

**THIRD TAXING DISTRICT  
CITY OF NORWALK, CONNECTICUT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR:  
JULY 1, 2012 - JUNE 30, 2013**

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

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**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

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**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

The Honorable Commissioners  
Third Taxing District - City of Norwalk  
East 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 Third Taxing District - City of Norwalk, Connecticut, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the East Norwalk Improvement Association, Inc., (Special Revenue – Library) a blended component unit, which represents 8.6%, 8.6%, and 40%, respectively, of the assets, net position, and revenues of Governmental Activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Special Revenue Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

## INDEPENDENT AUDITOR'S REPORT

Continued...

### ***Auditor's Responsibility*** - Continued

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Third Taxing District – City of Norwalk, Connecticut as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary combining and individual fund schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## INDEPENDENT AUDITOR'S REPORT

Continued...

### Other Information - Continued

The combining and individual fund supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink, appearing to read "Hope & Hernandez, P.C.", is written over the typed name and firm information.

HOPE & HERNANDEZ, P.C.  
Bridgeport, Connecticut  
November 21, 2013

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**MANAGEMENT DISCUSSION AND ANALYSIS**

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. The discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's net position, and (d) identify individual fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Using this Annual Report**

The Third Taxing District of the City of Norwalk implemented the reporting requirements outlined in GASB 34 effective July 1, 2003. The financial statements' focus is on both the District 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 District's accountability to the public.

### **Government-Wide Financial Statements**

The government-wide financial statements (see pages 12 and 13) 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 Position (the "Unrestricted Net Position") is designed to be similar to bottom line results for the District and its governmental activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Activities combines all of the District's revenues and expenses in a single statement.

The two government-wide statements noted above, report the District's net position and how they have changed. Net position (the District's assets plus deferred outflows of resources, less liabilities and deferred inflows of resources), is one way to measure the District's financial health or position and to see the direction in which the District is heading.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- While analyzing the overall financial health of the District, one needs to consider additional factors such as changes in the District's proprietary fund (Electric Department) customer base and usage patterns, as well as, the conditions of the District's infrastructure assets.

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **MANAGEMENT DISCUSSION AND ANALYSIS - Continued**

### **Government-Wide Financial Statements - Continued**

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* - The governmental activities column consists of the District's general fund and special revenue fund (library). Activities for both funds are financed through the generation of investment income, rental income, and from an annual transfer from the proprietary fund (Electric Department).
- *Business-type activities* - The District's business-type activities consists of an Electric Department that charges fees to its respective customers for electric service.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major funds" – not the District as a whole. Funds are accounting devices that the District uses to monitor and report compliance with spending purposes (fund restrictions), spending limits (budget), and other fiscal accountability objectives.

The District has three kinds of funds

- *Governmental Funds* - The governmental activities column consists of the District's general fund and special revenue fund (library). Please refer to pages 14 through 17. District general fund activities are financed through the generation of rental income from the firehouse and transfers in from the electric department. Income from the library is primarily rental income. General fund expenditures consist of elected public officials fees, community service projects, annual accounting and professional fees, and meetings and printing expenses for the District. Library expenditures consisted primarily of expenditures for the operations of the library (classified as community service projects).
- *Proprietary Funds* - Services for which the District charges customers a fee are reported in proprietary funds through the District's Electric Department. Please refer to pages 20 through 22.
- *Fiduciary Funds* - Fiduciary funds account for assets received where the District acts in the capacity of a trustee. The Pension Trust fund (see pages 23 and 24) accounts for resources of the District's single-employer defined benefit pension plan.

## THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

### MANAGEMENT DISCUSSION AND ANALYSIS - Continued

#### Financial Analysis of the District as a Whole

DISTRICT'S NET POSITION							
	Governmental Activities		Business-type Activities		Totals		Total % Change
	2013	2012	2013	2012	2013	2012	2013-2012
Current and Other Assets	\$ 62,680	\$ 90,847	\$10,046,412	12,050,783	\$10,109,092	\$12,141,630	-16.74%
Capital Assets	<u>905,693</u>	<u>889,854</u>	<u>7,634,553</u>	<u>5,369,843</u>	<u>8,540,246</u>	<u>6,259,697</u>	36.43%
<b>Total Assets</b>	<b>968,373</b>	<b>980,701</b>	<b>17,680,965</b>	<b>17,420,626</b>	<b>18,649,338</b>	<b>18,401,327</b>	<b>1.35%</b>
Deferred Outflows of Resources	-0-	-0-	-0-	-0-	-0-	-0-	0%
Liabilities	<u>6,258</u>	<u>14,819</u>	<u>5,888,880</u>	<u>7,351,681</u>	<u>5,895,138</u>	<u>7,366,500</u>	-20%
<b>Total Liabilities</b>	<b>6,258</b>	<b>14,819</b>	<b>5,888,880</b>	<b>7,351,681</b>	<b>5,895,138</b>	<b>7,366,500</b>	<b>-20%</b>
Deferred Inflows of Resources	-0-	-0-	-0-	-0-	-0-	-0-	0%
Net Position:							
Net Investment in Capital Assets	905,693	889,854	7,634,553	5,369,843	8,540,246	6,259,697	36.43%
Restricted	-0-	-0-	2,446,567	2,446,567	2,446,567	2,446,567	0%
Unrestricted	<u>56,422</u>	<u>76,028</u>	<u>1,710,965</u>	<u>2,252,535</u>	<u>1,767,387</u>	<u>2,328,563</u>	-24.10%
<b>Total Net Position</b>	<b><u>\$962,115</u></b>	<b><u>\$965,882</u></b>	<b><u>\$11,792,085</u></b>	<b><u>\$10,068,945</u></b>	<b><u>\$12,754,200</u></b>	<b><u>\$11,034,827</u></b>	<b>15.58%</b>

## THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - Continued

CHANGES IN NET POSITION				
	6/30/2013		6/30/2012	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<b>Revenues</b>				
Charges for Services	\$ -0-	\$ 9,899,570	\$ -0-	\$10,007,337
<b>General Revenues</b>				
Rental Income	60,890	-0-	62,425	-0-
Gain or Loss Disposition of Assets	-0-	9,233	-0-	5,395
Investment Income	24	15,527	42	16,008
Miscellaneous	2,628	2,000,353	2,904	-0-
<b>Total Revenues</b>	<u>\$ 63,542</u>	<u>\$11,924,683</u>	<u>\$ 65,371</u>	<u>\$10,028,740</u>
<b>Expenses</b>				
Primary Government:				
General Government	\$ 18,672	\$ -0-	\$ 18,379	\$ -0-
Community Service	256,567	-0-	263,608	-0-
<b>Business-type Activities</b>				
<b>Expenses</b>				
Electric Department	-0-	9,993,613	-0-	9,886,465
<b>Total Expenses</b>	<u>\$ 275,239</u>	<u>\$ 9,993,613</u>	<u>\$ 281,987</u>	<u>\$ 9,886,465</u>
<b>Transfers</b>	207,930	( 207,930)	224,097	( 224,097)
<b>Increase (Decrease) in Net Position</b>	( 3,767)	1,723,140	7,481	( 81,822)
<b>Net Position - Beginning</b>	965,882	10,068,945	958,401	10,150,767
<b>Net Position - Ending</b>	<u>\$ 962,115</u>	<u>\$11,792,085</u>	<u>\$ 965,882</u>	<u>\$10,068,945</u>

The District's total net position of \$12,754,200 increased from the prior year by \$1,719,373 as a result of this year's operations. The District's governmental activities net position decreased by \$3,767 while the business-type activities' (Electric Department's) net position increased by \$1,723,140.

**Governmental Activities:** Major revenue/expense factors include the following:

The District's governmental activities expenditures decreased by 2% during the current fiscal year to \$275,239 from \$281,987 spent in fiscal 2012. Community service expenses decreased \$7,041 from the prior year while general governmental expenses such as legal fees, meetings, and other increased \$293 from the prior year. Investment income experienced a slight decrease from prior year 2012 accompanied by a slight decrease in miscellaneous general revenues. Rental income remained fairly constant at \$60,890 for the current fiscal year 2013. Transfers to governmental activities from the business-type activities decreased from \$224,097 to \$207,930 in 2013. At June 30, 2013 \$905,693 or 94% of the governmental activities' net position are invested in capital assets.

