

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR:
JULY 1, 2011 - JUNE 30, 2012**

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Third Taxing District - City of Norwalk, Connecticut. 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 Fund - Library) a blended component unit, which represents 7.1%, 7.2%, and 67%, respectively, of the assets, net assets, and revenue of Governmental Activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Special Revenue Fund, is based 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 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 and the report of other auditors provide a reasonable basis for our 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, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

Continued...

The Honorable Commissioners
Third Taxing District - City of Norwalk
East Norwalk, Connecticut

Page 2 of 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund schedules (pages 47 through 49) are presented for purposes of additional analysis and are not a required part of the financial statements of the Third Taxing District - City of Norwalk, Connecticut. The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



HOPE & HERNANDEZ, P.C.
Bridgeport, Connecticut
December 12, 2012

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

MANAGEMENT DISCUSSION AND ANALYSIS

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

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, 2012. 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 financial 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 11 and 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 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 assets and how they have changed. Net assets (the difference between the District's assets and liabilities), 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 assets 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

The 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 13 through 16. 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 19 through 21.
- *Fiduciary Funds* - Fiduciary funds account for assets received where the District acts in the capacity of a trustee. The Pension Trust fund (see pages 22 and 23) 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 ASSETS							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	2012-2011
Current and Other Assets	\$ 90,847	\$ 70,721	12,050,783	\$11,964,841	\$12,141,630	\$12,035,562	0.9%
Capital Assets	<u>889,854</u>	<u>893,552</u>	<u>5,369,843</u>	<u>5,201,602</u>	<u>6,259,697</u>	<u>6,095,154</u>	2.7%
Total Assets	980,701	964,273	17,420,626	17,166,443	18,401,327	18,130,716	1.5%
Liabilities	<u>14,819</u>	<u>5,872</u>	<u>7,351,681</u>	<u>7,015,676</u>	<u>7,366,500</u>	<u>7,021,548</u>	4.9%
Total Liabilities	14,819	5,872	7,351,681	7,015,676	7,366,500	7,021,548	4.9%
Net Assets:							
Investment in Capital Assets	889,854	893,552	5,369,843	5,201,602	6,259,697	6,095,154	2.7%
Restricted	-0-	-0-	2,446,567	2,446,567	2,446,567	2,446,567	0%
Unrestricted	<u>76,028</u>	<u>64,849</u>	<u>2,252,535</u>	<u>2,502,598</u>	<u>2,328,563</u>	<u>2,567,447</u>	-9.3%
Total Net Assets	<u>\$965,882</u>	<u>\$958,401</u>	<u>\$10,069,945</u>	<u>\$10,150,767</u>	<u>\$11,024,827</u>	<u>\$11,109,168</u>	-0.7%

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 ASSETS				
	6/30/2012		6/30/2011	
	Governmental Activities	Governmental Activities	Governmental Activities	Business- Type Activities
Revenues				
Charges for Services	\$ -0-	\$10,007,337	\$ -0-	\$10,729,136
General Revenues				
Rental Income	62,425	-0-	67,883	-0-
Gain or Loss Disposition of Assets	-0-	5,395	-0-	1,734
Investment Income	42	16,008	196	19,672
Miscellaneous	2,904	-0-	22,792	151,368
Total Revenues	\$ 65,371	\$10,028,740	\$ 90,871	\$10,901,910
Expenses				
Primary Government:				
General Government	\$ 18,379	\$ -0-	\$ 18,621	\$ -0-
Community Service	263,608	-0-	274,887	-0-
Business-type Activities				
Expenses				
Electric Department	-0-	9,886,465	-0-	10,384,890
Total Expenses	\$ 281,987	\$ 9,886,465	\$ 293,508	\$10,384,890
Transfers	224,097	(224,097)	123,201	(123,201)
Change in Net Assets	7,481	(81,822)	(79,436)	393,819
Net Assets - Beginning	958,401	10,150,767	1,037,837	9,756,948
Prior Period Adjustment	-0-	-0-	-0-	-0-
Restated Net Assets - Beginning	-0-	-0-	-0-	-0-
Net Assets - Ending	\$ 965,882	\$10,068,945	\$ 958,401	\$10,150,767

The District's total net assets of \$11,034,827 decreased from the prior year by a total of \$74,341 as a result of this year's operations. The District's governmental activities net assets increased by \$7,481 while the business-type activities' (Electric Department's) net assets decreased by \$81,822.

