

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR:
JULY 1, 2013 - JUNE 30, 2014**

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
A Statement of Net Position	12
B Statement of Activities	13
FUND FINANCIAL STATEMENTS	
C Balance Sheet - Governmental Funds	14
D Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	16
E Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
F Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis - Budget and Actual - General Fund	18
G Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis - Budget and Actual - Special Revenue Fund	19
H Statement of Net Position - Proprietary Fund	20
I Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	21
J Statement of Cash Flows - Proprietary Fund	22
K Statement of Plan Net Position - Pension Trust Fund	23
L Statement of Changes in Plan Net Position - Pension Trust Fund	24

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

TABLE OF CONTENTS

	Page
NOTES TO BASIC FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability and Related Ratios	49
Schedule of District Contributions – Pension Trust Fund	50
Schedule of Investment Returns – Pension Trust Fund	51
SUPPLEMENTARY COMBINING AND INDIVIDUAL FUND SCHEDULES	
Schedule of Utility Plant	52
Schedule of Various Operating Expenses	53
Schedule of Various Administrative Expenses	54

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, 2014 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 8.7%, 8.9%, and 41%, 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, 2014, 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 and pension plan required supplementary information on pages 49 through 51 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 cursive script that reads "Hope & Hernandez, P.C.".

HOPE & HERNANDEZ, P.C.
Bridgeport, Connecticut
December 18, 2014

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, 2014. 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
	2014	2013	2014	2013	2014	2013	2014-2013
Current and Other Assets	\$ 138,393	\$ 62,680	\$ 8,226,409	\$10,046,412	\$ 8,364,802	\$10,109,092	-17.25%
Capital Assets	<u>935,722</u>	<u>905,693</u>	<u>11,704,153</u>	<u>7,634,553</u>	<u>12,639,875</u>	<u>8,540,246</u>	48.00%
Total Assets	1,074,115	968,373	19,930,562	17,680,965	21,004,677	18,649,338	12.63%
Deferred Outflows of Resources	-0-	-0-	-0-	-0-	-0-	-0-	0%
Liabilities	<u>24,125</u>	<u>6,258</u>	<u>4,502,646</u>	<u>5,888,880</u>	<u>4,526,771</u>	<u>5,895,138</u>	-23.21%
Total Liabilities	24,125	6,258	4,502,646	5,888,880	4,526,771	5,895,138	-23.21%
Deferred Inflows of Resources	-0-	-0-	-0-	-0-	-0-	-0-	0%
Net Position:							
Net Investment in Capital Assets	935,722	905,693	11,704,153	7,634,553	12,639,875	8,540,246	48.00%
Restricted	-0-	-0-	2,446,567	2,446,567	2,446,567	2,446,567	0%
Unrestricted	<u>114,268</u>	<u>56,422</u>	<u>1,277,196</u>	<u>1,710,965</u>	<u>1,391,464</u>	<u>1,767,387</u>	-21.27%
Total Net Position	<u>\$1,049,990</u>	<u>\$962,115</u>	<u>\$15,427,916</u>	<u>\$11,792,085</u>	<u>\$16,477,906</u>	<u>\$12,754,200</u>	29.20%

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				
	6/30/2014		6/30/2013	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Revenues				
Charges for Services	\$ -0-	\$10,754,826	\$ -0-	\$ 9,899,570
General Revenues				
Rental Income	62,905	-0-	60,890	-0-
Gain or Loss Disposition of Assets	-0-	32,825	-0-	9,233
Investment Income	18	27,727	24	15,527
Miscellaneous	1,982	3,802,817	2,628	2,000,353
Total Revenues	\$ 64,905	\$14,618,195	\$ 63,542	\$11,924,683
Expenses				
Primary Government:				
General Government	\$ 20,528	\$ -0-	\$ 18,672	\$ -0-
Community Service	255,844	-0-	256,567	-0-
Business-type Activities				
Expenses				
Electric Department	-0-	10,683,022	-0-	9,993,613
Total Expenses	\$ 276,372	\$10,683,022	\$ 275,239	\$ 9,993,613
Transfers	299,342	(299,342)	207,930	(207,930)
Increase (Decrease) in Net Position	87,875	3,635,831	(3,767)	1,723,140
Net Position - Beginning	962,115	11,792,085	965,882	10,068,945
Net Position - Ending	\$1,049,990	\$15,427,916	\$ 962,115	\$11,792,085

The District's total net position of \$16,477,906 increased from the prior year by \$3,723,706 mainly due to the finalization of the Fitch Street Substation and Cervalis Data Center projects. The Fitch Street Substation and Cervalis Data Center projects both began during the prior fiscal year and were completed during the current fiscal year. The District's governmental activities net position increased by \$87,875 while the business-type activities' (Electric Department's) net position increased by \$3,635,831.

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

The District's governmental activities expenditures remained fairly consistent from \$275,239 in fiscal year 2013 to \$276,372 in fiscal year 2014. Investment income experienced a slight decrease from the prior year accompanied by a slight decrease in miscellaneous general revenues. Rental income increased slightly to \$62,905 for fiscal year 2014 compared to the prior fiscal year at \$60,890. Transfers to governmental activities from the business-type activities increased from \$207,930 to \$299,342 in 2014. At June 30, 2014, \$935,722 or 89% 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 \$3,635,831 in net position. Electric operating revenues increased by \$855,256 or 9% to \$10,754,826. This increase was accompanied by an increase in miscellaneous revenues of \$1,802,464 from \$2,000,353 in the prior year to \$3,802,817 in 2014. The \$3,802,817 is comprised of rate stabilization drawdowns used to fund the Fitch Street Substation and Cervalis Data Center projects as well as capital contribution revenue related to the Cervalis project. The increase in revenues was accompanied by a 7% increase in operating expenses of \$689,409 to \$10,683,022 in 2014.

