

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024



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**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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YEAR ENDED JUNE 30, 2024**

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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

Opinion

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, 2024, 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 financial position of the City of Norwich, Connecticut, Department of Public Utilities as of June 30, 2024, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and its 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, 2024, 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 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 opinion. 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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 9, 2024, 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 9, 2024

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

This discussion and analysis of the City of Norwich, Connecticut's Department of Public Utilities (the Department) financial performance is offered by management to provide an overview of the Department's financial activities for the fiscal year ended June 30, 2024. Please read this MD&A in conjunction with the transmittal letter and the Department's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources (\$282.0 million) of the Department exceeded its liabilities and deferred inflows of resources (\$144.4 million), resulting in total net position at the close of the fiscal year of \$137.6 million. Total unrestricted net deficit at June 30, 2024, was \$4.4 million.
- During the year, the Department's net position increased by \$12.9 million from \$124.6 million to \$137.6 million. Of the total net position as of June 30, 2024, \$137.3 million represents the combined unrestricted net position. Total expenses including transfers were \$102.2 million, while total revenues including capital contributions were \$115.1 million.
- The Department's total bonds, notes payable, and cash advances debt increased by \$5.6 million during the current fiscal year because payments of debt were less than issuances/drawdowns.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department is responsible for the full operation and management of the Gas, Electric, Water, and Sewer systems of the City. The Department follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The operations of the Department are principally supported by sales of gas, electricity, water, and sewer services and are intended to recover all of their costs through user fees and charges.

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Department and present a longer-term view of the Department's finances. Combining financial statements by division within the Department are also presented in the final pages of the financial statements, these statements provide a discrete view of each division's activities and finances.

The analysis of the Department begins with the statement of net position and the statement of activities. The statement of net position and the statement of activities report information about the Department and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Department's net position and changes in them. The Department's net position, the difference between assets and liabilities, is one way to measure the Department's financial health, or financial position. Over time, increases or decreases in the Department's net position is one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Department's customer base and the condition of the Department's capital assets, to assess the overall health of the Department.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

FINANCIAL ANALYSIS

The Department's net position increased from a year ago from \$124.6 million to \$137.6 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Department's activities.

**Table 1
NET POSITION**

| | <u>2024</u> | <u>2023</u> | <u>Annual Change</u> | <u>Change %</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------|
| Assets: | | | | |
| Current and Other Assets: | \$ 87,163,378 | \$ 82,859,854 | \$ 4,303,524 | 5.19% |
| Capital Assets (Net) | 185,783,942 | 157,863,435 | 27,920,507 | 17.69% |
| Total Assets | \$ 272,947,320 | \$ 240,723,289 | \$ 32,224,031 | 13.39% |
| Deferred Outflows of Resources | \$ 9,021,768 | \$ 17,084,600 | \$ (8,062,832) | -47.19% |
| Liabilities: | | | | |
| Debt Outstanding | \$ 118,619,363 | \$ 118,947,000 | \$ (327,637) | -0.28% |
| Accounts Payable & Accrued Liabilities | 16,222,339 | 8,238,482 | 7,983,857 | 96.91% |
| Other Liabilities | 4,365,675 | 4,024,706 | 340,969 | 8.47% |
| Total Liabilities | \$ 139,207,377 | \$ 131,210,188 | \$ 7,997,189 | 6.09% |
| Deferred Inflows of Resources | \$ 5,199,166 | \$ 1,959,178 | \$ 3,239,988 | 165.37% |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 141,692,443 | \$ 131,090,275 | \$ 10,602,168 | 8.09% |
| Restricted | 250,449 | 357,779 | (107,330) | -30.00% |
| Unrestricted | (4,380,347) | (6,809,531) | 2,429,184 | -35.67% |
| Total Net Position | \$ 137,562,545 | \$ 124,638,523 | \$ 12,924,022 | 10.37% |

Net position of the Department's activities increased by \$12.9 million to \$137.6 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from (\$6.8) million at June 30, 2023, to (\$4.4) million at the end of this year. Restricted net position – the part of net position that can only be used to fund electric energy efficiency program expenses established by enabling legislation – decreased from \$0.4 million at June 30, 2023, to \$0.3 million at the end of this year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

**Table 2
CHANGES IN NET POSITION**

| | 2024 | 2023 | Annual Change | Change % |
|-------------------------------------|-----------------------|-----------------------|------------------------|-----------------|
| Operating Revenues: | | | | |
| Charges for Services | \$ 100,880,401 | \$ 108,640,868 | \$ (7,760,467) | -7.14% |
| Use of Property | 401,977 | 1,180,533 | (778,556) | -65.95% |
| Other Services | 1,034,362 | 897,875 | 136,487 | 15.20% |
| Total Operating Revenues | \$ 102,316,740 | \$ 110,719,276 | \$ (8,402,536) | -7.59% |
| Operating Expenses: | | | | |
| Purchased Gas and Electric | \$ 29,974,322 | \$ 41,994,261 | \$ (12,019,939) | -28.62% |
| Operations and Maintenance | 20,146,114 | 18,343,044 | 1,803,070 | 9.83% |
| Depreciation and Amortization | 9,990,804 | 9,623,131 | 367,673 | 3.82% |
| General and Administrative | 24,685,947 | 25,911,711 | (1,225,764) | -4.73% |
| Customer Accounts | 3,476,814 | 4,602,485 | (1,125,671) | -24.46% |
| Taxes | 2,221,479 | 2,141,977 | 79,502 | 3.71% |
| Total Operating Expenses | \$ 90,495,480 | \$ 102,616,609 | \$ (12,121,129) | -11.81% |
| Operating Income (Loss) | \$ 11,821,260 | \$ 8,102,667 | \$ 3,718,593 | 45.89% |
| Nonoperating Income (Loss) | (1,183,560) | (2,286,325) | 1,102,765 | -48.23% |
| Capital Contributions | 11,400,082 | 1,226,887 | 10,173,195 | 829.19% |
| Transfers | (9,113,760) | (8,577,656) | (536,104) | 6.25% |
| Increase (Decrease) in Net Position | \$ 12,924,022 | \$ (1,534,427) | \$ 14,458,449 | -942.27% |
| Net Position - Beginning of Year | 124,638,523 | 126,172,950 | (1,534,427) | -1.22% |
| Net Position - End of Year | \$ 137,562,545 | \$ 124,638,523 | \$ 12,924,022 | 10.37% |

