336 |
| Debt service | 23,464,498 | 23,464,498 | 23,464,498 | - |
| Total expenditures and encumbrances | 262,345,531 | 266,777,659 | 262,170,805 | 4,606,854 |
| Net change in fund balance before other financing sources (uses) | (3,000,000) | (6,335,975) | 585,458 | 6,921,433 |
| OTHER FINANCING SOURCES (USES) | 3,000,000 | 3,000,000 | - | (3,000,000) |
| Net change in fund balance | \$ - | \$ (3,335,975) | 585,458 | \$ 3,921,433 |
| UNRESERVED AND UNDESIGNATED FUND BALANCES, beginning | | | | |
| | | | 35,645,754 | |
| Less: Designated for Board of Education Future Appropriations | | | 56,214 | |
| Less: Designated for City Future Appropriations | | | 4,311,098 | |
| UNRESERVED AND UNDESIGNATED FUND BALANCES, ending | | | \$ 31,863,900 | |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|----------------------|----------------------|--------------------------|
| | | | | Activities |
| | Water Pollution Control Authority | Parking Authority | Totals | Internal Service Fund |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 6,192,008 | \$ 607,423 | \$ 6,799,431 | \$ 11,726,180 |
| Restricted cash | - | 781,113 | 781,113 | - |
| Charges receivable, net | 440,266 | - | 440,266 | - |
| Other receivables | 62,360 | 1,639 | 63,999 | 26,245 |
| Investments | 6,979,413 | 677,327 | 7,656,740 | 7,590,250 |
| Total current assets | 13,674,047 | 2,067,502 | 15,741,549 | 19,342,675 |
| CAPITAL ASSETS, NET | 77,691,903 | 28,316,430 | 106,008,333 | - |
| Total assets | 91,365,950 | 30,383,932 | 121,749,882 | 19,342,675 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Current maturities of bonds and notes payable | 3,448,872 | 514,540 | 3,963,412 | - |
| Accounts payable and accrued liabilities | 1,011,778 | 83,570 | 1,095,348 | 480,955 |
| Claims payable | - | - | - | 5,427,326 |
| Unearned revenue | 48,731 | 183,897 | 232,628 | - |
| Total current liabilities | 4,509,381 | 782,007 | 5,291,388 | 5,908,281 |
| LONG-TERM LIABILITIES | | | | |
| Bonds and notes payable | 39,113,866 | 9,373,766 | 48,487,632 | - |
| Claims payable | - | - | - | 7,515,247 |
| Total long-term liabilities | 39,113,866 | 9,373,766 | 48,487,632 | 7,515,247 |
| Total liabilities | 43,623,247 | 10,155,773 | 53,779,020 | 13,423,528 |
| NET ASSETS | | | | |
| Invested in capital assets (net of related debt) | 39,593,825 | 18,428,125 | 58,021,950 | - |
| Restricted for debt service | - | 781,113 | 781,113 | - |
| Unrestricted | 8,148,878 | 1,018,921 | 9,167,799 | 5,919,147 |
| Total net assets | \$ 47,742,703 | \$ 20,228,159 | \$ 67,970,862 | \$ 5,919,147 |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|----------------------|----------------------|--------------------------|
| | Water Pollution | | | Activities |
| | Control Authority | Parking Authority | Totals | Internal Service Fund |
| OPERATING REVENUES | | | | |
| City and member's contributions | \$ - | \$ - | \$ - | \$ 39,944,367 |
| Charges for services | 12,201,319 | 4,935,847 | 17,137,166 | - |
| Total operating revenues | 12,201,319 | 4,935,847 | 17,137,166 | 39,944,367 |
| OPERATING EXPENSES | | | | |
| Administrative and operations | 6,041,298 | 3,113,215 | 9,154,513 | 1,001,971 |
| Depreciation | 1,986,399 | 831,776 | 2,818,175 | - |
| Salaries, benefits and claims | 311,266 | 319,758 | 631,024 | 37,269,633 |
| Total operating expenses | 8,338,963 | 4,264,749 | 12,603,712 | 38,271,604 |
| Operating income | 3,862,356 | 671,098 | 4,533,454 | 1,672,763 |
| NONOPERATING INCOME (EXPENSE) | | | | |
| Investment income | 707,700 | 92,149 | 799,849 | 217,215 |
| Interest expense | (1,031,658) | (448,324) | (1,479,982) | - |
| Total nonoperating income (expense) | (323,958) | (356,175) | (680,133) | 217,215 |
| Capital Contributions | | | | |
| Intergovernmental | 358,649 | - | 358,649 | - |
| Change in net assets | 3,897,047 | 314,923 | 4,211,970 | 1,889,978 |
| FUND NET ASSETS, beginning | 43,845,656 | 19,913,236 | 63,758,892 | 4,029,169 |
| FUND NET ASSETS, ending | \$ 47,742,703 | \$ 20,228,159 | \$ 67,970,862 | \$ 5,919,147 |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|---------------------|---------------------|----------------------|
| | Water Pollution | Parking | Totals | Activities |
| | Control Authority | Authority | | Internal |
| | | | Totals | Service Fund |
| Cash Flows From Operating Activities | | | | |
| Receipts from customers and users | \$ 12,005,195 | \$ 5,007,275 | \$ 17,012,470 | \$ 39,953,322 |
| Payments to suppliers | (6,225,141) | (3,163,007) | (9,388,148) | - |
| Payments to employees/claims paid | (311,266) | (319,758) | (631,024) | (40,793,011) |
| Net cash provided by (used in) operating activities | 5,468,788 | 1,524,510 | 6,993,298 | (839,689) |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Principal payments on debt | (3,390,364) | (420,957) | (3,811,321) | - |
| Interest paid on debt | (1,031,658) | (448,324) | (1,479,982) | - |
| Proceeds from notes payable | 2,650,000 | 225,000 | 2,875,000 | - |
| Purchase of property and equipment | (1,508,901) | (447,482) | (1,956,383) | - |
| Intergovernmental revenues | 358,649 | - | 358,649 | - |
| Net cash (used in) capital and related financing activities | (2,922,274) | (1,091,763) | (4,014,037) | - |
| Cash Flows From Investing Activities | | | | |
| Purchase of investments | (2,789,554) | (352,757) | (3,142,311) | (16,776) |
| Interest received on investments and cash | 707,700 | 92,149 | 799,849 | 217,215 |
| Net cash (used in) investing activities | (2,081,854) | (260,608) | (2,342,462) | 200,439 |
| Net increase (decrease) in cash and cash equivalents | 464,660 | 172,139 | 636,799 | (639,250) |
| Cash and Cash Equivalents | | | | |
| Beginning | 5,727,348 | 1,216,397 | 6,943,745 | 12,365,430 |
| Ending | <u>\$ 6,192,008</u> | <u>\$ 1,388,536</u> | <u>\$ 7,580,544</u> | <u>\$ 11,726,180</u> |
| Reconciliation of Operating Income to Net Cash Provided (used in) by Operating Activities | | | | |
| Operating income | \$ 3,862,356 | \$ 671,098 | \$ 4,533,454 | \$ 1,672,763 |
| Adjustments to reconcile operating income to net cash provided by(used in) operating activities: | | | | |
| Depreciation | 1,986,399 | 831,776 | 2,818,175 | - |
| Changes in assets and liabilities: | | | | |
| Increase in charges receivable | (102,033) | - | (102,033) | - |
| (Increase) decrease in other receivables | (40,680) | 584 | (40,096) | 8,955 |
| Decrease in accounts payable and accrued expenses | (183,843) | (49,792) | (233,635) | - |
| Decrease in claims and judgments payable | - | - | - | (2,521,407) |
| (Decrease) increase in unearned income | (53,411) | 70,844 | 17,433 | - |
| Net cash provided by (used in) operating activities | \$ 5,468,788 | \$ 1,524,510 | \$ 6,993,298 | \$ (839,689) |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2008

| | Trust Funds | Private Purpose Trust Fund | Agency Funds |
|---|-----------------------|----------------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 35,480,869 | \$ 99,288 | \$ 1,782,652 |
| Investments: | | | |
| U.S. Government Agency | 22,079,977 | - | - |
| U.S. Government Securities | 3,241,105 | - | - |
| Corporate bonds | 46,441,413 | - | - |
| Common stock | 93,135,436 | - | - |
| Hedge/alternative investments | 69,528,889 | - | - |
| Partnerships | 59,074,554 | - | - |
| Mutual Funds | 48,423,935 | - | - |
| Total investments | 341,925,309 | - | - |
| Secured lending transactions | 20,411,061 | - | |
| Total assets | 397,817,239 | 99,288 | 1,782,652 |
| LIABILITIES | | | |
| Secured lending transactions | 20,411,061 | - | - |
| Other liabilities | 1,034,284 | - | 1,782,652 |
| Total liabilities | 21,445,345 | - | 1,782,652 |
| Net Assets Held in Trust for Pension Benefits and Other Purposes | \$ 376,371,894 | \$ 99,288 | \$ - |