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 2014, the District had invested \$12,639,875 in a broad range of capital assets. This amount is net of accumulated depreciation. See page 52 for detail of the Electric Department's plant in service at June 30, 2014 and Note 5 to the financial statements that details both plant in service and non-utility property of the entire District. The increase in capital assets from the prior year is due mainly to the completion of the Fitch Street Substation and Cervalis Data Center projects during the current fiscal year.

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, 2014 the outstanding CMEEC obligation is \$5,146,271. 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, 2014 the rate stabilization fund has a balance of \$2,210,243, resulting in a net obligation to CMEEC of \$2,936,028.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Capital Assets and Debt Administration - 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 2013 – June, 2014	\$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 2014. 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, 2014

EXHIBIT A

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash	\$ 154,864	\$ 2,055,917	\$ 2,210,781
Investments	-	310,925	310,925
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0 and \$50,000, respectively	-	1,352,814	1,352,814
Internal Balances	(16,471)	16,471	-
Expenses Paid in Advance	-	80,025	80,025
Loan Receivable - Current	-	60,069	60,069
Total Current Assets	138,393	3,876,221	4,014,614
Non-Current Assets			
Investment in CMEEC	-	122,220	122,220
Other Restricted Assets	-	2,210,243	2,210,243
Cash - Restricted	-	499,695	499,695
Loan Receivable - Net	-	1,518,030	1,518,030
Capital Assets			
Plant In Service, Net of Accumulated Depreciation	935,722	11,616,454	12,552,176
Non-Utility Property, Net of Accumulated Depreciation	-	13,702	13,702
Construction Work-in-Progress	-	73,997	73,997
Total Non-Current Assets	935,722	16,054,341	16,990,063
TOTAL ASSETS	1,074,115	19,930,562	21,004,677
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current Liabilities			
Line of Credit	-	105,988	105,988
Accounts Payable	23,946	1,172,594	1,196,540
Taxes Payable	-	90,336	90,336
Customer Deposits and Advances	-	461,577	461,577
Accrued Compensated Absences	-	74,792	74,792
Other Accrued Expenses	-	42,064	42,064
Other Current Liabilities	179	-	179
Total Current Liabilities	24,125	1,947,351	1,971,476
Non-Current Liabilities			
Deferred Revenue	-	2,210,243	2,210,243
Net OPEB Obligation	-	306,635	306,635
Net Pension Obligation	-	38,417	38,417
Total Non-Current Liabilities	-	2,555,295	2,555,295
TOTAL LIABILITIES	24,125	4,502,646	4,526,771
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net Investment in Capital Assets	935,722	11,704,153	12,639,875
Restricted for Capital Improvements	-	1,446,567	1,446,567
Restricted for Catastrophic Occurrence	-	1,000,000	1,000,000
Unrestricted	114,268	1,277,196	1,391,464
TOTAL NET POSITION	\$ 1,049,990	\$ 15,427,916	\$ 16,477,906

See accompanying notes and accountant's report.

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B

	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government		
						Governmental Activities	Business-type Activities	Total
Functions / Programs								
Primary government:								
Governmental Activities:								
Public Officials Fees	\$ 15,300	\$ -	\$ -	\$ -	\$ -	(15,300)	-	\$ (15,300)
Payroll Tax Expense	1,170	-	-	-	-	(1,170)	-	(1,170)
Community Service Projects	255,844	-	-	-	-	(255,844)	-	(255,844)
Accounting and Professional Fees	-	-	-	-	-	-	-	-
Meetings, Printers, and Other	4,058	-	-	-	-	(4,058)	-	(4,058)
Total Governmental Activities	276,372	-	-	-	-	(276,372)	-	(276,372)
Business-type Activities:								
Electrical Facility	10,683,022	10,754,826	-	-	-	-	71,804	71,804
Total Business-type Activities	10,683,022	10,754,826	-	-	-	-	71,804	71,804
Total Primary Government	\$ 10,959,394	\$ 10,754,826	\$ -	\$ -	\$ -	(276,372)	\$ 71,804	\$ (204,568)
General Revenues:								
Rental Income					\$ 62,905	\$ -	\$ -	\$ 62,905
Gain (Loss) on Disposition of Utility Plant					-	32,825	32,825	32,825
Investment Income					18	27,727	27,745	27,745
Other Income					1,982	3,802,817	3,804,799	3,804,799
Transfers					299,342	(299,342)	-	-
Total General Revenues, Special Items, and Transfers					364,247	3,564,027	3,928,274	3,928,274
Change in Net Position					87,875	3,635,831	3,723,706	3,723,706
Net Position - Beginning					962,115	11,792,085	12,754,200	12,754,200
Net Position - Ending					\$ 1,049,990	\$ 15,427,916	\$ 16,477,906	\$ 16,477,906

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

FUND FINANCIAL STATEMENTS

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT C
Page 1 of 2

	General	Special Revenue	Total Governmental Funds
ASSETS			
Current Assets			
Cash	\$ 96,274	\$ 58,590	\$ 154,864
Total Current Assets	<u>96,274</u>	<u>58,590</u>	<u>154,864</u>
TOTAL ASSETS	<u>96,274</u>	<u>58,590</u>	<u>154,864</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts Payable	23,946	-	23,946
Due to Electric Department	16,471	-	16,471
Capital Lease Obligations	-	-	-
Other Current Liabilities	<u>-</u>	<u>179</u>	<u>179</u>
TOTAL LIABILITIES	<u>40,417</u>	<u>179</u>	<u>40,596</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	-	58,411	58,411
Unassigned	<u>55,857</u>	<u>-</u>	<u>55,857</u>
TOTAL FUND BALANCES	<u>\$ 55,857</u>	<u>\$ 58,411</u>	<u>\$ 114,268</u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