Revenues

The Department's total operating revenues were \$102.3 million at the end of this year, a decrease of \$8.4 million compared to June 30, 2023. Overall customer billing statistics (billing counts and volumes), as seen in Table 3, were relatively stable across both fiscal years, except for gas volumes sold due to a slightly colder winter in fiscal year 2024. However, the revenue decrease realized is attributable to utility rate increases that were effective November 1, 2023, being offset by corresponding decreases in the Department's purchased gas adjustment (PGA) and purchased power adjustment (PPA). Base rate increases for the Gas, Electric, Water, and Sewer divisions increased by 4.50%, 4.75%, 8.32%, and 12.10%, respectively. Additionally, the Department decreased the PGA and PPA during the year by 144.03% and 41.15% respectively to recover the decrease in energy costs realized by the Department.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

**Table 3
CUSTOMER BILLING STATISTICS BY DIVISION**

| | <u>2024</u> | <u>2023</u> | <u>Annual Change</u> | <u>Change %</u> |
|--------------------------------------|--------------------|--------------------|----------------------|-----------------|
| Customer Billing Counts: | | | | |
| Gas | 114,831 | 114,499 | 332 | 0.29% |
| Electric | 250,082 | 249,411 | 671 | 0.27% |
| Water | 130,793 | 130,435 | 358 | 0.27% |
| Sewer | 92,057 | 91,845 | 212 | 0.23% |
| Total Customer Billing Counts | 587,763 | 586,190 | 1,573 | 0.27% |
| Customer Volumes: | | | | |
| Gas (CCF) | 10,536,782 | 10,113,303 | 423,479 | 4.19% |
| Electric (KWH) | 280,486,639 | 274,986,453 | 5,500,186 | 2.00% |
| Water (CCF) | 1,664,156 | 1,698,583 | (34,427) | -2.03% |
| Sewer (CCF) | 909,318 | 886,842 | 22,476 | 2.53% |
| Total Customer Volumes | 293,596,895 | 287,685,181 | 5,911,714 | 2.05% |

Expenses

The Department's total operating expenses were \$90.5 million at the end of this year, a decrease of \$12.1 million compared to June 30, 2023.

Purchased gas and electric expenses decreased during the year as the wholesale energy markets in New England stabilized from the near record highs in the previous year. Overall wholesale purchased gas costs decreased by 71.8% year over year, at a price of \$1.90 per dekatherm in the current year compared to \$7.06 per dekatherm during the year ended June 30, 2023. Additionally, the Department executed a natural gas asset management agreement that reduced wholesale purchased gas costs by \$3.0 million. Overall wholesale purchased electric costs decreased by 19.3% year over year, at a price of \$96.46 per megawatt hour in the current year compared to \$121.22 per megawatt hour during the year ended June 30, 2023.

The Department continued to make progress on reaching full staffing requirements as it recovers from the labor challenges experienced during and after the COVID-19 pandemic. The Department had 149 full-time employees as of June 30, 2024. During the current year, there were 6 new full-time employees hired by the Department and 2 departures.

Deferred operations and maintenance from the COVID-19 pandemic, new regulatory requirements, and inflationary cost increases were significant driving factors in the increase of operations and maintenance costs compared to June 30, 2023. General and administrative expenses decreased due to the changes in actuarial determined net liabilities for pension and workers compensation claims. Depreciation and amortization expense increased due to the closing of significant capital improvement projects that are listed in Table 5 below. Customer accounts decreased due to reduced electric energy efficiency program spending and customer rebates for the Department's Cooling & Heating Incentive Pilot Program (CHIPP).

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Nonoperating Income (Loss)

The Department's net nonoperating income or (loss) increased by \$1.1 million due to increased interest income from banking account administrative changes. Additionally, the Department experienced a net gain on disposal of utility plant compared to a net loss for June 30, 2023. The Department's gas division received less tax credits for its CNG fueling stations, and the electric division utilized less supplemental energy efficiency funds that are held by the Connecticut Municipal Electric Energy Cooperative (CMEEC).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the Department had \$185.8 million invested in a broad range of capital assets, including intangible plant, land, construction in progress, buildings and improvements, utility machinery and equipment, technology infrastructure, leases, and SBITAs as represented in Table 4. This amount represents a net increase (including additions, deductions, and depreciation) of \$27.9 million, or 17.69%, compared to last year. The change is mostly driven by construction in progress due to the \$200 million wastewater treatment plant (WWTP) replacement project breaking ground in the current year. More detail of the Department's capital assets is presented in Note 4 to the financial statements.

**Table 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**

| | 2024 | 2023 | Annual Change | Change % |
|-----------------------------------|-----------------------|-----------------------|----------------------|-----------------|
| Capital Assets (Net): | | | | |
| Intangible | \$ 3,887,497 | \$ 4,103,469 | \$ (215,972) | -5.26% |
| Land and Land Rights | 1,813,220 | 1,733,062 | 80,158 | 4.63% |
| Construction in Progress | 41,255,125 | 14,437,928 | 26,817,197 | 185.74% |
| Buildings and Improvements | 26,248,681 | 26,286,439 | (37,758) | -0.14% |
| Utility Machinery and Equipment | 110,500,280 | 108,951,247 | 1,549,033 | 1.42% |
| Technology Infrastructure | 1,366,898 | 1,305,079 | 61,819 | 4.74% |
| Right to Use Lease Assets | 359,010 | 578,458 | (219,448) | -37.94% |
| SBITA Assets | 353,231 | 467,752 | (114,521) | -24.48% |
| Total Capital Assets (Net) | \$ 185,783,942 | \$ 157,863,435 | \$ 27,920,507 | 17.69% |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