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - Continued**

#### **Business-Type Activities:**

The District's business-type activities (Electric Department) accounted for an increase of \$1,723,140 in net position. Electric operating revenues decreased slightly by approximately 1% or \$107,767 to \$9,899,570. This decrease was offset by an increase in miscellaneous revenues from \$2,904 in the prior year to \$2,000,353 in 2013. The increase was due to the fact that the District made a \$2mm drawdown on its rate stabilization fund and used the funds for the Fitch Street Substation and Cervalis Data center projects in the current year. As funds are placed into the rate stabilization fund they are booked as deferred revenues. When they are withdrawn, the revenue is recognized in the financial statements accordingly. For further information on the Fitch Street Substation and Cervalis Data Center projects please refer to the notes to the financial statements at Note 10 - Commitments and Contingencies. This increase in revenues was also accompanied by a 1% increase in operating expenses of \$107,148 to \$9,993,613.

#### **General Fund Budgetary Highlights**

The District made no changes from the original to the final budget. The year's actual operations resulted in an excess of expenditures over revenue. Please see budget to actual comparisons on page 18.

#### **Special Revenue Fund (Library) Budgetary Highlights**

The District made no changes from the original to the final budget. The year's actual operations resulted in an excess of expenditures over revenues. (Please see budget to actual comparison on page 19).

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

At the end of fiscal year 2013, the District had invested \$8,540,246 in a broad range of capital assets. This amount is net of accumulated depreciation. See page 49 for detail of the Electric Department's plant in service at June 30, 2013 and Note 4 to the financial statements that details both plant in service and non-utility property of the entire District. The District had a fairly large amount of Construction Work-in-Progress of \$2,807,140 as of June 30, 2013. This is due mainly to the Fitch Street Substation and Cervalis Data Center projects. Approximately \$1,800,000 and \$987,000 was spent to date as of June 30, 2013 on the Fitch Street and Cervalis Data Center projects, respectively. For further information on both projects please refer to the notes to the financial statements at Note 10 - Commitments and Contingencies.

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

### **Capital Assets and Debt Administration - Continued**

#### **Other Liabilities**

The Electric Department has an established “Power Sales Contract” for the Supply of Electric Power and Energy with the Connecticut Municipal Electric Energy Cooperative (CMEEEC) its present energy supplier. Under this contract the Electric Department has agreed to maintain electric rates that, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEEC under the contract. As a member of CMEEEC the Electric Department is responsible for their share of certain costs that may exceed reserves, and/or insurance coverages. The impact of these costs on operations is unknown. The Electric Department is responsible for the repayment of a portion of CMEEEC’s bonded debt. As of June 30, 2013 the outstanding CMEEEC obligation is \$5,884,957. This is offset by the Electric Department’s rate stabilization fund, which stabilizes the price of power to customers and provides for early payoff of the debt. As of June 30, 2013 the rate stabilization fund has a balance of \$4,019,138, resulting in a net obligation to CMEEEC of \$1,865,819.

#### **Economic Factors**

The Electric Department customers pay a Fuel Adjustment Charge which may change upward or downward reflecting changes in the cost of power purchased by the Department. The rates in effect for the fuel charge during the fiscal year are as follows:

##### **Fuel Charge**

July 2012 – June, 2013	\$0.066/KWH
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#### **Energy Conservation**

In accordance with Bill #7501 passed by the General Assembly in 2005, the Electric Department began billing all customers one mil per KWH for energy conservation beginning January 1, 2006. This charge increased incrementally annually to 2.5 mils on January 1, 2011. The energy conservation charge was \$.0025/KWH in calendar year 2013. Revenues from this charge will be expended by the Electric Department on energy conservation programs within the District.

#### **Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the General Manager’s office at 2 Second Street, Norwalk, Connecticut.

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**BASIC FINANCIAL STATEMENTS**

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**EXHIBIT A**

<b>ASSETS</b>	Governmental Activities	Business-Type Activities	Total
<b>Current Assets</b>			
Cash			
Investments	\$ 67,370	\$ 3,893,936	\$ 3,961,306
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0 and \$50,000, respectively	-	-	-
Internal Balances	-	1,429,219	1,429,219
Expenses Paid in Advance	(4,690)	4,690	-
<b>Total Current Assets</b>	<u>62,680</u>	<u>5,396,638</u>	<u>5,459,318</u>
<b>Non-Current Assets</b>			
Investment in CMEEC	-	122,220	122,220
Other Restricted Assets	-	4,019,138	4,019,138
Cash - Restricted	-	499,663	499,663
Net Pension Asset	-	8,753	8,753
Capital Assets			
Plant In Service, Net of Accumulated Depreciation	905,693	4,813,711	5,719,404
Non-Utility Property, Net of Accumulated Depreciation	-	13,702	13,702
Construction Work-in-Progress	-	2,807,140	2,807,140
<b>Total Non-Current Assets</b>	<u>905,693</u>	<u>12,284,327</u>	<u>13,190,020</u>
<b>TOTAL ASSETS</b>	<u>968,373</u>	<u>17,680,965</u>	<u>18,649,338</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 6,104	\$ 953,367	\$ 959,471
Taxes Payable	-	121,868	121,868
Customer Deposits and Advances	-	458,628	458,628
Accrued Compensated Absences	-	70,477	70,477
Other Accrued Expenses	-	-	-
Other Current Liabilities	154	42,632	42,786
<b>Total Current Liabilities</b>	<u>6,258</u>	<u>1,646,972</u>	<u>1,653,230</u>
<b>Non-Current Liabilities</b>			
Deferred Revenue	-	4,019,138	4,019,138
Net OPEB Obligation	-	222,770	222,770
<b>Total Non-Current Liabilities</b>	<u>-</u>	<u>4,241,908</u>	<u>4,241,908</u>
<b>TOTAL LIABILITIES</b>	<u>6,258</u>	<u>5,888,880</u>	<u>5,895,138</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	905,693	7,634,553	8,540,246
Restricted for Capital Improvements	-	1,446,567	1,446,567
Restricted for Catastrophic Occurrence	-	1,000,000	1,000,000
Unrestricted	56,422	1,710,965	1,767,387
<b>TOTAL NET POSITION</b>	<u>\$ 962,115</u>	<u>\$ 11,792,085</u>	<u>\$ 12,754,200</u>

See accompanying notes and accountant's report.

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions / Programs</b>							
<b>Primary government:</b>							
Governmental Activities:							
Public Officials Fees	\$ 14,100	\$ -	\$ -	\$ -	(14,100)	\$ -	(14,100)
Payroll Tax Expense	1,079	-	-	-	(1,079)	-	(1,079)
Community Service Projects	256,567	-	-	-	(256,567)	-	(256,567)
Accounting and Professional Fees	-	-	-	-	-	-	-
Meetings, Printers, and Other	3,493	-	-	-	(3,493)	-	(3,493)
Total Governmental Activities	275,239	-	-	-	(275,239)	-	(275,239)
Business-type Activities:							
Electrical Facility	9,993,613	9,899,570	-	-	-	(94,043)	(94,043)
Total Business-type Activities	9,993,613	9,899,570	-	-	-	(94,043)	(94,043)
Total Primary Government	\$ 10,268,852	\$ 9,899,570	\$ -	\$ -	(275,239)	(94,043)	(369,282)
<b>General Revenues:</b>							
Rental Income					\$ 60,890	\$ -	\$ 60,890
Gain (Loss) on Disposition of Utility Plant					-	9,233	9,233
Investment Income					24	15,527	15,551
Other Income					2,628	2,000,353	2,002,981
Transfers					207,930	(207,930)	-
Total General Revenues, Special Items, and Transfers					271,472	1,817,183	2,088,655
Change in Net Position					(3,767)	1,723,140	1,719,373
Net Position - Beginning					965,882	10,068,945	11,034,827
Net Position - Ending					\$ 962,115	\$ 11,792,085	\$ 12,754,200

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**FUND FINANCIAL STATEMENTS**

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2013

ASSETS	General	Special Revenue	Total Governmental Funds
<b>Current Assets</b>			
Cash	\$ 16,507	\$ 50,863	\$ 67,370
<b>Total Current Assets</b>	<u>16,507</u>	<u>50,863</u>	<u>67,370</u>
<b>TOTAL ASSETS</b>	<u>16,507</u>	<u>50,863</u>	<u>67,370</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts Payable	6,104	-	6,104
Due to Electric Department	4,690	-	4,690
Capital Lease Obligations	-	-	-
Other Current Liabilities	-	154	154
<b>TOTAL LIABILITIES</b>	<u>10,794</u>	<u>154</u>	<u>10,948</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Assigned	-	50,709	50,709
Unassigned	5,713	-	5,713
<b>TOTAL FUND BALANCES</b>	<u>\$ 5,713</u>	<u>\$ 50,709</u>	<u>\$ 56,422</u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