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

CITY OF NORWALK, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

For the Year Ended June 30, 2008

| | Trust Funds | Private Purpose Trust Fund |
|---|-----------------------|----------------------------------|
| Additions | | |
| Contributions: | | |
| Employer | \$ 14,967,532 | \$ - |
| Plan members | 2,687,560 | - |
| Total contributions | <u>17,655,092</u> | <u>-</u> |
| Investment Income: | | |
| Interest and dividends | 9,812,471 | 93,303 |
| Net depreciation in fair value of investments | (18,025,217) | - |
| Investment expense | (441,200) | - |
| Net investment income (loss) | <u>(8,653,946)</u> | <u>93,303</u> |
| Securities lending transactions income | 1,156,399 | - |
| Securities lending transactions expense | (1,044,033) | - |
| Net investment income - securities lending | <u>112,366</u> | <u>-</u> |
| Total additions | <u>9,113,512</u> | <u>93,303</u> |
| Deductions | | |
| Benefits paid | 27,617,862 | - |
| General and administrative | 353,403 | 75,275 |
| Total deductions | <u>27,971,265</u> | <u>75,275</u> |
| Net (decrease) increase | <u>(18,857,753)</u> | <u>18,028</u> |
| Net Assets Held in Trust for Pension Benefits and Other Purposes | | |
| Beginning of year | 395,229,647 | 81,260 |
| End of year | <u>\$ 376,371,894</u> | <u>\$ 99,288</u> |

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

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

The City of Norwalk, Connecticut (the "City") is segregated into nine taxing districts based on the services provided to taxpayers. The following graph summarizes the services provided to each taxing district. General services include education, police protection, street repairs and maintenance and general government.

| District | General | Garbage Collection | Sewers | Fire Protection | Street Lighting |
|-----------------|---------|-----------------------|--------|-----------------|--------------------|
| 1 st | X | X | X | X | |
| 2 nd | X | X | X | X | |
| 3 rd | X | X | X | X | |
| 4 th | X | X | X | X | X |
| 5 th | X | | | X | X |
| 6 th | X | | | | |
| 7 th | X | | X | | |
| 8 th | X | X | | X | |
| 9 th | X | X | | X | |

The First, Second, Third and Sixth districts represent geographic subdivisions of the City. The remaining districts represent parts of the first, second, third and sixth districts that receive different combinations of services.

Reporting entity

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 by the Codification, Section 2100, has been considered and as a result, there are no agencies or entities that should be, but are not, included in the financial statements of the City, other than as discussed below.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The accompanying financial statements present the City and its component unit, legally separate organizations for which the City is considered to be financially accountable. The following component unit provides services or benefits exclusively, or almost exclusively, to the City or its employees and is therefore blended and reported as if it was part of the City:

Blended Component Unit - The Maritime Center Authority (the "Authority") is an agency established by state statute and City Code to oversee the development and operations of the Maritime Center (the "Center"). The ordinance provides that the powers of the Authority shall be exercised by a commission of

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2008**

nine members consisting of the Mayor, two members of the Common Council, two current or former members of the Common Council and four additional members.

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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate 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, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Property taxes when levied for, intergovernmental revenue when eligibility requirements have been met, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items, primarily fees and permits, are measurable and available when cash is received.

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 *Capital Project Fund* is used to account for resources used for the acquisition and construction of capital facilities, including those that are financed through Special Assessments. Included in the Capital Projects Fund are sewer assessments which are levied in order to finance both the construction of new and the improvement to existing sewer systems.

The City reports the following major proprietary funds:

The *Parking Authority* accounts for the operation of the City's parking facilities. 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.

The *Water Pollution Control Authority* accounts for the operation of the City's wastewater 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:

The *Internal service fund* accounts for employee health insurance provided to other departments of the City, and the Board of Education and vehicle maintenance and fuel used by the City.

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 *private purpose trust fund* accounts for nine individual expendable trusts which provide awards and scholarships to students.

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.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2008**

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 enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Proprietary 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 non-operating 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 and other funds for premium costs. Operating expenses for proprietary funds, including both enterprise funds and internal service funds, include the cost of operations and maintenance, claims expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Cash equivalents

Cash equivalents are certificates of deposit with original maturities of three months or less, when purchased.

Investments

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

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

Investments in 2a7 like pools are stated at amortized cost.

Allowance for Doubtful Accounts

Accounts receivable for the primary government are reported net of an allowance for doubtful accounts, totaling \$11,114,000 which relates to property taxes. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history and an assessment of the creditor's ability to pay.

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 proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$1,000 for the Parking Authority) 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.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

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

| Assets | Years |
|--|-------|
| Buildings | 25-50 |
| Land improvements | 20 |
| Infrastructure, public domain infrastructure and distribution and collection systems | 10-65 |
| Machinery and equipment | 5-20 |
| Licensed vehicles | 8 |

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

Compensated absences

Vacation earned during the City's fiscal year ending June 30 may be taken through the following June of each year. In addition, certain employee groups may accumulate between 55 and 60 days of unused vested sick leave throughout their employment. Certain employee groups are also entitled to severance and longevity benefits. Since these benefits are to be funded from future financial resources, the liability has been reported as benefits are earned in the government-wide and proprietary fund financial statements. Obligations for accrued compensated absences have typically been liquidated from the general fund in the past.

Long-term obligations

In the government-wide financial statements, and proprietary fund type 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are reported as expenditures. 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.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Risks and uncertainties

The City invests in various securities, including commercial paper, government-sponsored enterprises, mutual funds and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets and activities.

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 and proprietary fund financial statements, net assets are classified in the following categories:

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

Restricted Net Assets – This category presents external restriction imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets or Deficit – This category represents the net assets of the City, which are not restricted. A deficit will require future funding.

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

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

Unreserved-Designated fund balance - indicates that portion of fund equity for which the City has made tentative plans.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

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

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 Funds/Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), 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. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

Funding Policy:

The City makes annual contributions based on the actuaries' recommendation.

OPEB accounting

OPEB Trust:

Employer contributions are recognized in the period in which the contributions are due, and the City has made a formal commitment to provide the contributions. There are no employee contributions. Employees begin contributing on July 1, 2008.

Governmental Funds/Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the City's contributions to the plan since 7/1/07, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Funding Policy:

The City makes annual contributions based on the actuaries' recommendation.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

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 difference are as follows:

| | |
|---|-----------------------|
| Bonds payable | \$ 193,417,379 |
| Premiums and gains/losses on refunding, net of accumulated amortization | 586,123 |
| Pension liability | 1,471,787 |
| Early retirement | 1,939,000 |
| Capital lease | 552,064 |
| Other post-employment obligation | 4,105,630 |
| Compensated absences | <u>18,417,176</u> |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities | <u>\$ 220,489,159</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 difference are as follows:

| | |
|--|----------------------|
| Capital outlay | \$ 38,705,939 |
| Depreciation expense | <u>(6,734,790)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ 31,971,149</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

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 difference are as follows:

| | |
|--|------------------------------|
| Long-term liabilities issued or incurred: | |
| Issuance of general obligation bonds and notes payable | \$ (39,905,000) |
| Premiums and gain/loss on refunding | 206,185 |
| Principal repayments: | |
| General obligation debt | 13,277,537 |
| Capital lease payments | 75,312 |
| Payment to escrow | <u>16,565,957</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ (9,780,009)</u></u> |

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

| | |
|--|------------------------------|
| Compensated absences | \$ (3,430,788) |
| Accrued interest | 292,468 |
| Pension liability | 55,619 |
| Early Retirement | 156,000 |
| Other post-employment obligation | (4,105,630) |
| Deferred charges | <u>93,979</u> |
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ (6,938,352)</u></u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 3. Budgets and Budgetary Accounting

The City's general budget policies are as follows:

- A. Prior to the commencement of a fiscal year, an operating budget (a plan of financial operation embodying an estimate of proposed expenditures and the proposed means of financing them) for that year for the General Fund be submitted to the Board of Estimate and Taxation. On the first Monday of May, the Board of Estimate and Taxation by legal resolution must adopt an Operating Budget for the ensuing fiscal year.
- B. The expenditure portion of the operating budget (appropriations) is given legal effect through resolution of the Board of Estimate and Taxation. Appropriations are made by the Board of Estimate and Taxation shall not exceed estimated revenues. The budget is adopted on a department level. Departments, agencies, or other entities may not legally exceed their appropriations.
- C. By resolution of the Board of Estimate and Taxation, the Finance Director may amend the budget by authorizing a transfer within each expenditure item (i.e., the Mayor's office within general government expenditures) of the budget for amounts up to \$5,000. The Board of Estimate and Taxation's authorization is required for transfers of amounts in excess of the Finance Director's authority.
- D. Supplemental appropriations in excess of the adopted budget, together with the means of financing them, must be authorized by the Board of Estimate and Taxation and ratified by a Resolution of two-thirds of the Common Council.
- E. Although budgeted revenues usually are not changed, the ultimate source of revenues for supplemental appropriations (adjustments) are identified when such adjustments are approved. Thus, while the final budget presented in the financial statements reflects a deficit, the budgetary amendment process includes procedures requiring that funding sources, including, if necessary, appropriations of fund balance, be identified.
- F. Expenditures of funds for long-term capital improvements are budgeted by Capital Projects each year. Appropriations for Capital Projects are continued until completion of applicable projects, even when projects extend over more than one fiscal year.