**Table 5
MAJOR CAPITAL ASSET ADDITIONS**

| | 2024 |
|---|---------------------|
| Major Capital Asset Additions: | |
| Fleet Vehicles | \$ 1,534,952 |
| State of CT- DOT- Utility Relocations - Sherman St Bridge | 1,327,801 |
| Gas Service Installations | 1,559,696 |
| Electric Transformers & Distribution Devices | 695,251 |
| Rose Alley Wastewater Force Main | 1,964,948 |
| Total Major Capital Asset Additions | \$ 7,082,648 |

Long-Term Debt & Liabilities

At June 30, 2024, the Department had total bonds and notes outstanding of \$34.4 million and total other long-term liabilities outstanding of \$83.3 million. The State of Connecticut serial note direct borrowing is secured solely by the revenues of the Department's Water and Sewer divisions. The Department's outstanding net debt increased by \$5.5 million during fiscal 2024 because of paying down less debt than was issued.

**Table 6
OUTSTANDING DEBT, AT YEAR-END**

| | 2024 | 2023 | Annual Change | Change % |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------|
| Outstanding Debt: | | | | |
| General Obligation Bonds | \$ - | \$ - | \$ - | 0.00% |
| Notes Payable | 66,692 | 346,824 | (280,132) | -80.77% |
| State of Connecticut - Serial Notes | 34,334,062 | 25,761,323 | 8,572,739 | 33.28% |
| Cash Advances | 60,889,167 | 63,550,164 | (2,660,997) | -4.19% |
| Lease Liability | 389,828 | 507,932 | (118,104) | -23.25% |
| SBITA Liability | 126,816 | 157,081 | (30,265) | -19.27% |
| Total Outstanding Debt | \$ 95,806,565 | \$ 90,323,324 | \$ 5,483,241 | 6.07% |

Other obligations include net pension obligation, net OPEB obligation, accrued vacation pay and sick leave, and risk management claims. More detailed information about the Department's long-term liabilities is presented in Note 5 to the financial statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Annually, the State of Connecticut Department of Economic and Community Development issues the Distressed Municipalities' list to identify the most fiscally and economically distressed municipalities. The primary service territory of the Department, Norwich, CT, has been regularly on this list and was ranked as 7th of 25 most distressed municipalities in the state's 2023 listing. Additionally, nearly half of the occupied housing units in the service territory are renter-occupied indicating the potential for temporary and/or transient population. The economic status of the service territory can have a direct impact on customer payment behaviors and overall revenue collection. To provide some relief to this demographic, on November 1, 2023, the Department placed an Electric Community Assistance Rate into effect that provides up to a 20% total electric bill discount for customers up to the first 1,000 kilowatt hours every month. Customers are eligible to qualify if they complete an application for energy assistance and verify that the household income is less than 60% of the State of CT Median Household Income. As of June 30, 2024, there were 2,230 customers qualified and enrolled in this rate class.

Revenues

The Department's fiscal year 2025 budget projects \$108.2 million in operating revenues, a 3.47% decrease over fiscal year 2024 budget. The fiscal year 2025 utility rates (excluding purchased energy rates) are anticipated to increase for the Gas, Electric, Water, and Sewer divisions by 4%, 5%, 8%, and 17% respectively. Purchased energy rates (Purchased Gas Adjustment and Purchased Power Adjustment) for the Gas division are anticipated to increase by 31% and the Electric division is anticipated to remain flat.

Expenses

The Department's fiscal year 2025 budget projects \$105.9 million in operating expenditures, a 1.77% decrease over fiscal year 2024 budget. Purchased energy costs for the Gas and Electric divisions are budgeted at \$34.4 million, a 16.51% decrease over fiscal year 2024. Operating payroll for the Department is anticipated to increase by \$1.3 million or 7.59% due to union contract wage increases, new staffing requirements, and projected overtime needs. Operations and maintenance expenses are planned to increase by \$1.4 million or 15.02% as recent inflation impacts on costs have been realized along with compliance to new regulatory requirements. Bad debt expense is planned to decrease \$1.0 million or 25.21% as post-pandemic customer assistance programs and collection practices have improved revenue collection. Payment to the City is planned to increase \$1.2 million or 13.21% as fiscal year 2023 gross revenues for gas, electric, and water were 13.21% greater than fiscal year 2022. Other operating expenses (excluding purchased energy, operating payroll, operations and maintenance, bad debt, payment to the City, and depreciation and amortization) are projected to increase by \$1.4 million, a 7.97% increase over fiscal year 2024. This is predominantly reflective of the escalating costs of operating the Department due to the impact of employee benefits and insurance, recent inflation, and expansion of customer related programs.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Capital & Debt

The Department's fiscal year 2025 budget projects \$108.5 million in capital expenditures, a 123.0% increase over fiscal year 2024 budget. The level of capital expenses is being driven by the Sewer division's WWTP improvements of \$82.3 million, the Water division's storage tank improvements of \$2.2 million, the Electric division's transmission and substation improvements of \$3.6 million, and the Gas division's PHMSA distribution system grant of \$5.3M.