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	\$	114,268
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Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds:

Cost of governmental capital assets	\$	1,056,890	
Accumulated depreciation on above capital assets		<u>(121,168)</u>	935,722

Net position of governmental activities		<u><u>\$</u></u>	<u><u>1,049,990</u></u>
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**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT D

	General	Special Revenue	Total Governmental Funds
Revenues			
Rental Income	\$ 38,000	\$ 24,905	\$ 62,905
Interest Income	9	9	18
Other Income	-	1,982	1,982
Total Revenues	<u>38,009</u>	<u>26,896</u>	<u>64,905</u>
Expenditures			
Public Officials Fees	15,300	-	15,300
Payroll Tax Expense	1,170	-	1,170
Community Service Projects	64,065	181,750	245,815
Accounting and Professional Fees	-	-	-
Meetings, Printers, and Other	4,058	-	4,058
Total Expenditures	<u>84,593</u>	<u>181,750</u>	<u>266,343</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(46,584)</u>	<u>(154,854)</u>	<u>(201,438)</u>
Other Financing Sources (Uses)			
Capital Expenditures	(35,493)	(4,565)	(40,058)
Transfer in from Enterprise Electric Department	299,342	-	299,342
Transfers Between Funds	(167,121)	167,121	-
Net Other Financing Sources (Uses)	<u>96,728</u>	<u>162,556</u>	<u>259,284</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	50,144	7,702	57,846
Fund Balance (Deficit) - Beginning of Year	<u>5,713</u>	<u>50,709</u>	<u>56,422</u>
Fund Balance - End of Year	<u>\$ 55,857</u>	<u>\$ 58,411</u>	<u>\$ 114,268</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, 2014**

EXHIBIT E

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

Net change in fund balances - total governmental funds	\$	57,846
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, 2014, \$40,058 and current year depreciation expense of \$10,029 is a reconciling item.		<u>30,029</u>
Change in net position of governmental activities	\$	<u><u>87,875</u></u>

**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, 2014**

EXHIBIT F

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Rental Income	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
Interest Income	30	30	9	(21)
Other Income	-	-	-	-
Total Revenues	<u>38,030</u>	<u>38,030</u>	<u>38,009</u>	<u>(21)</u>
Expenditures				
Salaries - Commissioners	10,500	10,500	10,500	-
Salary - Clerk	1,800	1,800	1,800	-
Salary - Treasurer	1,800	1,800	3,000	(1,200)
Payroll Tax Expense	1,079	1,079	1,170	(91)
Maintenance of Parks	23,100	23,100	21,093	2,007
East Norwalk Cemetery	22,200	22,200	20,169	2,031
East Norwalk Library - Other	10,000	10,000	5,006	4,994
East Norwalk Library - Major/Capital	-	-	7,474	(7,474)
Holiday Events	8,150	8,150	6,317	1,833
Firehouse Expense	-	-	-	-
Firehouse Expense - Major/Capital	20,000	20,000	28,019	(8,019)
Concerts in the Park	14,850	14,850	11,480	3,370
Legal and Accounting Services	-	-	-	-
Annual Electors Meeting	3,950	3,950	4,058	(108)
District Newsletter Allowance	-	-	-	-
Contingencies	25,000	25,000	-	25,000
Total Expenditures	<u>142,429</u>	<u>142,429</u>	<u>120,086</u>	<u>22,343</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(104,399)</u>	<u>(104,399)</u>	<u>(82,077)</u>	<u>22,322</u>
Other Financing Sources (Uses)				
Transfer in from Electric Department	299,342	299,342	299,342	-
Transfer Out to Special Revenue Fund	(167,121)	(167,121)	(167,121)	-
Utilization of Prior Years Unexpended Funds	2,323	2,323	-	(2,323)
Net Other Financing Sources (Uses)	<u>134,544</u>	<u>134,544</u>	<u>132,221</u>	<u>(2,323)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 30,145</u>	<u>\$ 30,145</u>	<u>50,144</u>	<u>\$ 19,999</u>
Fund Balance (Deficit) - Beginning of Year			<u>5,713</u>	
Fund Balance - End of Year			<u>\$ 55,857</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, 2014

EXHIBIT G

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Rental Income	\$ 20,600	\$ 20,600	\$ 24,905	4,305
Interest and Other Income	7,075	7,075	1,991	(5,084)
Total Revenues	<u>27,675</u>	<u>27,675</u>	<u>26,896</u>	<u>(779)</u>
Expenditures				
Personnel	89,606	89,606	88,780	826
Benefits and Taxes	22,960	22,960	21,141	1,819
Programming	38,970	38,970	25,416	13,554
Utilities	17,500	17,500	13,555	3,945
Building Maintenance Security & Repairs	14,260	14,260	16,850	(2,590)
Professional Fees	11,500	11,500	11,873	(373)
Community Programs	-	-	4,135	(4,135)
Other	-	-	-	-
Total Expenditures	<u>194,796</u>	<u>194,796</u>	<u>181,750</u>	<u>13,046</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(167,121)</u>	<u>(167,121)</u>	<u>(154,854)</u>	<u>12,267</u>
Other Financing Sources (Uses)				
Transfer in from General Fund	167,121	167,121	167,121	-
Capital Expenditures	-	-	(4,565)	(4,565)
Net Other Financing Sources (Uses)	<u>167,121</u>	<u>167,121</u>	<u>162,556</u>	<u>(4,565)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,702</u>	<u>\$ 7,702</u>
Fund Balance - Beginning of Year			<u>50,709</u>	
Fund Balance - End of Year			<u>\$ 58,411</u>	