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

The District's governmental activities expenditures decreased by 4% during the current fiscal year to \$281,987 from \$293,508 spent in fiscal 2011. Community service expenses decreased \$11,279 from the prior year while general governmental expenses such as legal fees, meetings, and other decreased \$242 from the prior year. Investment income experienced a slight decrease from prior year 2011 while miscellaneous general revenues decreased \$19,888 from the prior year primarily due to reimbursement of firehouse expenditures in the prior year 2011. Rental income decreased \$5,458 or 8% from 2011. Transfers to governmental activities from the business-type activities increased 82% in 2012 to \$224,097 from \$123,201 in 2011. At June 30, 2012 \$889,854 or 92% of the governmental activities' net assets 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 a decrease of \$81,822 in net assets. Electric's operating revenues decreased by approximately 7% or \$721,799 to \$10,007,337. This decrease in revenues was offset by a 5% decrease in operating expenses of \$498,425 from \$10,901,910 in 2011.

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 17.

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 18).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had invested \$6,259,697 in a broad range of capital assets. This amount is net of accumulated depreciation. See page 47 for detail of the Electric Department's plant in service at June 30, 2012 and Note 4 to the financial statements that details both plant in service and non-utility property of the entire District.

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 (CMEEC) 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 CMEEC under the contract. As a member of CMEEC 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 CMEEC's bonded debt. As of June 30, 2012 the outstanding CMEEC obligation is \$5,994,836. 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, 2012 the rate stabilization fund has a balance of \$5,883,310, resulting in a net obligation to CMEEC of \$111,526.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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 - October 2011	\$0.082/KWH
November, 2011 - June, 2012	\$0.066/KWH

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 2011 and remained constant for calendar year 2012. 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 ASSETS
JUNE 30, 2012

EXHIBIT A

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash	\$ 90,847	\$ 2,481,917	\$ 2,572,764
Investments	-	1,659,949	1,659,949
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0 and \$50,000, respectively	-	1,323,642	1,323,642
Internal Balances	-	-	-
Prepaid Expenses	-	57,189	57,189
Total Current Assets	<u>90,847</u>	<u>5,522,697</u>	<u>5,613,544</u>
Non-Current Assets			
Investment in CMEEC	-	122,220	122,220
Other Restricted Assets	-	5,883,310	5,883,310
Cash - Restricted	-	475,886	475,886
Net Pension Asset	-	46,670	46,670
Capital Assets			
Plant In Service, Net of Accumulated Depreciation	-	5,028,093	5,028,093
Non-Utility Property, Net of Accumulated Depreciation	889,854	13,702	903,556
Construction Work-in-Progress	-	328,048	328,048
Total Non-Current Assets	<u>889,854</u>	<u>11,897,929</u>	<u>12,787,783</u>
TOTAL ASSETS	<u>\$ 980,701</u>	<u>\$ 17,420,626</u>	<u>\$ 18,401,327</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 14,100	\$ 685,757	\$ 699,857
Taxes Payable	-	111,406	111,406
Customer Deposits and Advances	-	422,251	422,251
Accrued Compensated Absences	-	60,002	60,002
Other Accrued Expenses	-	38,885	38,885
Other Current Liabilities	719	-	719
Total Current Liabilities	<u>14,819</u>	<u>1,318,301</u>	<u>1,333,120</u>
Non-Current Liabilities			
Deferred Revenue	-	5,883,310	5,883,310
Net OPEB Obligation	-	150,070	150,070
Total Non-Current Liabilities	<u>-</u>	<u>6,033,380</u>	<u>6,033,380</u>
TOTAL LIABILITIES	<u>14,819</u>	<u>7,351,681</u>	<u>7,366,500</u>
NET ASSETS			
Invested in Capital Assets	889,854	5,369,843	6,259,697
Restricted for Capital Improvements	-	1,446,567	1,446,567
Restricted for Catastrophic Occurrence	-	1,000,000	1,000,000
Unrestricted	76,028	2,252,535	2,328,563
TOTAL NET ASSETS	<u>965,882</u>	<u>10,068,945</u>	<u>11,034,827</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 980,701</u>	<u>\$ 17,420,626</u>	<u>\$ 18,401,327</u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT B

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Public Officials Fees	\$ 14,100	\$ -	\$ -	\$ -	\$ (14,100)	\$ -	\$ (14,100)
Payroll Tax Expense	270	-	-	-	(270)	-	(270)
Community Service Projects	263,608	-	-	-	(263,608)	-	(263,608)
Accounting and Professional Fees	-	-	-	-	-	-	-
Meetings, Printers, and Other	4,009	-	-	-	(4,009)	-	(4,009)
Total Governmental Activities	281,987	-	-	-	(281,987)	-	(281,987)
Business-type Activities:							
Electrical Facility	9,886,465	10,007,337	-	-	-	120,872	120,872
Total Business-type Activities	9,886,465	10,007,337	-	-	-	120,872	120,872
Total Primary Government	\$ 10,168,452	\$ 10,007,337	\$ -	\$ -	\$ (281,987)	\$ 120,872	\$ (161,115)
General Revenues:							
Rental Income					\$ 62,425	\$ -	\$ 62,425
Gain (Loss) on Disposition of Utility Plant					-	5,395	5,395
Investment Income					42	16,008	16,050
Other Income					2,904	-	2,904
Transfers					224,097	(224,097)	-
Total General Revenues, Special Items, and Transfers					289,468	(202,694)	86,774
Change in Net Assets					7,481	(81,822)	(74,341)
Net Assets - Beginning					958,401	10,150,767	11,109,168
Net Assets - Ending					\$ 965,882	\$ 10,068,945	\$ 11,034,827