Appropriations from the General Fund lapse at year-end.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

- G. 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.
- H. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

For the year ended June 30, 2008, supplemental appropriations totaled approximately \$3,334,000.

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 | \$ 262,170,805 |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | 11,030,000 |
| On-behalf payments, paid directly by the Department of Public Health to WIC recipients, not recognized for budgetary purposes | 502,742 |
| Encumbrances and continued appropriations: | |
| June 30, 2007 | 1,634,104 |
| June 30, 2008 | (1,157,112) |
| | <hr/> |
| Expenditures, GAAP basis | <u>\$ 274,180,539</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

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

| | |
|---|------------------------------|
| Revenues and transfers in, budgetary basis | \$ 262,756,263 |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | 11,030,000 |
| On-behalf payments, paid directly by the Department of Public Health to WIC recipients, not recognized for budgetary purposes | <u>502,742</u> |
| Revenues, GAAP basis | <u><u>\$ 274,289,005</u></u> |

Special revenue funds

The City does not have legally adopted annual budgets for the special revenue funds. 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 non-lapsing 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

Deposits: The City has a policy that deposits can include demand and savings accounts and certificates of deposits. The City also follows the State of Connecticut policy that requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The City does not have a custodial credit risk policy for investments. The investment policies of the City conform to the policies as set forth by the State of Connecticut. The City policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Pension Plans set asset allocation parameters, as follows:

| | |
|--------------|-----|
| Equities | 69% |
| Fixed Income | 27% |
| Hedge Fund | 3% |
| Cash | 1% |

Interest Rate Risk: The City minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City of Norwalk, except for pension funds and insurance reserves, will not invest in instruments maturing more than five years from the date of purchase, and no more than 40% of the City's total portfolio shall be invested in instruments maturing more than two years from the date of purchase. All instruments in the portfolio at the time of the policy approval date will be grandfathered in and no new instruments which exceed the two years will be purchased until the amount of instruments in the portfolio is less than 40%.

Concentrations: The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2008, approximately \$69,555,000 of the entity's bank balance of \$78,599,000 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash and investments of the City consist of the following at June 30, 2008:

| | |
|---|--------------------------|
| Cash and Cash Equivalents | |
| Deposits with financial institutions | \$ 69,727,205 |
| State of Connecticut Short-Term Investment fund | 6,410,573 |
| Municipal Backed Investment Fund | 7,312,844 |
| Total cash and cash equivalents | <u>83,450,622</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

| | |
|--------------------------------------|-----------------------|
| Investments | |
| General Fund | |
| U.S. Government Securities | 34,102,117 * |
| U.S. Government Agencies | 83,266 * |
| Total general fund | <u>34,185,383</u> |
| Non-Major Funds | |
| U.S. Government Securities | 1,571,894 * |
| U.S. Government Agencies | 3,628 * |
| Total non-major funds | <u>1,575,522</u> |
| Capital Projects Fund | |
| U.S. Government Securities | 3,536,691 * |
| U.S. Government Agencies | 21,730 * |
| Total capital projects fund | <u>3,558,421</u> |
| Internal Service Fund | |
| U.S. Government Securities | 1,133,772 * |
| U.S. Government Agencies | 8,413 * |
| Corporate Bonds | 1,295,284 * |
| Equity Securities | 2,001,483 * |
| Mutual Funds | 3,151,298 |
| Total internal service fund | <u>7,590,250</u> |
| WPCA: | |
| U.S. Government Securities | 6,967,021 * |
| U.S. Government Agencies | 12,392 * |
| Total WPCA | <u>6,979,413</u> |
| Parking Authority: | |
| U.S. Government Securities | 676,367 * |
| U.S. Government Agencies | 960 * |
| Total parking authority | <u>677,327</u> |
| Pension Trust Funds: | |
| U.S. Government Agencies | 22,079,977 * |
| U.S. Government Securities | 3,241,105 * |
| Corporate Bonds | 46,441,413 * |
| Common stock | 93,135,436 * |
| Mutual Funds | 48,423,935 |
| Alternative Investments-Partnerships | 59,074,554 |
| Hedge/alternative investments | 69,528,889 |
| Total pension trust funds | <u>341,925,309</u> |
| Total investments | <u>396,491,625</u> |
| Total cash and investments | <u>\$ 479,942,247</u> |

* These investments are uninsured and unregistered, with securities held by the counterparty, but not in the City's or the pension fund's name.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets

| | |
|--------------------------------------|--------------------|
| Cash and cash equivalents | \$ 45,306,700 |
| Restricted cash | 781,113 |
| Investments | 54,566,316 |
| Total statement of net assets | 100,654,129 |

Fiduciary Funds:

| | |
|-----------------------------------|-----------------------|
| Cash and cash equivalents | 37,362,809 |
| Investments | 341,925,309 |
| | 379,288,118 |
| Total cash and investments | \$ 479,942,247 |

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the City's debt type investments to this risk using the segmented time distribution model is as follows:

| Summary of Investments and Interest Rate Risk | Fair Value | Investment Maturities (in Years) | | | |
|--|-----------------------|----------------------------------|----------------------|----------------------|--------------------------|
| | | Less Than 1 Year | 1-5 Years | 5-10 Years | Greater Than 10 Years |
| U.S. Government Securities | \$ 51,228,968 | \$ - | \$ 48,068,545 | \$ 2,640,677 | \$ 519,746 |
| U.S. Government Agencies | 22,210,365 | - | 354,706 | 4,737,191 | 17,118,468 |
| Pooled fixed income | 13,723,417 | 13,723,417 | - | - | - |
| Corporate Bonds | 47,736,698 | 31,774,048 | 5,300,506 | 3,023,368 | 7,638,776 |
| TOTAL | \$ 134,899,448 | \$ 45,497,465 | \$ 53,723,757 | \$ 10,401,236 | \$ 25,276,990 |

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The City's operating fund will only purchase U.S. Governmental Agencies AA or above. The City allows its fixed income investment managers in its pension funds to purchase corporate bonds rated BBB or better and does not have any guidelines for U.S. Government Agencies. Presented below is the minimum rating as required for each debt type investment.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

| Average Rating | Corporate Bonds | U.S. Government Agencies | Pooled Fixed Income |
|----------------|----------------------|-----------------------------|------------------------|
| AAA | \$ 748,379 | \$ 22,079,976 | \$ 7,312,844 |
| AAA/M | - | - | 6,410,573 |
| AA- | 236,732 | 118,447 | - |
| A | 9,607,853 | - | - |
| A- | - | - | - |
| AA | 1,510,460 | - | - |
| BBB | 1,272,385 | 11,943 | - |
| Unrated | 34,360,889 | - | - |
| | <u>\$ 47,736,698</u> | <u>\$ 22,210,366</u> | <u>\$ 13,723,417</u> |

Note 5. Unearned Revenue/Deferred Revenue

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

| | Unearned Revenue | Deferred Revenue |
|---|---------------------|---------------------|
| General Fund: | | |
| Taxes and accrued interest on delinquent property taxes | \$ - | \$ 3,835,102 |
| Advanced tax collections | 1,246,405 | - |
| Tax overpayments | 2,199,954 | - |
| School construction receivable | - | 325,047 |
| Grants | - | 39,695 |
| Capital Projects: | | |
| Grants | 323,213 | - |
| Nonmajor Funds: | | |
| Grants | 860,870 | - |
| Total | <u>\$ 4,630,442</u> | <u>\$ 4,199,844</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Additions/ Transfers | Disposals/ Transfers | Ending Balance |
|--|----------------------|-------------------------|-------------------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 21,905,400 | \$ - | \$ - | \$ 21,905,400 |
| Construction in progress | 61,908,080 | 16,124,727 | (35,511,360) | 42,521,447 |
| Total capital assets, not being depreciated | 83,813,480 | 16,124,727 | (35,511,360) | 64,426,847 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 8,016,057 | 1,944,197 | - | 9,960,254 |
| Machinery and equipment | 29,923,924 | 4,314,307 | (688,671) | 33,549,560 |
| Buildings and improvements | 235,690,120 | 45,296,525 | - | 280,986,645 |
| Infrastructure | 150,280,355 | 6,537,543 | - | 156,817,898 |
| Total capital assets being depreciated | 423,910,456 | 58,092,572 | (688,671) | 481,314,357 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 5,638,517 | 276,470 | - | 5,914,987 |
| Machinery and equipment | 24,672,407 | 1,015,218 | (676,474) | 25,011,151 |
| Buildings and improvements | 57,531,588 | 4,464,159 | - | 61,995,747 |
| Infrastructure | 21,505,098 | 978,943 | - | 22,484,041 |
| Total accumulated depreciation | 109,347,610 | 6,734,790 | (676,474) | 115,405,926 |
| Total capital assets, being depreciated, net | 314,562,846 | 51,357,782 | (12,197) | 365,908,431 |
| Governmental activities capital assets, net | \$ 398,376,326 | \$ 67,482,509 | \$ (35,523,557) | \$ 430,335,278 |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