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2014

EXHIBIT H

ASSETS	Electrical Department
Current Assets	
Cash	\$ 2,055,917
Investments	310,925
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$50,000	1,352,814
Due from Governmental Funds	16,471
Expenses Paid in Advance	80,025
Loan Receivable - Current	60,069
Total Current Assets	3,876,221
Non-Current Assets	
Investment in CMEEC	122,220
Other Restricted Assets	2,210,243
Cash - Restricted	499,695
Loan Receivable - Net	1,518,030
Capital Assets	
Plant In Service, Net of Accumulated Depreciation	11,616,454
Non-Utility Property, Net of Accumulated Depreciation	13,702
Construction Work in Progress	73,997
Total Non-Current Assets	16,054,341
TOTAL ASSETS	19,930,562
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Current Liabilities	
Line of Credit	\$ 105,988
Accounts Payable	1,172,594
Taxes Payable	90,336
Customer Deposits and Advances	461,577
Accrued Compensated Absences	74,792
Other Accrued Expenses	42,064
Total Current Liabilities	1,947,351
Non-Current Liabilities	
Deferred Revenue	2,210,243
Net OPEB Obligation	306,635
Net Pension Obligation	38,417
Total Non-Current Liabilities	2,555,295
TOTAL LIABILITIES	4,502,646
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net Investment in Capital Assets	11,704,153
Restricted for Capital Improvements	1,446,567
Restricted for Catastrophic Occurrence	1,000,000
Unrestricted	1,277,196
TOTAL NET POSITION	\$ 15,427,916

**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, 2014**

EXHIBIT I

	Electrical Department
Operating Revenues	
Residential Sales	\$ 2,645,624
Commercial Sales	2,021,865
Industrial Sales	683,181
Cervalis Sales	33,284
Water Pollution Control Plant	732,752
Private Security Lighting	90,777
Sales for Resale	528,594
Miscellaneous Service Revenue	77,652
Fuel Costs Billed	3,941,097
Total Operating Revenues	<u>10,754,826</u>
Operating Expenses	
Electrical Power Purchased	6,868,503
Transmission	-
Distribution	179,937
Maintenance	424,352
Generation Expenses	180,317
Customer Service	316,818
Administration	1,802,243
Depreciation	557,160
Connecticut Gross Receipts Tax	346,544
Total Operating Expenses	<u>10,675,874</u>
Operating Income (Loss)	<u>78,952</u>
Nonoperating Revenue and Expenses	
Gain from Sale of Fixed Assets	32,825
Interest and Dividend Income	27,727
Interest Expense	(7,148)
Unrealized Gain (Loss) on Investments	-
Other Income	3,802,817
Total Nonoperating Revenues and Expenses	<u>3,856,221</u>
Income (Loss) Before Operating Transfers	<u>3,935,173</u>
Operating Transfers	
Transfers Out	299,342
Net Operating Transfers	<u>299,342</u>
Change in Net Position	3,635,831
Net Position - Beginning	<u>11,792,085</u>
Net Position - Ending	<u><u>\$ 15,427,916</u></u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT J

	Electrical Department
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 10,831,231
Cash Payments to Suppliers, Vendors, and Contractors	(8,586,311)
Cash Payments to Employees for Payroll	(1,136,247)
Net Cash Provided by Operating Activities	<u>1,108,673</u>
Cash Flows from Noncapital Financing Activities	
Operating Transfers	(299,342)
Net Cash Used by Noncapital Financing Activities	<u>(299,342)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Property and Equipment	(4,676,099)
Proceeds from CMEEC	2,200,000
Net Borrowings on Line of Credit	105,988
Net Cash Used by Capital and Related Financing Activities	<u>(2,370,111)</u>
Cash Flows from Investing Activities	
Payments Received from Loan Receivable	(301,925)
Acquisitions of Investments	24,718
Net Cash Provided by Investing Activities	<u>(277,207)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,837,987)
Cash and Cash Equivalents - Beginning of Year	<u>4,393,599</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,555,612</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 78,952
Adjustments to Reconcile Operating Income (Loss) to net cash provided (used) by operating activities:	
Depreciation	557,160
Gain on Disposal of Assets	(32,825)
Net Investment Income	20,579
Changes in Assets and Liabilities:	
Receivables, net	64,625
Expenses Paid in Advance and Other Assets	(2,479)
Payables and Accrued Liabilities	422,661
Net Cash Provided by Operating Activities	<u><u>\$ 1,108,673</u></u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF PLAN NET POSITION - PENSION TRUST FUND
JUNE 30, 2014

EXHIBIT K

ASSETS

Cash	\$	122,022
Investments, at Fair Value		
Certificates of Deposit		400,279
Municipal Obligations		325,010
Corporate Bonds		25,572
Mutual Funds Equities		1,350,301
U.S. Government Obligations		49,703

TOTAL ASSETS		<u>2,272,887</u>
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DEFERRED OUTFLOWS OF RESOURCES		<u>-</u>
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TOTAL LIABILITIES		<u>-</u>
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DEFERRED INFLOWS OF RESOURCES		<u>-</u>
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NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS	\$	<u><u>2,272,887</u></u>
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**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT L