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

FUND FINANCIAL STATEMENTS

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

**EXHIBIT C
Page 1 of 2**

ASSETS	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Current Assets			
Cash	\$ 55,158	\$ 35,689	\$ 90,847
Total Current Assets	<u>55,158</u>	<u>35,689</u>	<u>90,847</u>
TOTAL ASSETS	<u>\$ 55,158</u>	<u>\$ 35,689</u>	<u>\$ 90,847</u>
 LIABILITIES			
Accounts Payable	\$ 14,100	\$ -	\$ 14,100
Due to Electric Department	-	-	-
Capital Lease Obligations	-	-	-
Other Current Liabilities	-	719	719
TOTAL LIABILITIES	<u>14,100</u>	<u>719</u>	<u>14,819</u>
 FUND BALANCES			
Assigned	-	34,970	34,970
Unassigned	41,058	-	41,058
TOTAL FUND BALANCES	<u>41,058</u>	<u>34,970</u>	<u>76,028</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,158</u>	<u>\$ 35,689</u>	<u>\$ 90,847</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

**EXHIBIT C
Page 2 of 2**

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

Total fund balance per balance sheet - governmental funds \$ 76,028

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Cost of governmental capital assets	\$ 992,612	
Accumulated depreciation on above capital assets	<u>102,758</u>	889,854

Net assets of governmental activities \$ 965,882

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT D

	General	Special Revenue	Total Governmental Funds
Revenues			
Rental Income	\$ 38,000	\$ 24,425	\$ 62,425
Interest Income	33	9	42
Other Income	-	2,904	2,904
Total Revenues	<u>38,033</u>	<u>27,338</u>	<u>65,371</u>
Expenditures			
Public Officials Fees	14,100	-	14,100
Payroll Tax Expense	270	-	270
Community Service Projects	71,633	184,705	256,338
Accounting and Professional Fees	-	-	-
Meetings, Printers, and Other	4,009	-	4,009
Total Expenditures	<u>90,012</u>	<u>184,705</u>	<u>274,717</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(51,979)</u>	<u>(157,367)</u>	<u>(209,346)</u>
Other Financing Sources (Uses)			
Capital Expenditures	(3,572)	-	(3,572)
Transfer in from Enterprise Electric Department	224,097	-	224,097
Transfers Between Funds	(167,121)	167,121	-
Net Other Financing Sources (Uses)	<u>53,404</u>	<u>167,121</u>	<u>220,525</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,425	9,754	11,179
Fund Balance (Deficit) - Beginning of Year	<u>39,633</u>	<u>25,216</u>	<u>64,849</u>
Fund Balance - End of Year	<u>\$ 41,058</u>	<u>\$ 34,970</u>	<u>\$ 76,028</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, 2012**

EXHIBIT E

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

Net change in fund balances - total governmental funds	\$	11,179
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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, 2012, \$3,572 and current year depreciation expense of \$(7,270) is a reconciling item.

<u>(3,698)</u>

Change in net assets of governmental activities

<u>\$</u>	<u>7,481</u>
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**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, 2012**

EXHIBIT F

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Rental Income	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
Interest Income	300	300	33	(267)
Other Income	-	-	-	-
Total Revenues	<u>38,300</u>	<u>38,300</u>	<u>38,033</u>	<u>(267)</u>
Expenditures				
Salaries - Commissioners	10,500	10,500	10,500	-
Salary - Clerk	1,800	1,800	1,800	-
Salary - Treasurer	1,800	1,800	1,800	-
Payroll Tax Expense	-	-	270	(270)
Maintenance of Parks	19,000	19,000	21,157	(2,157)
East Norwalk Cemetery	21,700	21,700	20,042	1,658
East Norwalk Library - Other	6,000	6,000	11,768	(5,768)
East Norwalk Library - Major/Capital	3,000	3,000	-	3,000
Holiday Events	5,800	5,800	7,321	(1,521)
Firehouse Expense	900	900	-	900
Firehouse Expense - Major/Capital	1,800	1,800	3,572	(1,772)
Concerts in the Park	12,500	12,500	11,345	1,155
Legal and Accounting Services	2,500	2,500	-	2,500
Annual Electors Meeting	3,400	3,400	3,319	81
District Newsletter Allowance	1,800	1,800	-	1,800
Contingencies	10,000	10,000	690	9,310
Total Expenditures	<u>102,500</u>	<u>102,500</u>	<u>93,584</u>	<u>8,916</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(64,200)</u>	<u>(64,200)</u>	<u>(55,551)</u>	<u>8,649</u>
Other Financing Sources (Uses)				
Transfer in from Electric Department	224,097	224,097	224,097	-
Transfer Out to Special Revenue Fund	(167,121)	(167,121)	(167,121)	-
Utilization of Prior Years Unexpended Funds	37,224	37,224	-	37,224
Net Other Financing Sources (Uses)	<u>94,200</u>	<u>94,200</u>	<u>56,976</u>	<u>37,224</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 30,000</u>	<u>\$ 30,000</u>	1,425	<u>\$ (28,575)</u>
Fund Balance (Deficit) - Beginning of Year			<u>39,633</u>	
Fund Balance - End of Year			<u>\$ 41,058</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, 2012**