EXHIBIT C  
Page 2 of 2

Amounts reported for governmental activities on the statement of net position are different because:

Total fund balance per balance sheet - governmental funds		\$	56,422
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Cost of governmental capital assets	\$	1,016,832	
Accumulated depreciation on above capital assets		<u>(111,139)</u>	905,693
<b>Net position of governmental activities</b>			<u><u>\$ 962,115</u></u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D

	General	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Rental Income	\$ 38,000	\$ 22,890	\$ 60,890
Interest Income	15	9	24
Other Income	-	2,628	2,628
<b>Total Revenues</b>	<u>38,015</u>	<u>25,527</u>	<u>63,542</u>
<b>Expenditures</b>			
Public Officials Fees	14,100	-	14,100
Payroll Tax Expense	1,079	-	1,079
Community Service Projects	71,277	176,909	248,186
Accounting and Professional Fees	-	-	-
Meetings, Printers, and Other	3,493	-	3,493
<b>Total Expenditures</b>	<u>89,949</u>	<u>176,909</u>	<u>266,858</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(51,934)</u>	<u>(151,382)</u>	<u>(203,316)</u>
<b>Other Financing Sources (Uses)</b>			
Capital Expenditures	(24,220)	-	(24,220)
Transfer in from Enterprise Electric Department	207,930	-	207,930
Transfers Between Funds	(167,121)	167,121	-
<b>Net Other Financing Sources (Uses)</b>	<u>16,589</u>	<u>167,121</u>	<u>183,710</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(35,345)</u>	15,739	<u>(19,606)</u>
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>41,058</u>	<u>34,970</u>	<u>76,028</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,713</u>	<u>\$ 50,709</u>	<u>\$ 56,422</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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**EXHIBIT E**

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

Net change in fund balances - total governmental funds	\$	(19,606)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. Therefore, the net of amounts paid for the purchase of capital assets for the year ended June 30, 2013, \$24,220 and current year depreciation expense of \$8,381 is a reconciling item.		<u>15,839</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>(3,767)</u></u></b>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT F

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Rental Income	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
Interest Income	100	100	15	(85)
Other Income	-	-	-	-
<b>Total Revenues</b>	<u>38,100</u>	<u>38,100</u>	<u>38,015</u>	<u>(85)</u>
<b>Expenditures</b>				
Salaries - Commissioners	11,303	11,303	10,500	803
Salary - Clerk	1,938	1,938	1,800	138
Salary - Treasurer	1,938	1,938	1,800	138
Payroll Tax Expense	-	-	1,079	(1,079)
Maintenance of Parks	22,000	22,000	18,798	3,202
East Norwalk Cemetery	20,000	20,000	21,218	(1,218)
East Norwalk Library - Other	8,100	8,100	11,501	(3,401)
East Norwalk Library - Major/Capital	-	-	24,220	(24,220)
Holiday Events	6,500	6,500	6,116	384
Firehouse Expense	900	900	-	900
Firehouse Expense - Major/Capital	3,700	3,700	-	3,700
Concerts in the Park	14,000	14,000	13,644	356
Legal and Accounting Services	2,500	2,500	-	2,500
Annual Electors Meeting	4,000	4,000	3,493	507
District Newsletter Allowance	1,800	1,800	-	1,800
Contingencies	10,000	10,000	-	10,000
<b>Total Expenditures</b>	<u>108,679</u>	<u>108,679</u>	<u>114,169</u>	<u>(5,490)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(70,579)</u>	<u>(70,579)</u>	<u>(76,154)</u>	<u>(5,575)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from Electric Department	207,930	207,930	207,930	-
Transfer Out to Special Revenue Fund	(167,121)	(167,121)	(167,121)	-
Utilization of Prior Years Unexpended Funds	49,770	49,770	-	49,770
<b>Net Other Financing Sources (Uses)</b>	<u>90,579</u>	<u>90,579</u>	<u>40,809</u>	<u>49,770</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>(35,345)</u>	<u>\$ (55,345)</u>
<b>Fund Balance (Deficit) - Beginning of Year</b>			<u>41,058</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 5,713</u>	

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGETARY BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT G

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Rental Income	\$ 20,000	\$ 20,000	\$ 22,890	\$ 2,890
Interest and Other Income	7,675	7,675	2,637	(5,038)
<b>Total Revenues</b>	<u>27,675</u>	<u>27,675</u>	<u>25,527</u>	<u>(2,148)</u>
<b>Expenditures</b>				
Personnel	89,606	89,606	89,370	236
Benefits and Taxes	20,690	20,690	20,465	225
Programming	29,500	29,500	25,226	4,274
Utilities	17,500	17,500	9,770	7,730
Building Maintenance Security & Repairs	26,000	26,000	17,930	8,070
Professional Fees	11,500	11,500	9,305	2,195
Community Programs	-	-	4,843	(4,843)
Other	-	-	-	-
<b>Total Expenditures</b>	<u>194,796</u>	<u>194,796</u>	<u>176,909</u>	<u>17,887</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(167,121)</u>	<u>(167,121)</u>	<u>(151,382)</u>	<u>15,739</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from General Fund	167,121	167,121	167,121	-
Capital Expenditures	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>167,121</u>	<u>167,121</u>	<u>167,121</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,739</u>	<u>\$ 15,739</u>
<b>Fund Balance - Beginning of Year</b>			<u>34,970</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 50,709</u>	

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF NET POSITION - PROPRIETARY FUND  
 JUNE 30, 2013

EXHIBIT H

ASSETS	Electrical Department
<b>Current Assets</b>	
Cash	\$ 3,893,936
Investments	-
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$50,000	1,429,219
Due from Governmental Funds	4,690
Expenses Paid in Advance	68,793
<b>Total Current Assets</b>	<u>5,396,638</u>
<b>Non-Current Assets</b>	
Investment in CMEEC	122,220
Other Restricted Assets	4,019,138
Cash - Restricted	499,663
Net Pension Asset	8,753
Capital Assets	
Plant In Service, Net of Accumulated Depreciation	4,813,711
Non-Utility Property, Net of Accumulated Depreciation	13,702
Construction Work in Progress	2,807,140
<b>Total Non-Current Assets</b>	<u>12,284,327</u>
<b>TOTAL ASSETS</b>	<u>17,680,965</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 953,367
Taxes Payable	121,868
Customer Deposits and Advances	458,628
Accrued Compensated Absences	70,477
Other Accrued Expenses	-
<b>Total Current Liabilities</b>	<u>42,632</u>
<b>Non-Current Liabilities</b>	<u>1,646,972</u>
Deferred Revenue	
Net OPEB Obligation	4,019,138
<b>Total Non-Current Liabilities</b>	<u>222,770</u>
<b>TOTAL LIABILITIES</b>	<u>4,241,908</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>5,888,880</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	
Restricted for Capital Improvements	7,634,553
Restricted for Catastrophic Occurrence	1,446,567
Unrestricted	1,000,000
<b>TOTAL NET POSITION</b>	<u>1,710,965</u>
	<u>\$ 11,792,085</u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET POSITION - PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT I

	Electrical Department
<b>Operating Revenues</b>	
Residential Sales	\$ 2,615,511
Commercial Sales	1,901,752
Industrial Sales	626,626
Water Pollution Control Plant	698,909
Private Security Lighting	90,486
Sales for Resale	89,354
Miscellaneous Service Revenue	115,227
Fuel Costs Billed	3,761,705
<b>Total Operating Revenues</b>	<u>9,899,570</u>
<b>Operating Expenses</b>	
Electrical Power Purchased	6,726,370
Transmission	1,463
Distribution	79,966
Maintenance	392,344
Generation Expenses	81,014
Customer Service	395,052
Administration	1,539,841
Depreciation	417,212
Connecticut Gross Receipts Tax	360,351
<b>Total Operating Expenses</b>	<u>9,993,613</u>
<b>Operating Income (Loss)</b>	<u>(94,043)</u>
<b>Nonoperating Revenue and Expenses</b>	
Gain from Sale of Fixed Assets	9,233
Interest and Dividend Income	38,476
Unrealized Gain (Loss) on Investments	(22,949)
Other Income	2,000,353
<b>Total Nonoperating Revenues and Expenses</b>	<u>2,025,113</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>1,931,070</u>
<b>Operating Transfers</b>	
Transfers Out	(207,930)
<b>Net Operating Transfers</b>	<u>(207,930)</u>
<b>Change in Net Position</b>	1,723,140
<b>Net Position - Beginning</b>	<u>10,068,945</u>
<b>Net Position - Ending</b>	<u>\$ 11,792,085</u>

See accompanying notes and accountant's report.