| | Beginning Balance | Additions/ Transfers | Disposal/ Transfers | Ending Balance |
|--|----------------------|-------------------------|------------------------|-------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,838,762 | \$ - | \$ - | \$ 4,838,762 |
| Total capital assets, not being depreciated | 4,838,762 | - | - | 4,838,762 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 509,288 | - | - | 509,288 |
| Machinery and equipment | 12,865,869 | 146,926 | - | 13,012,795 |
| Buildings and improvements | 112,224,757 | 1,809,456 | - | 114,034,213 |
| Infrastructure | 28,677,753 | - | - | 28,677,753 |
| Total capital assets, being depreciated | 154,277,667 | 1,956,382 | - | 156,234,049 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 355,047 | 24,655 | - | 379,702 |
| Machinery and equipment | 11,757,760 | 142,212 | - | 11,899,972 |
| Buildings and improvements | 28,059,325 | 2,221,231 | - | 30,280,556 |
| Infrastructure | 12,074,171 | 430,077 | - | 12,504,248 |
| Total accumulated depreciation | 52,246,303 | 2,818,175 | - | 55,064,478 |
| Total capital assets, being depreciated, net | 102,031,364 | (861,793) | - | 101,169,571 |
| Business-type activities capital assets, net | \$ 106,870,126 | \$ (861,793) | \$ - | \$ 106,008,333 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 45,603 |
| Education | 3,444,106 |
| Public safety | 1,058,318 |
| Health and welfare | 28,303 |
| Public works | 1,022,321 |
| Recreation, arts and cultural | 1,136,139 |
| Total depreciation expense – governmental activities | <u>\$ 6,734,790</u> |
| Business-type activities: | |
| Water Pollution Control Authority | \$ 1,986,399 |
| Parking Authority | 831,776 |
| Total depreciation expense – business-type activities | <u>\$ 2,818,175</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 7. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 181,438,748 | \$ 39,905,000 | \$ (29,459,432) | \$ 191,884,316 | \$ 15,368,095 |
| Maritime Center bonds | 1,917,125 | - | (384,062) | 1,533,063 | 354,356 |
| Deferred amounts: | | | | | |
| For issuance premiums and gain/loss | 378,516 | 665,170 | (457,563) | 586,123 | - |
| Total bonds and notes payable | 183,734,389 | 40,570,170 | (30,301,057) | 194,003,502 | 15,722,451 |
| Compensated absences | 14,986,388 | 8,738,357 | (5,307,569) | 18,417,176 | 5,000,000 |
| Capital lease | 627,376 | - | (75,312) | 552,064 | 84,893 |
| Net pension obligations | 1,527,406 | 9,055 | (64,674) | 1,471,787 | - |
| Other post-employment obligation | - | 4,105,630 | - | 4,105,630 | - |
| Early Retirement Accrual | 2,095,000 | 399,000 | (555,000) | 1,939,000 | 720,000 |
| Risk financing Activities | 15,618,242 | 35,779,137 | (38,454,806) | 12,942,573 | 5,427,326 |
| Total other long term debt | 34,854,412 | 49,031,179 | (44,457,361) | 39,428,230 | 11,232,219 |
| Governmental activity long-term liabilities | \$ 218,588,801 | \$ 89,601,349 | \$ (74,758,418) | \$ 233,431,732 | \$ 26,954,670 |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds and notes payable | \$ 53,387,395 | \$ 2,875,000 | \$ (3,811,351) | \$ 52,451,044 | \$ 3,963,412 |
| Total bonds and notes payable | 53,387,395 | 2,875,000 | (3,811,351) | 52,451,044 | 3,963,412 |
| Business-type activity long-term liabilities | \$ 53,387,395 | \$ 2,875,000 | \$ (3,811,351) | \$ 52,451,044 | \$ 3,963,412 |

Compensated absences

The obligation represents the employee (vested and nonvested) compensated absences expected to be paid in the future, aggregating \$18,417,000 as of June 30, 2008. This amount is recorded in the government wide statements, and paid out of the general fund.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2008**

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, 2008 was \$1,472,000. This amount is recorded in the government wide statements, and paid out of the general fund.

Other Post Employment Obligation

Governmental Accounting Standards Board Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" requires the City to accrue a net OPEB obligation. The amount at June 30, 2008 was \$4,105,000. This amount is recorded in the government wide statements, and paid out of the general fund.

Early Retirement

The obligation represents the early retirement incentive payout for eligible teachers and administrators whose age and years of service total 80. Once eligible they receive annual stipend of \$3,000 over a 3-10 year period. The amount accrued has been calculated at the discounted present value of the expected future benefit. The amount recorded at June 30, 2008 is approximately \$1,939,000 on the government wide statements, and is paid out of the general fund.

Bonded indebtedness

As of June 30, 2008, the outstanding general obligation bonded indebtedness of the City was as follows:

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Governmental Activities

General Obligation Debt

| <u>Purpose</u> | <u>Interest Rate %</u> | <u>Amount</u> |
|---------------------|----------------------------|-----------------------|
| Capital improvement | 4.60-6.00 | 1,410,000 |
| Capital improvement | 4.875-5.00 | 957,000 |
| Capital improvement | 4.00 | 1,092,750 |
| Capital improvement | 4.00-4.50 | 4,785,115 |
| Capital improvement | 3.00-5.00 | 34,992,855 |
| Capital improvement | 2.00-4.00 | 19,148,535 |
| Capital improvement | 2.00-4.00 | 9,569,700 |
| Capital improvement | 3.00-5.00 | 7,667,781 |
| Capital improvement | 3.25-4.375 | 5,928,000 |
| Capital improvement | 2.60-5.00 | 21,842,580 |
| Capital improvement | 3.25 | 21,325,000 |
| Capital improvement | 4.25-5.50 | 23,260,000 |
| Capital improvement | 4.00-5.75 | 24,125,000 |
| Capital improvement | 3.00-5.00 | 15,780,000 |
| | | <u>\$ 191,884,316</u> |

Capital Lease

Property and equipment with a carrying value at June 30, 2008 of approximately \$655,000 and accumulated depreciation of \$100,000 is being acquired under capital lease arrangements. Future minimum payments under capital lease arrangements are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--|-------------------|
| 2009 | \$ 110,825 |
| 2010 | 110,825 |
| 2011 | 110,825 |
| 2012 | 110,825 |
| 2013 | 110,825 |
| Thereafter | <u>77,709</u> |
| Total | 631,834 |
| Less amount representing interest at 5.05% | <u>(79,770)</u> |
| Total | <u>\$ 552,064</u> |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Maritime Center Project Bonds

| Purpose | Interest Rate % | Amount |
|---|--------------------|--------------|
| Maritime Center Project - Refunding Bonds, 1986 Series | 6.95-7.20% | \$ 1,533,063 |

Business-Type Activities

Enterprise Debt

| Purpose | Interest Rate % | Amount |
|---|--------------------|---------------|
| Water Pollution Control Authority Bonds and Clean Water Fund | 2.00-6.50% | \$ 42,562,738 |
| Parking Authority - Parking Fund | 2.00-6.50% | 9,888,306 |
| | | \$ 52,451,044 |

Long-term notes and bond obligations and compensated absences are expected to be repaid by future tax levies and grants available from the State. A summary of the Governmental Activities' long-term notes and bond principal maturities and related interest at June 30, 2008 is as follows:

| Year Ended June 30, | General Obligation Debt | Maritime Center Project Debt | Total Interest Amount | Total Principal and Interest Amount |
|------------------------|-------------------------------|---------------------------------------|-----------------------------|--|
| 2009 | \$ 15,386,095 | \$ 354,356 | \$ 10,629,379 | \$ 26,369,830 |
| 2010 | 16,530,137 | 326,637 | 9,579,060 | 26,435,834 |
| 2011 | 16,128,993 | 304,328 | 8,950,808 | 25,384,129 |
| 2012 | 15,101,073 | 283,552 | 8,317,429 | 23,702,054 |
| 2013 | 14,535,851 | 264,190 | 7,772,171 | 22,572,212 |
| 2014-2018 | 57,714,651 | - | 17,381,246 | 75,095,897 |
| 2019-2023 | 37,396,967 | - | 7,902,943 | 45,299,910 |
| Thereafter | 19,090,549 | - | 1,506,905 | 20,597,454 |
| | \$ 191,884,316 | \$ 1,533,063 | \$ 72,039,941 | \$ 265,457,320 |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