EXHIBIT G

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Rental Income	\$ 20,000	\$ 20,000	\$ 24,425	\$ 4,425
Interest and Other Income	7,675	7,675	2,913	(4,762)
Total Revenues	<u>27,675</u>	<u>27,675</u>	<u>27,338</u>	<u>(337)</u>
Expenditures				
Personnel	89,606	89,606	89,736	(130)
Benefits and Taxes	22,470	22,470	18,807	3,663
Programming	29,500	29,500	22,973	6,527
Utilities	17,500	17,500	17,278	222
Building Maintenance Security & Repairs	24,220	24,220	18,992	5,228
Professional Fees	11,500	11,500	9,838	1,662
Community Programs	-	-	7,081	(7,081)
Other	-	-	-	-
Total Expenditures	<u>194,796</u>	<u>194,796</u>	<u>184,705</u>	<u>10,091</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(167,121)</u>	<u>(167,121)</u>	<u>(157,367)</u>	<u>9,754</u>
Other Financing Sources (Uses)				
Transfer in from General Fund	167,121	167,121	167,121	-
Capital Expenditures	-	-	-	-
Net Other Financing Sources (Uses)	<u>167,121</u>	<u>167,121</u>	<u>167,121</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,754</u>	<u>\$ 9,754</u>
Fund Balance - Beginning of Year			<u>25,216</u>	
Fund Balance - End of Year			<u>\$ 34,970</u>	

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012**

EXHIBIT H

ASSETS	<u>Electrical Department</u>
Current Assets	
Cash	\$ 2,481,917
Investments	1,659,949
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$50,000	1,323,642
Due from Governmental Funds	-
Prepaid Expenses	57,189
Total Current Assets	<u>5,522,697</u>
Non-Current Assets	
Investment in CMEEC	122,220
Other Restricted Assets	5,883,310
Cash - Restricted	475,886
Net Pension Asset	46,670
Capital Assets	
Plant In Service, Net of Accumulated Depreciation	5,028,093
Non-Utility Property, Net of Accumulated Depreciation	13,702
Construction Work in Progress	328,048
Total Non-Current Assets	<u>11,897,929</u>
TOTAL ASSETS	<u>\$ 17,420,626</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 685,757
Taxes Payable	111,406
Customer Deposits and Advances	422,251
Accrued Compensated Absences	60,002
Other Accrued Expenses	38,885
Total Current Liabilities	<u>1,318,301</u>
Non-Current Liabilities	
Deferred Revenue	5,883,310
Net CPEB Obligation	150,070
Total Non-Current Liabilities	<u>6,033,380</u>
TOTAL LIABILITIES	<u>7,351,681</u>
NET ASSETS	
Invested in Capital Assets	5,369,843
Restricted for Capital Improvements	1,446,567
Restricted for Catastrophic Occurrence	1,000,000
Unrestricted	2,252,535
TOTAL NET ASSETS	<u>10,068,945</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,420,626</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT I

	<u>Electrical Department</u>
Operating Revenues	
Residential Sales	\$ 2,580,822
Commercial Sales	1,892,158
Industrial Sales	584,760
Water Pollution Control Plant	732,989
Private Security Lighting	91,470
Sales for Resale	73,672
Miscellaneous Service Revenue	98,992
Fuel Costs Billed	3,952,474
Total Operating Revenues	<u>10,007,337</u>
Operating Expenses	
Electrical Power Purchased	6,744,453
Transmission	225
Distribution	47,931
Maintenance	332,880
Generation Expenses	62,097
Customer Service	391,435
Administration	1,496,366
Depreciation	473,115
Connecticut Gross Receipts Tax	337,963
Total Operating Expenses	<u>9,886,465</u>
Operating Income (Loss)	<u>120,872</u>
Nonoperating Revenue and Expenses	
Gain from Sale of Fixed Assets	5,395
Interest and Dividend Income	95,771
Unrealized Gain (Loss) on Investments	(79,763)
Other Income	-
Total Nonoperating Revenues and Expenses	<u>21,403</u>
Income (Loss) Before Operating Transfers	<u>142,275</u>
Operating Transfers	
Transfers Out	224,097
Net Operating Transfers	<u>224,097</u>
Change in Net Assets	(81,822)
Net Assets - Beginning	<u>10,150,767</u>
Net Assets - Ending	<u>\$ 10,068,945</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT J