ADDITIONS

Contributions:	
Employer	\$ 98,679
Total Contributions	<u>98,679</u>
Investment Income	32
Interest and Dividends	55,186
Net Appreciation (Depreciation) in Fair Value of Investments	<u>208,445</u>
	263,663
Less: Trustee, Advisory and Administrative Fees	<u>(15,419)</u>
Net Investment Income	<u>248,244</u>

TOTAL ADDITIONS (DEDUCTIONS)	<u>346,923</u>
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DEDUCTIONS

Benefits	<u>90,620</u>
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TOTAL DEDUCTIONS	<u>90,620</u>
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CHANGE IN NET POSITION	256,303
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NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS

BEGINNING OF YEAR	<u>2,016,584</u>
END OF YEAR	<u>\$ 2,272,887</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, 2014

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, 2014

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, 2014 District electors voted to authorize the transfer of \$299,342 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, 2014

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 \$58,411 at June 30, 2014 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, 2014

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-	\$1,402,814
Less: Allowance for Uncollectible Accounts	-0-	50,000
Net Accounts Receivable	<u>\$ -0-</u>	<u>\$1,352,814</u>

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:

	Years
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, 2014

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 12).

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 \$74,792 is classified as current at June 30, 2014.

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, 2014

Electric

\$7,148

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, 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)	\$ 156,364	\$ 154,864
Business-Type Activities (Electric Department)	2,580,365	2,555,612
Pension Trust Fund	122,022	122,022

Custodial credit risk and concentrations of credit risk - Of the \$2,580,365 business-type activities bank balances, \$687,740 is uninsured and uncollateralized at June 30, 2014. \$1,642,625 or 64% of the June 30, 2014 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, 2014

NOTE 2 - CASH AND INVESTMENTS - Continued

Investments:

At June 30, 2014, 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				
Equities/Mutual Funds	\$ 310,925	\$ 310,388	N/A	N/A
Total Business-Type Activities	\$ 310,925	\$ 310,388		
Pension Trust Fund				
Equities/Mutual Funds	\$1,350,301	\$941,099	N/A	N/A
Certificates of Deposit	400,279	399,646	N/A	N/A
U.S. Government Obligations	49,703	49,914	Aaa	5-10 years
Municipal Obligations	100,047	100,000	Aa3	0-1 years
Municipal Obligations	30,952	31,200	Aaa	1-3 years
Municipal Obligations	50,259	52,250	AA-	4 years
Municipal Obligations	48,030	46,912	Aaa	5-10 years
Municipal Obligations	51,772	50,888	Aaa	5-10 years
Municipal Obligations	43,950	44,731	AA-	5-10 years
Corporate Obligations - Domestic:				
Allstate Life Global Fund	25,572	20,650	A+	1-3 years
Total Pension Trust Fund	\$2,150,865	\$1,737,290		

(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, 2014

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, 2014

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 \$2,150,865 carrying amount of the Pension Trust Fund investments at June 30, 2014 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 2014 was \$6,868,503 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, 2014

NOTE 4 - LOAN RECEIVABLE

A loan receivable was initiated in February 2014 with Cervalis Inc. in connection with the construction of the Cervalis Data Center Facilities. This loan is being repaid in 240 monthly installments of \$8,929 including interest which is variable increasing 1% every 5 years from 3% to 6%.

Total Due at June 30, 2014	\$1,578,099
Less: Current Portion	60,069
Non-Current	<u>\$1,518,030</u>

NOTE 5 - PLANT IN SERVICE AND NON-UTILITY PROPERTY

Non-Utility Property

Non-utility property balances and activity for the year ended June 30, 2014 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	<u>\$ 790,045</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$790,045</u>
Non-Utility Property Being Depreciated:				
Buildings & Improvements	\$ 176,448	\$ 35,493	\$ -0-	\$211,941
Equipment	50,339	4,565	-0-	54,904
Total	<u>\$ 226,787</u>	<u>\$ 40,058</u>	<u>\$ -0-</u>	<u>\$266,845</u>
Less: Accumulated Depreciation:				
Buildings	\$(78,166)	\$(8,880)	\$ -0-	\$(87,046)
Equipment	(32,973)	(1,149)	-0-	(34,122)
Total	<u>\$(111,139)</u>	<u>\$(10,029)</u>	<u>\$ -0-</u>	<u>\$(121,168)</u>
Total Non-Utility Property Being Depreciated – Net	\$ 115,648	\$ 30,029	\$ -0-	\$ 145,677
Governmental Activities - Non-Utility Property – Net	<u>\$ 905,693</u>	<u>\$ 30,029</u>	<u>\$ -0-</u>	<u>\$ 935,722</u>

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 5 - 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	<u>\$ 10,029</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 10,029</u>

Plant in Service

Plant in service balances and activity for the year ended June 30, 2014 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, 2014

NOTE 5 – 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	\$ 2,877,624	\$ -0-	\$ -0-	\$ 2,877,624
Transmission Plant	1,555,612	1,917,687	-0-	3,473,299
Distribution Plant	5,457,956	5,360,741	(86,277)	10,732,420
General Plant	1,210,870	88,660	(14,960)	1,284,570
Total	\$ 11,102,062	\$ 7,367,088	\$ (101,237)	\$18,367,913
Less: Accumulated Depreciation				
Generators	\$(2,062,499)	\$(163,025)	\$ -0-	\$(2,225,524)
Transmission Plant	(266,164)	(36,901)	-0-	(303,065)
Distribution Plant	(3,116,053)	(280,231)	(79,092)	(3,317,192)
General Plant	(877,935)	(77,003)	(14,960)	(939,978)
Total	\$(6,322,651)	\$(557,160)	\$(94,052)	\$(6,785,759)
Total Plant in Service Being Depreciated - Net	\$ 4,779,411	\$ 6,809,928	\$(7,185)	\$ 11,582,154
Business Type Activities - Plant in Service - Net	\$ 4,813,711	\$ 6,809,928	\$(7,185)	\$ 11,616,454
Construction Work-in-Progress	\$ 2,807,140	\$ 31,577	\$(2,764,720)	\$ 73,997

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 6 - 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 2014 follows:

Balance, Beginning	\$ -0-
Current year claims and changes in estimates	69,192
Claim payments	69,192
Balance, Ending	\$ -0-

There have been no significant reductions in insurance coverages during the fiscal year 2014. Settled claims have not exceeded commercial excess coverages in any of the past three years.