A summary of the City's business-type activities' long-term notes and bond principal maturities and related interest at June 30, 2008 is as follows:

| Year Ended June 30, | WPCA Debt | Parking Authority Debt | Total Interest Amount | Total Principal and Interest Amount |
|------------------------|----------------------|------------------------------|-----------------------------|--|
| 2009 | \$ 3,448,872 | \$ 514,540 | \$ 1,535,265 | \$ 5,498,677 |
| 2010 | 3,582,863 | 581,483 | 1,351,730 | 5,516,076 |
| 2011 | 3,637,463 | 564,029 | 1,237,403 | 5,438,895 |
| 2012 | 3,700,641 | 455,902 | 1,123,463 | 5,280,006 |
| 2013 | 3,752,569 | 457,480 | 1,014,192 | 5,224,241 |
| 2014-2018 | 17,555,912 | 2,342,066 | 3,477,803 | 23,375,781 |
| 2019-2023 | 5,738,194 | 2,534,525 | 1,416,292 | 9,689,011 |
| Thereafter | 1,146,224 | 2,438,281 | 415,078 | 3,999,583 |
| | <u>\$ 42,562,738</u> | <u>\$ 9,888,306</u> | <u>\$ 11,571,226</u> | <u>\$ 64,022,270</u> |

2008 General Obligation Bond – In-substance Defeasance

On March 27, 2008, the City issued \$15,780,000 of general obligation bonds with interest rates ranging from 3.0% to 3.7% of which was used to advance refund portions of the outstanding principal amounts of the general obligation bond of the City dated July 1, 2004 (the "Refunding Bonds"). Of the net proceeds of \$16,710,000 (after payment of \$144,000 in underwriters fees and other costs), \$16,566,000 was placed in an irrevocable trust fund under an Escrow Agreement dated March 2008 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 date the payments are due.

The City advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and net debt) of \$304,000.

The balance in the escrow was approximately \$16.5 million at June 30, 2008. The balance of the defeased bonds was approximately \$16.5 million at June 30, 2008. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

In-Substance Defeasance – Prior Years

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2008, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements, is as follows:

| | |
|----------------|----------------------|
| 2005 Refunding | \$ 21,560,000 |
| 2008 Refunding | 15,975,000 |
| | <u>\$ 37,535,000</u> |

School Bond Reimbursements

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, 2008 was approximately \$177,000. Additional principal and interest payments aggregating approximately \$371,000 are expected to be received through the bonds' maturity dates.

Authorized but unissued bonds

Under regulations issued by the Internal Revenue Service, effective March 2, 1992, in order for capital projects to be funded through tax-exempt debt, all projects must be appropriated and designated as being funded through debt prior to any expenditures on these projects.

The City has authorized but unissued bonds relating to capital projects at June 30, 2008 as follows:

| | |
|-----------------|----------------------|
| General purpose | \$ 15,898,500 |
| Schools | 21,151,861 |
| Sewer | 11,835,000 |
| Urban Renewal | 16,299,000 |
| Total | <u>\$ 65,184,361</u> |

Legal Debt Limit

The City's indebtedness (including authorized but not unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

| Category | Debt Limit | Indebtedness | Balance |
|-----------------|------------------|----------------|----------------|
| General purpose | \$ 513,052,096 | \$ 115,630,235 | \$ 397,421,861 |
| Pension | \$ 684,069,461 | \$ - | \$ 684,069,461 |
| Schools | \$ 1,026,104,192 | \$ 144,692,792 | \$ 881,411,400 |
| Sewers | \$ 855,086,827 | \$ 54,397,738 | \$ 800,689,089 |
| Urban renewal | \$ 741,075,250 | \$ 20,458,019 | \$ 720,617,231 |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$1,596,162,077.

Subsequent Event

On July 1, 2008, the City issued \$34,200,000 of general obligation bonds to finance certain capital projects. The bonds will mature through 2028 with interest from 4.00% to 4.375%.

Capital Projects

A summary of the uncompleted capital projects of the City at June 30, 2008 follows:

| Project | Project Authorizations (a) | Expenditures | | Unexpended Authorization Balances |
|-----------------------------|----------------------------------|----------------------|-----------------------|---|
| | | Fiscal 2008 (b) | Cumulative (c) | |
| Department of Public Works: | | | | |
| Sanitary Sewers | \$ 8,952,422 | \$ 1,196,863 | \$ 4,098,818 | \$ 4,853,604 |
| Drainage | 3,083,904 | 303,083 | 1,109,829 | 1,974,075 |
| Roads and Highways | 18,334,178 | 5,732,082 | 14,947,915 | 3,386,263 |
| Other | 27,283,800 | 1,413,078 | 26,867,181 | 416,619 |
| Fire Department | 1,501,000 | 649,145 | 1,096,103 | 404,897 |
| Parks and Recreation | 25,754,397 | 4,761,445 | 22,181,452 | 3,572,945 |
| Board of Education | 173,680,182 | 28,077,117 | 151,837,031 | 21,843,151 |
| Redevelopment Agency | 39,557,588 | 2,790,165 | 10,177,217 | 29,380,371 |
| Traffic and Parking | 2,782,072 | 298,833 | 1,493,592 | 1,288,480 |
| | <u>\$ 300,929,543</u> | <u>\$ 45,221,811</u> | <u>\$ 233,809,138</u> | <u>\$ 67,120,405</u> |

- (a) Represents cumulative Capital Budgets for projects that remain open at June 30, 2008.
- (b) Represents current year expenditures for projects that were open at June 30, 2008.
- (c) Represents aggregate expenditures for projects that were open at June 30, 2008.

Based on the latest estimates of costs to complete the projects, the City does not anticipate the necessity to increase the related authorizations. The City has approximately \$17,549,000 committed to ongoing construction projects.

Note 8. Fund Deficit

The School Lunch Fund had a fund deficit as of June 30, 2008 of \$144,627.

The deficit will be funded by the Board of Education operating budget and future revenue.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 9. Commitments and Contingencies

The City is a defendant in various lawsuits including personal injury, property damage, civil rights violations and other miscellaneous claims. For certain of these cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued in the Internal Service Fund for approximately \$2,300,000. For certain other cases, where there is a reasonable possibility that a loss has been incurred, the City estimates its possible exposure could range from \$0 to \$4,200,000 and no accrual is made in the financial statements. Based upon the advice of the City Corporation Counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial statements of the City.

Note 10. Employee Retirement Plans

Employee Pension Plan

Plan Descriptions

The City is the administrator of four separate single-employer defined benefit pension plans that were established to provide pension benefits for its police, firefighters, food service, and other full-time employees other than teachers. The plans are considered to be part of the City's financial reporting entity and are included in the City's basic financial statements as pension trust funds. The plans do not issue separate, stand-alone, financial reports. For the year ended June 30, 2008 the actuarial valuation date utilized was July 1, 2007.

At the last actuarial valuation date, July 1, 2007, membership consisted of:

| | <u>Police</u> | <u>Fire</u> | <u>Employees</u> | <u>Food Service</u> |
|---|---------------|-------------|------------------|---------------------|
| Retirees, disabled members and beneficiaries currently receiving benefits | 151 | 143 | 573 | 25 |
| Terminated employees entitled to benefits but not yet receiving them | - | - | 109 | 7 |
| Active members | 128 | 116 | 696 | 66 |
| Drop members | 35 | 17 | - | - |
| | <u>314</u> | <u>276</u> | <u>1,378</u> | <u>98</u> |

Police Benefit Fund

The City of Norwalk Police Benefit Fund provides retirement benefits as well as death and disability benefits. Benefits vest after 10 years of service. Members who retire after age 48 with 20 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of final average salary, for each year of service (maximum benefit of 100% of base salary plus worker's compensation). Benefits being paid to retired members are increased 1.5 percent per year beginning at age 62. For retirements after July 1, 1998, the annual increase may begin at age 55. At the member's death, the benefit is payable to the surviving spouse for the spouse's lifetime, provided the spouse does not

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2008**

remarry, or the member is not married, the accrued benefit at death is payable to any children until they reach age 16.

Police employees are required to contribute 8 percent of their base pay to the Fund. If a police officer leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions without interest thereon are refunded. The City is required to contribute the remaining amounts necessary to fund the benefits for its Police employees. Benefits and employee contributions are fixed by contract and may be amended by union negotiation. The City's payroll for employees covered by the Police Benefit Fund for the year ended June 30, 2008 was approximately \$8,277,000.

Fire Benefit Fund

The City of Norwalk Fire Benefit Fund provides retirement benefits as well as death and disability benefits. Benefits vest after 10 years of service. Members who retire after age 48 with 20 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of final average salary, for each year of service (maximum benefit of 75% of final average salary). Benefits being paid to retired members are increased 1.5 percent per year beginning at age 62. For retirements after July 1, 1998, the annual increase may begin at age 55. At the member's death, the benefit is payable to the surviving spouse for the spouse's lifetime, provided the spouse does not remarry, or the benefit is payable to any children until they reach the age of 18.

Firefighters are required to contribute 8 percent of their base pay to the Fund. If a firefighter leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions without interest thereon are refunded. The City is required to contribute the remaining amounts necessary to fund the benefits for its firefighters. Benefits and employee contributions are fixed by contract and may be amended by union negotiation. The City's payroll for employees covered by the Fire Benefit Fund for the year ended June 30, 2008 was approximately \$7,337,000.