The Department's fiscal year 2025 budget projects \$9.0 million in long-term debt principal and interest payments, a 18.85% increase over fiscal year 2024. This increase is reflective of planned closing and payment on the first WWTP upgrade Permanent Loan Obligation (PLO) in fiscal year 2025. Of the Department's \$108.5 million in planned capital expenditures, 35.41% is expected to be funded by contributed capital and grants, and 57.52% is expected to be funded by debt issuances. These grants and loan issuances are predominantly for approved capital expenditures with the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) and Clean Water Fund (CWF) for the Water and Sewer divisions respectively.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Financial Planning Manager, 16 South Golden Street, Norwich, Connecticut 06360.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2024**

ASSETS

| | |
|-----------------------------------|---------------|
| Current Assets: | |
| Cash and Cash Equivalents | \$ 65,089,156 |
| Receivables, Net: | |
| User Charges and Unbilled Revenue | 13,483,551 |
| Other | 4,360,727 |
| Leases Receivable | 95,057 |
| Inventories | 2,837,848 |
| Other Assets | 1,003,053 |
| Total Current Assets | 86,869,392 |
| Noncurrent Assets: | |
| Leases Receivable | 293,986 |
| Capital Assets, Net | 185,783,942 |
| Total Noncurrent Assets | 186,077,928 |
| Total Assets | 272,947,320 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|-----------|
| Pension | 6,650,147 |
| OPEB | 2,371,621 |
| Total Deferred Outflows of Resources | 9,021,768 |

LIABILITIES

| | |
|--|-------------|
| Current Liabilities: | |
| Accounts Payable and Accrued Liabilities | 16,222,339 |
| Notes Payable | 1,934,328 |
| Compensated Absences | 2,224,149 |
| Risk Management Claims | 209,011 |
| Lease Liability | 64,524 |
| SBITA Liability | 79,670 |
| Cash Advances from Other Funds | 2,678,962 |
| Due to City of Norwich | 33,330 |
| Total Current Liabilities | 23,446,313 |
| Noncurrent Liabilities: | |
| Customer Deposits | 4,332,345 |
| Notes Payable | 32,466,426 |
| Compensated Absences | 3,351,333 |
| Risk Management Claims | 669,204 |
| Lease Liability | 325,304 |
| SBITA Liability | 47,146 |
| Cash Advances from Other Funds | 58,210,205 |
| Net Pension Liability | 8,244,737 |
| Net OPEB Liability | 8,114,364 |
| Total Noncurrent Liabilities | 115,761,064 |
| Total Liabilities | 139,207,377 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|-----------|
| Leases | 363,945 |
| Pension | 3,096,691 |
| OPEB | 1,738,530 |
| Total Deferred Inflows of Resources | 5,199,166 |

NET POSITION

| | |
|--|----------------|
| Net Investment in Capital Assets | 141,692,443 |
| Restricted for Energy Efficiency Program | 250,449 |
| Unrestricted | (4,380,347) |
| Total Net Position | \$ 137,562,545 |

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

| | |
|--|----------------------------------|
| OPERATING REVENUES | |
| Charges for Services | \$ 100,880,401 |
| Use of Property | 401,977 |
| Other Services | <u>1,034,362</u> |
| Total Operating Revenues | 102,316,740 |
| OPERATING EXPENSES | |
| Purchased Gas and Electric | 29,974,322 |
| Operations and Maintenance | 20,146,114 |
| General and Administrative | 16,910,851 |
| Depreciation and Amortization Expense | 9,990,804 |
| Pension Expense | 6,580,660 |
| Customer Accounts | 3,476,814 |
| Gross Revenue and Property Taxes | 2,221,479 |
| OPEB Expense | <u>1,194,436</u> |
| Total Operating Expenses | <u>90,495,480</u> |
| OPERATING INCOME | 11,821,260 |
| NONOPERATING INCOME (EXPENSE) | |
| Interest Income | 927,545 |
| Interest Expense | (2,617,632) |
| Loss on Disposal of Capital Assets | 37,342 |
| Other Nonoperating Revenue | <u>469,185</u> |
| Net Nonoperating Expense | <u>(1,183,560)</u> |
| INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | 10,637,700 |
| Capital Contributions | 11,400,082 |
| Transfer Out to the City of Norwich | <u>(9,113,760)</u> |
| CHANGE IN NET POSITION | 12,924,022 |
| Net Position - Beginning of Year | <u>124,638,523</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 137,562,545</u></u> |

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

| | |
|--|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Charges for Services | \$ 98,289,269 |
| Cash Paid to Vendors | (51,605,730) |
| Cash Paid to Employees for Services | (24,466,223) |
| Net Cash Provided by Operating Activities | <u>22,217,316</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | |
| Transfers to City of Norwich | (9,113,760) |
| Customer Deposits | 441,885 |
| Cash Advance to Other Funds | (100,916) |
| Net Cash Used by Noncapital and Related Financing Activities | <u>(8,772,791)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Contributions | 11,400,082 |
| Purchases of Capital Assets | (28,700,362) |
| Proceeds from Sale of Capital Assets | 158,341 |
| Lease Payments Received | 155,494 |
| Proceeds From Notes Payable | 10,434,558 |
| Principal Payment on Notes Payable | (2,141,951) |
| Payments on Leases | (145,323) |
| Payments on SBITAs | (160,893) |
| Interest Payment on Debt | (2,617,632) |
| Repayments of Cash Advances from the City of Norwich | (2,660,997) |
| Other Nonoperating Revenues | 469,185 |
| Net Cash Used by Capital and Related Financing Activities | <u>(13,809,498)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Income on Investments | 927,545 |
| Net Cash Provided by Investing Activities | <u>927,545</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | |
| | 562,572 |
| Cash and Cash Equivalents - Beginning of Year | <u>64,526,584</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 65,089,156</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 11,821,260 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation and Amortization Expense | 9,990,804 |
| Change in Deferred Outflow of Resources Related to Pensions | 9,009,017 |
| Change in Deferred Outflow of Resources Related to OPEB | (946,185) |
| Change in Net Pension Liability | (6,964,335) |
| Change in Net OPEB Liability | 1,073,911 |
| Change in Deferred Inflow of Resources Related to Leases | (171,876) |
| Change in Deferred Inflow of Resources Related to Pensions | 3,096,691 |
| Change in Deferred Inflow of Resources Related to OPEB | 315,173 |
| (Increase) Decrease in Receivables | (3,855,595) |
| (Increase) Decrease in Inventories and Other Assets | (40,851) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (1,110,698) |
| Total Adjustments | <u>10,396,056</u> |
| Net Cash Provided by Operating Activities | <u>\$ 22,217,316</u> |

See accompanying Notes to Financial Statements.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, liabilities, and deferred outflows/inflows of resources 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, 2024**