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J

	Electrical Department
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 9,793,993
Cash Payments to Suppliers, Vendors, and Contractors	(8,084,443)
Cash Payments to Employees for Payroll	(1,050,558)
	<u>658,992</u>
<b>Net Cash Provided by Operating Activities</b>	
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Transfers	(207,930)
	<u>(207,930)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Property and Equipment	(2,713,691)
Proceeds from CMEEC	2,000,000
	<u>(713,691)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Net Proceeds (Disbursements) from Investment Securities	1,698,425
	<u>1,698,425</u>
<b>Net Cash Provided by Investing Activities</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,435,796
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,957,803</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 4,393,599</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (94,043)
Adjustments to Reconcile Operating Income (Loss) to net cash provided (used) by operating activities:	
Depreciation	417,212
Gain on Disposal of Assets	(9,233)
Unrealized Loss on Investments	22,949
Changes in Assets and Liabilities:	
Receivables, net	(105,577)
Expenses Paid in Advance and Other Assets	26,313
Payables and Accrued Liabilities	401,371
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 658,992</u>

See accompanying notes and accountant's report.

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
STATEMENT OF PLAN NET POSITION - PENSION TRUST FUND  
JUNE 30, 2013

EXHIBIT K

**ASSETS**

Cash	\$	33,006
Investments, at Fair Value		
Certificates of Deposit		499,906
Municipal Obligations		301,214
Corporate Bonds		25,398
Mutual Funds Equities		1,108,457
U.S. Government Obligations		48,603
<b>TOTAL ASSETS</b>		<u>2,016,584</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<u>-</u>
<b>NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS</b>	\$	<u><u>2,016,584</u></u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT L

**ADDITIONS**

Contributions:	
Employer	\$ 98,679
Total Contributions	<u>98,679</u>
Investment Income:	
Interest and Dividends	34,129
Net Appreciation (Depreciation) in Fair Value of Investments	<u>156,754</u>
	190,883
Less: Trustee, Advisory and Administrative Fees	<u>(19,555)</u>
Net Investment Income	<u>171,328</u>

**TOTAL ADDITIONS (DEDUCTIONS)** 270,007

**DEDUCTIONS**

Benefits 90,620

**TOTAL DEDUCTIONS** 90,620

**CHANGE IN NET POSITION** 179,387

**NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS**

**BEGINNING OF YEAR** 1,837,197

**END OF YEAR** \$ 2,016,584

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### General Statement:

The Third Taxing District of the City of Norwalk, Connecticut (the District) was incorporated in the year 1913. The District maintains various properties in the District and provides library, recreation and electric services to its residents. The District's financial statements are not included in the City of Norwalk's financial statements because the City does not have oversight responsibility for the above services. Oversight responsibility was determined on the basis of financial interdependence, governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public services.

#### Government-wide and Fund Financial Statements:

The government-wide financial statements required by GASB pronouncements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its business-type activities. Governmental activities, which are supported by transfers from the business-type activities, are reported separately from the 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 any given function or segment, are offset by program revenues.

Separate fund financial statements are provided for the governmental funds (general fund and library special revenue fund), the proprietary fund (Electric Department), and pension trust funds. The pension trust fund is excluded from the government-wide 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 the pension trust fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The modified-accrual basis of accounting is used by the governmental fund types. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The government reports the following funds:

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Fund

General Fund - The General Fund is the general operating fund of the District. All unrestricted resources except those required to be accounted for in another fund are accounted for in this fund. From this fund, general operating expenditures are paid.

Special Revenue Fund - This fund is used to account for the process of specific revenue sources (the District Library) that are legally restricted to expenditures for specific purposes.

#### Proprietary Funds

The District reports the following Enterprise Fund:

Electric Department - accounts for the operating activities of the District's electric utility services.

Additionally, the government reports the following fund type:

Pension Trust Fund - This fund reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

#### Budgetary Control:

Budgets and Budgetary Accounting – As set forth in the District Charter, the electors adopt an annual budget for the General Fund and Special Revenue Fund-Library. The annual budgets for the General Fund and Special Revenue Fund – Library, are prepared in accordance with the basis of accounting utilized by each fund. The Commissioners are authorized to transfer budgeted amounts within and among funds. All annual appropriations lapse at fiscal year-end.

#### Investments:

Investments are recorded at fair value based on quoted market prices.

#### Fund Changes and Transactions Between Funds:

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds. During the year ended June 30, 2013 District electors voted to authorize the transfer of \$207,930 as a transfer from the Proprietary Fund (Electrical Department) to the Governmental Funds.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Fund Balance

In accordance with Governmental Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal vote of the District Electors and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the District Commissioners.
- Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories.

The District's special revenue fund consists of the reporting of the District Library's operations. The Assigned Fund Balance amount of \$50,709 at June 30, 2013 represents the residual fund balance amount not reported as non-spendable, restricted or committed.

The District spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Accounts Receivable and Provision for Bad Debts

The District utilizes the reserve method of accounting for its bad debts. The allowance for losses in the balance sheet is increased by charges to bad debt expense and decreased by charge-offs. Management's periodic evaluation of the adequacy of the allowance is based on the department's historical experience and known and related risks in the accounts receivable listing.

Significant receivables include amounts due from customers primarily for utility services.

	Governmental Funds	Proprietary Funds
Accounts Receivable	\$ -0-	\$1,479,219
Less: Allowance for Uncollectible Accounts	-0-	50,000
Net Accounts Receivable	\$ -0-	\$1,429,219

#### Plant in Service and Non-Utility Property (Governmental and Business-Type Activities):

Plant in Service and Non-Utility Property are recorded at cost. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of assets is recorded by removing cost and accumulated depreciation and charging the resulting gain or loss to income. Depreciation expense has been calculated using the straight-line-method. The estimated useful lives are as follows:

	<u>Years</u>
Structures and improvements	10-50
Substation equipment	25
Generators	4-10
Poles, towers and equipment	25
Overhead conductors	25
Underground conduit	33-40
Underground conductors	10-40
Line transformers	25
Meters	15
Street lights and signals	10-20
Office furniture and equipment	3-10
Transportation equipment	3-10
Stores equipment	20
Tools, shop and yard equipment	20
Laboratory equipment	20
Communications equipment	5-10
Miscellaneous equipment	4-10
Computer software	4

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Use of Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### Deferred Revenue:

Deferred revenue is recognized resulting from an arrangement the District has with CMEEC (See Note 10).

#### Pension Plan Accounting:

Employer contributions to the plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

#### Compensated Absences:

Electric Department employees accumulate vacation and sick leave hours for subsequent use or for payment upon the end of the calendar year. Vacation and sick leave expenses to be paid after year-end are accrued for time that was not taken by June 30, in the proprietary fund financial statement. The balance of \$70,477 is classified as current at June 30, 2013.

#### Statement of Cash Flows - Electric Department

In accordance with GASB 34, Electric uses the direct method of presenting cash flows for purpose of the statement of cash flows and considers all highly liquid investments with an original maturity value of ninety days or less to be cash equivalents. Restricted cash held in segregated bank accounts representing customer security deposits is considered cash for cash flow purposes.

#### Supplementary Disclosure of Cash Flows:

Interest Paid during year ended June 30, 2013

Electric  
\$ -0-

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### GASB Pronouncements:

GASB Statement 20 requires that each government makes an election concerning proprietary funds. The Third Taxing District - City of Norwalk, Connecticut, has elected to apply FASB pronouncements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. After that date GASB pronouncements will solely be used.

### NOTE 2 - CASH AND INVESTMENTS

Cash and cash equivalents are defined as cash and short-term, highly liquid investments that are both readily convertible to known amounts of cash and that are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with original maturities of three months or less meet the definition of cash equivalents.