Employees' Pension Plan

The Norwalk City Employees' Pension Plan provides retirement benefits as well as death and disability benefits. Benefits vest after 5 years of service. Members who retire after age 55 with 10 years of services or after age 62 with 5 years of service are entitled to an annual retirement benefit, payable monthly for life (with 60 months guaranteed), in an amount equal to 2 percent of final average salary, for each year of service (maximum 35 years). Benefits being paid to retired members are increased 1.5 percent per year.

Members are required to contribute 3.75 percent of their base pay to the Plan. If a member leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions without interest thereon are refunded. The City is required to contribute the remaining amounts necessary to fund the benefits for its members. Benefits and employee contributions are fixed by contract and may be amended by union negotiation. The City's payroll for employees covered by the Employees' Pension Plan for the year ended June 30, 2008 was approximately \$34,353,000.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2008**

Food Service Employees' Pension Plan

The City of Norwalk Food Service Employees' Pension Plan provides retirement benefits as well as death benefits. Benefits vest after 5 years of service. Members who retire after age 55 with 10 years of service or after age 65 with 5 years of service are entitled to an annual retirement benefit, payable monthly for life (with 60 months guaranteed), in an amount equal to 1.5 percent of final salary times years and months of credited service.

Food service employees are required to contribute 3.0 percent of their base pay to the Plan (maximum 30 years or age 70 with 5 years). If an employee leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions without interest thereon are refunded. The City is required to contribute the remaining amounts necessary to fund the benefits for its Food Service employees. Benefits and employee contributions are fixed by contract and may be amended by union negotiation. The City's payroll for employees covered by the Food Service Employees' Pension Plan for the year ended June 30, 2008 was approximately \$844,000.

Total Payroll

Total payroll for the City for the year ended June 30, 2008 was \$154,256,000 of which approximately \$50,811,000 was covered under various pension plans described above.

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and 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, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained in writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The City does not and is not legally responsible to contribute to the plan.

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 city basis.

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

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Connecticut. Such on-behalf payments were approximately \$55,561,000, for the year ended June 30, 2008. Of which \$44,531,000 was reported as an extraordinary item (See Note 13).

The City's annual pension cost and net pension obligation (asset) to the Plans for the year ended June 30, 2008 were as follows:

| | Employees' | Police | Fire | Food Service |
|---|--------------|--------------|------------|--------------|
| Annual required contribution | \$ 1,435,823 | \$ 1,605,475 | \$ 391,779 | \$ 67,085 |
| Interest on net pension obligation | 50,790 | 75,221 | - | (6,016) |
| Adjustment to annual required contribution | (44,676) | (66,166) | - | 5,292 |
| Annual pension cost | 1,441,937 | 1,614,530 | 391,779 | 66,361 |
| Contributions made | 1,506,611 | 1,605,475 | 391,779 | 67,085 |
| Increase (decrease) in net pension obligation (asset) | (64,674) | 9,055 | - | (724) |
| Net pension obligation (asset), beginning of year | 615,636 | 911,770 | - | (72,917) |
| Net pension obligation (asset), end of year | \$ 550,962 | \$ 920,825 | \$ - | \$ (73,641) |

Three Year Trend Information

| | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|--|---------------------------|-------------------------------|--------------------------------|
|--|---------------------------|-------------------------------|--------------------------------|

Employees' Pension Plan

| | | | |
|---------------|------------|--------|------------|
| June 30, 2006 | \$ 699,626 | 108.8% | \$ 671,871 |
| June 30, 2007 | 1,287,660 | 104.4% | 615,636 |
| June 30, 2008 | 1,441,937 | 104.5% | 550,962 |

Police Benefit Fund

| | | | |
|---------------|--------------|-------|------------|
| June 30, 2006 | \$ 1,252,248 | 99.0% | \$ 901,067 |
| June 30, 2007 | 1,609,712 | 99.3% | 911,770 |
| June 30, 2008 | 1,614,530 | 99.4% | 920,825 |

Firemans Benefit

| | | | |
|---------------|---------|------|------|
| June 30, 2006 | \$ - | 100% | \$ - |
| June 30, 2007 | 307,926 | 100% | - |
| June 30, 2008 | 391,779 | 100% | - |

Food Service Plan

| | | | |
|---------------|-----------|--------|-------------|
| June 30, 2006 | \$ 78,685 | 258.2% | \$ (72,061) |
| June 30, 2007 | 87,899 | 101.0% | (72,917) |
| June 30, 2008 | 66,361 | 101.1% | (73,641) |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended June 30, | Employees' | | Police | | Fire | | Food Service | |
|---------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2008 | \$ 1,435,823 | 104.0% | \$ 1,605,475 | 100.0% | \$ 391,779 | 100.0% | \$ 67,085 | 100.0% |
| 2007 | 1,279,680 | 105.0% | 1,599,009 | 100.0% | 307,926 | 100.0% | 88,755 | 100.0% |
| 2006 | 689,596 | 110.4% | 1,240,000 | 100.0% | - | 0.0% | 77,967 | 260.6% |
| 2005 | 911,816 | 109.1% | 868,054 | 100.0% | - | 0.0% | 125,222 | 0% |
| 2004 | 1,066,429 | 108.1% | 896,104 | 100.0% | - | 0.0% | 130,611 | 97.3% |
| 2003 | 1,066,429 | 100.1% | 896,104 | 0% | - | 0.0% | 130,611 | 100.0% |

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Liability (AAL) Entry Age | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------------------------|-------------------------------|-------------------------------------|-----------------------------------|--------------|-----------------|---|
| Police Benefit Fund | | | | | | |
| 07/01/02 | \$ 69,133,242 | \$ 64,633,704 | \$ (4,499,538) | 107.0% | \$ 10,244,943 | -43.9% |
| 07/01/03 | 74,948,330 | 69,630,928 | (5,317,402) | 107.6% | N/A | N/A |
| 07/01/04 | 76,806,221 | 78,823,046 | 2,016,825 | 97.4% | 9,293,105 | 21.7% |
| 07/01/05 | 76,869,181 | 83,468,237 | 6,599,056 | 92.1% | N/A | N/A |
| 07/01/06 | 79,834,138 | 88,299,719 | 8,465,581 | 90.4% | 8,540,939 | 99.1% |
| 07/01/07 | 87,569,890 | 91,603,735 | 4,033,845 | 95.6% | 8,277,467 | 48.7% |
| Firemen's Benefit Fund | | | | | | |
| 07/01/02 | \$ 76,757,236 | \$ 63,491,569 | \$ (13,265,667) | 120.9% | \$ 7,486,142 | -177.2% |
| 07/01/03 | 82,059,876 | 66,595,816 | (15,464,060) | 123.2% | N/A | N/A |
| 07/01/04 | 82,164,555 | 70,026,745 | (12,137,810) | 117.3% | 7,685,894 | (157.9)% |
| 07/01/05 | 80,821,609 | 73,211,471 | (7,610,138) | 110.4% | N/A | N/A |
| 07/01/06 | 82,627,288 | 77,092,528 | (5,534,760) | 107.2% | 8,375,411 | (66.1)% |
| 07/01/07 | 90,083,675 | 80,272,989 | (9,810,686) | 112.2% | 7,336,833 | (133.7)% |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

SCHEDULE OF FUNDING PROGRESS, Continued

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|-------------------------------|---|-----------------------------------|--------------|-----------------|---|
| Employees' Pension Plan | | | | | | |
| 07/01/02 | \$ 142,149,017 | \$ 122,164,317 | \$ (19,984,700) | 116.4% | \$ 31,025,022 | 64.4% |
| 07/01/03 | 152,500,555 | 129,823,339 | (22,677,216) | 117.5% | N/A | N/A |
| 07/01/04 | 153,970,435 | 134,895,112 | (19,075,323) | 114.1% | 29,953,928 | (63.7)% |
| 07/01/05 | 152,687,018 | 141,633,432 | (11,053,586) | 107.8% | N/A | N/A |
| 07/01/06 | 156,760,853 | 145,771,482 | (10,989,371) | 107.5% | 33,335,431 | (33.0)% |
| 07/01/07 | 170,882,599 | 151,182,524 | (19,700,075) | 113.0% | 34,353,200 | (57.3)% |
| Food Service Employees' Pension Plan | | | | | | |
| 07/01/02 | \$ 625,718 | \$ 1,304,051 | \$ 678,333 | 48.0% | \$ 637,681 | 106.4% |
| 07/01/03 | 831,369 | 1,414,442 | 583,073 | 58.8% | N/A | N/A |
| 07/01/04 | 967,991 | 1,417,698 | 449,707 | 68.3% | 694,888 | 64.7% |
| 07/01/05 | 977,739 | 1,546,526 | 568,787 | 63.2% | N/A | N/A |
| 07/01/06 | 1,217,225 | 1,546,368 | 329,143 | 78.7% | 620,707 | 53.0% |
| 07/01/07 | 1,417,238 | 1,617,325 | 200,087 | 87.6% | 843,602 | 23.7% |

