

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
COMBINING STATEMENT OF NET POSITION BY DIVISION	25
COMBINING STATEMENT OF ACTIVITIES BY DIVISION	26
COMBINING STATEMENT OF CASH FLOWS BY DIVISION	27



INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Public Utilities Commission and the Sewer Authority
City of Norwich, Connecticut, Department of Public Utilities
Norwich, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the City of Norwich, Connecticut, Department of Public Utilities (the Department) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Norwich, Connecticut, Department of Public Utilities as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial positions, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the City of Norwich, Connecticut that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Norwich, Connecticut as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Honorable Members of the
Public Utilities Commission and the Sewer Authority
City of Norwich, Connecticut, Department of Public Utilities

Also, during fiscal year ended June 30, 2023, the City of Norwich, Connecticut, Department of Public Utilities adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. The guidance requires the recognition of a Subscription Based Information Technology Arrangement asset and corresponding liability. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Members of the
Public Utilities Commission and the Sewer Authority
City of Norwich, Connecticut, Department of Public Utilities

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual division financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual division financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2023, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
December 13, 2023

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 64,526,584
Receivables, Net:	
User Charges	13,799,228
Other	189,455
Leases Receivable	102,803
Inventories	2,704,914
Other Assets	1,095,136
Total Current Assets	<u>82,418,120</u>
Noncurrent Assets:	
Leases Receivable	441,734
Capital Assets, Net	157,863,435
Total Noncurrent Assets	<u>158,305,169</u>
Total Assets	<u>240,723,289</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	15,659,164
OPEB	1,425,436
Total Deferred Outflows of Resources	<u>17,084,600</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	8,238,482
Notes Payable	2,038,926
Compensated Absences	2,240,996
Risk Management Claims	270,016
Lease Liability	137,655
SBITA Liability	120,514
Cash Advances from Other Funds	2,660,997
Due to City of Norwich	134,246
Total Current Liabilities	<u>15,841,832</u>
Noncurrent Liabilities:	
Customer Deposits	3,890,460
Notes Payable	24,069,221
Compensated Absences	2,965,719
Risk Management Claims	897,420
Lease Liability	370,277
SBITA Liability	36,567
Cash Advances from Other Funds	60,889,167
Net Pension Liability	15,209,072
Net OPEB Liability	7,040,453
Total Noncurrent Liabilities	<u>115,368,356</u>
Total Liabilities	<u>131,210,188</u>

DEFERRED INFLOWS OF RESOURCES

Leases	535,821
Pension	-
OPEB	1,423,357
Total Deferred Inflows of Resources	<u>1,959,178</u>

NET POSITION

Net Investment in Capital Assets	131,090,275
Restricted for Energy Efficiency Program	357,779
Unrestricted	(6,809,531)
Total Net Position	<u>\$ 124,638,523</u>

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES	
Charges for Services	\$ 108,640,868
Use of Property	1,180,533
Other Services	897,875
Total Operating Revenues	110,719,276
OPERATING EXPENSES	
Purchased Gas and Electric	41,994,261
Operations and Maintenance	18,343,044
General and Administrative	16,307,888
Depreciation and Amortization Expense	9,623,131
Pension Expense	8,452,940
Customer Accounts	4,602,485
Gross Revenue and Property Taxes	2,141,977
OPEB Expense	1,150,883
Total Operating Expenses	102,616,609
OPERATING INCOME	8,102,667
NONOPERATING INCOME (EXPENSE)	
Interest Income	64,996
Interest Expense	(2,633,013)
Loss on Disposal of Capital Assets	(265,994)
Other Nonoperating Revenue	547,686
Net Nonoperating Expense	(2,286,325)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	5,816,342
Capital Contributions	1,226,887
Transfer Out to the City of Norwich	(8,577,656)
CHANGE IN NET POSITION	(1,534,427)
Net Position - Beginning of Year	126,172,950
NET POSITION - END OF YEAR	\$ 124,638,523

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	\$ 111,053,602
Cash Paid to Vendors	(62,822,633)
Cash Paid to Employees for Services	(23,371,361)
Net Cash Provided by Operating Activities	<u>24,859,608</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to City of Norwich	(8,577,656)
Customer Deposits	499,802
Cash Advance to Other Funds	122,339
Net Cash Used by Noncapital and Related Financing Activities	<u>(7,955,515)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	1,226,887
Purchases of Capital Assets	(9,909,614)
Proceeds from Sale of Capital Assets	37,359
Lease Payments Received	100,598
Proceeds From Notes Payable	2,507,736
Principal Payment on Notes Payable	(2,215,569)
Payments on Leases	(148,736)
Payments on SBITAs	(254,996)
Interest Payment on Debt	(2,633,013)
Repayments of Cash Advances from the City of Norwich	(1,846,503)
Other Nonoperating Revenues	547,686
Net Cash Used by Capital and Related Financing Activities	<u>(12,588,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Income on Investments	64,996
Net Cash Provided by Investing Activities	<u>64,996</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	4,380,924
Cash and Cash Equivalents - Beginning of Year	<u>60,145,660</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 64,526,584</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 8,102,667
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	9,623,131
Change in Deferred Outflow of Resources Related to Pensions	7,977,640
Change in Deferred Outflow of Resources Related to OPEB	665,101
Change in Net Pension Liability	(670,113)
Change in Net OPEB Liability	135,814
Change in Deferred Inflow of Resources Related to Leases	(103,514)
Change in Deferred Inflow of Resources Related to Pensions	(7,285)
Change in Deferred Inflow of Resources Related to OPEB	(357,361)
(Increase) Decrease in Receivables	437,840
(Increase) Decrease in Inventories and Other Assets	610,592
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,554,904)
Total Adjustments	<u>16,756,941</u>
Net Cash Provided by Operating Activities	<u><u>\$ 24,859,608</u></u>

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of Public Utilities (the Department) of the City of Norwich, Connecticut (the City), which operates gas, electric, water and sewer divisions, is managed by a Public Utilities Commission and Sewer Authority and is reported as a business-type activity in the City's basic financial statements.