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/amortization 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, 2024**

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 assets 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 assets 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, 2024**

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/amortization, 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.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2024, the carrying amount of the Department's deposits was \$65,089,156, and the bank balance was \$66,223,907. 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 | \$ 1,711,076 | \$ 7,930,874 | \$ 1,065,962 | \$ 998,634 | \$ 11,706,546 |
| Unbilled Revenue | 433,683 | 3,768,459 | 639,588 | 642,975 | 5,484,705 |
| Other | 644,431 | 509 | 729,819 | 2,985,968 | 4,360,727 |
| Lease Receivable | - | - | 389,043 | - | 389,043 |
| Gross Receivables | <u>2,789,190</u> | <u>11,699,842</u> | <u>2,824,412</u> | <u>4,627,577</u> | <u>21,941,021</u> |
| Less Allowance for Uncollectibles: | | | | | |
| User Charges | <u>(768,700)</u> | <u>(2,656,700)</u> | <u>(142,900)</u> | <u>(139,400)</u> | <u>(3,707,700)</u> |
| Net Total Receivables | <u>\$ 2,020,490</u> | <u>\$ 9,043,142</u> | <u>\$ 2,681,512</u> | <u>\$ 4,488,177</u> | <u>\$ 18,233,321</u> |

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Transfers | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------------|--------------------|--------------------|
| Business Activities: | | | | | |
| Capital Assets Not being Depreciated: | | | | | |
| Land | \$ 1,733,062 | \$ 80,158 | \$ - | \$ - | \$ 1,813,220 |
| Construction in Progress | 14,437,928 | (11,162,374) | 37,995,571 | (16,000) | 41,255,125 |
| Total Capital Assets Not being Depreciated | <u>16,170,990</u> | <u>(11,082,216)</u> | <u>37,995,571</u> | <u>(16,000)</u> | <u>43,068,345</u> |
| Capital Assets being Depreciated: | | | | | |
| Structures and Improvements | 56,271,315 | 1,274,895 | - | (35,649) | 57,510,561 |
| Intangible Plant | 4,319,441 | - | - | - | 4,319,441 |
| Machinery, Equipment Pumping, and Distribution Systems | <u>274,435,142</u> | <u>9,807,321</u> | <u>-</u> | <u>(2,639,905)</u> | <u>281,602,558</u> |
| Total Capital Assets being Depreciated | <u>335,025,898</u> | <u>11,082,216</u> | <u>-</u> | <u>(2,675,554)</u> | <u>343,432,560</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Transfers | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|----------------------|---------------------|----------------------|
| Less Accumulated Depreciation for: | | | | | |
| Structures and Improvements | \$ (29,984,876) | \$ - | \$ (1,309,812) | \$ 32,808 | \$ (31,261,880) |
| Intangible Plant | (215,972) | - | (215,972) | | (431,944) |
| Machinery, Equipment Pumping, and Distribution Systems | (164,178,815) | - | (8,120,750) | 2,564,185 | (169,735,380) |
| Total Accumulated Depreciation | (194,379,663) | - | (9,646,534) | 2,596,993 | (201,429,204) |
| Right to Use - Lease Asset: | | | | | |
| Land | 582,163 | - | - | (82,496) | 499,667 |
| Equipment | 299,604 | - | 27,179 | (283,245) | 43,538 |
| Total Right to Use - Lease Asset | 881,767 | - | 27,179 | (365,741) | 543,205 |
| Less Accumulated Amortization: | | | | | |
| Land | (118,006) | | (57,946) | 5,288 | (170,664) |
| Equipment | (185,303) | - | (41,175) | 212,947 | (13,531) |
| Total Accumulated Amortization | (303,309) | - | (99,121) | 218,235 | (184,195) |
| Subscription Based Information Technology Arrangement Assets (SBITA): | | | | | |
| Subscription Based Information Technology Arrangements | 640,919 | - | 130,628 | (210,771) | 560,776 |
| Less Accumulated Amortization: | | | | | |
| Subscription Based Information Technology Arrangements | (173,167) | - | (245,149) | 210,771 | (207,545) |
| Total Capital Assets being Depreciated/Amortized, Net | 141,692,445 | 11,082,216 | (9,832,997) | (226,067) | 142,715,597 |
| Business Activities Capital Assets, Net | <u>\$157,863,435</u> | <u>\$ -</u> | <u>\$ 28,162,574</u> | <u>\$ (242,067)</u> | <u>\$185,783,942</u> |

Depreciation and amortization were charged to the divisions as follows:

| | |
|----------|---------------------|
| Gas | \$ 3,353,752 |
| Electric | 2,242,768 |
| Water | 2,065,042 |
| Sewer | 2,329,242 |
| Total | <u>\$ 9,990,804</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------|-----------------|-------------------|------------------------|
| Notes Payable - Direct Borrowing | \$ 346,824 | \$ - | \$ (280,132) | \$ 66,692 | \$ 66,692 |
| State of Connecticut - Serial Note - Direct Borrowing | 25,761,323 | 10,434,559 | (1,861,820) | 34,334,062 | 1,867,636 |
| Total Bonds and Notes Payable | 26,108,147 | 10,434,559 | (2,141,952) | 34,400,754 | 1,934,328 |
| Compensated Absences | 5,206,715 | 2,609,763 | (2,240,996) | 5,575,482 | 2,224,149 |
| Workers' Compensation | 1,167,436 | 129,409 | (418,630) | 878,215 | 209,011 |
| Lease Liability | 507,932 | 27,219 | (145,323) | 389,828 | 64,524 |
| SBITA Liability | 157,081 | 130,628 | (160,893) | 126,816 | 79,670 |
| Cash Advances | 63,550,164 | - | (2,660,997) | 60,889,167 | 2,678,962 |
| Net OPEB Liability | 7,040,453 | 1,073,911 | - | 8,114,364 | - |
| Net Pension Liability | 15,209,072 | - | (6,964,335) | 8,244,737 | - |
| Total Long-Term Liabilities | \$118,947,000 | \$ 14,405,489 | \$ (14,733,126) | \$ 118,619,363 | \$ 7,190,644 |