Additional information as of the latest actuarial valuations follows:

| | Employees' Pension Plan | Police Benefit Fund | Firemens' Benefit Fund | Food Service Pension Plan |
|-------------------------------|---|---|---|---|
| Valuation date | 7/1/07 | 7/1/07 | 7/1/07 | 7/1/07 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Percent | Level Percent | Level Percent | Level Percent |
| Remaining amortization period | 21 years Closed | 21 years Closed | 21 years Closed | 21 years Closed |
| Asset valuation method | Investment gains/losses recognized over 5 years | Investment gains/losses recognized over 5 years | Investment gains/losses recognized over 5 years | Investment gains/losses recognized over 5 years |
| Actuarial assumptions: | | | | |
| Investment rate of return | 8.25% | 8.25% | 8.25% | 8.25% |
| Projected salary increases | 4.0% | 4.0% | 4.0% | 4.0% |
| Cost of living adjustments | 1.5% | 1.5% | 1.5% | 0.0% |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

TRUST FUNDS
SCHEDULE OF PLAN NET ASSETS
June 30, 2008

| | Pension Trust Funds | | | | | Total |
|-------------------------------------|---------------------------|----------------------|------------------------|------------------------------------|---------------------|-----------------------|
| | Pension Plan Employees | Fire Benefit Fund | Police Benefit Fund | Food Service Employees' Fund | OPEB Trust Fund | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 17,148,573 | \$ 9,103,126 | \$ 8,879,708 | \$ 143,390 | \$ 206,072 | \$ 35,480,869 |
| Investments, at fair value: | | | | | | |
| U.S. Government Agency | 10,769,973 | 5,684,202 | 5,534,182 | 91,620 | | 22,079,977 |
| U.S. Government Securities | - | - | - | - | 3,241,105 | 3,241,105 |
| Corporate Bonds | 22,652,777 | 11,955,735 | 11,640,195 | 192,706 | - | 46,441,413 |
| Common and Preferred | | | | | | |
| Equities | 45,430,492 | 23,975,252 | 23,343,610 | 386,082 | - | 93,135,436 |
| Mutual Funds | 23,622,075 | 12,464,458 | 12,136,972 | 200,430 | - | 48,423,935 |
| Hedge/alternative investments | 33,912,013 | 17,900,873 | 17,427,020 | 288,983 | - | 69,528,889 |
| Partnerships | 28,813,017 | 15,209,305 | 14,806,700 | 245,532 | - | 59,074,554 |
| Security lending transactions | 9,955,289 | 5,255,022 | 5,115,916 | 84,834 | - | 20,411,061 |
| Total assets | 192,304,209 | 101,547,973 | 98,884,303 | 1,633,577 | 3,447,177 | 397,817,239 |
| LIABILITIES | | | | | | |
| Security lending transactions | 9,955,289 | 5,255,022 | 5,115,916 | 84,834 | - | 20,411,061 |
| Accounts payable | - | - | - | - | 1,034,284 | 1,034,284 |
| Total liabilities | 9,955,289 | 5,255,022 | 5,115,916 | 84,834 | 1,034,284 | 21,445,345 |
| Net Assets Held in Trust for | | | | | | |
| Pension Benefits | \$ 182,348,920 | \$ 96,292,951 | \$ 93,768,387 | \$ 1,548,743 | \$ 2,412,893 | \$ 376,371,894 |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

SCHEDULE OF CHANGES IN PLAN NET ASSETS
Year Ended June 30, 2008

| | Pension Trust Funds | | | | OPEB Trust Fund | Total Trust Funds |
|--|---------------------------|----------------------|------------------------|------------------------------------|--------------------|----------------------|
| | Pension Plan Employees | Fire Benefit Fund | Police Benefit Fund | Food Service Employees' Fund | | |
| Addition | | | | | | |
| Contributions | | | | | | |
| Employer | \$ 1,435,823 | \$ 391,779 | \$ 1,605,475 | \$ 67,085 | \$ 11,467,370 | \$ 14,967,532 |
| Plan members | 1,392,364 | 593,250 | 673,579 | 28,367 | - | 2,687,560 |
| Total contributions | 2,828,187 | 985,029 | 2,279,054 | 95,452 | 11,467,370 | 17,655,092 |
| Investment Income | | | | | | |
| Interest and dividends | 4,256,684 | 2,245,617 | 2,182,788 | 35,209 | 1,092,173 | 9,812,471 |
| Net depreciation in fair value of investments | (8,794,939) | (4,643,236) | (4,512,800) | (73,940) | (302) | (18,025,217) |
| Investment expense (loss) | (223,342) | (109,889) | (106,350) | (1,619) | - | (441,200) |
| Net investment income | (4,761,597) | (2,507,508) | (2,436,362) | (40,350) | 1,091,871 | (8,653,946) |
| Securities lending transaction income | 564,022 | 297,726 | 289,845 | 4,806 | - | 1,156,399 |
| Securities lending transaction expense | (509,217) | (268,796) | (261,681) | (4,339) | - | (1,044,033) |
| Net investment income- securities lending | 54,805 | 28,930 | 28,164 | 467 | - | 112,366 |
| Total additions (loss) | (1,878,605) | (1,493,549) | (129,144) | 55,569 | 12,559,241 | 9,113,512 |
| Deductions | | | | | | |
| Benefits paid | 8,704,795 | 4,001,704 | 4,988,379 | 82,365 | 9,840,619 | 27,617,862 |
| General and administrative | 23,328 | 12,312 | 11,991 | 43 | 305,729 | 353,403 |
| Total deductions | 8,728,123 | 4,014,016 | 5,000,370 | 82,408 | 10,146,348 | 27,971,265 |
| Net (decrease) increase | (10,606,728) | (5,507,565) | (5,129,514) | (26,839) | 2,412,893 | (18,857,753) |
| Net Assets Held in Trust for | | | | | | |
| Pension Benefits | | | | | | |
| Beginning of year | 192,955,648 | 101,800,516 | 98,897,901 | 1,575,582 | - | 395,229,647 |
| End of year | \$ 182,348,920 | \$ 96,292,951 | \$ 93,768,387 | \$ 1,548,743 | \$ 2,412,893 | \$ 376,371,894 |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Securities Lending Transactions

State statutes and the City of Norwalk Pension Board (the "Board"), on behalf of the Plans, has authorized the Plans to enter into agreements with The Northern Trust Company ("Northern Trust") for the lending of the Plans' securities for predetermined times and fees, for collateral that may include cash, U.S. government securities and irrevocable letters of credit.

During the year ended June 30, 2008, Northern Trust loaned securities held by Northern Trust, as a custodian, and received United States dollar cash and U.S. securities as collateral. Northern Trust did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading value was in the United States, 102 percent of the fair market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States, 105 percent of the fair market value of the loaned securities. The market value held and market value of securities on loan for the Plans as of June 30, 2008 were \$19,816,320, as follows:

| <u>Collateral Type</u> | <u>Market Value June 30, 2008</u> | <u>Collateral Value June 30, 2008</u> | <u>Collateral Percentage</u> |
|------------------------|---------------------------------------|---|----------------------------------|
| Cash | \$ 19,816,320 | \$ 20,411,061 | 103% |
| Non-cash | - | - | - % |
| | <u>\$ 19,816,320</u> | <u>\$ 20,411,061</u> | |

The Board did not impose any restrictions during the year on the amount of loans that Northern Trust made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the year. Moreover, there were no losses during the year resulting from a default of the borrowers or Northern Trust. Northern Trust is contractually obligated to indemnify the Plans for a borrower's failure to return the securities or make the distributions as a result of Northern Trust's failure to make a reasoned determination of creditworthiness of the borrower, its failure to demand adequate and appropriate collateral on a prompt and timely basis, or its failure to perform its duties and responsibilities under the agreement and applicable law.

Cash collateral has been placed in investments that generally match the maturities of the secured loans. The Plans do not have any credit risk on the securities lending transactions as of June 30, 2008.

Note 11. Other Postemployment Benefits

Post retirement benefits

The City provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2007. The post-retirement plan does not issue stand-alone financial reports.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2007, the date of the last actuarial valuation.