B. Basis of Accounting

The Department utilizes the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash Equivalents

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

E. Estimated Unbilled Utility Services

An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Property, plant and equipment are stated at cost. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets being constructed over a period of time are classified as construction in progress. No depreciation is computed on these assets until they are complete and placed into service. Donated capital assets are recorded at estimated acquisition value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings	40 years
Improvements	20 Years
Underground Distribution and Collection Systems	50 Years
Electrical Transmission Systems	20 Years
Vehicles, Machinery, and Equipment	3 to 20 Years

Right-to-use lease assets are initially measured as the sum of the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. Subsequently, the SBITA asset is amortized in a systematic and rational manner over the shorter of the subscription term or useful life of the underlying asset.

G. Inventories

Inventories are valued at cost using the average cost method.

H. Compensated Absences

Employees accumulate sick and vacation leave hours for subsequent use or for payment upon retirement. Sick leave vests and may be carried forward, but not to exceed 120 days. Vacation time is earned on a calendar year basis to be used in the following year. Hours accumulated and not used or expired are paid upon retirement.

The expense and liability for vested sick and vacation leave is recorded annually for benefits accrued to employees.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Funding Policy for Pension

The Department funds the annual actuarially determined contributions to the City's pension plan.

J. Deferred Outflows/Inflows of Resources (Pension and OPEB)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. The Department reports deferred outflows related to pension and OPEB. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, these amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, these amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees). The Department also reports deferred inflow(s) of resources related to leases.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. Investments are reported at fair value.

L. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. Investments are reported at fair value.

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Adoption of New Accounting Standards

In May 2020, the Government Accounting Standard Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Department adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Government reporting a SBITA asset and a SBITA liability as disclosed in Note 4 and Note 16.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2023, the carrying amount of the Department's deposits was \$64,526,584, and the bank balance was \$65,707,255. The Department's deposits, along with other cash equivalents, are under the control of the Treasurer of the City and subject to the City's available Federal Depository Insurance Coverage and certain limited collateralization provisions contained in Section 36a-333 of the Connecticut General Statutes. The Department's deposits that are uninsured and uncollateralized are not separately identifiable.

NOTE 3 RECEIVABLES

Receivables as of year-end for the Department's divisions, including applicable allowances for uncollected amounts, are as follows:

	Gas	Electric	Water	Sewer	Total
Receivables:					
User Charges	\$ 2,293,632	\$ 7,068,450	\$ 908,537	\$ 835,448	\$ 11,106,067
Unbilled Revenue	752,326	4,299,735	651,218	603,282	6,306,561
Other	188,938	-	-	517	189,455
Lease Receivable	-	-	544,537	-	544,537
Gross Receivables	<u>3,234,896</u>	<u>11,368,185</u>	<u>2,104,292</u>	<u>1,439,247</u>	<u>18,146,620</u>
Less Allowance for Uncollectibles:					
User Charges	<u>(901,000)</u>	<u>(2,431,800)</u>	<u>(136,100)</u>	<u>(144,500)</u>	<u>(3,613,400)</u>
Net Total Receivables	<u>\$ 2,333,896</u>	<u>\$ 8,936,385</u>	<u>\$ 1,968,192</u>	<u>\$ 1,294,747</u>	<u>\$ 14,533,220</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business Activities:					
Capital Assets Not being Depreciated:					
Land	\$ 1,733,062	\$ -	\$ -	\$ -	\$ 1,733,062
Construction in Progress	<u>26,276,090</u>	<u>(22,827,494)</u>	<u>11,016,278</u>	<u>(26,946)</u>	<u>14,437,928</u>
Total Capital Assets Not being Depreciated	28,009,152	(22,827,494)	11,016,278	(26,946)	16,170,990
Capital Assets being Depreciated:					
Structures and Improvements	52,610,678	4,301,648	-	(641,011)	56,271,315
Intangible Plant	-	4,319,441	-	-	4,319,441
Machinery, Equipment Pumping, and Distribution Systems	<u>262,016,523</u>	<u>14,206,405</u>	<u>-</u>	<u>(1,787,786)</u>	<u>274,435,142</u>
Total Capital Assets being Depreciated	<u>314,627,201</u>	<u>22,827,494</u>	<u>-</u>	<u>(2,428,797)</u>	<u>335,025,898</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Less Accumulated Depreciation for:					
Structures and Improvements	\$ (29,121,557)	\$ -	\$ (1,306,006)	\$ 442,687	\$ (29,984,876)
Intangible Plant	-	-	(215,972)		(215,972)
Machinery, Equipment Pumping, and Distribution Systems	(158,099,608)	-	(7,761,966)	1,682,759	(164,178,815)
Total Accumulated Depreciation	(187,221,165)	-	(9,283,944)	2,125,446	(194,379,663)
Right to Use - Lease Asset:					
Land	582,163	-	-	-	582,163
Equipment	306,149	-	13,664	(20,209)	299,604
Total Right to Use - Lease Asset	888,312	-	13,664	(20,209)	881,767
Less Accumulated Amortization:					
Land	(59,003)		(59,003)		(118,006)
Equipment	(98,495)	-	(107,017)	20,209	(185,303)
Total Accumulated Amortization	(157,498)	-	(166,020)	20,209	(303,309)
Subscription Based Information Technology Arrangement Assets (SBITA):					
Subscription Based Information Technology Arrangements	-	-	640,919	-	640,919
Less Accumulated Amortization:					
Subscription Based Information Technology Arrangements	-	-	(173,167)	-	(173,167)
Total Capital Assets being Depreciated/Amortized, Net	128,136,850	22,827,494	(8,968,548)	(303,351)	141,692,445
Business Activities Capital Assets, Net	<u>\$ 156,146,002</u>	<u>\$ -</u>	<u>\$ 2,047,730</u>	<u>\$ (330,297)</u>	<u>\$ 157,863,435</u>