Outstanding bonds and serial notes payable at June 30, 2024 are comprised of the following:

| Description | Interest Rate (%) | Date of Issue | Date of Maturity | (In Thousands) | |
|---|----------------------|------------------|---------------------|------------------------------|------------------------------|
| | | | | Original Amount Issued | Outstanding June 30, 2024 |
| Notes Payable Direct Borrowing: | | | | | |
| Equipment Financing Agreement | 3.05 | 07/1/2020 | 10/31/2024 | 344 | \$ 67 |
| State of Connecticut Serial Notes | | | | | |
| Payable - Direct Borrowing: | | | | | |
| Clean Water Act 625-D | 2.00 | 12/31/2012 | 12/31/2031 | 1,865 | 780 |
| Clean Water Act 495-C | 2.00 | 05/31/2013 | 06/01/2032 | 5,748 | 2,529 |
| Clean Water Act 625-D1 | 2.00 | 05/31/2015 | 12/31/2031 | 2,510 | 1,177 |
| Clean Water Act 707-PD | 2.00 | 02/26/2021 | 01/31/2041 | 1,655 | 1,372 |
| Clean Water Act 743-D | 2.00 | 10/31/2023 | 6/30/2043 | 2,061 | 1,958 |
| Clean Water Act 743-C1 | * | * | * | * | 10,425 |
| Drinking Water State Revolving Fund 200801-C | 2.27 | 07/01/2009 | 07/01/2029 | 450 | 111 |
| Drinking Water State Revolving Fund 2010-8005 | 2.06 | 03/31/2010 | 12/31/2029 | 145 | 40 |
| Drinking Water State Revolving Fund 2010-8006 | 2.06 | 03/31/2010 | 06/30/2030 | 326 | 96 |
| Drinking Water State Revolving Fund 2010-7005 | 2.00 | 04/30/2014 | 10/31/2032 | 160 | 72 |
| Drinking Water State Revolving Fund 2010-7006 | 2.00 | 04/30/2014 | 04/30/2032 | 148 | 64 |
| Drinking Water State Revolving Fund 2014-7027 | 2.00 | 06/30/2015 | 12/31/2034 | 506 | 266 |
| Drinking Water State Revolving Fund 2014-7036 | 2.00 | 05/31/2016 | 11/30/2036 | 4,052 | 2,313 |
| Drinking Water State Revolving Fund 2015-7037 | 2.00 | 10/31/2016 | 10/31/2034 | 1,528 | 870 |
| Drinking Water State Revolving Fund 2017-7056 | 2.00 | 08/31/2019 | 08/31/2038 | 2,695 | 1,909 |
| Drinking Water State Revolving Fund 2019-7069 | 2.00 | 12/31/2020 | 06/30/2040 | 2,477 | 1,982 |
| Drinking Water State Revolving Fund 2019-7072 | 2.00 | 08/30/2019 | 02/28/2039 | 1,582 | 1,160 |
| Drinking Water State Revolving Fund 2019-7081 | 2.00 | 11/30/2020 | 06/30/2040 | 2,414 | 1,931 |
| Drinking Water State Revolving Fund 2019-7077 | 2.00 | 09/30/2022 | 09/30/2041 | 5,824 | 5,159 |
| Drinking Water State Revolving Fund 2022-7104 | 2.00 | 03/31/2023 | 09/30/2042 | 131 | 120 |
| Total | | | | | \$ 34,401 |

* Loans Not Permanently Financed as of June 30, 2024

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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> |
| 2025 | \$ 1,934 | \$ 464 | \$ 2,398 |
| 2026 | 1,878 | 424 | 2,302 |
| 2027 | 1,890 | 386 | 2,276 |
| 2028 | 1,901 | 348 | 2,249 |
| 2029 | 1,911 | 310 | 2,221 |
| 2030-2034 | 8,049 | 1,012 | 9,061 |
| 2035-2039 | 4,931 | 381 | 5,312 |
| 2040-2044 | 1,482 | 38 | 1,520 |
| Subtotal | <u>23,976</u> | <u>3,363</u> | <u>27,339</u> |
| State of Connecticut - Serial Notes Not Permanently Financed as of June 30, 2024 | <u>10,425</u> | <u>-</u> | <u>10,425</u> |
| Total | <u>\$ 34,401</u> | <u>\$ 3,363</u> | <u>\$ 37,764</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, 2024 was \$1,439,287, equal to the required contribution for the year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024 were as follows:

| | |
|---|----------------------|
| Total Pension Liability | \$ 135,453,533 |
| Plan Fiduciary Net Position | <u>(127,208,796)</u> |
| Net Pension Liability | <u>\$ 8,244,737</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 93.91 % |

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, 2023 | \$ 133,128,716 | \$ 117,919,644 | \$ 15,209,072 |
| Changes for the Year: | | | |
| Service Cost | 2,450,795 | - | 2,450,795 |
| Interest on Total Pension Liability | 8,237,800 | - | 8,237,800 |
| Effect of Economic/Demographic Gains or Losses | (179,575) | - | (179,575) |
| Effect of Assumption Changes or Inputs | (518,603) | - | (518,603) |
| Employer Contributions | - | 1,439,287 | (1,439,287) |
| Member Contributions | - | 1,551,207 | (1,551,207) |
| Net Investment Income | - | 13,989,697 | (13,989,697) |
| Benefit Payments | (7,665,600) | (7,665,600) | |
| Administrative Expenses | - | (25,439) | 25,439 |
| Net Changes | <u>2,324,817</u> | <u>9,289,152</u> | <u>(6,964,335)</u> |
| Balances - June 30, 2024 | <u>\$ 135,453,533</u> | <u>\$ 127,208,796</u> | <u>\$ 8,244,737</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the Department recognized pension expense of \$6,580,660. At June 30, 2024, 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 | \$ 1,140,878 | \$ 142,927 |
| Changes of Assumptions | 5,509,269 | 412,766 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 2,540,998 |
| Total | \$ 6,650,147 | \$ 3,096,691 |