NOTE 7 - 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, 2014, the District has \$499,695 available for the customer security deposit liability of \$461,577.

NOTE 8 - LINE OF CREDIT

The District has a \$500,000 line of credit with a local bank which permits the Company to borrow up to \$500,000 at the Wall Street Journal's prime rate which was 3.25% at June 30, 2014. It is secured by all of the District's assets and expires on July 1, 2016. At June 30, 2014 the amount outstanding on the line of credit was \$105,988.

NOTE 9 - SUMMARY OF CHANGES IN LONG-TERM DEBT

Description and Purpose	Balance 7/1/13	Issued	Retired	Balance 6/30/14	Due Within 1 Year
Governmental Activities:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Business-Type Activities:					
Deferred Revenue	\$4,019,138	\$391,105	\$(2,200,000)	\$2,210,243	\$ -0-
Net OPEB Obligation	222,770	83,865	-0-	306,635	-0-
Net Pension Obligation	(8,753)	47,170	-0-	38,417	-0-
Totals	\$4,233,155	\$522,140	\$(2,200,000)	\$2,555,295	\$ -0-

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 10 - PENSION PLAN

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description:

Plan administration. The District's Pension Committee administers the District's Pension Plan – a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and beneficiaries.

Management of the District's plan is vested in the District's Pension Committee, which consists of three members who are the District's General Manager, Assistant General Manager and Senior Customer Account Analyst.

Plan Membership. At July 1, 2012, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	8
	<u>17</u>

Benefits provided. 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.

Contributions. 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 3.0% per year plus a service-based scale based on years of service. 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. For the year ended June 30, 2014, the average active member contribution rate was 0 percent of annual pay, and the District's average contribution rate was 13.62 percent of covered payroll.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 10 - PENSION PLAN - Continued

Plan Description: - Continued

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the District's Pension Committee by a majority vote of its members. It is the policy of the District's Pension Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The District's investments policy is provided in more detail in Note 2 to the District's financial statements. The following was the District's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
Cash and Cash Equivalents	23.00%
Governmental Debt	17.00%
Corporate Debt	1.00%
US Large Cap Equity	30.00%
US Small/Mid Cap Equity	14.00%
International Equity	13.00%
Emerging Markets Equity	2.00%
Total	100.00%

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

Type of Investment	Description	Fair Market Value at June 30, 2014
Mutual Funds Equities	Blackrock Equity Dividend Fund	\$ 152,605
Mutual Funds Equities	Cambiar International Equity Fund	155,241
Mutual Funds Equities	Dodge & Cox Stock Fund	159,802
Mutual Funds Equities	American Europacific Growth Fund F 2	150,031
Mutual Funds Equities	T. Rowe Price Inst Large-Cap Growth Fund	158,375
Mutual Funds Equities	Munder Midcap Core Growth Fund Y	143,057
Mutual Funds Equities	Nuveen Winslow Large Cap Growth Fund 1	158,265

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.26%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 10 - PENSION PLAN - Continued

Net Pension Liability of the District

The components of the net pension liability of the District at June 30, 2014, were as follows:

Total Pension Liability	\$ 3,158,932
Plan Fiduciary Net Position (includes accrued interest)	(2,276,061)
District's Net Pension Liability	<u>\$ 882,871</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.05%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

- *Salary Increases* – 3% plus a service-based scale ranging from 0 to 1.5% based on years of service, including inflation.
- *Investment Rate of Return* – 7%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with no collar adjustment, projected to the valuation date using Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation. The target allocation percentages displayed above are based on the actual asset allocation as of June 30, 2014 rounded to the nearest percent.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. The results support a rate between 6.50% and 7.00%. An expected rate of return of 7.00% was used.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - PENSION PLAN - Continued

Asset Class	Long-Term Expected Real Rate of Return
Cash & Cash Equivalents	0.50%
Government Debt	1.75%
Corporate Debt	2.25%
US Large Cap Equity	4.75%
US Small/Mid Cap Equity	5.50%
International Equity	5.25%
Emerging Markets Equity	6.00%

Discount Rate. The long-term expected rate of return on investments may be used to discount liabilities to the extent that the plan's fiduciary net position and future contributions are projected to be sufficient to cover expected benefit payments and administrative expenses for current plan members. Projections of the plan's fiduciary net position incorporate all cash flows for contributions from the employer and employee and administrative expenses. Professional judgment should be applied to the projections of contributions in circumstances where (a) contributions amounts are established by statute or contract or (b) a formal written policy exists. Consideration should also be given to the most recent five-year contribution history as key indicators of future contributions. It should not include cash flows for future plan members.

If the amount of the plan's fiduciary net position is projected to be greater than or equal to the benefit payments and administrative expenses made in that period, the actuarial present value of payments should be discounted using the long-term expected rate of return on those investments. A 20-year, high quality (AA/Aa or higher), tax-exempt municipal bond yield or index rate must be used to discount benefit payments for periods where the fiduciary net position is not projected to cover expected benefit payments and administrative expenses.

