

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR:
JULY 1, 2016 - JUNE 30, 2017**

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

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THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Third Taxing District - City of Norwalk, Connecticut, as of and for the year ended June 30, 2017 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 12.7%, 11.0%, and 45.6%, 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 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.

INDEPENDENT AUDITOR'S REPORT

Continued...

Auditor's Responsibility - Continued

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, 2017, 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 and other post-employment benefits required supplementary information on pages 60 through 64 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 black ink that reads "Hope & Hernandez, P.C." with a stylized flourish at the end.

HOPE & HERNANDEZ, P.C.
Bridgeport, Connecticut
December 14, 2017

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, 2017. 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
	2017	2016	2017	2016	2017	2016	2017- 2016
Current and Other Assets	\$ 166,022	\$ 174,008	\$10,781,940	\$ 9,475,368	\$10,947,962	\$ 9,649,376	13.46%
Capital Assets	<u>998,288</u>	<u>963,114</u>	<u>13,079,820</u>	<u>12,748,096</u>	<u>14,078,108</u>	<u>13,711,210</u>	2.68%
Total Assets	1,164,310	1,137,122	23,861,760	22,223,464	25,026,070	23,360,586	7.13%
Deferred Outflows of Resources	-0-	-0-	522,396	209,581	522,396	209,581	149.26%
Liabilities	<u>6,857</u>	<u>1,526</u>	8,947,805	6,807,365	8,954,662	6,808,891	31.51%
Total Liabilities	6,857	1,526	8,947,805	6,807,365	8,954,662	6,808,891	31.51%
Deferred Inflows of Resources	-0-	-0-	125,568	167,423	125,568	167,423	-25.00%
Net Position:							
Net Investment in Capital Assets	998,288	963,114	13,079,820	12,748,096	14,078,108	13,711,210	2.68%
Restricted	-0-	-0-	1,850,000	1,850,000	1,850,000	1,850,000	0.00%
Unrestricted	<u>159,165</u>	<u>172,482</u>	<u>380,963</u>	<u>860,161</u>	<u>540,128</u>	<u>1,032,643</u>	-47.69%
Total Net Position	<u>\$1,157,453</u>	<u>\$1,135,596</u>	<u>\$15,310,783</u>	<u>\$15,458,257</u>	<u>\$16,468,236</u>	<u>\$16,593,853</u>	-0.76%

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				
	6/30/2017		6/30/2016	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Revenues				
Charges for Services	\$ -0-	\$11,110,732	\$ -0-	\$11,197,724
General Revenues				
Rental Income	70,811	-0-	68,616	-0-
Gain or Loss Disposition of Assets	-0-	4,599	-0-	12,431
Investment Income	295	70,387	350	57,244
Miscellaneous	3,556	9,462	35,122	1,123,236
Total Revenues	\$ 74,662	\$11,195,180	\$ 104,088	\$12,390,635
Expenses				
Primary Government:				
General Government	\$ 27,544	\$ -0-	\$ 38,709	\$ -0-
Community Service	305,142	-0-	323,747	-0-
Business-type Activities				
Expenses				
Electric Department	-0-	11,062,773	-0-	10,882,198
Total Expenses	\$ 332,686	\$11,062,773	\$ 362,456	\$10,882,198
Transfers	279,881	(279,881)	295,006	(295,006)
Increase (Decrease) in Net Position	21,857	(147,474)	36,638	1,213,431
Net Position - Beginning	1,135,596	15,458,257	1,098,958	14,244,826
Prior Period Adjustment	-0-	-0-	-0-	-0-
Restated Net Position – Beginning	-0-	-0-	-0-	-0-
Net Position - Ending	\$1,157,453	\$15,310,783	\$1,135,596	\$15,458,257

The District's total net position of \$16,468,236 remained fairly constant with respect with the prior year decreasing by \$125,617 or 0.76%. The District's governmental activities net position increased by \$21,857 while the business-type activities' (Electric Department's) net position decreased by \$147,474.

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

The District's governmental activities remained fairly consistent from fiscal 2016 to 2017. Rental Income increased 3.20% or \$2,195 to \$70,811. Investment income experienced a \$55 decrease from \$350 in the prior year 2016 to \$295 in 2017. Miscellaneous revenues decreased \$31,566 mainly due to in kind donations of services and items provided to the library during the prior year 2016. Community service expenditures decreased \$18,605 from \$323,747 in 2016 to \$305,142 in 2017. Transfers to the governmental activities from the business-type activities decreased by \$15,125 from \$295,006 in 2016 to \$279,881 in 2017. At June 30, 2017 \$998,288 or 86.25% of the governmental activities' net position is 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:

Electric operating revenues decreased slightly by \$86,992 or .77% from \$11,197,724 in the prior year to \$11,110,732 in 2017. Net investment income increased by \$13,143 from \$57,244 in 2016 to \$70,387 in 2017. Miscellaneous revenues decreased from \$1,123,236 in fiscal 2016 to \$9,462 in 2017 due to rate stabilization drawdowns in the prior year that were used to fund necessary capital expenditures. Total operating expense increased slightly by \$180,575 or 1.66% from \$10,882,198 in 2016 to \$11,062,773 in 2017.

General Fund Budgetary Highlights

The District made no changes from the original to the final budget. The year’s actual operations resulted in a deficiency of revenues over expenditures of \$33,980. 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 revenues over expenditures of \$20,663. (Please see budget to actual comparison on page 19).

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the District had invested \$14,078,108 in a broad range of capital assets. This amount is net of accumulated depreciation. The net capital assets increased by \$366,898 or 2.68% from the prior year. Please refer to page 65 for detail of the Electric Department’s plant in service at June 30, 2017 and Note 4 to the financial statements that details both plant in service and non-utility property of the entire District.

Other Liabilities

The Electric Department has an established “Power Sales Contract” for the Supply of Electric Power and Energy with the Connecticut Municipal Electric Energy Cooperative (CMEEC) its present energy supplier. Under this contract the Electric Department has agreed to maintain electric rates that, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC under the contract. As a member of CMEEC the Electric Department is responsible for their share of certain costs that may exceed reserves, and/or insurance coverages. The impact of these costs on operations is unknown. The Electric Department is responsible for the repayment of a portion of CMEEC’s bonded debt. As of June 30, 2017 the outstanding CMEEC obligation is \$3,531,031. 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, 2017, the rate stabilization fund has a balance of \$5,317,082.

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 rate in effect for the fuel charge during the fiscal year was as follows:

Fuel Charge

July 2016 – December 2016	\$0.027/KWH
January 2017 – March 2017	\$0.025/KWH
April 2017 – June 2017	\$0.023/KWH

Energy Conservation

In accordance with Bill #7501 passed by the General Assembly in 2005, the Electric Department began billing all customers one mil per KWH for energy conservation beginning January 1, 2006. This charge increased incrementally annually to 2.5 mils on January 1, 2011. The energy conservation charge was \$.0025/KWH in calendar year 2017. 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, 2017