Depreciation and amortization were charged to the divisions as follows:

Gas	\$ 3,159,721
Electric	2,113,154
Water	2,034,297
Sewer	2,315,959
Total	<u>\$ 9,623,131</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable - Direct Borrowing	758,674	-	(411,850)	346,824	280,132
State of Connecticut - Serial Note - Direct Borrowing	25,057,306	2,507,736	(1,803,719)	25,761,323	1,758,794
Total Bonds and Notes Payable	25,815,980	2,507,736	(2,215,569)	26,108,147	2,038,926
Compensated Absences	5,426,028	1,914,350	(2,133,663)	5,206,715	2,240,996
Workers' Compensation	1,164,894	255,301	(252,759)	1,167,436	270,016
Lease Liability	643,007	13,661	(148,736)	507,932	137,655
SBITA Liability	-	412,078	(254,997)	157,081	120,514
Cash Advances	65,396,667	912,253	(2,758,756)	63,550,164	2,660,997
Net OPEB Liability	6,904,639	135,814	-	7,040,453	-
Net Pension Liability	15,879,185	-	(670,113)	15,209,072	-
Total Long-Term Liabilities	<u>\$ 121,230,400</u>	<u>\$ 6,151,193</u>	<u>\$ (8,434,593)</u>	<u>\$ 118,947,000</u>	<u>\$ 7,469,104</u>

Outstanding bonds and serial notes payable at June 30, 2023 are comprised of the following:

Description	Interest Rate (%)	Date of Issue	Date of Maturity	(In Thousands)	
				Original Amount Issued	Outstanding June 30, 2023
Notes Payable Direct Borrowing:					
Equipment Financing Agreement	4.25 %	12/28/2017	02/29/2024	\$ 1,937	\$ 215
Equipment Financing Agreement	3.05	07/1/2020	10/31/2024	344	131
State of Connecticut Serial Notes					
Payable - Direct Borrowing:					
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	876
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	2,821
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	1,321
Clean Water Act 707-PD	2.00	02/26/2021	01/31/2041	1,655	1,455
Clean Water Act 743-D	*	*	*	*	2,050
Drinking Water State Revolving Fund 9714-C	2.77	12/31/2002	12/31/2021	1,899	-
Drinking Water State Revolving Fund 200801-C	2.27	07/01/2009	07/01/2029	450	133
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	47
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	114
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	81
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	73
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2034	506	291
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	2,515
Drinking Water State Revolving Fund 2015-7037	2.00	10/31/2016	10/31/2034	1,528	955
Drinking Water State Revolving Fund 2017-7056	2.00	08/31/2019	08/31/2038	2,695	2,044
Drinking Water State Revolving Fund 2019-7069	2.00	12/31/2020	06/30/2040	2,477	2,106
Drinking Water State Revolving Fund 2019-7072	2.00	08/30/2019	02/28/2039	1,582	1,239
Drinking Water State Revolving Fund 2019-7081	2.00	11/30/2020	06/30/2040	2,414	2,052
Drinking Water State Revolving Fund 2019-7077	2.00	09/30/2022	09/30/2041	5,824	5,458
Drinking Water State Revolving Fund 2022-7104	2.00	03/31/2023	09/30/2042	131	131
Total					<u>\$ 26,108</u>

* Loans Not Permanently Financed as of June 30, 2023

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM DEBT (CONTINUED)

The annual debt service requirements for all Direct Borrowing Notes Payable are as follows:

<u>Fiscal Year Ending June 30</u>	(In Thousands)		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,039	\$ 466	\$ 2,505
2025	1,831	425	2,256
2026	1,775	388	2,163
2027	1,787	352	2,139
2028	1,798	316	2,114
2029-2033	8,182	1,050	9,232
2034-2038	4,868	407	5,275
2039-2045	1,778	50	1,828
Subtotal	<u>24,058</u>	<u>3,454</u>	<u>27,512</u>
State of Connecticut - Serial Notes Not Permanently Financed as of June 30, 2023	<u>2,050</u>	<u>-</u>	<u>2,050</u>
Total	<u>\$ 26,108</u>	<u>\$ 3,454</u>	<u>\$ 29,562</u>

NOTE 6 PENSION PLAN

A. Plan Description and Benefits Provided

All full-time and certain part-time employees of the Department participate in a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The City includes the financial statements and required supplementary information for the plan in its comprehensive annual financial report, which is available from the City Comptroller, City Hall, 100 Broadway, Norwich, Connecticut.