Plans that are projected to have sufficient fiduciary net position indefinitely will use the long-term expected return on investments to determine liabilities but will have to substantiate their projected solvency.

GASB permits alternative methods to evaluate the sufficiency of the plan's net fiduciary position. Based on the plan's current net pension liability and current contribution policy, the plan's projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, since the fund is not projected to run out of money, we have used the 7.00% interest rate assumption to discount plan liabilities.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - PENSION PLAN - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability	\$1,249,985	\$882,871	\$572,859

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 10, 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, 2014, 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
Total	18

Post employment retiree benefit payments for the year ended June 30, 2014 net of retiree and other contributions, amounted to \$75,833.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 11 - 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)	\$162,762
Interest on net OPEB obligation	10,025
Adjustment to annual required contribution	(13,089)
Annual OPEB Cost	159,698
Contributions made	75,833
Increase in net OPEB obligation	83,865
Net OPEB obligation - Beginning of Year	222,770
Net OPEB obligation - End of Year	<u>\$306,635</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 2014 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
6/30/2014	\$159,698	\$75,833	47%	\$306,635

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 11 - 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 0.5% 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	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UFAAL as a % of Covered Payroll
7/1/2009	\$ -0-	\$1,396,239	\$1,396,239	0%	\$806,588	173%
7/1/2012	\$ -0-	\$1,626,120	\$1,626,120	0%	\$835,769	195%

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11 - 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%
2014	\$162,762	\$ 75,833	47%

NOTE 12 - COMMITMENT AND CONTINGENCIES

Operating Leases

The District is obligated under non-cancelable operating leases for certain office and transportation equipment. These lease commitments exist through June 30, 2018. Future minimum rental payments required under the non-cancelable operating leases are as follows:

2015	\$ 43,541
2016	43,541
2017	43,541
2018	10,119
	<u>\$ 140,742</u>

Rent expense included in operations relating to the non-cancelable operating leases amounted to \$33,421 for the year ended June 30, 2014.

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.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 12 - COMMITMENT AND CONTINGENCIES - Continued

CMEEC: - Continued

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 \$741 held in a trust account and \$2,209,502 held in a non-trust account at June 30, 2014.

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 \$171,887 balance on their balance sheet at June 30, 2014.

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, 2014. The unrestricted balance available to the District at June 30, 2014 was \$147,662.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 12 - COMMITMENT AND CONTINGENCIES - Continued

Economic Development Fund: - Continued

The monies in the rate stabilization fund as of June 30, 2014 totaling \$2,210,243 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, 2014 was \$5,146,271. Electric's net obligation (bonded debt less Electric's share of the rate stabilization fund) is \$2,936,028 at June 30, 2014.

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 18th Third Amendment to the Interconnection Agreement provides for the generators to operate until May 31, 2013. 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.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 12 - COMMITMENT AND CONTINGENCIES - Continued

Norden Park Generation: - Continued

The DPUC approval was ordered on January 6, 2013 giving the generators the authority to operate for the duration of the interconnection agreement. On June 1, 2013 the revenue from ISO dropped to \$6,000 per month.

For the twelve month period ending June 30, 2014, revenues related to the operation of the Norden units was \$89,354.

The short-term outlook (6-12 months) for the LFRM market in New England is expected to be fairly robust, depending on weather conditions and load growth. In response, the District has taken a more aggressive approach to maintaining and testing each of the Norden Generators and has begun to increase their operating efficiency in conjunction with CMEEC's Portfolio Management staff. The District's management is also actively pursuing an extension of the Norden Lease, which expires on December 31, 2014.

Unused Commercial Promissory Note

During the year ended June 30, 2014, the District entered into a loan agreement with a local bank to borrow up to \$3,000,000 to complete the purchases and related costs of construction projects. The amount borrowed would convert to a term loan within 18 months with interest at the rate of 3.75% to be secured by the assets of the District. The loan balance was \$-0- at June 30, 2014.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR**

Total Pension Liability	2014
Service Cost	\$ 100,460
Interest	209,673
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments Including Refunds of Member Contributions	(90,620)
Net Change in Total Pension Liability	219,513
Total Pension Liability - Beginning	2,939,419
Total Pension Liability - Ending: (a)	\$ 3,158,932
Plan Fiduciary Net Position	
Contributions - Employer	\$ 98,679
Contributions - Member	-
Net Investment Income	248,106
Benefit Payments Including Refunds of Member Contributions	(90,620)
Administrative Expenses	-
Other	-
Net Change in Plan Fiduciary Net Position	256,165
Plan Fiduciary Net Position - Beginning	2,019,896
Plan Fiduciary Net Position - Ending: (b)	\$ 2,276,061
Net Pension Liability - Ending: (a)-(b)	\$ 882,871
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.05%
Covered-Employee Payroll	\$ 724,371
Net Pension Liability as a Percentage of Covered-Employee Payroll	121.88%

Until a 10-year trend is compiled, this schedule will present information for those years for which information is available.

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION TRUST FUND
LAST FISCAL YEAR**

	<u>2014</u>
Actuarially Determined Contribution	\$ 145,690
Contributions in Relation to the Actuarially Determined Contribution	<u>98,679</u>
Contribution Deficiency (Excess)	<u>\$ 47,011</u>
Covered-Employee Payroll	<u>\$ 724,371</u>
Contributions as a Percentage of Covered-Employee Payroll	13.62%

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16 Years
Asset Valuation Method	Fair Value
Salary Increases	3.0% plus a service based scale ranging from 0-1.5% based on years of service, including inflation
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation
Retirement Age	Age 65 and 10 years of plan participation
Mortality	RP-2000 Mortality table with separate male and female rates, with no collar adjustment, combined tables for non-annuitants and annuitants, projected to the valuation date using Scale AA

Until a 10-year trend is compiled, this schedule will present information for those years for which information is available.