EXHIBIT A

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash	\$ 167,514	\$ 2,613,044	\$ 2,780,558
Investments	-	790,595	790,595
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0 and \$60,000, respectively	-	1,295,364	1,295,364
Internal Balances	(1,492)	1,492	-
Expenses Paid in Advance	-	91,022	91,022
Total Current Assets	<u>166,022</u>	<u>4,791,517</u>	<u>4,957,539</u>
Non-Current Assets			
Investment in CMEEC	-	122,220	122,220
Other Restricted Assets	-	5,317,082	5,317,082
Cash - Restricted	-	551,121	551,121
Capital Assets			
Plant In Service, Net of Accumulated Depreciation	998,288	12,129,915	13,128,203
Non-Utility Property, Net of Accumulated Depreciation	-	13,702	13,702
Construction Work-in-Progress	-	936,203	936,203
Total Non-Current Assets	<u>998,288</u>	<u>19,070,243</u>	<u>20,068,531</u>
TOTAL ASSETS	<u>1,164,310</u>	<u>23,861,760</u>	<u>25,026,070</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>522,396</u>	<u>522,396</u>
LIABILITIES			
Current Liabilities			
Line of Credit	-	-	-
Accounts Payable	6,857	646,758	653,615
Taxes Payable	-	147,068	147,068
Customer Deposits and Advances	-	527,702	527,702
Accrued Compensated Absences	-	97,719	97,719
Other Accrued Expenses	-	21,697	21,697
Other Current Liabilities	-	-	-
Total Current Liabilities	<u>6,857</u>	<u>1,440,944</u>	<u>1,447,801</u>
Non-Current Liabilities			
Deferred Revenue	-	5,317,082	5,317,082
Net OPEB Obligation	-	729,683	729,683
Net Pension Obligation	-	1,460,096	1,460,096
Total Non-Current Liabilities	<u>-</u>	<u>7,506,861</u>	<u>7,506,861</u>
TOTAL LIABILITIES	<u>6,857</u>	<u>8,947,805</u>	<u>8,954,662</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>125,568</u>	<u>125,568</u>
NET POSITION			
Net Investment in Capital Assets	998,288	13,079,820	14,078,108
Restricted for Capital Improvements	-	1,100,000	1,100,000
Restricted for Catastrophic Occurrence	-	750,000	750,000
Unrestricted	159,165	380,963	540,128
TOTAL NET POSITION	<u>\$ 1,157,453</u>	<u>\$ 15,310,783</u>	<u>\$ 16,468,236</u>

See accompanying notes and accountant's report.

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT B

Functions / Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Primary Government		
						Governmental Activities	Business-type Activities	Total
Primary Government:								
Governmental Activities:								
Public Officials Fees	\$ 14,100	\$ -	\$ -	\$ -	\$ (14,100)	\$ -	\$ -	\$ (14,100)
Payroll Tax Expense	1,129	-	-	-	(1,129)	-	-	(1,129)
Community Service Projects	305,142	-	-	-	(305,142)	-	-	(305,142)
Accounting and Professional Fees	-	-	-	-	-	-	-	-
Meetings, Printers, and Other	12,315	-	-	-	(12,315)	-	-	(12,315)
In-kind Expenses	-	-	-	-	-	-	-	-
Total Governmental Activities	332,686	-	-	-	(332,686)	-	-	(332,686)
Business-type Activities:								
Electrical Facility	11,062,773	11,110,732	-	-	-	47,959	47,959	47,959
Total Business-type Activities	11,062,773	11,110,732	-	-	-	47,959	47,959	47,959
Total Primary Government	\$ 11,395,459	\$ 11,110,732	\$ -	\$ -	\$ (332,686)	\$ 47,959	\$ (284,727)	\$ (332,686)
General Revenues:								
Rental Income		\$ 70,811	\$ -	\$ -	\$ 70,811	\$ -	\$ -	\$ 70,811
Gain (Loss) on Disposition of Utility Plant		-	4,599	-	-	4,599	-	4,599
Investment Income		295	81,427	-	295	81,427	-	81,722
Interest Expense		-	(11,040)	-	-	(11,040)	-	(11,040)
Other Income		3,556	9,462	-	3,556	9,462	-	13,018
In-kind Donations		-	-	-	-	-	-	-
Transfers		279,881	(279,881)	-	279,881	(279,881)	-	-
Total General Revenues, Special Items, and Transfers		354,543	(195,433)	-	354,543	(195,433)	-	159,110
Change in Net Position		21,857	(147,474)	-	21,857	(147,474)	-	(125,617)
Net Position - Beginning		1,135,596	15,458,257	-	1,135,596	15,458,257	-	16,593,853
Net Position - Ending		\$ 1,157,453	\$ 15,310,783	\$ -	\$ 1,157,453	\$ 15,310,783	\$ -	\$ 16,468,236

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

FUND FINANCIAL STATEMENTS

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2017

EXHIBIT C
 Page 1 of 2

ASSETS	General	Special Revenue	Total Governmental Funds
Current Assets			
Cash	\$ 83,227	\$ 84,287	\$ 167,514
Expenses Paid in Advance	-	-	-
Total Current Assets	<u>83,227</u>	<u>84,287</u>	<u>167,514</u>
TOTAL ASSETS	<u>83,227</u>	<u>84,287</u>	<u>167,514</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts Payable	6,857	-	6,857
Due to Electric Department	1,492	-	1,492
Capital Lease Obligations	-	-	-
Other Current Liabilities	-	-	-
TOTAL LIABILITIES	<u>8,349</u>	<u>-</u>	<u>8,349</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	-	84,287	84,287
Unassigned	74,878	-	74,878
TOTAL FUND BALANCES	<u>\$ 74,878</u>	<u>\$ 84,287</u>	<u>\$ 159,165</u>

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

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	\$	159,165
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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	\$	1,158,311	
Accumulated depreciation on above capital assets		<u>160,023</u>	998,288

Net position of governmental activities	\$	<u><u>1,157,453</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, 2017

EXHIBIT D

	General	Special Revenue	Total Governmental Funds
Revenues			
Rental Income	\$ 40,314	\$ 30,497	\$ 70,811
Interest Income	283	12	295
Other Income		3,556	3,556
In-kind Donations		-	-
Total Revenues	<u>40,597</u>	<u>34,065</u>	<u>74,662</u>
Expenditures			
Public Officials Fees	14,100	-	14,100
Payroll Tax Expense	1,129	-	1,129
Community Service Projects	108,393	180,523	288,916
Accounting and Professional Fees	-	-	-
Meetings, Printers, and Other	12,315	-	12,315
In-kind Expenses	-	-	-
Total Expenditures	<u>135,937</u>	<u>180,523</u>	<u>316,460</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(95,340)</u>	<u>(146,458)</u>	<u>(241,798)</u>
Other Financing Sources (Uses)			
Capital Expenditures	(51,400)	-	(51,400)
Transfer in from Enterprise Electric Department	279,881	-	279,881
Transfers Between Funds	(167,121)	167,121	-
Net Other Financing Sources (Uses)	<u>61,360</u>	<u>167,121</u>	<u>228,481</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(33,980)	20,663	(13,317)
Fund Balance (Deficit) - Beginning of Year	<u>108,858</u>	<u>63,624</u>	<u>172,482</u>
Fund Balance - End of Year	<u>\$ 74,878</u>	<u>\$ 84,287</u>	<u>\$ 159,165</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, 2017**

EXHIBIT E

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

Net change in fund balances - total governmental funds	\$ (13,317)
--	-------------

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, 2017, of \$51,400 and current year depreciation expense of \$16,226 is a reconciling item.