The City provides all retirement, death and disability benefits through a single-employer, contributory, defined benefit plan. Under the plan, all employees are eligible to join after their probationary period. Department employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55. Any employee terminating employment after age 50 with 25 years of service is eligible for a pension immediately. Also, any member who terminates after 5 years of service is eligible for a pension deferred to age 60. Employees who retire at age 55 with 25 years of service or age 60 with 10 years of service receive a retirement benefit of 2.2% of average final earnings during the highest 3 of the last 10 consecutive-year period. Effective January 1, 2018, the plan was amended such that employees hired after January 1, 2018 receive a retirement benefit of 1.95% of average final earnings during the highest 3 of the last 10 consecutive-year periods.

Employees are required to contribute 8.5% of their earnings to the plan. If an employee leaves employment or dies before meeting the vesting requirements, accumulated employee contributions and interest are refunded. The Department is required to contribute the remaining amounts necessary to finance the benefits for its employees. The Department's contributions to the plan for the year ended June 30, 2023 was \$1,152,697, equal to the required contribution for the year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 PENSION PLAN (CONTINUED)

B. Net Pension Liability of the Department

The components of the net pension liability of the Department at June 30, 2023 were as follows:

Total Pension Liability	\$ 133,128,716
Plan Fiduciary Net Position	<u>(117,919,644)</u>
Net Pension Liability	<u><u>\$ 15,209,072</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.58 %

C. Changes in the Net Pension Liability

	NPU Portion of the City Retirement System		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - July 1, 2022	\$ 128,475,013	\$ 112,595,828	\$ 15,879,185
Changes for the Year:			
Service Cost	2,503,626	-	2,503,626
Interest on Total Pension Liability	7,969,595	-	7,969,595
Effect of Economic/Demographic Gains or Losses	1,217,369	-	1,217,369
Employer Contributions	-	1,152,697	(1,152,697)
Member Contributions	-	1,405,430	(1,405,430)
Net Investment Income	-	6,893,783	(6,893,783)
Benefit Payments, Including Refund to Employee Contributions	(7,036,887)	(7,036,887)	-
Investment gains or losses	-	2,933,994	(2,933,994)
Administrative Expenses	-	(25,201)	25,201
Net Changes	<u>4,653,703</u>	<u>5,323,816</u>	<u>(670,113)</u>
Balances - June 30, 2023	<u><u>\$ 133,128,716</u></u>	<u><u>\$ 117,919,644</u></u>	<u><u>\$ 15,209,072</u></u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2023, the Department recognized pension expense of \$8,452,939. At June 30, 2023, the Department reported deferred outflows and inflows of resources related to pension from the following sources:

	NPU Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,301,655	\$ -
Changes of Assumptions	9,225,542	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,131,967	-
Total	\$ 15,659,164	\$ -

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

Year Ending June 30,	Amount
2024	\$ 6,134,350
2025	4,446,555
2026	5,421,584
2027	(343,325)
2028	-
Total	\$ 15,659,164

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

Employees are entitled to certain benefits from the City, including postemployment health benefits through the City retiree health plan (RHP). The City includes the financial statements and required supplementary information for the plan in its comprehensive annual financial report, which is available from the City Comptroller, City Hall, 100 Broadway, Norwich, Connecticut.

The City provides medical coverage and life insurance benefits to the Department under the RHP. All Department employees are eligible to join at age 55 with 25 years of service or age 60 with 5 years of service. The City pays 95% of the cost of insurance for the retiree before the age of 65 and provides between \$10,000 to \$25,000 in life insurance benefit for those retirees with 10 years of service. The Department's contributions to the plan for the year ended June 30, 2023 was \$707,329 and equal to the required contribution for the year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

B. Net OPEB Liability of the Department

The Department's net OPEB liability was measured as of June 30, 2023. The components of the net OPEB liability of the Department at June 30, 2023 were as follows:

Total OPEB Liability	\$ 9,320,277
Plan Fiduciary Net Position	<u>(2,279,824)</u>
Net OPEB Liability	<u><u>\$ 7,040,453</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.46 %

C. Changes in Net OPEB Liability

	NPU Portion of the City Retiree Health Plan		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - July 1, 2022	\$ 8,534,677	\$ 1,630,038	\$ 6,904,639
Changes for the Year:			
Service Cost	258,835	-	258,835
Interest on Total OPEB Liability	541,695	-	541,695
Change in Assumptions	241,753	-	241,753
Employer Contributions	-	707,329	(707,329)
Net Investment Income	-	115,946	(115,946)
Benefit Payments, Including Refund to Employee Contributions	(256,683)	(256,683)	-
Investment gains or losses	-	83,666	(83,666)
Administrative Expenses	-	(472)	472
Net Changes	<u>785,600</u>	<u>649,786</u>	<u>135,814</u>
Balances - June 30, 2023	<u><u>\$ 9,320,277</u></u>	<u><u>\$ 2,279,824</u></u>	<u><u>\$ 7,040,453</u></u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Department recognized OPEB expense of \$1,150,883. At June 30, 2023, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	NPU Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 468,056	\$ 1,423,357
Changes of Assumptions	885,926	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	71,454	-
Total	\$ 1,425,436	\$ 1,423,357

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

Year Ending June 30,	Amount
2024	\$ 261,178
2025	54,091
2026	(117,220)
2027	(180,489)
2028	(15,481)
Thereafter	-
Total	\$ 2,079

NOTE 8 RISK MANAGEMENT

The Department is exposed to various risks of loss related to public official liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters and owners' and contractors' protective liability.