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

| Year Ending June 30, | Amount |
|----------------------|--------------|
| 2025 | \$ 2,950,154 |
| 2026 | 3,925,183 |
| 2027 | (1,839,726) |
| 2028 | (1,482,155) |
| Total | \$ 3,553,456 |

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 five years of service. The City pays 94% to 95%, depending on the collective bargaining agreement, 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, 2024 was \$751,537 and equal to the required contribution for the year.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024. The components of the net OPEB liability of the Department at June 30, 2024 were as follows:

| | |
|--|---------------------|
| Total OPEB Liability | \$ 11,104,298 |
| Plan Fiduciary Net Position | <u>(2,989,934)</u> |
| Net OPEB Liability | <u>\$ 8,114,364</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 26.93 % |

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, 2023 | \$ 9,320,277 | \$ 2,279,824 | \$ 7,040,453 |
| Changes for the Year: | | | |
| Service Cost | 330,252 | - | 330,252 |
| Interest on Total OPEB Liability | 591,792 | - | 591,792 |
| Effect of Economic/Demographic Gains or Losses | 1,899,975 | - | 1,899,975 |
| Effect of Assumption Changes or Inputs | (668,679) | - | (668,679) |
| Benefit Payments | (369,319) | (369,319) | - |
| Employer Contributions | - | 751,537 | (751,537) |
| Net Investment Income | - | 330,028 | (330,028) |
| Administrative Expenses | - | (2,136) | 2,136 |
| Net Changes | <u>1,784,021</u> | <u>710,110</u> | <u>1,073,911</u> |
| Balances - June 30, 2024 | <u>\$ 11,104,298</u> | <u>\$ 2,989,934</u> | <u>\$ 8,114,364</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the Department recognized OPEB expense of \$1,194,436. At June 30, 2024, 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 | \$ 1,749,547 | \$ 1,084,462 |
| Changes of Assumptions | 622,074 | 560,828 |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | - | 93,240 |
| Total | \$ 2,371,621 | \$ 1,738,530 |

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 |
|----------------------|------------|
| 2025 | \$ 217,561 |
| 2026 | 46,250 |
| 2027 | (17,019) |
| 2028 | 147,988 |
| 2029 | 198,597 |
| Thereafter | 39,714 |
| Total | \$ 633,091 |

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, 2024**

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 \$878,215 for estimated unpaid accrued losses on reported claims as of June 30, 2024. 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, 2024 is \$3,260,149.

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, 2023 | \$ 357,779 |
| Deposits into the Fund | 876,586 |
| Investment Income | 1,852 |
| Approved Program Expenses | <u>(985,768)</u> |
| Funds Held by CMEEC - June 30, 2024 | <u>\$ 250,449</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the Electric Division reported net revenue of \$202,683 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, 2024 was \$27.86 million.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

**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 2024 fiscal year, the share of contributions to the fund received by the Department totaled \$442,403, with drawdowns of \$345,461, and interest on the fund of \$1,843. The balance of the Department's funds held by CMEEC for the RGGI was \$223,943 for the year ended June 30, 2024.

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, 2024, the Department has obligations in place through 2031. Expense under the contracts totaled \$6,031,044 during the year ended June 30, 2024.

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, 2024**

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, 2024 is summarized as follows:

| | |
|--|---------------------|
| CMEEC - Debt Service Fixed Cost Obligation | \$ 13,493,646 |
| Department - Rate Stabilization Funds on Deposit with CMEEC | <u>(11,308,004)</u> |
| Net Deferred Fixed Cost Obligation | <u>\$ 2,185,642</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 \$2,127,431.

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

**Capacity, Management, Operations & Maintenance (CMOM) & Combined Sewer
Overflows (CSO)**

Under various consent decrees issued by the United States Environmental Protection Agency and State of Connecticut Department of Environmental Protection (consent decrees), the Department is/was required to submit a Collection System Bypass Summary, develop and implement an Emergency Response Plan, submit a CMOM Program Self-Assessment, submit a CMOM and CSO Corrective Action Plan, submit a recurring CMOM & CSO Annual Report, and submit an updated CMOM Program Self-Assessment Checklist.

As of June 30, 2024, capital investment by the Department, if any, is not known and compliance with the consent decrees does not materially affect the financial position of the Department.

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, 2024, the Department has purchased \$9,174,101 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, 2024**

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 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:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|-------------------|
| 2025 | \$ 64,525 | \$ 15,220 | \$ 79,745 |
| 2026 | 66,979 | 12,283 | 79,262 |
| 2027 | 68,401 | 9,312 | 77,713 |
| 2028 | 70,240 | 6,247 | 76,487 |
| 2029 | 68,109 | 3,278 | 71,387 |
| Thereafter | 51,574 | 689 | 52,263 |
| Total | <u>\$ 389,828</u> | <u>\$ 47,029</u> | <u>\$ 436,857</u> |

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

| | |
|--------------------------------|-------------------|
| Equipment | \$ 43,538 |
| Land | 499,667 |
| Less: Accumulated Amortization | (184,195) |
| Total | <u>\$ 359,010</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 10 to 15 years from transition date of July 1, 2021. During the year ended June 30, 2024, the Department recognized \$83,059 and \$36,176 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, 2024**

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> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|-------------------|
| 2025 | \$ 95,057 | \$ 10,117 | \$ 105,174 |
| 2026 | 63,943 | 7,473 | 71,416 |
| 2027 | 20,178 | 6,559 | 26,737 |
| 2028 | 20,792 | 5,945 | 26,737 |
| 2029 | 21,424 | 5,312 | 26,736 |
| Thereafter | 167,649 | 17,236 | 184,885 |
| Total | <u>\$ 389,043</u> | <u>\$ 52,642</u> | <u>\$ 441,685</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 2026 and provide for renewal options.