35,174

Change in net position of governmental activities

<u>\$ 21,857</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, 2017**

EXHIBIT F

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Rental Income	\$ 40,314	\$ 40,314	\$ 40,314	\$ -
Interest Income	210	210	283	73
Other Income	-	-	-	-
Total Revenues	<u>40,524</u>	<u>40,524</u>	<u>40,597</u>	<u>73</u>
Expenditures				
Salaries - Commissioners	10,500	10,500	10,500	-
Salary - Clerk	1,800	1,800	1,800	-
Salary - Treasurer	1,800	1,800	1,800	-
Payroll Tax Expense	1,079	1,079	1,129	(50)
Maintenance of Parks	30,000	30,000	27,069	2,931
East Norwalk Cemetery	22,000	22,000	18,067	3,933
East Norwalk Cemetery - Major/Capital	2,815	2,815	2,255	560
East Norwalk Library - Other	7,000	7,000	18,260	(11,260)
East Norwalk Library - Major/Capital	42,000	42,000	41,600	400
East Norwalk Library - Master Plan/Improvements	-	-	-	-
Holiday Events	7,000	7,000	6,471	529
Firehouse Expense	1,500	1,500	-	1,500
Firehouse Expense - Major/Capital	4,500	4,500	9,800	(5,300)
Concerts in the Park	26,500	26,500	29,681	(3,181)
Legal and Accounting Services	-	-	-	-
Annual Electors Meeting	4,500	4,500	12,315	(7,815)
District Newsletter Allowance	-	-	-	-
Other District Services	15,000	15,000	6,590	8,410
Contingencies	30,000	30,000	-	30,000
Total Expenditures	<u>207,994</u>	<u>207,994</u>	<u>187,337</u>	<u>20,657</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(167,470)</u>	<u>(167,470)</u>	<u>(146,740)</u>	<u>20,730</u>
Other Financing Sources (Uses)				
Transfer in from Electric Department	279,881	279,881	279,881	-
Transfer Out to Special Revenue Fund	(167,121)	(167,121)	(167,121)	-
Utilization of Prior Years Unexpended Funds	62,710	62,710	-	(62,710)
Net Other Financing Sources (Uses)	<u>175,470</u>	<u>175,470</u>	<u>112,760</u>	<u>(62,710)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>(33,980)</u>	<u>\$ (41,980)</u>
Fund Balance (Deficit) - Beginning of Year			<u>108,858</u>	
Fund Balance - End of Year			<u>\$ 74,878</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, 2017

EXHIBIT G

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Rental Income	\$ 23,000	\$ 23,000	\$ 30,497	\$ 7,497
Interest and Other Income	3,555	3,555	3,568	\$ 13
In-kind Donations	-	-	-	-
Total Revenues	<u>26,555</u>	<u>26,555</u>	<u>34,065</u>	<u>7,510</u>
Expenditures				
Personnel	94,726	94,726	85,946	8,780
Benefits and Taxes	27,404	27,404	21,985	5,419
Programming	27,251	27,251	23,852	3,399
Utilities	12,700	12,700	13,501	(801)
Building Maintenance Security and Repairs	20,230	20,230	17,880	2,350
Professional Fees	11,365	11,365	11,493	(128)
Promotions and Advertising	-	-	5,866	(5,866)
In-kind Expenses	-	-	-	-
Total Expenditures	<u>193,676</u>	<u>193,676</u>	<u>180,523</u>	<u>13,153</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(167,121)</u>	<u>(167,121)</u>	<u>(146,458)</u>	<u>20,663</u>
Other Financing Sources (Uses)				
Transfer in from General Fund	167,121	167,121	167,121	-
Capital Expenditures	-	-	-	-
Net Other Financing Sources (Uses)	<u>167,121</u>	<u>167,121</u>	<u>167,121</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,663</u>	<u>\$ 20,663</u>
Fund Balance - Beginning of Year			<u>63,624</u>	
Fund Balance - End of Year			<u>\$ 84,287</u>	

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 STATEMENT OF NET POSITION - PROPRIETARY FUND
 JUNE 30, 2017

EXHIBIT H

ASSETS	Electrical Department
Current Assets	
Cash	\$ 2,613,044
Investments	790,595
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$60,000	1,295,364
Due from Governmental Funds	1,492
Expenses Paid in Advance	91,022
Total Current Assets	<u>4,791,517</u>
Non-Current Assets	
Investment in CMEEC	122,220
Other Restricted Assets	5,317,082
Cash - Restricted	551,121
Capital Assets	
Plant In Service, Net of Accumulated Depreciation	12,129,915
Non-Utility Property, Net of Accumulated Depreciation	13,702
Construction Work in Progress	936,203
Total Non-Current Assets	<u>19,070,243</u>
TOTAL ASSETS	<u>23,861,760</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>522,396</u>
LIABILITIES	
Current Liabilities	
Line of Credit	\$ -
Accounts Payable	646,758
Taxes Payable	147,068
Customer Deposits and Advances	527,702
Accrued Compensated Absences	97,719
Other Accrued Expenses	21,697
Total Current Liabilities	<u>1,440,944</u>
Non-Current Liabilities	
Deferred Revenue	5,317,082
Net OPEB Obligation	729,683
Net Pension Obligation	1,460,096
Total Non-Current Liabilities	<u>7,506,861</u>
TOTAL LIABILITIES	<u>8,947,805</u>
DEFERRED INFLOWS OF RESOURCES	<u>125,568</u>
NET POSITION	
Net Investment in Capital Assets	13,079,820
Restricted for Capital Improvements	1,100,000
Restricted for Catastrophic Occurrence	750,000
Unrestricted	380,963
TOTAL NET POSITION	<u>\$ 15,310,783</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

EXHIBIT I

	<u>Electrical Department</u>
Operating Revenues	
Residential Sales	\$ 4,099,710
Commercial Sales	2,729,394
Industrial Sales	1,064,153
Cervalis Sales	234,362
Water Pollution Control Plant	1,053,656
Private Security Lighting	102,256
Sales for Resale	309,208
Miscellaneous Service Revenue	39,712
Purchased Power Adjustment	147,821
Total Operating Revenues	<u>11,110,732</u>
Operating Expenses	
Electrical Power Purchased	6,273,285
Transmission	-
Distribution	314,571
Maintenance	499,113
Generation Expenses	155,124
Customer Service	284,143
Administration	2,369,756
Depreciation	806,680
Connecticut Gross Receipts Tax	360,101
Total Operating Expenses	<u>11,062,773</u>
Operating Income (Loss)	<u>47,959</u>
Nonoperating Revenue and Expenses	
Gain from Sale of Fixed Assets	4,599
Investment Income	40,533
Interest Expense	(11,040)
Unrealized Gain (Loss) on Investments	40,894
Other Income	9,462
Total Nonoperating Revenues and Expenses	<u>84,448</u>
Income (Loss) Before Operating Transfers	<u>132,407</u>
Operating Transfers	
Transfers Out	(279,881)
Net Operating Transfers	<u>(279,881)</u>
Change in Net Position	(147,474)
Net Position - Beginning	<u>15,458,257</u>
Net Position - Ending	<u>\$ 15,310,783</u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

EXHIBIT J

	Electrical Department
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 11,100,786
Cash Payments to Suppliers, Vendors, and Contractors	(8,692,506)
Cash Payments to Employees for Payroll	<u>(1,369,875)</u>
Net Cash Provided by Operating Activities	<u>1,038,405</u>
Cash Flows from Noncapital Financing Activities	
Operating Transfers	<u>(279,881)</u>
Net Cash Used by Noncapital Financing Activities	<u>(279,881)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Property and Equipment	(992,478)
Proceeds from CMEEC	-
Net Payments on Line of Credit	<u>(13,438)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,005,916)</u>
Cash Flows from Investing Activities	
Payments Received from Loan Receivable	1,429,647
Acquisitions of Investments	<u>(168,598)</u>
Net Cash Provided by Investing Activities	<u>1,261,049</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,013,657
Cash and Cash Equivalents - Beginning of Year	<u>2,150,508</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,164,165</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 47,959
Adjustments to Reconcile Operating Income (Loss) to net cash provided (used) by operating activities:	
Depreciation	806,680
Gain on Disposal of Assets	(4,599)
Unrealized Gain on Investments	(40,894)
Changes in Assets and Liabilities:	
Receivables, net	(9,946)
Expenses Paid in Advance and Other Assets	16,052
Payables and Accrued Liabilities	577,823
Increase in Deferred Outflows of Resources	(312,815)
Decrease in Deferred Inflows of Resources	(41,855)
Net Cash Provided by Operating Activities	<u>\$ 1,038,405</u>

See accompanying notes and accountant's report.