Pursuant to state statute, the District may invest in cash funds with banks, obligations of the United States, and obligations of any state or political subdivision.

#### Cash Deposits

At June 30, 2013, the Third Taxing District, - City of Norwalk, Connecticut maintained cash deposits with financial institutions as follows:

	<b>Bank Balances</b>	<b>Reconciled Balances</b>
Governmental Activities (District General and Special Revenue Funds)	\$ 69,041	\$ 67,370
Business-Type Activities (Electric Department)	4,407,666	4,393,599
Pension Trust Fund	33,006	33,006

Custodial credit risk and concentrations of credit risk - Of the \$4,407,666 business-type activities bank balances, \$993,051 is uninsured and uncollateralized at June 30, 2013. \$3,164,615 or 72% of the June 30, 2013 bank balances for business-type activities are maintained at one financial institution, Patriot National Bank. The District does not address custodial credit risk or concentrations of credit risk in its deposits policy.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 2 - CASH AND INVESTMENTS - Continued

Investments:

At June 30, 2013, the District's reporting entity had the following investments:

Types of Investments	Fair Value/ Carrying Value	Cost	Average Credit Quality Ratings(1)	Segmented Time Distribution to Maturity
<b>Pension Trust Fund</b>				
Equities/Mutual Funds	\$1,108,457	\$873,205	N/A	N/A
Certificates of Deposit	499,906	498,857	N/A	N/A
U.S. Government Obligations	48,603	49,914	Aaa	5-10 years
Municipal Obligations	48,340	46,912	Aaa	5-10 years
Municipal Obligations	50,585	50,888	Aa3	5-10 years
Municipal Obligations	42,680	44,731	AA-	5-10 years
Municipal Obligations	52,509	52,250	Baa1	5-10 years
Municipal Obligations	31,174	31,200	Aaa	4 years
Municipal Obligations	25,809	25,712	Aaa	1-3 years
Municipal Obligations	50,117	49,975	Aaa	0-1 years
Corporate Obligations - Domestic:				
Allstate Life Global Fund	25,398	20,650	A1	4 years
<b>Total Pension Trust Fund</b>	<b>\$1,983,578</b>	<b>\$1,744,294</b>		

(1) Ratings are provided where applicable to indicate associated credit risk.  
N/A - Indicates not applicable.

#### Investment Policy - Primary Government

Investing is performed in accordance with investment policies complying with state statutes and the District's Charter. District funds may be invested in (1) direct obligations of the United States government; (2) certificates of deposit at savings and loan associations and federally insured banks; (3) savings accounts at savings and loan associations and banks; and (4) any bond, note or other indebtedness issued by state or political subdivisions.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The District according to that policy has invested in U.S. Treasury notes and Government Agency Obligations with various maturities ranging from less than 1 year to 5 years, to maximize interest earned in conjunction with anticipated cash flows.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 2 - CASH AND INVESTMENTS - Continued

#### Investment Policy - Pension Trust Fund

The District's pension committee is responsible for the operation of the District's Pension Plan (the Plan), including overseeing investments made by the Plan Trustee. The primary investment objective of the Plan is the achievement of a high total return without undue risk of large losses. Total return is defined as income return plus capital appreciation.

Overall asset allocation is determined by the Trustee's expectation of inflation, interest rates and corporate profits. Historical and relative valuations will determine the strategic allocation among the major asset categories. Limits for the range of allocation to the asset categories valued by the asset's current fair market value, will be as follows:

- Equities - Not to exceed 60%
- Fixed Income - Not to exceed 75%
- Reserves - Not to exceed 30%

The above ranges are not to suggest sudden, dramatic shifts in the asset mix but instead represent flexible bands within which the asset mix may shift over investment cycles. The appropriate mix is reviewed quarterly with the Committee, who may make recommendations concerning investments in the portfolio.

**Equity investments** represent a diversified list of investments in the common stock of companies with market capitalizations of \$100 million and above. However, 20% of the equity portfolio may be invested in companies with market capitalizations of \$25 million or more. Valuation analysis will be employed to determine investment opportunity in conjunction with a fundamental appraisal of management strengths, past performance, demographic and secular trends. Economic sector allocations reflect the intent of the investment strategy and the weighting is monitored relative to similar sectors of the S&P 500. In no case shall the equity portion of the portfolio have (1) an investment of over 5%, at cost, of the Plan's assets in any one company; (2) an investment in securities with limited marketability or less than investment quality; or (3) include a transaction involving short sales, margin purchases, letter stock, private or direct placements, or any derivative instruments. Performance of this portion of the portfolio is measured against the performance of the S&P 500 index.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 2 – CASH AND INVESTMENTS - Continued

#### Investment Policy – Pension Trust Fund - Continued

**Fixed Income** represent a diversified list of high quality U.S. government, U.S. Agency and corporate obligations rated A or better. Intermediate range maturities (average 5 to 10 years) will represent the core portfolio. While the Committee realizes that shifts within the maturity range will occur in line with the Trustee's overall investment outlook, performance of the fixed income portion of the portfolio shall be measured against the performance of the Lehman Intermediate Bond Fund Index.

**Reserves** represent a diversified list of high quality U.S. government or A-1, P-1 instruments. Since reserves are also required for distributions, they will be used in concert with overall strategy and withdrawal needs.

The investment performance of the Plan's portfolio is reviewed by the District's Committee on a quarterly basis. A representative of the Trustee meets with the Pension Committee at least once a year to review past investment performance, the investment outlook and the strategy planned to achieve the portfolio objectives.

Custodial credit risk and concentration of credit risk - The \$1,983,578 carrying amount of the Pension Trust Fund investments at June 30, 2013 are defined as insured or registered or securities held by the entity or its agent in the entity's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy of diversifying funds among domestic common stock, U.S. Treasuries and corporate obligations, the latter two classifications with maturities ranging from less than 1 year through 10 years is in part designed to minimize interest rate risk to the extent practicable.

### NOTE 3 - INVESTMENT IN CMEEC

Investment in Connecticut Municipal Electric Energy Cooperative (CMEEC), a related party, is valued at cost and represents the Electrical Department's pro rata equity interest in the Cooperative. The Electrical Department made this investment because of its desire for membership in the cooperative and benefits of such membership. The Electrical Department's purchases of power from CMEEC during 2013 was \$6,726,370 and is presented as electric power purchased in the accompanying Statement of Revenues and Expenses - Proprietary Fund.

## THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

#### NOTE 4 - PLANT IN SERVICE AND NON-UTILITY PROPERTY

##### Non-Utility Property

Non-utility property balances and activity for the year ended June 30, 2013 was as follows:

##### **GOVERNMENTAL ACTIVITIES:**

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Non-Utility Property not Being Depreciated:				
Land	\$ 790,045	\$ -0-	\$ -0-	\$790,045
<b>Total</b>	<b>\$ 790,045</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$790,045</b>
Non-Utility Property Being Depreciated:				
Buildings & Improvements	\$ 152,228	\$ 24,220	\$ -0-	\$176,448
Equipment	50,339	-0-	-0-	50,339
<b>Total</b>	<b>\$ 202,567</b>	<b>\$ 24,220</b>	<b>\$ -0-</b>	<b>\$226,787</b>
Less: Accumulated Depreciation:				
Buildings	\$( 70,957)	\$( 7,209)	\$ -0-	\$( 78,166)
Equipment	( 31,801)	( 1,172)	-0-	( 32,973)
<b>Total</b>	<b>\$(102,758)</b>	<b>\$( 8,381)</b>	<b>\$ -0-</b>	<b>\$(111,139)</b>
Total Non-Utility Property Being Depreciated – Net	\$ 99,809	\$ 15,839	\$ -0-	\$ 115,648
Governmental Activities - Non-Utility Property – Net	\$ 889,854	\$ 15,839	\$ -0-	\$ 905,693

##### **BUSINESS TYPE ACTIVITIES:**

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Non-Utility Property not Being Depreciated:				
Land	\$ 13,702	\$ -0-	\$ -0-	\$ 13,702
Business Type Activities - Non-Utility Property – Net	\$ 13,702	\$ -0-	\$ -0-	\$ 13,702

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### **NOTE 4 - PLANT IN SERVICE AND NON-UTILITY PROPERTY** - Continued

#### Non-Utility Property - Continued

Depreciation Expense was charged to Governmental Functions as follows:

Community Service Projects	\$ 8,381
Total Depreciation Expense - Governmental Activities	\$ 8,381

#### Plant in Service

Plant in service balances and activity for the year ended June 30, 2013 was as follows:

#### **GOVERNMENTAL ACTIVITIES:**

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Plant in Service not Being Depreciated	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Plant in Service Being Depreciated	\$ -0-	\$ -0-	\$ -0-	\$ -0-

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 4 – PLANT IN SERVICE AND NON-UTILITY PROPERTY – Continued

Plant in Service - Continued

#### **BUSINESS TYPE ACTIVITIES:**

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Plant in Service not Being Depreciated:				
Franchise and Consents	\$ 34,300	\$ -0-	\$ -0-	\$ 34,300
<b>Total</b>	<u>\$ 34,300</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34,300</u>
Plant in Service Being Depreciated:				
Generators	\$ 2,877,624	\$ -0-	\$ -0-	\$ 2,877,624
Transmission Plant	1,555,612	-0-	-0-	1,555,612
Distribution Plant	5,411,369	131,643	( 85,056)	5,457,956
General Plant	1,195,045	71,187	( 55,362)	1,210,870
<b>Total</b>	<u>\$ 11,039,650</u>	<u>\$ 202,830</u>	<u>\$ (140,418)</u>	<u>\$ 11,102,062</u>
Less: Accumulated Depreciation				
Generators	\$( 1,899,474)	\$( 163,025)	\$ -0-	\$(2,062,499)
Transmission Plant	( 261,319)	( 4,845)	-0-	( 266,164)
Distribution Plant	( 3,029,597)	( 171,512)	85,056	(3,116,053)
General Plant	( 855,467)	( 77,830)	55,362	( 877,935)
<b>Total</b>	<u>\$( 6,045,857)</u>	<u>\$( 417,212)</u>	<u>\$ 140,418</u>	<u>\$(6,322,651)</u>
Total Plant in Service Being Depreciated - Net	<u>\$ 4,993,793</u>	<u>\$( 214,382)</u>	<u>\$ -0-</u>	<u>\$ 4,779,411</u>
Business Type Activities - Plant in Service - Net	<u>\$ 5,028,093</u>	<u>\$( 214,382)</u>	<u>\$ -0-</u>	<u>\$ 4,813,711</u>
Construction Work-in-Progress	<u>\$ 328,048</u>	<u>\$ 2,479,092</u>	<u>\$ -0-</u>	<u>\$ 2,807,140</u>

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 5 - SELF INSURANCE

The District provides a self-insurance plan which pays the deductible portion and any co-insurance requirements of the group health plan. Also, dental, eye care, and hearing aid coverage is available, subject to annual limitations as follows: \$500 per year per participant for hearing aid coverage; \$500 per year per participant for eye care; and \$1,000 per participant for dental. A summary of the activity during 2013 follows:

Balance, Beginning	\$ -0-
Current year claims and changes in estimates	56,977
Claim payments	56,977
<b>Balance, Ending</b>	<b>\$ -0-</b>

There have been no significant reductions in insurance coverages during the fiscal year 2013. Settled claims have not exceeded commercial excess coverages in any of the past three years.

### NOTE 6 - CUSTOMER DEPOSITS AND ADVANCES

Some customers are required by the Electrical Department to post deposits against their future liability. These deposits are held in an interest bearing account until such time as they are either returned to the customer or used to satisfy said customer's outstanding electric bill. As of June 30, 2013, the District has \$499,663 available for the customer security deposit liability of \$458,628.

### NOTE 7 - SUMMARY OF CHANGES IN LONG-TERM DEBT

Description and Purpose	Balance 7/1/12	Issued	Retired	Balance 6/30/13	Due Within 1 Year
Governmental Activities:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Business-Type Activities:					
Deferred Revenue	\$5,883,310	\$357,489	\$(2,221,661)	\$4,019,138	\$ -0-
Net OPEB Obligation	150,070	72,700	-0-	222,770	-0-
<b>Totals</b>	<b>\$6,033,380</b>	<b>\$430,189</b>	<b>\$(2,221,661)</b>	<b>\$4,241,908</b>	<b>\$ -0-</b>

### NOTE 8 - PENSION PLAN

#### Plan Description:

The District's Pension Plan (DPP) is a single-employer defined benefit pension plan administered by the District Pension Committee. DPP provides retirement, disability, and death benefits to plan members and beneficiaries.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 8 - PENSION PLAN - Continued

#### Plan Description: - Continued

The normal retirement date for participants is at or after the attainment of age 65 with 10 years of plan participation. Each vested participant is entitled to a retirement benefit, and such benefit is equal to 2.5% of the average base compensation during the 36 consecutive months immediately prior to retirement multiplied by the number of years of credited service. A participant may retire early on the first day of any month on or after the age of 55, with 10 years of plan participation. Benefits fully vest on participants on or after 10 years of plan participation.

Membership in the DPP at the actuarial valuation date of July 1, 2012 was as follows:

Retirees and beneficiaries currently receiving benefits	5
Terminated participants entitled to, but not yet receiving benefits	4
<b>Active Employees:</b>	
Fully vested	4
Non-vested	<u>4</u>
	<u>17</u>

#### Funding Policy:

The District contributions to the plan are governed by Section 6.2 of the plan which reads as follows "It is the intention of the District to (a) make from time to time such contributions to the Fund as shall be required under accepted actuarial principles to maintain the Plan in a sound condition but in no case shall the annual amount be less than an amount determined from time to time by resolution of the District Commissioners, which is consistent with the District's long-term financial goals and expectation; and (b) pay for expenses incident to the operations and management of the Plan".

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 8 - PENSION PLAN - Continued

Calculation of Annual Pension Cost (APC) and Net Pension Obligation (NPO):

Net Pension Obligation (NPO) at the Beginning of Period	\$( 46,670)
Annual Required Contribution (ARC)	135,247
Interest on NPO	( 3,267)
Adjustment to the ARC	4,616
Annual Pension Cost (APC)	136,596
Contributions Made	98,679
Increase in NPO	37,917
NPO at the End of the Period	\$( 8,753)

The annual required contribution for the current year was determined as part of the July 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.0% per year. The assumptions did not include postretirement benefit increases, which are not provided by the Plan. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was 16 years.

### Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)	Actual Contribution
2013	\$136,596	72.2%	\$( 8,753)	\$ 98,679
2012	\$134,952	73.1%	\$( 46,670)	\$ 98,679
2011	\$ 87,718	112.5%	\$( 82,943)	\$ 98,679

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 8 - PENSION PLAN - Continued

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) E.A.N.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll*
07/01/2000	\$1,715,000	\$1,853,100	\$ 138,100	92.55%	\$409,835	33.70%
07/01/2001	\$1,724,200	\$1,908,800	\$ 184,600	90.33%	\$508,038	36.34%
07/01/2002	\$1,553,656	\$1,906,375	\$ 352,719	81.50%	\$481,708	73.22%
07/01/2003	\$1,580,591	\$1,868,970	\$ 288,379	84.57%	\$448,723	64.27%
07/01/2004	\$1,632,759	\$1,910,955	\$ 278,196	85.44%	\$537,231	51.78%
07/01/2005	\$1,707,110	\$1,984,484	\$ 277,374	86.02%	\$446,204	62.16%
07/01/2006	\$1,803,127	\$2,101,549	\$ 298,422	85.80%	\$540,446	55.22%
07/01/2007	\$1,935,781	\$2,226,158	\$ 290,377	86.96%	\$565,526	51.35%
07/01/2008	\$2,044,728	\$2,203,231	\$ 158,503	92.81%	\$547,248	28.96%
07/01/2010	\$1,946,851	\$2,583,881	\$ 637,030	75.35%	\$663,066	96.07%
07/01/2012	\$2,192,727	\$2,649,587	\$ 456,860	82.76%	\$703,273	64.96%

\*Not less than zero.

#### Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contributions	Percentage Contributed	Actual Contribution
2003	\$101,207	81%	\$ 82,100
2004	\$ 94,421	87%	\$ 82,100
2005	\$109,400	100%	\$109,400
2006	\$ 93,437	117%	\$109,400
2007	\$113,983	100%	\$113,983
2008	\$117,105	100%	\$117,105
2009	\$ 80,326	102%	\$ 82,233
2010	\$ 82,929	119%	\$ 98,679
2011	\$ 85,637	115%	\$ 98,679
2012	\$132,554	74%	\$ 98,679
2013	\$135,247	73%	\$ 98,679

#### Pension Plan Investments:

The following investments represent more than 5% of the total Net Position Held in Trust for Pension Benefits:

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 8 - PENSION PLAN - Continued

#### Pension Plan Investments: - Continued

Type of Investment	Description	Fair Market Value at June 30, 2013
Mutual Funds Equities	Blackrock Equity Dividend Fund	\$128,675
Mutual Funds Equities	Dodge & Cox Stock Fund	131,530
Mutual Funds Equities	American Europacific Growth Fund F 2	109,625
Mutual Funds Equities	T. Rowe Price Inst Large-Cap Growth Fund	130,503
Mutual Funds Equities	Munder Midcap Core Growth Fund Y	116,738
Mutual Funds Equities	Nuveen Winslow Large Cap Growth Fund 1	130,585
Mutual Funds Equities	Thornburg International Value Fund 1	107,523

### NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits for substantially all of its electrical department full-time employees upon reaching retirement or early retirement age (as defined in the Pension Plan document). They are entitled to employer paid health benefits throughout retirement until death, at a benefit level equivalent to that which was in effect at the employee's time of retirement. When the retiree becomes eligible for Medicare the employer's obligation shall be limited to providing coverage for the difference between Medicare benefits and the benefits in effect at the employee's date of retirement. The employer's obligation to furnish retiree health benefits shall cease upon death of the retired employee.

The District currently funds post employment retirement benefits on a pay as you go basis. As of June 30, 2013, a trust fund has not been implemented to irrevocably separate assets to fund the liability associated with post employment benefits which will require the reporting of a trust fund in accordance with GASB Guidelines.

The following is the current census of the District's benefit participants as of July 1, 2012:

Active Participants	9
Retirees	9
<b>Total</b>	<b>18</b>

Post employment retiree benefit payments for the year ended June 30, 2013 net of retiree and other contributions, amounted to \$85,196.

## THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

#### NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

##### Annual OPEB Cost and Net OPEB Obligations

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's OPEB obligation (asset):

	Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$159,960
Interest on net OPEB obligation	6,753
Adjustment to annual required contribution	( 8,817)
Annual OPEB Cost	157,896
Contributions made	85,196
Increase in net OPEB obligation	72,700
Net OPEB obligation - Beginning of Year	150,070
Net OPEB obligation - End of Year	<u>\$222,770</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2010 to 2013 are presented below. Data is only presented for these fiscal years as the fiscal year ended June 30, 2010 was the year of implementation.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2010	\$127,819	\$80,368	63%	\$ 47,451
6/30/2011	\$129,143	\$89,988	70%	\$ 86,606
6/30/2012	\$130,672	\$67,208	51%	\$150,070
6/30/2013	\$157,896	\$85,196	54%	\$222,770

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

#### Annual OPEB Cost and Net OPEB Obligations - Continued

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual medical cost trend rate of 9% is used for 2013, decreasing 5% per year to an ultimate rate of 5% for 2021 and later. The remaining amortization period at July 1, 2012 was 30 years. As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,626,120, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (AAL) of \$1,626,120.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is presented for the July 1, 2009 and July 1, 2012 certified valuations.

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll (b-a)/c)
7/1/2009	\$ -0-	\$1,396,239	0	\$806,588	173%
7/1/2012	\$ -0-	\$1,626,120	0	\$835,769	195%

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013**

### **NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS** - Continued

#### Annual OPEB Cost and Net OPEB Obligations - Continued

#### **Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
2010	\$127,819	\$ 80,368	63%
2011	\$129,796	\$ 89,988	69%
2012	\$131,863	\$ 67,208	51%
2013	\$159,960	\$ 85,196	53%

### **NOTE 10 - COMMITMENT AND CONTINGENCIES**

#### CMEEC:

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

Payments to CMEEC under the Power Contract may not be subordinated to any other obligation of the Electric Department.

The Power Contract was amended and restated as of January 1, 2000 resulting in rate stabilization monies, which were collected from the Electric Department and other CMEEC members in conjunction with the purchase of energy, to be apportioned to the individual purchasers of energy including the Electric Department. These funds are the Rate Stabilization Fund, the Economic Development Fund, and the Energy Efficiency and Environmental Stewardship Fund. CMEEC's bonded debt that was incurred to provide power supply for its members was also apportioned among its members.

#### Rate Stabilization Fund:

The Electric Department has rate stabilization funds held by CMEEC. Electric's balances of rate stabilization funds held by CMEEC was \$1,605,647 held in a trust account and \$2,413,491 held in a non-trust account at June 30, 2013.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 10 - COMMITMENT AND CONTINGENCIES - Continued

#### Conservation and Load Management Fund

For the year ended June 30, 2005, a Conservation and Load Management Fund was created. The fund may be utilized by the District for investment in renewable energy sources and for conservation and load management programs so as to result in cost reductions for the District and its consumers. As the fund is unrestricted, the District has included the \$82,184 balance on their balance sheet at June 30, 2013.

#### Economic Development Fund:

The Electric Department also has on deposit at CMEEC an Economic Development Fund. Pursuant to Resolution 92-6 adopted by the CMEEC Board of Directors on January 23, 1992 this fund is for the stated purpose of assisting Member System activities which promote economic development and which help maintain the competitive standing of the Members' electric utility systems. The Electric Department expended \$0 of Economic Development Funds for the year ended June 30, 2013. The unrestricted balance available to the District at June 30, 2013 was \$147,533.

The monies in the rate stabilization fund as of June 30, 2013 totaling \$4,019,138 have been recorded as a restricted asset and, a deferred revenue in the accompanying proprietary fund balance sheet. The monies in the economic development fund and the conservation and load management fund have been recorded as unrestricted cash in the accompanying proprietary fund balance sheet.

As a member of CMEEC, the Electric Department is responsible for their pro-rata share of CMEEC's shares of certain costs that may exceed reserves and/or insurance coverages. These costs and the impact on operations are unknown. The electrical department also has guaranteed a portion of CMEEC's bonded debt. The amount of debt guaranteed by the District as of June 30, 2013 was \$5,884,957. Electric's net obligation (bonded debt less Electric's share of the rate stabilization fund) is \$1,865,819 at June 30, 2013.

# THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 10 - COMMITMENT AND CONTINGENCIES - Continued

#### Norden Park Generation:

The Third Taxing District's agreement with ISO New England, to provide capacity from the District's three 2 MW diesel generators located at Norden Park, expired on May 30, 2008. In order to obtain continuing income from these generators the District's Commission authorized installation of required state of the art pollution control equipment on the generators at a cost of \$900,000. The equipment was installed and the generators were bid into the ISO Locational Forward Reserve Market (LFRM) on June 1, 2008 with expected revenue of \$84,000 per month. Almost immediately a dispute arose with Connecticut Light & Power (CL&P), who is the reporting party to ISO, over the amount of capacity being delivered to ISO. As a result, anticipated revenues were not realized and penalties were assessed by the ISO. The generators were removed from the market on September 1, 2008 and following an agreement with Connecticut Light & Power on February 18, 2009 were returned to the market on March 1, 2009. The February 18<sup>th</sup> Third Amendment to the Interconnection Agreement provides for the generators to operate until May 31, 2012. Before that time the Third Taxing District must petition the DPUC and receive approval to operate in the existing mode or must reconnect the generators at a capital cost of \$1.2 million. As a condition of the agreement the Third Taxing District must pay up to \$280,000 for switchgear needed by CL&P and must secure an easement and construct certain facilities needed by CL&P. The District has paid said amount and obtained the necessary easement. This Third Amendment was revised and restated on September 1, 2010 and provides among other things that: 1) the generators may operate until one year after the final decision by the DPUC on the method of interconnecting the generators; and 2) provided a favorable ruling is issued by the DPUC the District will pay CL&P up to an additional \$96,000. On June 1, 2010, the LFRM market revenue dropped to \$54,000 per month and on October 1, 2010, the revenue decreased to \$9,120 per month.

The DPUC approval was ordered on January 6, 2012 giving the generators the authority to operate for the duration of the interconnection agreement. On June 1, 2012 the revenue from ISO dropped to \$6,000 per month.

For the twelve month period ending June 30, 2013, revenues related to the operation of the Norden units was \$89,354.