The City has created an internal service fund to account for the self-insured health program for its employees. The City has purchased reinsurance to provide for individual and aggregate stop loss in excess of certain limits. The Department participates in this program. The Department is required to pay premiums, and the employee medical claims are then paid out of this fund. The Department records an expense as monthly premiums are paid or accrued. The Department does not record an amount for incurred but not reported claims, as they are accounted for in the internal service fund. If costs exceed premiums being charged, the amounts charged to the Department are increased in future periods. This is not expected to have a material effect on the financial statements. Settled claims have not exceeded coverage in any of the last three years.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 RISK MANAGEMENT (CONTINUED)

It is the City's policy to self-insure for workers' compensation costs. The workers' compensation account covers claims up to the reinsurance levels. The Department purchases commercial insurance for claims in excess of a self-insured retention amount of \$200,000. Settled claims have not exceeded coverage in any of the past three years.

Payments to fund the self-insurance costs are generally based upon the historical number and dollar amount of claims. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The Department has accrued \$1,167,436 for estimated unpaid accrued losses on reported claims as of June 30, 2023. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including the frequency and amounts of payouts, and other economic and social factors.

The Department purchases commercial insurance for all other risks of loss. Settled claims have not exceeded commercial coverage in any of the past three years.

NOTE 9 SEWER CAPITAL CONNECTION FEES

The Department has established a sewer capital connection fee and levies this fee for new connections and for changes in use, which result in an increase of existing waste water discharge to the sewer system. A fee of \$2,500 for each 200 gallons per day increased discharge is assessed. The revenues received from the sewer capital connection fee have been designated by the Department to partially offset costs associated with planned upgrades to the wastewater treatment plant. The designated balance of funds included in the Sewer Division's cash and cash equivalents at June 30, 2023 is \$3,106,380.

NOTE 10 RESTRICTED NET POSITION

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy and Load Conservation Fund (the Fund) on behalf of its cooperative members, including the Department. The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring CMEEC to establish and administer the Fund. CMEEC includes a charge of 2.5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department for deposit into the Fund. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan. The Department's activity within the Fund administered by CMEEC on behalf of the Department is summarized as follows:

Funds Held by CMEEC - July 1, 2022	\$ 1,122,212
Deposits into the Fund	882,302
Investment Income	3,039
Approved Program Expenses	<u>(1,649,774)</u>
Funds Held by CMEEC - June 30, 2023	<u>\$ 357,779</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 RESTRICTED NET POSITION (CONTINUED)

Investment income earned on the Department's deposits, along with the Fund's authorized expenses during the year, is recorded in the Department's statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department's statement of net position, and, accordingly, the Department's net position has been restricted for the Fund's energy efficiency program purposes.

NOTE 11 CONTRACT FOR SALE OF ELECTRICAL PRODUCTS – COMBUSTION TURBINE UNIT

The Department had entered into a contract with CMEEC dated September 1, 2015, which provides for income to the Department from the sale of electrical products generated from a combustion turbine unit owned by the Department. Under the terms of the contract, the Department will operate the unit and make available all electrical power into the ISO New England (ISO-NE) markets. The Department receives a monthly payment based on the actual revenues received by CMEEC from ISO-NE associated with the delivery of electrical power from the unit. For the fiscal year ended June 30, 2023, the Electric Division reported net revenue of \$962,020 from the operation of the unit.

NOTE 12 JOINTLY GOVERNED ORGANIZATION AND RELATED ORGANIZATIONS

Connecticut Municipal Electric Energy Cooperative (CMEEC)

CMEEC is a public corporation organized in 1976 under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its member utilities, including the Department and others. CMEEC may issue bonds in its own name. Under the bylaws of CMEEC, a Board of Directors comprised of representatives from the participating members was established. CMEEC's Board is comprised of 20 representatives and officers. The governing board consists of representatives appointed by each of the participating members and assumes all the management decisions. Two representatives from the Department serve on the Board. The CMEEC Board acts as a regulatory body in that it reviews and approves recovery of costs in rates on an annual basis.

CMEEC has entered into power sales contracts with each of the members including the Department. Under the contracts, each of the member utilities have agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each member utility to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take or pay basis. The member utilities maintain this fixed cost obligation whether or not they take any power from CMEEC. The amount of power purchased from CMEEC for the fiscal year ended June 30, 2023 was \$34.53 million.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 12 JOINTLY GOVERNED ORGANIZATION AND RELATED ORGANIZATIONS
(CONTINUED)**

Connecticut Municipal Electric Energy Cooperative (CMEEC) (Continued)

During the 2012 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide cap and trading program as proposed by the RGGI in Connecticut. During the 2023 fiscal year, the share of contributions to the fund received by the Department totaled \$279,791, with drawdowns of \$262,730, and interest on the fund of \$638. The balance of the Department's funds held by CMEEC for the RGGI was \$125,157 for the year ended June 30, 2023.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Purchased Gas Contracts

The Department participates in forward contracts for the purchase of gas capacity for storage and transmission. Under the terms of the contracts, the Department is obligated to make payments for set capacities that will be charged at variable and fixed rates until the end of the respective terms. As of June 30, 2023, the Department has obligations in place through 2031. Expense under the contracts totaled \$6,185,600 during the year ended June 30, 2023.

Power Sales Contract – Connecticut Municipal Electric Energy Cooperative

CMEEC supplies power to the Department under a Power Sales Contract that became effective April 25, 2013. The contract obligates the Department to pay a percentage of CMEEC's fixed costs obligations, including debt service and administrative and general costs. Under the power sales agreement, the Department is required to pay its percentage of CMEEC's fixed cost obligations whether or not they purchase power from CMEEC. The contract will remain in effect until the date when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter until terminated by either party following not less than three years prior written notice to the other party of its intention to terminate, provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 31, 2052.