	<u>Electrical Department</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 10,041,886
Cash Received from Insurance Proceeds	-
Cash Payments to Suppliers, Vendors, and Contractors	(8,347,808)
Cash Payments to Employees for Payroll	<u>(1,018,079)</u>
Net Cash Provided by Operating Activities	<u>675,999</u>
 Cash Flows from Noncapital Financing Activities	
Operating Transfers	<u>(224,097)</u>
Net Cash Used by Noncapital Financing Activities	<u>(224,097)</u>
 Cash Flows from Capital and Related Financing Activities	
Purchase of Property and Equipment	<u>(641,356)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(641,356)</u>
 Cash Flows from Investing Activities	
Net Proceeds (Disbursements) from Investment Securities	<u>717,128</u>
Net Cash Used by Investing Activities	<u>717,128</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	527,674
 Cash and Cash Equivalents - Beginning of Year	<u>2,430,129</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 2,957,803</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 120,872
Adjustments to Reconcile Operating Income (Loss) to net cash provided (used) by operating activities:	
Depreciation	473,115
Gain on Disposal of Assets	5,395
Changes in Assets and Liabilities:	
Receivables, net	34,549
Prepaid Expenses and Other Assets	(35,681)
Payables and Accrued Liabilities	77,749
Net Cash Provided by Operating Activities	<u>\$ 675,999</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND
JUNE 30, 2012**

EXHIBIT K

ASSETS

Cash	\$	101,269
Investments, at Fair Value		
Certificates of Deposit		425,371
Municipal Obligations		159,465
Corporate Bonds		213,165
Mutual Funds Equities		<u>937,927</u>
TOTAL ASSETS		<u><u>1,837,197</u></u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$	<u><u>1,837,197</u></u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT L

ADDITIONS

Contributions:	
Employer	\$ 98,679
Total Contributions	<u>98,679</u>
Investment Income:	
Interest and Dividends	27,700
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(37,127)</u>
	(9,427)
Less: Trustee, Advisory and Administrative Fees	<u>(18,965)</u>
Net Investment Income	<u>(28,392)</u>

TOTAL ADDITIONS (DEDUCTIONS) 70,287

DEDUCTIONS

Benefits	<u>90,620</u>
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TOTAL DEDUCTIONS 90,620

CHANGE IN NET ASSETS (20,333)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

BEGINNING OF YEAR	<u>1,857,530</u>
END OF YEAR	<u>\$ 1,837,197</u>

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, 2012

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 No. 34, (i.e., the statement of net assets 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, 2012

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, 2012 District electors voted to authorize the transfer of \$224,097 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, 2012

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 \$34,970 at June 30, 2012 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, 2012

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-	\$1,373,642
Less: Allowance for Uncollectible Accounts	-0-	50,000
Net Accounts Receivable	\$ -0-	\$1,323,642

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, 2012

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 \$60,002 is classified as current at June 30, 2012.

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, 2012

Electric
\$ -0-

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012, the Third Taxing District, - City of Norwalk, Connecticut maintained cash deposits with financial institutions as follows:

	Bank Balances	Reconciled Balances
Governmental Activities (District General and Special Revenue Funds)	\$ 93,684	\$ 90,847
Business-Type Activities (Electric Department)	3,040,291	2,957,803
Pension Trust Fund	101,269	101,269

Custodial credit risk and concentrations of credit risk - Of the \$3,040,291 business-type activities bank balances, \$868,137 is uninsured and uncollateralized at June 30, 2012. \$1,922,154 or 63% of the June 30, 2012 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, 2012

NOTE 2 - CASH AND INVESTMENTS - Continued

Investments:

At June 30, 2012, 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
Business-Type Activities				
Certificates of Deposit	\$ 99,516	\$ 98,796	N/A	0-1 years
U.S. Government Agency Obligations	1,560,433	1,661,410	AAA	0-1 years
Total Business-Type Activities	\$1,659,949	\$1,760,206		