Although the LFRM market has improved slightly, the District is continuing to review all of its options with regards to the future operation of the Norden generators.

# **THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

## **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013**

### **NOTE 10 - COMMITMENT AND CONTINGENCIES** - Continued

#### Fitch Street Substation

As of June 30, 2013, the District has expended \$2,845,360 for the cost of land, engineering, equipment, professional fees, and other construction costs to construct a new electrical substation on Fitch Street. Management estimates the total cost to construct the substation will be approximately \$6,200,000 and be placed in service December, 2013. The Fitch Street substation is expected to benefit the District by \$250K annually due to the fact that they will no longer have a supplier agreement with CL&P. In addition, it is anticipated that the District will earn another \$250K annually from reimbursements it will receive by the ISO New England. As of June 30, 2013 and prior to the issuance of this report, the District anticipates that the substation project will be finished timely and within budget.

#### Cervalis Data Center

During fiscal year 2013, the District finalized negotiations related to a major new customer, Cervalis, who is opening a Data Center located at Norden Park. The Cervalis Data Center is gradually anticipated to ramp up to 8MW's of incremental load over the next several years. Management estimates that the District's total cost for the Data Center will be approximately \$1.7mm to connect the customer to the District's distribution center. The customer will reimburse the District with interest for this cost. As of June 30, 2013 the District has expended \$987,967 on the project. As of fiscal year-end 2013, the Data Center is expected to be placed in service and on the negotiated rates as of December, 2013. Furthermore, the project is expected to be within budget.

### **NOTE 11 – SUBSEQUENT EVENTS**

#### Patriot National Bank – Term Loan

In July, 2013 the District secured a construction term loan for up to \$3mm at an annual interest rate of 3.75% with Patriot National Bank to be used for any construction funding for the Fitch Street substation and Cervalis Data Center projects. Management anticipates that the funding of the Substation and Cervalis projects are to be funded from internal sources but wanted to have the availability of the construction loan in case it was deemed necessary and appropriate. As of the issuance of this report the District had \$0 outstanding on the construction term loan facility.

## THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2013

#### NOTE 11 – SUBSEQUENT EVENTS - Continued

##### Patriot National Bank – Line of Credit

In July 2013, the District secured a \$500K line of credit with interest at the prime rate with Patriot National Bank to be used in connection with any capital additions the District may deem appropriate. As of the issuance of this report the District had \$137,500 outstanding on the line of credit facility.

##### Rowan Street Purchase

As of the date of this report, the District is set to close on November 22, 2013 on the purchase of property with a house located at 18 Rowan Street, East Norwalk, CT 06855. The property is located adjacent to the District's Rowan street substation. The purchase price is \$275,000. The District used \$137,500 of the Line of Credit noted above and will fund the remaining \$137,500 from internal sources. The current plan is to demolish the existing structure, clean and pave the lot, and install a storage facility to house materials and equipment.

**THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT**

**SUPPLEMENTARY COMBINING AND INDIVIDUAL  
FUND SCHEDULES**

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 SCHEDULE OF UTILITY PLANT  
 JUNE 30, 2013

	Utility Plant			Balance July 1, 2012	Accumulated Depreciation			Balance June 30, 2013	Net Book Value June 30, 2013
	Balance July 1, 2012	Additions	Retirements		Balance June 30, 2013	Retirements	Balance June 30, 2013		
<b>Intangible Assets</b>									
Franchise and Consents	\$ 34,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,300
<b>Generation</b>									
Generators	2,877,624	-	-	1,899,474	163,025	-	2,062,499	815,125	
<b>Transmission Plant</b>									
Land and Land Rights	1,157,775	-	-	-	-	-	-	-	1,157,775
Structures & Improvements	83,509	-	-	68,317	809	-	69,126	14,383	
Underground Conduit	69,021	-	-	63,576	196	-	63,772	5,249	
Underground Conductors	245,307	-	-	129,426	3,840	-	133,266	112,041	
<b>Distribution Plant</b>									
Structures and Improvements	364,971	-	-	237,130	7,842	-	244,972	119,999	
Substation Equipment	1,660,708	23,356	16,741	760,192	48,190	16,741	791,641	875,682	
Generator	18,370	-	-	12,026	906	-	12,932	5,438	
Poles, Towers & Equipment	587,444	12,939	-	286,763	23,617	-	310,380	290,003	
Overhead Conductors	557,570	31,343	21,067	359,566	16,044	-	354,543	213,303	
Underground Conduit	250,801	-	-	182,062	6,723	-	188,785	62,016	
Underground Conductors	353,961	3,914	-	125,570	8,731	-	134,301	223,574	
Line Transformers	538,332	36,105	34,950	313,646	18,470	34,950	297,166	242,321	
Meters	623,452	19,390	10,000	326,550	32,667	10,000	349,217	283,625	
Street Lights & Signals	111,969	4,596	2,298	82,302	8,321	2,298	88,325	25,942	
Computer Software	343,791	-	-	343,790	1	-	343,791	-	
<b>General Plant</b>									
Structures & Improvements	331,825	20,484	8,193	151,614	14,899	8,193	158,320	185,796	
Office Furniture & Equipment	107,045	5,918	5,000	87,524	11,455	5,000	93,979	13,984	
Transportation Equipment	570,708	35,278	39,005	491,790	39,481	39,005	492,266	74,715	
Stores Equipment	1,504	-	-	1,127	75	-	1,202	302	
Tools, Shop & Yard Equipment	69,000	780	1,000	44,582	3,448	1,000	47,030	21,750	
Laboratory Equipment	14,886	-	2,164	14,093	398	2,164	12,327	395	
Communications Equipment	21,324	4,435	-	21,246	967	-	22,213	3,546	
Miscellaneous Equipment	78,753	4,292	-	43,491	7,107	-	50,598	32,447	
<b>TOTAL UTILITY PLANT</b>	<b>\$ 11,073,950</b>	<b>\$ 202,830</b>	<b>\$ 140,418</b>	<b>\$ 6,045,857</b>	<b>\$ 417,212</b>	<b>\$ 140,418</b>	<b>\$ 6,322,651</b>	<b>\$ 4,813,711</b>	

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 SCHEDULE OF VARIOUS OPERATING EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Electrical Department
Distribution	
Overhead Lines	\$ 18,534
Street Lights and Signal Systems	1,454
Meters	19,606
ISO Load Shed Program	-
Miscellaneous	40,372
<b>Total Distribution</b>	<u>\$ 79,966</u>
Maintenance	
Station Equipment	\$ 62,552
Overhead Lines	16,086
Line Transformers	1,618
Street Lights and Signal Systems	1,497
Underground Lines	-
Meters	2,450
Allocated Payroll	280,786
Miscellaneous	27,355
<b>Total Maintenance</b>	<u>\$ 392,344</u>
Customer Service	
Meter Reading	\$ 189,734
Customer Records and Collections	205,318
<b>Total Customer Service</b>	<u>\$ 395,052</u>
Administration	
Administrative Salaries	\$ 375,827
General Expense	100,735
Property and Casualty Insurance	78,958
Workmen's Compensation Insurance	44,868
Disability Insurance	10,275
Office Expense	42,095
Outside Services	183,012
Pension and Employee Benefits	626,987
Promotions	18,575
Company Trucks and Auto	48,567
Regulatory Expense	9,942
<b>Total Administration</b>	<u>\$ 1,539,841</u>

See accountant's report.

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT  
 SCHEDULE OF VARIOUS ADMINISTRATIVE EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Electrical Department</u>
Outside Services	
Computer System Analyst and Programming	\$ 76,564
Legal Fees (General)	-
Financial Audit Fees	20,056
Accounting Services	25,163
Pension Plan Actuarial and Legal Fees	-
Labor Law Attorneys	18,120
Repairs and Maintenance	15,545
Miscellaneous	2,474
Engineering	25,090
Personnel Recruitment Charges	-
<b>Total Outside Services</b>	<u>\$ 183,012</u>
Pension and Employee Benefits	
Employee Health and Disability Programs	\$ 416,621
Pension Expense	136,596
Payroll Taxes	73,770
<b>Total Pension and Employee Benefits</b>	<u>\$ 626,987</u>
General Expenses	
Travel and Lodging	\$ 19,780
Seminars and Training	2,031
Contractual Payments to Retired Manager	67,599
Miscellaneous	11,325
<b>Total General Expenses</b>	<u>\$ 100,735</u>