The Department has rate stabilization funds held by CMEEC that were previously collected in conjunction with the purchase of energy to stabilize the price of energy. The Department's current rate structure to purchase power from CMEEC includes a rate stabilization component. Under the rate stabilization premise, the principal repayment of debt service is deferred and amortized over the life of the related debt and recoverable from future billings. Under this premise, the shortfall between the current rate stabilization funds held by CMEEC and the percentage of unfunded CMEEC debt allocated to the Department represents an unfunded debt obligation recoverable by future billings.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Power Sales Contract – Connecticut Municipal Electric Energy Cooperative
(Continued)**

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2023 is summarized as follows:

CMEEC - Debt Service Fixed Cost Obligation	\$ 14,043,617
Department - Rate Stabilization Funds on	
Deposit with CMEEC	<u>(11,863,474)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 2,180,143</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net position. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,055,001.

All payments due to CMEEC under the Power Sales Contract may not be subordinated to any other obligation of the City.

Combined Sewer Overflows

Under various consent decrees issued by the State of Connecticut Department of Environmental Protection (consent decrees), the Department is required to eliminate certain combined storm and sanitary sewers. The estimated cost of these improvements is \$53,000,000. As of June 30, 2023, \$4,319,441 relating to these projects has been incurred and included in property, plant and equipment. Based on current engineering estimates, completion of these projects will be within the next 15 years. Funding for these improvements is being provided by the State of Connecticut's Clean Water Fund in the form of loans and grants.

NOTE 14 LITIGATION

There are lawsuits pending against the Department. The outcome and eventual liability of the Department, if any, in these cases is not known at this time. The Department's management, based upon consultation with legal counsel, estimates that potential claims against the Department, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Department.

NOTE 15 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of June 30, 2023, the Department has purchased \$1,308,564 in capital assets on account, respectively, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Lessee

The Department leases equipment and land for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through June 30, 2030 and provide for renewal options ranging from two to five years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments under lease agreements are as follows:

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
FY 2024	\$ 137,655	\$ 17,108	\$ 154,763
FY 2025	64,359	13,335	77,694
FY 2026	61,603	10,859	72,462
FY 2027	62,521	8,392	70,913
FY 2028	63,809	5,878	69,687
FY 2029 - FY 2030	117,985	3,968	121,953
Total	<u>\$ 507,932</u>	<u>\$ 59,540</u>	<u>\$ 567,472</u>

Right-to-use lease assets acquired through outstanding leases are shown below, by underlying asset class.

Equipment	\$ 299,604
Land	582,163
Less: Accumulated Amortization	<u>(303,309)</u>
Total	<u>\$ 578,458</u>

B. Lessor

The Department, acting as lessor, leases space on and/or adjacent to two water tanks for the purpose of the tenants' transmission and reception of communications signals under long-term, noncancelable lease agreements. The leases expire at various dates through June 30, 2036 inclusive of renewal options ranging from ten to fifteen years from transition date of July 1, 2021. During the year ended June 30, 2023, the Department recognized \$103,513 and \$-0- in lease revenue and interest revenue respectively, pursuant to these contracts.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

B. LESSOR (CONTINUED)

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Fiscal Year Ending June 30,</u>	Business-Type Activities		
	Revenue	Interest	Total
FY 2024	\$ 103,513	\$ -	\$ 103,513
FY 2025	103,513	-	103,513
FY 2026	69,894	-	69,894
FY 2027	26,787	-	26,787
FY 2028	26,787	-	26,787
FY 2029 - FY 2033	133,934	-	133,934
FY 2034 - FY 2036	80,109	-	80,109
Total	<u>\$ 544,537</u>	<u>\$ -</u>	<u>\$ 544,537</u>

C. Subscription Based Information Technology Arrangement (SBITA)

The Department has entered into subscription-based information technology arrangements (SBITA) for various terms under long-term, non-cancelable SBITA agreements. The SBITAs expire at various dates through June 30, 2025 and provide for renewal options.

Total future minimum payments under SBITA agreements are as follows:

<u>Fiscal Year Ending June 30,</u>	Business-Type Activities		
	Principal	Interest	Total
FY 2024	\$ 120,515	6,269	\$ 126,784
FY 2025	36,566	3,133	39,699
Total	<u>\$ 157,081</u>	<u>\$ 9,402</u>	<u>\$ 166,483</u>

Subscription based information technology arrangement assets acquired through outstanding contracts are shown below.

Subscription Based Information Technology Arrangements	\$ 640,919
Less: Accumulated Amortization	(173,167)
Total	<u>\$ 467,752</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2023**