Types of Investments	Fair Value/ Carrying Value	Cost	Average Credit Quality Ratings(1)	Segmented Time Distribution to Maturity
Pension Trust Fund				
Equities/Mutual Funds	\$ 937,927	\$ 847,787	N/A	N/A
Certificates of Deposit	425,371	425,188	N/A	N/A
Municipal Obligations	101,484	97,800	AAA	5-10 years
Municipal Obligations	31,683	31,200	AAA	4 years
Municipal Obligations	26,298	25,713	AAA	1-3 years
Corporate Obligations - Domestic:				
Allstate Life Global Fund	25,212	20,650	A1	5-10 years
Bank of America Corp	51,994	49,378	BAA2	5-10 years
Dupont E.I. De Nemours & Co.	29,487	26,958	A2	5-10 years
International Business Machines Corp	30,057	27,511	AA3	5-10 years
Morgan Stanley	50,964	49,864	BAA1	1-3 years
Corporate Foreign Obligations - HSBC	25,451	25,156	AA3	1-3 years
Total Pension Trust Fund	\$1,735,928	\$1,627,205		

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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS - Continued

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.

Custodial credit risk and concentrations of credit risk - Of the \$1,659,949 carrying amounts of business-type activities investments at June 30, 2012, \$1,659,949 are defined as uninsured and uncollateralized.

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.

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.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS - Continued

Investment Policy – Pension Trust Fund - Continued

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.

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 \$1,735,928 carrying amount of the Pension Trust Fund investments at June 30, 2012 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.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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 2012 was \$6,744,453 and is presented as electric power purchased in the accompanying Statement of Revenues and Expenses - Proprietary Fund.

NOTE 4 - PLANT IN SERVICE AND NON-UTILITY PROPERTY

Non-Utility Property

Non-utility property balances and activity for the year ended June 30, 2012 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
Total	\$ 790,045	\$ -0-	\$ -0-	\$ 790,045
Non-Utility Property Being Depreciated:				
Buildings & Improvements	148,656	3,572	-0-	152,228
Equipment	50,339	-0-	-0-	50,339
Total	198,995	3,572	-0-	202,567
Less: Accumulated Depreciation:				
Buildings	(64,911)	(6,046)	-0-	(70,957)
Equipment	(30,577)	(1,224)	-0-	(31,801)
Total	(95,488)	(7,270)	-0-	(102,758)
Total Non-Utility Property Being Depreciated - Net	103,507	(3,698)	-0-	99,809
Governmental Activities - Non-Utility Property - Net	\$ 893,552	\$(3,698)	\$ -0-	\$ 889,854

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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

Non-Utility Property - Continued

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

Depreciation Expense was charged to Governmental Functions as follows:

Community Service Projects	\$ 7,270
Total Depreciation Expense - Governmental Activities	\$ 7,270

Plant in Service

Plant in service balances and activity for the year ended June 30, 2012 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, 2012

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
Total	\$ 34,300	\$ -0-	\$ -0-	\$ 34,300
Plant in Service Being Depreciated:				
Generators	\$ 2,781,624	\$ 96,000	\$ -0-	\$ 2,877,624
Transmission Plant	1,551,032	4,580	-0-	1,555,612
Distribution Plant	5,421,069	235,049	(244,749)	5,411,369
General Plant	1,166,119	69,254	(40,328)	1,195,045
Total	\$ 10,919,844	\$ 404,883	\$(285,077)	\$11,039,650
Less: Accumulated Depreciation				
Generators	\$(1,736,449)	\$(163,025)	\$ -0-	\$(1,899,474)
Transmission Plant	(256,474)	(4,845)	-0-	(261,319)
Distribution Plant	(3,043,524)	(230,822)	244,749	(3,029,597)
General Plant	(821,372)	(74,423)	40,328	(855,467)
Total	\$ (5,857,819)	\$(473,115)	\$ 285,077	\$(6,045,857)
Total Plant in Service Being Depreciated - Net	\$ 5,062,025	\$(68,232)	\$ -0-	\$ 4,993,793
Business Type Activities - Plant in Service - Net	\$ 5,096,325	\$(68,232)	\$ -0-	\$ 5,028,093
Construction Work-in-Progress	\$ 91,575	\$ 348,027	\$(111,554)	\$ 328,048

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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 2012 follows:

Balance, Beginning	\$ -0-
Current year claims and changes in estimates	64,110
Claim payments	64,110
Balance, Ending	\$ -0-

There have been no significant reductions in insurance coverages during the fiscal year 2012. 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, 2012, the District has \$475,886 available for the customer security deposit liability of \$422,251.