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
STATEMENT OF PLAN NET POSITION - PENSION TRUST FUND
JUNE 30, 2017**

EXHIBIT K

ASSETS

Cash	\$	84,088
Due from Reliance Trust Company		1,250
Investments, at Fair Value		
Certificates of Deposit		402,397
Municipal Obligations		576,079
Mutual Funds/Equities		1,475,708
TOTAL ASSETS		<u>2,539,522</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>-</u>
TOTAL LIABILITIES		<u>-</u>
DEFERRED INFLOWS OF RESOURCES		<u>-</u>
NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS	\$	<u><u>2,539,522</u></u>

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

EXHIBIT L

ADDITIONS

Contributions:	
Employer	\$ 162,336
Total Contributions	<u>162,336</u>
Investment Income:	
Interest and Dividends	71,415
Net Appreciation (Depreciation) in Fair Value of Investments	<u>181,216</u>
	252,631
Less: Trustee, Advisory and Administrative Fees	<u>(24,295)</u>
Net Investment Income (Loss)	<u>228,336</u>

TOTAL ADDITIONS (DEDUCTIONS) 390,672

DEDUCTIONS

Benefits (142,046)

TOTAL DEDUCTIONS (142,046)

CHANGE IN NET POSITION 248,626

NET POSITION HELD IN TRUST - RESTRICTED FOR PENSION BENEFITS

BEGINNING OF YEAR 2,290,896

END OF YEAR \$ 2,539,522

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, 2017

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, 2017

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, 2017 District electors voted to authorize the transfer of \$279,881 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, 2017

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 \$84,287 at June 30, 2017 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, 2017

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-	\$1,355,364
Less: Allowance for Uncollectible Accounts	<u>-0-</u>	<u>60,000</u>
Net Accounts Receivable	<u>\$ -0-</u>	<u>\$1,295,364</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:

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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

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 11).

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 \$97,719 is classified as current at June 30, 2017.

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, 2017

Electric
\$ 140

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions: - Continued

Net position of the District Electric Department's Pension Plan and additions to/deductions from the District Electric Department Pension Plan fiduciary net position have been determined on the same basis as they are reported by the District Electric Department Pension Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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, 2017, 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)	\$ 168,664	\$ 167,514
Business-Type Activities (Electric Department)	3,223,919	3,163,916
Pension Trust Fund	84,088	84,088

Custodial credit risk and concentrations of credit risk - Of the \$3,223,919 business-type activities bank balances, \$2,801,946 is uninsured and uncollateralized at June 30, 2017. \$2,984,009 or 93% of the June 30, 2017 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, 2017

NOTE 2 - CASH AND INVESTMENTS - Continued

Investments:

At June 30, 2017, 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	\$ 790,595	\$ 784,111	N/A	N/A
Total Business-Type Activities	\$ 790,595	\$ 784,111		
Pension Trust Fund				
Equities/Mutual Funds	\$1,475,708	\$1,197,540	N/A	N/A
Certificates of Deposit	402,397	398,325	N/A	N/A
Municipal Obligations	49,768	50,000	A1	1-3 years
Municipal Obligations	49,929	50,000	A1	1-3 years
Municipal Obligations	48,264	47,475	Aa2	1-3 years
Municipal Obligations	26,080	25,600	Aa2	1-3 years
Municipal Obligations	45,678	46,912	Aaa	1-3 years
Municipal Obligations	25,790	25,083	A2	1-3 years
Municipal Obligations	51,195	50,888	Aa3	1-3 years
Municipal Obligations	52,195	52,300	Aa2	4 years
Municipal Obligations	44,792	44,731	Aa3	4 years
Municipal Obligations	106,065	101,000	Aa1	5-10 years
Municipal Obligations	39,837	40,000	Aa3	5-10 years
Municipal Obligations	26,346	26,120	Aa2	5-10 years
Municipal Obligations	10,140	10,729	Aa2	5-10 years
Total Pension Trust Fund	\$2,454,184	\$2,166,703		

(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 10 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, 2017

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, 2017

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 \$2,454,184 carrying amount of the Pension Trust Fund investments at June 30, 2017 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 2017 was \$6,273,285 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, 2017

NOTE 4 - PLANT IN SERVICE AND NON-UTILITY PROPERTY

Non-Utility Property

Non-utility property balances and activity for the year ended June 30, 2017 was as follows:

GOVERNMENTAL ACTIVITIES:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Non-Utility Property not Being Depreciated:				
Land	\$ 790,045	\$ -0-	\$ -0-	\$790,045
Total	\$ 790,045	\$ -0-	\$ -0-	\$790,045
Non-Utility Property Being Depreciated:				
Buildings & Improvements	\$ 244,351	\$ 51,400	\$ -0-	\$295,751
Equipment	72,515	-0-	-0-	72,515
Total	\$ 316866	\$ 51,400	\$ -0-	\$368,266
Less: Accumulated Depreciation:				
Buildings	\$(106,540)	\$ 13,622	\$ -0-	\$120,162
Equipment	(37257)	2,604	-0-	39,861
Total	\$(143,797)	\$(16,226)	\$ -0-	\$160,023
Total Non-Utility Property Being Depreciated – Net	\$ 173,069	\$ 35,174	\$ -0-	\$208,243
Governmental Activities - Non-Utility Property – Net	\$ 963,114	\$ 35,174	\$ -0-	\$998,288

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

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

Non-Utility Property - Continued

BUSINESS TYPE ACTIVITIES:

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

Depreciation Expense was charged to Governmental Functions as follows:

Community Service Projects	\$ 16,226
Total Depreciation Expense - Governmental Activities	\$ 16,226

Plant in Service

Plant in service balances and activity for the year ended June 30, 2017 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, 2017

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

Plant in Service - Continued

BUSINESS TYPE ACTIVITIES:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Plant in Service not Being Depreciated:				
Franchise and Consents	\$ 34,300	\$ -0-	\$ -0-	\$ 34,300
Total	\$ 34,300	\$ -0-	\$ -0-	\$ 34,300
Plant in Service Being Depreciated:				
Generators	\$ 2,886,820	\$ -0-	\$ -0-	\$ 2,886,820
Transmission Plant	3,488,049	-0-	-0-	3,488,049
Distribution Plant	11,384,685	411,539	(229,900)	11,566,324
General Plant	1,354,148	507,688	(59,229)	1,802,607
Total	19,113,702	919,227	(289,129)	19,743,800
Less: Accumulated Depreciation				
Generators	\$(2,554,202)	\$(164,339)	\$ -0-	\$(2,718,541)
Transmission Plant	(440,979)	(68,957)	-0-	(509,936)
Distribution Plant	(3,196,902)	(469,443)	(212,270)	(3,454,074)
General Plant	(909,291)	(103,942)	(47,599)	(995,634)
Total	\$(7,101,374)	\$(806,680)	\$(259,869)	\$(7,648,185)
Total Plant in Service Being Depreciated - Net	\$12,012,328	\$ 112,547	\$(29,260)	\$12,095,615
Business Type Activities - Plant in Service - Net	\$12,046,628	\$ 112,547	\$(29,260)	\$12,129,915
Construction Work-in-Progress	\$ 687,766	\$ 591,266	\$(342,829)	\$ 936,203

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - SELF INSURANCE

The District provides a self-insurance plan which pays the deductible portion and any co-insurance requirements of the group health plan. Also, dental, eye care, and hearing aid coverage is available, subject to annual limitations as follows: \$500 per year per participant for hearing aid coverage; \$500 per year per participant for eye care; and \$1,000 per participant for dental. A summary of the activity during 2017 follows:

Balance, Beginning	\$ -0-
Current year claims and changes in estimates	63,337
Claim payments	63,337
Balance, Ending	\$ -0-

There have been no significant reductions in insurance coverages during the fiscal year 2017. Settled claims have not exceeded commercial excess coverages in any of the past three years.