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST FUND
LAST FISCAL YEAR**

	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.26%

Until a 10-year trend is compiled, this schedule will present information for those years for which information is available.

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, 2014

	Utility Plant				Accumulated Depreciation			Net Book Value June 30, 2014
	Balance July 1, 2013	Balance June 30, 2014		Balance July 1, 2013	Balance June 30, 2014			
		Additions	Retirements		Additions	Retirements		
Intangible Assets								
Franchise and Consents	\$ 34,300	\$ -	\$ -	\$ 34,300	\$ -	\$ -	\$ -	\$ 34,300
Generation								
Generators	2,877,624	-	-	2,877,624	2,062,499	163,025	2,225,524	652,100
Transmission Plant								
Land and Land Rights	1,157,775	314,870	-	1,472,645	-	-	-	1,472,645
Structures & Improvements	83,509	-	-	83,509	69,126	809	69,935	13,574
Underground Conduit	69,021	-	-	69,021	63,772	196	63,968	5,053
Underground Conductors	245,307	-	-	245,307	133,266	3,840	137,106	108,201
Cervallis Data Center Facilities	-	1,602,817	-	1,602,817	-	32,056	32,056	1,570,761
Distribution Plant								
Structures and Improvements	364,971	-	-	364,971	244,972	7,842	252,814	112,157
Substation Equipment	1,667,323	5,231,386	(20,000)	6,878,709	791,641	153,151	924,792	5,953,917
Generator	18,370	-	-	18,370	12,932	906	13,838	4,532
Poles, Towers & Equipment	600,383	14,694	(9,966)	605,111	310,380	24,139	324,553	280,558
Overhead Conductors	567,846	10,572	(13,317)	565,101	354,543	15,659	356,885	208,216
Underground Conduit	250,801	-	-	250,801	188,785	6,390	195,175	55,626
Underground Conductors	357,875	2,090	(8,575)	351,390	134,301	8,783	134,509	216,881
Line Transformers	539,487	3,010	(5,010)	537,487	297,166	17,639	309,795	227,692
Meters	632,842	72,047	(17,443)	687,446	349,217	36,776	373,341	314,105
Street Lights & Signals	114,267	26,942	(11,966)	129,243	88,325	8,946	87,699	41,544
Computer Software	343,791	-	-	343,791	343,791	-	343,791	-
General Plant								
Structures & Improvements	344,116	14,457	-	358,573	158,320	15,402	173,722	184,851
Office Furniture & Equipment	107,963	37,674	(9,220)	136,417	93,979	18,321	103,080	33,337
Transportation Equipment	566,981	17,690	-	584,671	492,266	30,856	523,122	61,549
Stores Equipment	1,504	-	-	1,504	1,202	75	1,277	227
Tools, Shop & Yard Equipment	68,780	15,853	(4,740)	79,893	47,030	3,855	46,145	33,748
Laboratory Equipment	12,722	-	(1,000)	11,722	12,327	348	11,675	47
Communications Equipment	25,759	-	-	25,759	22,213	887	23,100	2,659
Miscellaneous Equipment	83,045	2,986	-	86,031	50,598	7,259	57,857	28,174
TOTAL UTILITY PLANT	\$ 11,136,362	\$ 7,367,088	\$ (101,237)	\$ 18,402,213	\$ 6,322,651	\$ 557,160	\$ 6,785,759	\$ 11,616,454

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF VARIOUS OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Electrical Department
Distribution	
Substation Payroll	\$ 108,512
Overhead Lines	13,789
Street Lights and Signal Systems	404
Meters	2,285
ISO Load Shed Program	-
Miscellaneous	54,947
Total Distribution	\$ 179,937
Maintenance	
Station Equipment	\$ 41,830
Overhead Lines	75,020
Line Transformers	463
Street Lights and Signal Systems	4
Underground Lines	-
Meters	1,726
Allocated Payroll	269,575
Miscellaneous	35,734
Total Maintenance	\$ 424,352
Customer Service	
Meter Reading	\$ 72,371
Customer Records and Collections	244,447
Total Customer Service	\$ 316,818
Administration	
Administrative Salaries	\$ 319,305
General Expense	109,693
Property and Casualty Insurance	105,439
Workmen's Compensation Insurance	46,465
Disability Insurance	10,102
Office Expense	52,600
Outside Services	336,181
Pension and Employee Benefits	680,255
Promotions	67,955
Company Trucks and Auto	61,750
Regulatory Expense	12,498
Total Administration	\$ 1,802,243

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF VARIOUS ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Electrical Department
Outside Services	
Computer System Analyst and Programming	\$ 101,714
Legal Fees (General)	12,416
Financial Audit Fees	20,145
Accounting Services	32,535
Pension Plan Actuarial and Legal Fees	20,155
Labor Law Attorneys	6,476
Repairs and Maintenance	43,353
Miscellaneous	3,712
Engineering	95,675
Personnel Recruitment Charges	-
Total Outside Services	\$ 336,181
Pension and Employee Benefits	
Employee Health and Disability Programs	\$ 454,799
Pension Expense	145,849
Payroll Taxes	79,607
Total Pension and Employee Benefits	\$ 680,255
General Expenses	
Travel and Lodging	\$ 2,986
Seminars and Training	15,611
Contractual Payments to Retired Manager	51,583
Miscellaneous	39,513
Total General Expenses	\$ 109,693