NOTE 7 - SUMMARY OF CHANGES IN LONG-TERM DEBT

Description and Purpose	Balance 7/1/11	Issued	Retired	Balance 6/30/12	Due Within 1 Year
Governmental Activities:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Business-Type Activities:					
Deferred Revenue	\$5,625,049	\$ 258,261	\$ -0-	\$5,883,310	\$ -0-
Net OPEB Obligation	86,606	63,464	-0-	150,070	-0-
Totals	\$5,711,655	\$ 321,725	\$ -0-	\$6,033,380	\$ -0-

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, 2012

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, 2010 was as follows:

Retirees and beneficiaries currently receiving benefits	7
Terminated participants entitled to, but not yet receiving benefits	.4
Active Employees:	
Fully vested	4
Non-vested	<u>4</u>
	<u>19</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, 2012

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	\$(82,943)
Annual Required Contribution (ARC)	132,554
Interest on NPO	(5,806)
Adjustment to the ARC	8,204
Annual Pension Cost (APC)	134,952
Contributions Made	98,679
Increase in NPO	36,273
NPO at the End of the Period	\$(46,670)

The annual required contribution for the current year was determined as part of the July 2010, 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, 2010 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
2012	\$134,952	73.1%	\$(46,670)	\$ 98,679
2011	\$ 87,718	112.5%	\$(82,943)	\$ 98,679
2010	\$ 84,249	117.1%	\$(71,982)	\$ 98,679

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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%

*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

Pension Plan Investments:

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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 8 - PENSION PLAN - Continued

Pension Plan Investments: - Continued

Type of Investment	Description	Fair Market Value at June 30, 2012
Certificate of Deposit	CIT Bank Salt Lake City, UT	\$150,549
Certificate of Deposit	Onewest Bank	\$100,000
Mutual Funds Equities	Blackrock Equity Dividend Fund	\$116,385
Mutual Funds Equities	Dodge & Cox Stock Fund	\$ 92,572
Mutual Funds Equities	T. Rowe Price Inst Large-Cap Growth Fund	\$132,171
Mutual Funds Equities	Munder Midcap Core Growth Fund Y	\$ 95,946
Mutual Funds Equities	Nuveen Winslow Large Cap Growth Fund 1	\$130,903

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, 2012, 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, 2009:

Active Participants	9
Retirees	12
Total	21

Post employment retiree benefit payments for the year ended June 30, 2012 net of retiree and other contributions, amounted to \$67,208.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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)	\$ 131,863
Interest on net OPEB obligation	3,897
Adjustment to annual required contribution	(5,088)
Annual OPEB Cost	130,672
Contributions made	67,208
Increase in net OPEB obligation	63,464
Net OPEB obligation - Beginning of Year	86,606
Net OPEB obligation - End of Year	\$150,070

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 2012 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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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, 2009 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 10% is used initially, decreasing 1% per year to an ultimate rate of 5% for 2014 and later. The remaining amortization period at July 1, 2009 was 30 years. As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,396,239, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,396,239.

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

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%

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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%

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 \$3,537,782 held in a trust account and \$2,345,528 held in a non-trust account at June 30, 2012.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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 \$7,059 balance on their balance sheet at June 30, 2012.

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, 2012. The unrestricted balance available to the District at June 30, 2012 was \$147,350.

The monies in the rate stabilization fund as of June 30, 2012 totaling \$5,883,310 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, 2012 was \$5,994,836. Electric's net obligation (bonded debt less Electric's share of the rate stabilization fund) is \$111,526 at June 30, 2012.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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 Forward Locational 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 18th Third Amendment to the Interconnection Agreement provides for the generators to operate until May 31, 2011. 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, 2011 giving the generators the authority to operate for the duration of the interconnection agreement. On June 1, 2011 the revenue from ISO dropped to \$6,000 per month.

The District is presently looking at all options with regard to the future operation of the generators.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 10 - COMMITMENT AND CONTINGENCIES - Continued

Fitch Street Substation

As of June 30, 2012, the District has expended \$1,339,725 for the purchase of land, land improvements and other costs in order to construct a new electrical substation on Fitch Street. Management estimates the total cost of the substation will be \$7,000,000 and be placed in service in November, 2013.

Cervalis Data Center

The District has an opportunity to serve a major new customer within its service territory for the first time in many years. The Cervalis Data Center is anticipated to ramp up to 8MW's of incremental load in the next several years. The facility will be located in the rear of the Norden Industrial Park at Norden Place. Preliminary revenue and expense projections for this customer are currently being developed. The District is anticipating spending approximately \$1,500,000 to connect this customer to the District's distribution system. The customer will reimburse the District with interest for this expenditure.