NOTE 6 - CUSTOMER DEPOSITS AND ADVANCES

Some customers are required by the Electrical Department to post deposits against their future liability. These deposits are held in an interest bearing account until such time as they are either returned to the customer or used to satisfy said customer's outstanding electric bill. As of June 30, 2017, the District has \$551,121 available for the customer security deposit liability of \$527,702.

NOTE 7 – 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 4.25% at June 30, 2017. It is secured by all of the District's assets and expires on December 1, 2017. At June 30, 2017 the amount outstanding on the line of credit was \$-0-.

NOTE 8 - SUMMARY OF CHANGES IN LONG-TERM DEBT

Description and Purpose	Balance 7/1/16	Issued	Retired	Balance 6/30/17	Due Within 1 Year
Governmental Activities:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Business-Type Activities:					
Deferred Revenue	\$3,741,027	\$1,576,055	\$ -0-	5,317,082	\$ -0-
Net OPEB Obligation	466,947	262,736	-0-	729,683	-0-
Net Pension Obligation	1,012,881	447,215	-0-	1,460,096	-0-
Totals	\$5,220,855	\$2,286,006	\$ -0-	\$7,506,861	\$ -0-

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN

General Information About the Pension Plan:

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. 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. All full-time employees are eligible to enter on the beginning of the month coincident with or following the later of the completion of 1 year of service and attainment of age 21.

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. The Pension Committee has the authority to amend the District's pension plan. The Board of Commissioners has recently been looking into updating the activities of the pension committee and its membership requirements.

Employees covered by benefit terms. At July 1, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	10
Total Members	<u>21</u>

Benefits provided. The normal retirement date for participants is at or after the attainment of age 65 with 10 years of the completion of continuous service. Each vested participant is entitled to a retirement benefit, and such benefit is equal to 2.5% of the average monthly compensation 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 credited service. Benefits fully vest on participants on or after 10 years of service and are reduced by .5% for each complete month by which commencement of benefit payments precedes the participant's normal retirement date.

Disability benefits are available for participants with 10 years of continuous service. If the participant is at least 55 on the date as of which he or she is entitled to a disability retirement benefit, the benefit is determined as for normal retirement (no early retirement factor is applied) but based on credited service and compensation prior to actual disability retirement. If the participant is less than 55 on the date as of which he or she is entitled to a disability benefit, the benefit is determined as in the immediately preceding sentence but is actuarially reduced for each month that the benefit starting date precedes his or her 55th birthday.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Pre-retirement death benefits are available for participants who are actively employed and for terminated employees with 10 years of service. The benefit is calculated as if the participant terminated, lived to the earliest date they could have retired, elected the 50% joint and Survivor Annuity option, then died. Then 50% continuation benefit is payable to the spouse (if any).

Contributions. The annual required contribution for the current year was determined as part of the July 1, 2014, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 2.6% per year plus a service based scale based on years of service (was 3% annual increase plus service based scale). 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 over 20 years. For the year ended June 30, 2017, the average active member contribution rate was 0 percent of annual pay, and the District's average contribution rate was 18.61 percent of covered payroll.

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, 2017:

Asset Class	Target Allocation
Cash and Cash Equivalents	5.00%
Intermediate Corporate	22.50%
Intermediate Government	22.50%
Large Cap Equity	21.00%
Small/Mid Cap Equity	12.00%
International Equity	10.00%
Emerging Markets Equity	2.00%
Real Estate	5.00%
Total	100.00%

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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Concentrations. - Continued

Type of Investment	Description	Fair Market Value at June 30, 2017
Mutual Funds Equities	Cambiar International Equity Fund	\$ 181,833
Mutual Funds Equities	Dodge & Cox Stock Fund	218,870
Mutual Funds Equities	Vanguard Dividend Appreciation index	278,830
Mutual Funds Equities	T. Rowe Price Instl Large Cap Growth	181,690

Rates of Return.

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	10.25%	-1.11%	2.60%	12.26%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Methods.

Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in recognition of the differences between the actual return on Market Value and the expected return on Market Value over a five-year period at 20% per year. The method change was effective July 1, 2014.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Actuarial Methods. – Continued

Actuarial Cost Method

Description of Current Actuarial Cost Method:

Basic Cost Method: Entry Age Actuarial Cost Method (level percentage of salary).

Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation. The normal cost accrual rate equals the present value of future benefits for the participant, determined as of the participant's entry age, divided by the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

Unfunded Accrued Liability

A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less, the present value of the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

The entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

The total unfunded accrued liability (Actuarial Accrued Liability less Actuarial Value of Assets) is amortized over 20 years as of July 1, 2016.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Actuarial Assumptions.

	Year Ending June 30, 2017	Year Ending June 30, 2016
Investment rate of return (net of investment-related and administrative expenses)	7.00%	7.00%
Rate of compensation increase (including inflation)	2.6% plus service based scale	3.0% plus service based scale

Service-based component of compensation increases (for determination of benefits)

Service	Compensation Increase
0-4	1.50%
5-9	1.00%
10-14	0.50%
15+	0.00%

The plan does not have statistically credible data on which to form a rate of compensation increase assumption. The assumption is based on input from the plan sponsor regarding future expectations, as well as knowledge that younger employees generally earn higher annual percentage increases than older employees.

Inflation – 2.6%. This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75 year horizon) annual percentage increase in CPI, as published in the 2016 OASDI Trustees Report.

Mortality. RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.

Prior Valuation:

Pre-retirement: RP-2000 Employees Table – male and female rates, set forward one year, projected by Scale MP to valuation date with no adjustment.

Post-retirement: RP-2000 Healthy Annuitants Table – male and female rates, set forward one year, projected by Scale MP to valuation date with no adjustment.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Actuarial Assumptions. - Continued

Mortality Improvement. Projected to date of decrement using Scale MP-2016 (generational mortality).

Prior Valuation: Projected to date of decrement using Scale MP (generational mortality).

We have selected this mortality assumption because it is based on the latest published pension mortality study released by the Society of Actuaries.

Retirement Age

Age	Rate
<62	0%
62-64	10%
65-69	20%
70-74	15%
75	100%

The actuarial assumption in regards to rates of retirement shown above are based on standard tables (MERS 2014) modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have sufficiently credible data on which to perform an experience study.