	Gas	Electric	Water	Sewer	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 10,997,027	\$ 29,758,384	\$ 10,418,219	\$ 13,352,954	\$ 64,526,584
Receivables, Net:					
User Charges	2,144,958	8,936,385	1,423,655	1,294,230	13,799,228
Other	188,938	-	-	517	189,455
Lease Receivable	-	-	102,803	-	102,803
Inventories	1,145,999	1,086,544	387,119	85,252	2,704,914
Other Assets	164,973	723,950	123,728	82,485	1,095,136
Total Current Assets	<u>14,641,895</u>	<u>40,505,263</u>	<u>12,455,524</u>	<u>14,815,438</u>	<u>82,418,120</u>
Noncurrent Assets:					
Lease Receivable	-	-	441,734	-	441,734
Capital Assets, Net	37,205,206	21,385,939	47,541,986	51,730,304	157,863,435
Total Current Assets	<u>37,205,206</u>	<u>21,385,939</u>	<u>47,983,720</u>	<u>51,730,304</u>	<u>158,305,169</u>
Total Assets	51,847,101	61,891,202	60,439,244	66,545,742	240,723,289
DEFERRED OUTFLOWS OF RESOURCES					
Pension	3,679,903	6,551,794	2,907,906	2,519,561	15,659,164
OPEB	334,978	596,402	264,703	229,353	1,425,436
Total Deferred Outflows of Resources	<u>4,014,881</u>	<u>7,148,196</u>	<u>3,172,609</u>	<u>2,748,914</u>	<u>17,084,600</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	1,121,777	6,084,053	413,881	618,771	8,238,482
Notes Payable	-	280,132	1,144,643	614,151	2,038,926
Compensated Absences	568,479	916,926	417,522	338,069	2,240,996
Risk Management Claims	81,655	109,216	69,801	9,344	270,016
Lease Liability	51,007	4,074	26,061	56,513	137,655
SBITA Liability	24,103	66,283	18,077	12,051	120,514
Cash Advances from Other Funds	1,479,592	663,744	280,797	236,864	2,660,997
Due to City of Norwich	11,534	26,656	13,353	82,703	134,246
Total Current Liabilities	<u>3,338,147</u>	<u>8,151,084</u>	<u>2,384,135</u>	<u>1,968,466</u>	<u>15,841,832</u>
Noncurrent Liabilities:					
Customer Deposits	-	3,890,460	-	-	3,890,460
Notes Payable	-	66,692	16,093,991	7,908,538	24,069,221
Compensated Absences	826,374	1,214,274	456,984	468,087	2,965,719
Risk Management Claims	280,322	356,123	226,850	34,125	897,420
Lease Liability	358,570	4,783	1,305	5,619	370,277
SBITA Liability	7,313	20,112	5,485	3,657	36,567
Cash Advances from Other Funds	22,530,058	21,551,126	9,117,209	7,690,774	60,889,167
Net Pension Liability	3,574,132	6,363,476	2,824,325	2,447,139	15,209,072
Net OPEB Liability	1,654,506	2,945,726	1,307,412	1,132,809	7,040,453
Total Noncurrent Liabilities	<u>29,231,275</u>	<u>36,412,772</u>	<u>30,033,561</u>	<u>19,690,748</u>	<u>115,368,356</u>
Total Liabilities	32,569,422	44,563,856	32,417,696	21,659,214	131,210,188
DEFERRED INFLOWS OF RESOURCES					
Leases	-	-	535,821	-	535,821
OPEB	334,489	595,533	264,317	229,018	1,423,357
Total Deferred Inflows of Resources	<u>334,489</u>	<u>595,533</u>	<u>800,138</u>	<u>229,018</u>	<u>1,959,178</u>
NET POSITION					
Net Investment in Capital Assets	36,764,213	20,943,863	30,252,424	43,129,775	131,090,275
Restricted for Energy Efficiency Program	-	357,779	-	-	357,779
Unrestricted	(13,806,142)	2,578,367	141,595	4,276,649	(6,809,531)
Total Net Position	<u>\$ 22,958,071</u>	<u>\$ 23,880,009</u>	<u>\$ 30,394,019</u>	<u>\$ 47,406,424</u>	<u>\$ 124,638,523</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
YEAR ENDED JUNE 30, 2023**

	Gas	Electric	Water	Sewer	Total
OPERATING REVENUES					
Charges for Services	\$ 24,705,409	\$ 63,355,649	\$ 11,199,441	\$ 9,380,369	\$ 108,640,868
Use of Property	24,000	1,053,020	103,513	-	1,180,533
Other Services	178,024	547,360	58,088	114,403	897,875
Total Operating Revenues	<u>24,907,433</u>	<u>64,956,029</u>	<u>11,361,042</u>	<u>9,494,772</u>	<u>110,719,276</u>
OPERATING EXPENSES					
Purchased Gas and Electric	7,446,458	34,547,803	-	-	41,994,261
Operations and Maintenance	3,164,099	6,247,771	4,168,516	4,762,658	18,343,044
General and Administrative	3,505,065	8,355,290	2,743,154	1,704,379	16,307,888
Depreciation and Amortization Expense	3,159,721	2,113,154	2,034,297	2,315,959	9,623,131
Pension Expense	1,986,441	3,536,710	1,569,711	1,360,078	8,452,940
Customer Accounts	512,777	3,520,609	341,238	227,861	4,602,485
Gross Revenue and Property Taxes	-	2,011,071	130,906	-	2,141,977
OPEB Expense	270,458	481,529	213,719	185,177	1,150,883
Total Operating Expenses	<u>20,045,019</u>	<u>60,813,937</u>	<u>11,201,541</u>	<u>10,556,112</u>	<u>102,616,609</u>
OPERATING INCOME (LOSS)	4,862,414	4,142,092	159,501	(1,061,340)	8,102,667
NONOPERATING INCOME (LOSS)					
Interest Income	2,031	22,085	15,842	25,038	64,996
Interest Expense	(669,130)	(733,376)	(858,015)	(372,492)	(2,633,013)
Loss on Disposal of Capital Assets	(87,733)	(97,068)	(56,971)	(24,222)	(265,994)
Other Nonoperating Revenue	31,743	515,943	-	-	547,686
Net Nonoperating Expenses	<u>(723,089)</u>	<u>(292,416)</u>	<u>(899,144)</u>	<u>(371,676)</u>	<u>(2,286,325)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,139,325	3,849,676	(739,643)	(1,433,016)	5,816,342
Capital Contributions	3,003	215,429	445,935	562,520	1,226,887
Transfers out to City of Norwich	<u>(2,149,387)</u>	<u>(5,279,694)</u>	<u>(1,148,575)</u>	<u>-</u>	<u>(8,577,656)</u>
CHANGE IN NET POSITION	1,992,941	(1,214,589)	(1,442,283)	(870,496)	(1,534,427)
Net Position - Beginning of Year	<u>20,965,130</u>	<u>25,094,598</u>	<u>31,836,302</u>	<u>48,276,920</u>	<u>126,172,950</u>
NET POSITION - END OF YEAR	<u>\$ 22,958,071</u>	<u>\$ 23,880,009</u>	<u>\$ 30,394,019</u>	<u>\$ 47,406,424</u>	<u>\$ 124,638,523</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
YEAR ENDED JUNE 30, 2023**