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, 2012

	Balance July 1, 2011		Utility Plant		Balance June 30, 2012		Accumulated Depreciation		Net Book Value June 30, 2012	
			Additions	Retirements			Additions	Retirements		
Intangible Assets										
Franchise and Consents	\$ 34,300	\$ -	\$ -	\$ -	\$ 34,300	\$ -	\$ -	\$ -	\$ -	\$ 34,300
Generation										
Generators	2,781,624	96,000	96,000	-	2,877,624	1,736,449	163,025	-	1,899,474	978,150
Transmission Plant										
Land and Land Rights	1,157,775	-	-	-	1,157,775	-	-	-	-	1,157,775
Structures & Improvements	80,252	3,257	3,257	-	83,509	67,508	809	-	68,317	15,192
Underground Conduit	69,021	-	-	-	69,021	63,380	196	-	63,576	5,445
Underground Conductors	243,984	1,323	1,323	-	245,307	125,586	3,840	-	129,426	115,881
Distribution Plant										
Structures and Improvements	357,411	7,560	7,560	-	364,971	229,289	7,841	-	237,130	127,841
Substation Equipment	1,630,937	96,162	96,162	66,391	1,680,708	776,009	50,574	66,391	760,192	900,516
Generator	18,370	-	-	-	18,370	11,120	906	-	12,026	6,344
Poles, Towers & Equipment	582,131	23,298	23,298	17,985	587,444	281,250	23,498	17,985	286,763	300,681
Overhead Conductors	592,072	37,083	37,083	71,585	557,570	413,469	17,682	71,585	359,566	198,004
Underground Conduit	250,801	-	-	-	250,801	175,339	6,723	-	182,062	68,739
Underground Conductors	388,148	4,502	4,502	38,689	353,961	155,673	8,586	38,689	125,570	228,391
Line Transformers	537,936	50,495	50,495	50,099	538,332	346,719	17,026	50,099	313,646	224,686
Meters	609,696	13,756	13,756	-	623,452	294,775	31,775	-	326,550	296,902
Street Lights & Signals	109,776	2,193	2,193	-	111,969	72,752	9,550	-	82,302	29,667
Computer Software	343,791	-	-	-	343,791	287,129	56,661	-	343,790	1
General Plant										
Structures & Improvements	296,175	35,650	35,650	-	331,825	137,575	14,039	-	151,614	180,211
Office Furniture & Equipment	123,498	8,483	8,483	24,936	107,045	101,310	11,150	24,936	87,524	19,521
Transportation Equipment	553,944	16,764	16,764	-	570,708	453,562	38,228	-	491,790	78,918
Stores Equipment	2,758	-	-	1,254	1,504	2,306	75	1,254	1,127	377
Tools, Shop & Yard Equipment	69,493	507	507	1,000	69,000	42,132	3,450	1,000	44,582	24,418
Laboratory Equipment	28,024	-	-	13,138	14,886	26,833	398	13,138	14,093	793
Communications Equipment	21,324	-	-	-	21,324	19,916	1,330	-	21,246	78
Miscellaneous Equipment	70,903	7,850	7,850	-	78,753	37,738	5,753	-	43,491	35,262
TOTAL UTILITY PLANT	\$ 10,954,144	\$ 404,883	\$ 404,883	\$ 285,077	\$ 11,073,950	\$ 5,857,819	\$ 473,115	\$ 285,077	\$ 6,045,857	\$ 5,028,093

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF VARIOUS OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	Electrical Department
Distribution	
Overhead Lines	\$ 4,713
Street Lights and Signal Systems	1,083
Meters	130
ISO Load Shed Program	
Miscellaneous	42,005
Total Distribution	\$ 47,931
Maintenance	
Station Equipment	\$ 12,713
Overhead Lines	27,954
Underground Lines	118
Meters	1,925
Allocated Payroll	262,876
Miscellaneous	27,294
Total Maintenance	\$ 332,880
Customer Service	
Meter Reading	\$ 176,412
Customer Records and Collections	215,023
Total Customer Service	\$ 391,435
Administration	
Administrative Salaries	\$ 373,639
General Expense	82,589
Property and Casualty Insurance	70,257
Workmen's Compensation Insurance	46,899
Disability Insurance	10,296
Office Expense	44,395
Outside Services	243,166
Pension and Employee Benefits	570,577
Promotions	61
Company Trucks and Auto	38,621
Regulatory Expense	15,866
Total Administration	\$ 1,496,366

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 SCHEDULE OF VARIOUS ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Electrical Department</u>
Outside Services	
Computer System Analyst and Programming	\$ 112,879
Legal Fees (General)	-
Financial Audit Fees	19,355
Accounting Services	18,105
Pension Plan Actuarial and Legal Fees	8,000
Labor Law Attorneys	13,649
Repairs and Maintenance	12,096
Miscellaneous	2,722
Engineering	16,291
Personnel Recruitment Charges	40,069
Total Outside Services	<u>\$ 243,166</u>
Pension and Employee Benefits	
Employee Health and Disability Programs	\$ 368,460
Pension Expense	134,952
Payroll Taxes	67,165
Total Pension and Employee Benefits	<u>\$ 570,577</u>
General Expenses	
Travel and Lodging	\$ 5,185
Seminars and Training	6,557
Contractual Payments to Retired Manager	59,340
Miscellaneous	11,507
Total General Expenses	<u>\$ 82,589</u>