Termination – Prior to Retirement

Age	Years of Service			
	0	1	2	>=3
<=19	0.00%	0.00%	0.00%	0.00%
20	14.90%	12.50%	10.50%	9.30%
25	13.90%	11.25%	9.25%	6.80%
30	12.90%	10.00%	8.00%	5.05%
35	11.90%	8.90%	6.90%	3.95%
40	10.90%	7.90%	5.90%	3.25%
45	9.90%	7.05%	5.05%	2.75%
50	8.90%	6.30%	4.30%	2.75%
>=50	8.00%	5.00%	3.50%	1.75%

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Actuarial Assumptions. - Continued

The actuarial assumptions in regards to rates of termination shown above are based on standard tables (Vaughn) modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have sufficiently credible data on which to perform an experience study.

The mortality, inflation, and salary increase assumptions were updated to better reflect anticipated experience. The change in assumptions increased liabilities by about 1%.

Percent of active employees married. 80%

Spouse's Age. Husbands are assumed to be 3 years older than wives.

Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
Cash and Cash Equivalents	5.00%	0.00%	0.00%
Intermediate Corporate	22.50%	2.25%	0.51%
Intermediate Government	22.50%	1.65%	0.37%
Large Cap Equity	21.00%	4.65%	0.98%
Small/Mid Cap Equity	12.00%	5.50%	0.66%
International Equity	10.00%	5.50%	0.55%
Emerging Market Equity	2.00%	6.50%	0.13%
Real Estate	5.00%	5.00%	0.25%
	100.00%		3.45%
Long-Term Inflation Expectation			2.60%
Long-Term Expected Nominal Return			6.05%

*Long-Term Returns are provided by HHIA. The returns are geometric means.

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, 2016 rounded to the nearest percent.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Actuarial Assumptions. - Continued

Target Allocation and Expected Rate of Return - Continued

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 6.25% and 7.00%. An expected rate of return of 7.00% was used.

The July 1, 2016 Actuarial Valuation directly calculated the July 1, 2016 Total pension Liability (TPL). The July 1, 2016 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2017.

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, the actuary 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, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	<u>\$3,303,777</u>	<u>\$2,290,896</u>	<u>\$1,012,881</u>
Changes for the Year:			
Service Cost	97,976	-0-	97,976
Interest	233,234	-0-	233,234
Differences between expected and actual Experience	460,550	-0-	460,550
Changes of Assumptions	46,127	-0-	46,127
Contributions – Employer	-0-	162,336	(162,336)
Contributions – Member	-0-	-0-	-0-
Net Investment Income (Loss)	-0-	235,472	(235,472)
Benefit payments, including refunds of member contributions	(142,046)	(142,046)	-0-
Administrative Expense	-0-	(7,136)	7,136
Other	-0-	-0-	-0-
Net Changes	695,841	248,626	447,215
Balances as of June 30, 2017	<u>\$3,999,618</u>	<u>\$2,539,522</u>	<u>\$1,460,096</u>

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%)
Net pension liability as of June 30, 2017	\$1,904,908	\$1,460,053	\$1,084,345

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - PENSION PLAN - Continued

General Information About the Pension Plan: - Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2017, the recognized pension expense is \$254,881. As of June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$390,770	\$(113,804)
Changes of assumptions	39,138	(11,764)
Net difference between projected and actual earnings on pension plan investments	92,488	-0-
Total	\$522,396	\$(125,568)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	
2018	\$77,350
2019	77,349
2020	57,461
2021	61,836
2022	76,769
Thereafter	46,063

Payable to the Pension Plan – At June 30, 2017, the District reported a payable of \$1,460,096 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 10 - 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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

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, 2017, 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, 2015:

Active Participants	12
Retirees	5
Total	<u>17</u>

Post employment retiree benefit payments for the year ended June 30, 2017 net of retiree and other contributions, amounted to \$111,701.

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):

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligations - Continued

	Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$381,729
Interest on net OPEB obligation	18,678
Adjustment to annual required contribution	(25,970)
Annual OPEB Cost	374,437
Contributions made	111,701
Increase in net OPEB obligation	262,736
Net OPEB obligation – June 30, 2016	\$466,947
Net OPEB obligation – June 30, 2017	\$729,683

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, 2012 to 2017 are presented below.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
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
6/30/2015	\$161,474	\$73,957	46%	\$394,152
6/30/2016	\$163,331	\$90,536	55%	\$466,947
6/30/2017	\$374,437	\$111,701	30%	\$729,683

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.

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,789,417, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (AAL) of \$2,789,417.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligations - Continued

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 through July 1, 2015 certified valuations.

Schedule of Funding Status and Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UFAL 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%
7/1/2015	\$ -0-	\$2,789,417	\$2,789,417	0%	\$1,282,504	218%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage Contributed
2012	\$131,863	\$ 67,208	51%
2013	\$159,960	\$ 85,196	53%
2014	\$162,762	\$ 75,833	47%
2015	\$165,691	\$ 73,957	45%
2016	\$168,752	\$ 90,536	54%
2017	\$381,729	\$111,701	29%

Actuarial methods

Actuarial Cost Method: Entry Age Normal (level percentage of salary).

Normal Cost

The normal cost is the sum of the individual normal cost for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation. The normal cost accrual rate equals the present value of future benefits for the participant, determined as of the participant's entry age, divided by the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – Continued

Actuarial Methods - Continued

Accrued Liability

A participant's accrued liability equals the present value, at the participant's attained age, of future benefits, less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits.

The entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Prior Cost Method: Projected Unit Credit.

Amortization Method

The Unfunded Accrued Liability is amortized over a constant 30 year period. The liability is amortized on a level dollar basis.

Asset Valuation Method

N/A

Contribution Policy

The plan sponsor's contribution policy is pay-as-you-go.

Data Collection Date

July 1, 2015.

Actuarial Assumptions

Interest

4.0% - (Prior: 4.5%)

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Actuarial Methods - Continued

Inflation/Salary Increase

3%. This assumption is based on long-term historical inflation. While near-term averages have been lower, we do not believe this trend will continue indefinitely and expect that there will be a reversion to the long-term average.

Mortality

Pre-retirement: RP-2000 Employee Table – male and female rates, set forward one year, projected by Scale MP-2014 to valuation date with no adjustment.

Post-retirement: RP-2000 Healthy Annuitants Table – male and female rates, set forward one year, projected by Scale MP-2014 to valuation date with no adjustment.

Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date using Scale AA.

Mortality Improvement

Projected to date of decrement using Scale MP-2014 (generational mortality).

Prior: Projected to date of decrement using Scale AA (generational mortality).

We have selected this mortality assumption and mortality improvement scale because it is based on a recently published pension mortality study released by the Society of Actuaries.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Actuarial Methods - Continued

Termination prior to retirement

Sample Withdrawal rates:

Age	Years of Service			
	0	1	2	>=3
<=19	0.00%	0.00%	0.00%	0.00%
20	14.90%	12.50%	10.50%	9.30%
25	13.90%	11.25%	9.25%	6.80%
30	12.90%	10.00%	8.00%	5.05%
35	11.90%	8.90%	6.90%	3.95%
40	10.90%	7.90%	5.90%	3.25%
45	9.90%	7.05%	5.05%	2.75%
50	8.90%	6.30%	4.30%	2.25%
>=55	8.00%	5.00%	3.50%	1.75%

Prior Valuation:

Age	Male Rate	Female Rate
20	18.0%	20.0%
30	12.0%	15.0%
40	7.5%	10.0%
50	5.0%	5.0%
60	5.0%	5.0%

Assumed Rates of Retirement

Age	Rate
<62	0%
62-64	10%
65-69	20%
70-74	15%
75	100%

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Actuarial Methods - Continued

Termination prior to retirement - Continued

Prior Valuation:

Age	Rate
<45	0%
45-54	15%
55-59	7%
60-64	10%
65-69	20%
70-74	15%
75	100%

The actuarial assumption in regards to rates of retirement and withdrawal shown above is based on a standard table modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Current Monthly Premium

Pre 65: Anthem Age Banded Premiums

Premiums were used as the basis for per capita costs.