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 1,242 |
| Active plan members | 1,944 |
| Total | <u>3,186</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

| Fiscal Year Ending | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------|---------------------|---------------------------|---|------------------------|
| 6/30/08 | \$ 15,573,000 | \$ 11,467,370 | 73.6% | \$ 4,105,630 |

OPEB Obligation

| | |
|--|----------------------------|
| Annual required contribution | \$ 15,573,000 |
| Interest on net pension obligation | - |
| Annual OPEB cost | <u>15,573,000</u> |
| Contributions made | <u>11,467,370</u> |
| Increase in net OPEB liability | 4,105,630 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | <u><u>\$ 4,105,630</u></u> |

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The schedule of funding progress is as follows:

| Actuarial Valuation Date | (000's) | | | | | |
|--------------------------------|--|-----------------------------|--|--------------------------|---------------------------|--|
| | Actuarial Value of Assets (a) | Accrued Liability (b) | Unfunded Accrued Liability (UAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (C) | UAL as a Percentage of Covered Payroll ((b-a)/c) |
| 07/01/2005 | \$ - | \$ 152,654,000 | \$ 152,654,000 | 0% | N/A | N/A |
| 07/01/2007 | \$ - | \$ 187,893,000 | \$ 187,893,000 | 0% | N/A | N/A |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

| | |
|-------------------------------|-----------------------|
| Valuation Date: | July 1, 2007 |
| Actuarial Cost Method: | Projected Unit Credit |
| Asset Valuation Method: | Market Value |
| Amortization Method: | Level percent |
| Remaining Amortization Period | 30 Years Decreasing |
| Actuarial Assumptions: | |
| Investment rate of return | 8.25% |
| Inflation rate | 5.0% |

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Health cost trend rates

Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:

| <u>Year After Valuation Date</u> | <u>Increase</u> |
|----------------------------------|-----------------|
| 1 | 9% |
| 2 | 8% |
| 3 | 7% |
| 4 | 6% |
| 5 | 5% |
| 6 | 5% |
| 7 or more | 5% |

Note 12. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions for public officials and law enforcement; medical malpractice for the health department's physicians; injuries to employees; and natural disasters. The City purchases commercial property, boiler and machinery insurance for losses in excess of \$50,000 to the City's real estate, third party liability insurance up to \$12,000,000 for claims above a \$500,000 self-insured retention. The City and the Board of Education is self-insured for its medical, dental, workers' compensation and heart and hypertension. The City has opted to manage certain of its risks internally and has set aside assets for claim settlement in its Internal Service Fund. The Internal Service Fund services employee health, workers' compensation, general and automobile liability claims for risk of loss.

All departments of the City participate in the program and make payments to the Internal Service Fund based on estimates of the amount needed to provide for normal occurrence of claims.

Board of Education employees are covered under two health plans for which the Board of Education pays minimum premiums to plan administrators. Both these plans have been determined to be self-insured. Amounts are paid from the General Fund each year to the Internal Service Fund based upon historical cost information adjusted over a reasonable period of time so that Internal Service Fund revenues and expenses are approximately equal. The plan administrators process claims for payment on behalf of the Fund. All other City employees are covered under the City health plan. The General Fund is charged an amount for the City plan each fiscal year by the Internal Service Fund based upon historical cost information adjusted over a reasonable period of time so that Internal Service Fund revenues and expenses are approximately equal. The Internal Service Fund uses these funds to settle all claims.

Claims and expenses and liabilities are reported when it is probable that a liability has been incurred at the date of the financial statements and the amount of that loss can be reasonably estimated. Liabilities calculated by actuarial valuations include amounts for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

The City is a defendant in a significant number of lawsuits. At June 30, 2008, approximately \$1,200,000 represents losses for which the lowest amount in a range of probable losses has been included in accrued claims because no amount within that range is a better estimate of loss.

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

| Fiscal Year Ended | Claims Payable July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 |
|-------------------|-----------------------|---------------------------------|---------------|------------------------|
| 2007 | \$ 15,496,010 | \$ 45,983,272 | \$ 45,861,040 | \$ 15,618,242 |
| 2008 | 15,618,242 | 35,779,137 | 38,454,806 | 12,942,573 |

Note 13. Extraordinary Item

The State of Connecticut issued approximately \$2.3 billion in taxable general obligation bonds to be used for deposit into the State of Connecticut Teachers' Retirement Fund. As contributions to the fund represent on-behalf payment to the City, an amount of \$44,531,000 has been recorded as an extraordinary item in the City's financial statements.

Note 14. Subsequent Events

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the City's pension plan investments have likely incurred a significant decline in fair value since June 30, 2008.

Note 15. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2008 that have effective dates that may impact future financial presentations. Management is currently assessing the impact, if any, that the adoption of these standards will have on future financial statements of the City.

- ♦ GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," issued December 1, 2006, will be effective for the City beginning with its fiscal year June 30, 2008, but the liability should be measured at July 1, 2007 so that beginning net assets can be restated. This Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, if the pollution poses an imminent danger to the public or the environment, if the government has violated a pollution prevention permit or license, if the government has been named as a responsible party for cleaning up the pollution, if the government began to clean up the pollution, and if the government is named in a lawsuit. In addition, it provides disclosure information about their pollution obligations associated with clean-up efforts.

CITY OF NORWALK, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

- ◆ GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

- ◆ GASB Statement No. 52, "Land and Other Real Estate Held as Investment by Endowments". This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

- ◆ GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008.

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City of Norwalk
Norwalk,
Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Norwalk, Connecticut (the "City"), a Tax Regulatory Agreement of the City dated June 9, 2009 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$1,850,000 City of Norwalk Connecticut General Obligation Refunding Bonds, Issue of 2009, Series C, (the "Bonds"), dated as of the date of delivery to the underwriter thereof, maturing on July 1 in each of the years in the principal amounts and bearing interest payable on July 1, 2009 and semiannually thereafter on January 1 and July 1 in each year until maturity, at the rates per annum as follows:

Table with 3 columns: Year of Maturity, Principal Amount, Interest Rates. Row 1: 2023, \$1,850,000, 4.000%

with principal payable at the principal office of U.S. Bank National Association, and with interest payable to the registered owner as of the close of business on the fifteenth day of June and December in each year or the preceding business day if such fifteenth day is not a business day, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to their maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

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 (excepting only the matters set forth as our opinion in the Official Statement).

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and statutes of the State of Connecticut and that the Bonds are valid general obligations of the City the principal of and interest on which is payable 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 lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds remains excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

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

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

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

Respectfully yours,

City of Norwalk
 Norwalk,
 Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Norwalk, Connecticut (the “City”), a Tax Regulatory Agreement of the City dated June 9, 2009 (the “Tax Regulatory Agreement”) and other proofs submitted to us relative to the issuance and sale of \$16,470,000 City of Norwalk Connecticut General Obligation Refunding Bonds, Issue of 2009, Series D, (the “Bonds”), dated as of the date of delivery to the underwriter thereof, maturing on July 1 in each of the years in the principal amounts and bearing interest payable on July 1, 2009 and semiannually thereafter on January 1 and July 1 in each year until maturity, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rates</u> |
|-----------------------------|-----------------------------|---------------------------|
| 2011 | \$1,185,000 | 3.000% |
| 2012 | 1,350,000 | 3.000 |
| 2013 | 1,430,000 | 3.000 |
| 2014 | 1,425,000 | 4.000 |
| 2019 | 1,420,000 | 4.000 |
| 2020 | 2,450,000 | 5.000 |
| 2021 | 2,270,000 | 5.000 |
| 2022 | 2,280,000 | 4.000 |
| 2023 | 1,345,000 | 4.000 |
| 2024 | 1,315,000 | 4.000 |

with principal payable at the principal office of U.S. Bank National Association, and with interest payable to the registered owner as of the close of business on the fifteenth day of June and December in each year or the preceding business day if such fifteenth day is not a business day, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to their maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

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 (excepting only the matters set forth as our opinion in the Official Statement).

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and statutes of the State of Connecticut and that the Bonds are valid general obligations of the City the principal of and interest on which is payable 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 lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds remains excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

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

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

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

Respectfully yours,

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

By The CITY OF NORWALK, CONNECTICUT

Dated As Of June 9, 2009

In Connection With The Issuance And Sale Of

\$18,320,000 City Of Norwalk, Connecticut

General Obligation Refunding Bonds, Issue of 2009, Dated June 9, 2009

WHEREAS, the City of Norwalk, Connecticut (the "Issuer") has heretofore authorized the issuance of \$18,320,000 in aggregate principal amount of its General Obligation Refunding Bonds, Issue of 2009, (the "Bonds") to be dated June 9, 2009 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement dated May 26, 2009 describing the Bonds (the "Official Statement"); and

WHEREAS, in the Bond Purchase Agreement, the Issuer has heretofore acknowledged 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 § 3-20(e) of the Connecticut General Statutes, as amended, 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 and to be described in the Official Statement, 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 pursuant to Section 15B(b)(1) of 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:

(i) 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

(ii) 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 (i) 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 and 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 net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt, total net direct debt and total overall net debt of the Issuer per capita;

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

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

(I) the funding status of the Issuer's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. 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 when available.

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:

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

Section 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 on or before the date set forth in Section 3 hereof.

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. Indemnification. The Issuer agrees, to the extent allowed by applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense and liabilities which they may incur arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, officer or employee while acting in the discharge of their duties pursuant to this Continuing Disclosure Agreement. The obligations of the Issuer under this Section shall survive, notwithstanding that such person may no longer be serving in such capacity.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of 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.

Section 12. Miscellaneous. 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 SEC has withdrawn the interpretation advise in its letter to the MAC dated September 7, 2004.

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 NORWALK, CONNECTICUT

By _____
Richard A. Moccia
Mayor

By _____
Thomas S. Hamilton
Director of Finance