	Gas	Electric	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Charges for Services	\$ 24,979,617	\$ 64,963,844	\$ 11,676,926	\$ 9,433,215	\$ 111,053,602
Cash Paid to Vendors	(10,731,881)	(44,759,290)	(3,858,405)	(3,473,057)	(62,822,633)
Cash Paid to Employees for Services	(5,036,045)	(10,414,083)	(4,302,070)	(3,619,163)	(23,371,361)
Net Cash Provided (Used) by Operating Activities	<u>9,211,691</u>	<u>9,790,471</u>	<u>3,516,451</u>	<u>2,340,995</u>	<u>24,859,608</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers to City of Norwich	(2,149,387)	(5,279,694)	(1,148,575)	-	(8,577,656)
Customer Deposits	-	499,802	-	-	499,802
Cash Advance from (to) Other Funds	39,810	16,191	8,346	57,992	122,339
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(2,109,577)</u>	<u>(4,763,701)</u>	<u>(1,140,229)</u>	<u>57,992</u>	<u>(7,955,515)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash Advance to CMEEC and Other Funds	-	-	-	-	-
Capital Contributions	3,003	215,429	445,935	562,520	1,226,887
Purchases of Capital Assets	(4,306,626)	(1,972,053)	(1,768,712)	(1,862,223)	(9,909,614)
Proceeds from Sale of Capital Assets	12,647	15,592	6,302	2,818	37,359
Lease Payments Received	-	-	100,598	-	100,598
Proceeds from Notes Payable	-	-	457,548	2,050,188	2,507,736
Principal Payment on Notes Payable	-	(411,848)	(1,200,079)	(603,642)	(2,215,569)
Payments on leases	(51,290)	(10,185)	(31,820)	(55,441)	(148,736)
Payments on SBITAs	(42,039)	(160,409)	(31,529)	(21,019)	(254,996)
Interest Payment on Debt	(669,130)	(733,376)	(858,015)	(372,492)	(2,633,013)
Repayments of Cash Advances from the City of Norwich	(600,401)	(700,091)	(296,174)	(249,837)	(1,846,503)
Other Nonoperating Revenue (Expenses)	31,743	515,943	-	-	547,686
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,622,093)</u>	<u>(3,240,998)</u>	<u>(3,175,946)</u>	<u>(549,128)</u>	<u>(12,588,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Income on Investments	2,031	22,085	15,842	25,038	64,996
Net Cash Provided (Used) by Investing Activities	<u>2,031</u>	<u>22,085</u>	<u>15,842</u>	<u>25,038</u>	<u>64,996</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,482,052	1,807,857	(783,882)	1,874,897	4,380,924
Cash and Cash Equivalents - Beginning of Year	9,514,975	27,950,527	11,202,101	11,478,057	60,145,660
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,997,027</u>	<u>\$ 29,758,384</u>	<u>\$ 10,418,219</u>	<u>\$ 13,352,954</u>	<u>\$ 64,526,584</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 4,862,414	\$ 4,142,092	\$ 159,501	\$ (1,061,340)	\$ 8,102,667
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	3,159,721	2,113,154	2,034,297	2,315,959	9,623,131
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
Change in Deferred Outflow of Resources Related to Pensions	1,867,655	3,522,212	1,159,988	1,427,785	7,977,640
Change in Deferred Outflow of Resources Related to OPEB	155,671	294,585	95,078	119,767	665,101
Change in Net Pension Liability	(152,713)	(404,233)	91,517	(204,684)	(670,113)
Change in Net OPEB Liability	33,987	2,969	119,124	(20,266)	135,814
Change in Deferred Inflow of Resources Related to Leases	-	-	(103,514)	-	(103,514)
Change in Deferred Inflow of Resources Related to Pensions	(1,710)	(3,105)	(1,254)	(1,216)	(7,285)
Change in Deferred Inflow of Resources Related to OPEB	(83,446)	(163,409)	(42,145)	(68,361)	(357,361)
(Increase) Decrease in Receivables	72,184	7,815	419,398	(61,557)	437,840
(Increase) Decrease in Inventories and Other Assets	140,047	578,488	(112,054)	4,111	610,592
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(842,119)	(300,097)	(303,485)	(109,203)	(1,554,904)
Total Adjustments	<u>4,349,277</u>	<u>5,648,379</u>	<u>3,356,950</u>	<u>3,402,335</u>	<u>16,756,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,211,691</u>	<u>\$ 9,790,471</u>	<u>\$ 3,516,451</u>	<u>\$ 2,340,995</u>	<u>\$ 24,859,608</u>