Post 65:

	2015-2016	2014-2015
Plan F	\$236.07	\$231.86
Rx	514.58	425.92
Total	\$750.65	\$657.78

Two Year Blended Average: \$704.22

Premiums were used as the basis for per capita costs.

	Single	Employee and Spouse
Dental/Vision: (self funded)	\$114	\$228

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Actuarial Methods - Continued

Trend

Medical trend starts at 8.0% in 2016, decreases by 0.5% per year down to 5.0% in 2021 and beyond. Dental trend is a constant 5.0%.

Health care trend rates reflect both the current and long-term outlook for increases in health care costs. The short-term trend rate is based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on general inflation assumption plus 2% to reflect expectations for long-term medical inflation.

Marriage Rates at Retirement

We assume 70% of active male employees and 70% of active female employees will be married at retirement and elect dual coverage and that husbands will be 3 years older than wives.

Percentage of Actives Eligible at Retirement who Continue with Medical Coverage

100%.

Patient Protection and Affordable Care Act (PPACA)

High Cost Plan Excise Tax ("Cadillac Tax"):

Effective in 2020 there will be a 40% excise tax on per capita medical benefit costs in excess of certain thresholds, which (in 2018) are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees. Thresholds (in 2018) for retirees who are between ages 55 and 65 are \$11,850 and \$30,950 for single and family coverage respectfully.

After 2018, the thresholds are indexed by CPI (CPI + 1% in 2018 only). CPI is assumed to be 3.0% in all future years. The impact of this future excise tax has been reflected in plan liabilities.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - Continued

Actuarial Methods - Continued

Patient Protection and Affordable Care Act (PPACA) - Continued

Other Requirements of PPACA

Extended coverage for adult children and 100% coverage of preventive care are assumed to be reflected in per capita costs.

Elimination of lifetime maximum benefits and removal of the limits on essential healthcare are assumed to have no impact on plan liabilities.

Retiree Medical Benefits

Eligibility – Eligibility is age 55 with 10 years of service for medical coverage at retirement.

Coverage – Pre-65 and Post-65 medical, Rx, Dental and vision.

Retiree Contribution – Retirees and spouses pay nothing toward the cost of coverage.

Spousal Coverage – Spouses are covered for the retiree’s lifetime.

NOTE 11 - 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, 2020. Future minimum rental payments required under the non-cancelable operating leases are as follows:

2018	\$24,640
2019	4,946
2020	1,350

Rent expense included in operations relating to the non-cancelable operating leases amounted to \$54,781 for the year ended June 30, 2017.

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

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 - COMMITMENT AND CONTINGENCIES - Continued

CMEEC: - Continued

covenanted to maintain electric rates that, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC under the Power Contract.

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

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

Rate Stabilization Fund:

The Electric Department has rate stabilization funds held by CMEEC. Electric's balances of rate stabilization funds held by CMEEC was \$1,504,871 held in a trust account and \$3,812,211 held in a non-trust account at June 30, 2017.

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 \$ 29,930 balance on their balance sheet at June 30, 2017.

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, 2017. The unrestricted balance available to the District at June 30, 2017 was \$148,987.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 - COMMITMENT AND CONTINGENCIES - Continued

Renewable Resource Investment Fund

The Electric Department also has on deposit at CMEEC a Renewable Resource Investment Fund. Pursuant to Resolution 08-04 adopted by the CMEEC Board of Directors on February 28, 2008, this Fund is for the stated purpose of assisting member system activities which promote energy conservation. The amount in the account as of June 30, 2017 was \$111,563.

The monies in the rate stabilization fund as of June 30, 2017 totaling \$5,317,082 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, the conservation and load management fund and the renewable resource investment 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, 2017 was \$3,531,031 Electric's net obligation (bonded debt less Electric's share of the rate stabilization fund) is \$(1,786,051) at June 30, 2017.

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, 2012. Before that time the Third Taxing District must petition the DPUC and receive approval to operate in the existing mode or must reconnect the generators at a capital cost of \$1.2 million. As a condition of the agreement the Third Taxing District must pay up to \$280,000 for switchgear needed by CL&P and must secure an easement and construct certain facilities needed by CL&P. The District has paid said amount and obtained the necessary easement. This Third Amendment was revised and restated on September 1, 2010 and provides among other things that: 1) the generators may operate until one year after the final decision by the DPUC on the method of interconnecting the generators;

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 - COMMITMENT AND CONTINGENCIES - Continued

Norden Park Generation: - Continued

and 2) provided a favorable ruling is issued by the DPUC the District will pay CL&P up to an additional \$96,000. On June 1, 2010, the LFRM market revenue dropped to \$54,000 per month and on October 1, 2010, the revenue decreased to \$9,120 per month.

The DPUC approval was ordered on January 6, 2011 giving the generators the authority to operate for the duration of the interconnection agreement.

For the twelve month period ending June 30, 2017, revenues related to the operation of the Norden units was \$309,208.

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 Norden Lease expired on December 31, 2014 and has continued on a month to month basis.

THIRD TAXING DISTRICT – CITY OF NORWALK, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 4 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 97,976	\$ 106,578	\$ 103,474	\$ 100,460
Interest	233,234	220,494	223,981	209,673
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	460,550	-	(227,606)	-
Changes of Assumptions	46,127	-	(23,527)	-
Benefit Payments Including Refunds of Member Contributions	(142,046)	(131,052)	(127,497)	(90,620)
Net Change in Total Pension Liability	<u>695,841</u>	<u>196,020</u>	<u>(51,175)</u>	<u>219,513</u>
Total Pension Liability - Beginning	<u>3,303,777</u>	<u>3,107,757</u>	<u>3,158,932</u>	<u>2,939,419</u>
Total Pension Liability - Ending: (a)	<u>\$ 3,999,618</u>	<u>\$ 3,303,777</u>	<u>\$ 3,107,757</u>	<u>\$ 3,158,932</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 162,336	\$ 150,000	\$ 98,679	\$ 98,679
Contributions - Member	-	-	-	-
Net Investment Income	235,472	(25,625)	58,913	248,106
Benefit Payments Including Refunds of Member Contributions	(142,046)	(131,052)	(127,497)	(90,620)
Administrative Expenses	(7,136)	(8,583)	-	-
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>248,626</u>	<u>(15,260)</u>	<u>30,095</u>	<u>256,165</u>
Plan Fiduciary Net Position - Beginning	<u>2,290,896</u>	<u>2,306,156</u>	<u>2,276,061</u>	<u>2,019,896</u>
Plan Fiduciary Net Position - Ending: (b)	<u>\$ 2,539,522</u>	<u>\$ 2,290,896</u>	<u>\$ 2,306,156</u>	<u>\$ 2,276,061</u>
Net Pension Liability - Ending: (a)-(b)	<u>\$ 1,460,096</u>	<u>\$ 1,012,881</u>	<u>\$ 801,601</u>	<u>\$ 882,871</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.49%	69.34%	74.21%	72.05%
Covered-Employee Payroll	\$ 872,239	\$ 732,401	\$ 711,069	\$ 724,371
Net Pension Liability as a Percentage of Covered-Employee Payroll	167.40%	138.30%	112.73%	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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 LAST 5 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability	\$ 3,999,618	\$ 3,303,777	\$ 3,107,757	\$ 3,158,932	\$ 2,939,419
Plan Fiduciary Net Position	<u>2,539,522</u>	<u>2,290,896</u>	<u>2,306,156</u>	<u>2,276,061</u>	<u>2,019,896</u>
Net Pension Liability (Asset)	<u>\$ 1,460,096</u>	<u>\$ 1,012,881</u>	<u>\$ 801,601</u>	<u>\$ 882,871</u>	<u>\$ 919,523</u>
Plan Fiduciary Net Position as Percentage of Total Pension Liability	63.49%	69.34%	74.21%	72.05%	68.72%
Covered-Employee Payroll	872,239	732,401	711,069	724,371	703,273
Net Pension Liability as a Percentage of Covered-Employee Payroll	167.40%	138.30%	112.73%	121.88%	130.75%

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION TRUST FUND
LAST 4 FISCAL YEARS**

	2017	2016	2015	2014
Actuarially Determined Employer Contribution (ADEC)	\$ 162,328	\$ 159,351	\$ 148,809	\$ 145,690
Contributions in Relation to the Actuarially Determined Contribution	162,336	150,000	98,679	98,679
Contribution Deficiency (Excess)	\$ (8)	\$ 9,351	\$ 50,130	\$ 47,011
Covered-Employee Payroll	<u>\$ 872,239</u>	<u>\$ 732,401</u>	<u>\$ 711,069</u>	<u>\$ 724,371</u>
Contributions as a Percentage of Covered-Employee Payroll	18.61%	20.48%	13.88%	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 normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	Fair Value
Salary Increases	2.60% plus a service based scale ranging from 0-1.5% based on years of service
Investment Rate of Return	7.0%, net of pension plan investment and administrative expenses.
Retirement Age	Age 65 and 10 years of continuous service
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016. Prior Valuation: Pre-retirement: RP2000 Employees Table - male and female rates, set forward one year, projected by Scale MP to valuation date with no adjustment. Post-retirement: RP2000 Healthy Annuitants Table - male and female rates, set forward one year, projected by Scale MP to valuation date with no adjustment.

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

See Accountant's Report.

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING STATUS AND FUNDING PROGRESS -
 OTHER POST EMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage 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%
7/1/2015	0	2,789,417	2,789,417	0%	1,282,504	218%

THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST EMPLOYMENT BENEFITS

<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 131,863	\$ 67,208	51%
2013	159,960	85,196	53%
2014	162,762	75,833	47%
2015	165,691	73,957	45%
2016	168,752	90,536	54%
2017	381,729	111,701	29%

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, 2017

	Utility Plant			Accumulated Depreciation			Net Book Value June 30, 2017
	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Retirements	Balance June 30, 2017	
Intangible Assets							
Franchise and Consents	\$ 34,300	\$ -	\$ -	\$ 34,300	\$ -	\$ -	\$ 34,300
Generation							
Generators	2,886,820	-	-	2,886,820	164,339	2,718,541	168,279
Transmission Plant							
Land and Land Rights	1,487,395	-	-	1,487,395	-	-	1,487,395
Structures & Improvements	83,509	-	-	83,509	809	72,362	11,147
Underground Conduit	69,021	-	-	69,021	196	64,556	4,465
Underground Conductors	245,307	-	-	245,307	3,840	148,626	96,681
Cervallis Data Center Facilities	1,602,817	-	-	1,602,817	64,112	224,392	1,378,425
Distribution Plant							
Structures and Improvements	368,631	-	-	368,631	7,999	276,454	92,177
Substation Equipment	7,149,379	101,068	(55,739)	7,194,708	287,789	1,190,771	6,003,937
Generator	18,370	-	-	18,370	906	16,556	1,814
Poles, Towers & Equipment	604,566	15,536	(15,000)	605,102	24,204	344,564	260,438
Overhead Conductors	556,256	101,259	(52,429)	605,086	21,243	257,754	347,332
Underground Conduit	300,359	-	-	300,359	6,139	203,392	96,967
Underground Conductors	411,024	5,939	(6,958)	410,005	10,250	68,743	341,262
Line Transformers	542,230	54,665	(28,943)	567,952	22,718	253,886	314,066
Meters	740,803	46,460	(33,796)	753,467	44,221	403,403	350,064
Street Lights & Signals	354,733	86,612	(37,035)	404,310	39,222	109,819	294,491
Computer Software	338,334	-	-	338,334	4,851	328,632	9,702
General Plant							
Structures & Improvements	498,003	475,365	(29,077)	944,291	45,059	229,732	714,559
Office Furniture & Equipment	156,661	4,367	(7,713)	153,315	19,485	141,063	12,252
Transportation Equipment	493,356	-	-	493,356	23,409	464,618	28,738
Stores Equipment	1,504	-	-	1,504	74	1,501	3
Tools, Shop & Yard Equipment	85,056	-	-	85,056	3,639	52,914	32,142
Laboratory Equipment	7,447	-	-	7,447	155	4,652	2,795
Communications Equipment	29,244	9,203	(10,185)	28,262	4,227	16,504	11,758
Miscellaneous Equipment	82,877	18,753	(12,254)	89,376	7,894	54,650	34,726
TOTAL UTILITY PLANT	\$ 19,148,002	\$ 919,227	\$ (289,129)	\$ 19,778,100	\$ 806,680	\$ 7,648,185	\$ 12,129,915

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF VARIOUS OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Electrical Department
Distribution	
Substation Payroll	\$ 130,981
Overhead and Underground Lines	80,405
Street Lights and Signal Systems	-
Meters	6,622
ISO Load Shed Program	-
Miscellaneous	96,563
Total Distribution	\$ 314,571
Maintenance	
Station Equipment	\$ 11,097
Overhead Lines	49,264
Line Transformers	-
Street Lights and Signal Systems	-
Underground Lines	-
Meters	5,403
Payroll	406,408
Miscellaneous	26,941
Total Maintenance	\$ 499,113
Customer Service	
Meter Reading	\$ 94,272
Customer Records and Collections	179,871
Bad Debt Expense	10,000
Total Customer Service	\$ 284,143
Administration	
Administrative Salaries	\$ 532,765
General Expense	167,236
Property and Casualty Insurance	126,544
Workmen's Compensation Insurance	25,611
Disability Insurance	3,423
Office Expense	59,878
Outside Services	282,696
Pension and Employee Benefits	1,051,481
Promotions	35,731
Company Trucks and Auto	71,295
Regulatory Expense	13,096
Total Administration	\$ 2,369,756

**THIRD TAXING DISTRICT - CITY OF NORWALK, CONNECTICUT
SCHEDULE OF VARIOUS ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Electrical Department
Outside Services	
Computer System Analyst and Programming	\$ 45,088
Legal Fees (General)	14,510
Financial Audit Fees	21,400
Accounting Services	33,660
Pension Plan Actuarial and Legal Fees	7,150
Labor Law Attorneys	1,508
Repairs and Maintenance	70,135
Miscellaneous	-
Engineering	73,245
Personnel Recruitment Charges	16,000
Total Outside Services	\$ 282,696
Pension and Employee Benefits	
Employee Health and Disability Programs	\$ 686,983
Pension Expense	254,881
Pension per Contract	20,712
Payroll Taxes	88,905
Total Pension and Employee Benefits	\$ 1,051,481
General Expenses	
Travel and Lodging	\$ 10,538
Seminars and Training	39,312
Miscellaneous	117,386
Total General Expenses	\$ 167,236