Total future minimum payments under SBITA agreements are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-------------------|-----------------|-------------------|
| 2025 | \$ 79,671 | 7,530 | \$ 87,201 |
| 2026 | 47,145 | 354 | 47,499 |
| Total | <u>\$ 126,816</u> | <u>\$ 7,884</u> | <u>\$ 134,700</u> |

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

| | |
|--|-------------------|
| Subscription Based Information Technology Arrangements | \$ 560,776 |
| Less: Accumulated Amortization | (207,545) |
| Total | <u>\$ 353,231</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2024**

| | Gas | Electric | Water | Sewer | Total |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ 9,466,379 | \$ 34,903,493 | \$ 8,191,448 | \$ 12,527,836 | \$ 65,089,156 |
| Receivables, Net: | | | | | |
| User Charges and Unbilled Revenue | 1,376,059 | 9,042,633 | 1,562,650 | 1,502,209 | 13,483,551 |
| Other | 644,431 | 509 | 729,819 | 2,985,968 | 4,360,727 |
| Lease Receivable | - | - | 95,057 | - | 95,057 |
| Inventories | 1,213,863 | 1,097,870 | 415,744 | 110,371 | 2,837,848 |
| Other Assets | 145,586 | 675,486 | 109,189 | 72,792 | 1,003,053 |
| Total Current Assets | <u>12,846,318</u> | <u>45,719,991</u> | <u>11,103,907</u> | <u>17,199,176</u> | <u>86,869,392</u> |
| Noncurrent Assets: | | | | | |
| Lease Receivable | - | - | 293,986 | - | 293,986 |
| Capital Assets, Net | 36,934,028 | 23,000,840 | 48,804,313 | 77,044,761 | 185,783,942 |
| Total Current Assets | <u>36,934,028</u> | <u>23,000,840</u> | <u>49,098,299</u> | <u>77,044,761</u> | <u>186,077,928</u> |
| Total Assets | 49,780,346 | 68,720,831 | 60,202,206 | 94,243,937 | 272,947,320 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension | 1,544,829 | 2,888,823 | 1,124,539 | 1,091,956 | 6,650,147 |
| OPEB | 550,928 | 1,030,232 | 401,041 | 389,420 | 2,371,621 |
| Total Deferred Outflows of Resources | <u>2,095,757</u> | <u>3,919,055</u> | <u>1,525,580</u> | <u>1,481,376</u> | <u>9,021,768</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable and Accrued Liabilities | 1,067,783 | 5,923,728 | 897,659 | 8,333,169 | 16,222,339 |
| Notes Payable | - | 66,692 | 1,139,732 | 727,904 | 1,934,328 |
| Compensated Absences | 576,719 | 919,403 | 405,682 | 322,345 | 2,224,149 |
| Risk Management Claims | 42,910 | 50,824 | 100,640 | 14,637 | 209,011 |
| Lease Liability | 56,757 | 5,340 | 1,456 | 971 | 64,524 |
| SBITA Liability | 7,313 | 63,215 | 5,485 | 3,657 | 79,670 |
| Cash Advances from Other Funds | 1,476,460 | 675,596 | 285,811 | 241,095 | 2,678,962 |
| Due to City of Norwich | 2,175 | 14,902 | 3,246 | 13,007 | 33,330 |
| Total Current Liabilities | <u>3,230,117</u> | <u>7,719,700</u> | <u>2,839,711</u> | <u>9,656,785</u> | <u>23,446,313</u> |
| Noncurrent Liabilities: | | | | | |
| Customer Deposits | - | 4,332,345 | - | - | 4,332,345 |
| Notes Payable | - | - | 14,954,262 | 17,512,164 | 32,466,426 |
| Compensated Absences | 897,266 | 1,398,002 | 524,680 | 531,385 | 3,351,333 |
| Risk Management Claims | 150,731 | 164,222 | 306,663 | 47,588 | 669,204 |
| Lease Liability | 306,673 | 12,809 | 3,493 | 2,329 | 325,304 |
| SBITA Liability | - | 47,146 | - | - | 47,146 |
| Cash Advances from Other Funds | 21,053,597 | 20,875,530 | 8,831,398 | 7,449,680 | 58,210,205 |
| Net Pension Liability | 1,915,252 | 3,581,514 | 1,394,185 | 1,353,786 | 8,244,737 |
| Net OPEB Liability | 1,884,967 | 3,524,880 | 1,372,139 | 1,332,378 | 8,114,364 |
| Total Noncurrent Liabilities | <u>26,208,486</u> | <u>33,936,448</u> | <u>27,386,820</u> | <u>28,229,310</u> | <u>115,761,064</u> |
| Total Liabilities | 29,438,603 | 41,656,148 | 30,226,531 | 37,886,095 | 139,207,377 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Leases | - | - | 363,945 | - | 363,945 |
| Pension | 719,362 | 1,345,203 | 523,651 | 508,475 | 3,096,691 |
| OPEB | 403,861 | 755,217 | 293,986 | 285,466 | 1,738,530 |
| Total Deferred Inflows of Resources | <u>1,123,223</u> | <u>2,100,420</u> | <u>1,181,582</u> | <u>793,941</u> | <u>5,199,166</u> |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 36,457,206 | 22,252,886 | 32,129,891 | 50,852,460 | 141,692,443 |
| Restricted for Energy Efficiency Program | - | 250,449 | - | - | 250,449 |
| Unrestricted | <u>(15,142,929)</u> | <u>6,379,983</u> | <u>(1,810,218)</u> | <u>6,192,817</u> | <u>(4,380,347)</u> |
| Total Net Position | <u>\$ 21,314,277</u> | <u>\$ 28,883,318</u> | <u>\$ 30,319,673</u> | <u>\$ 57,045,277</u> | <u>\$ 137,562,545</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
YEAR ENDED JUNE 30, 2024**

| | Gas | Electric | Water | Sewer | Total |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| OPERATING REVENUES | | | | | |
| Charges for Services | \$ 16,483,195 | \$ 62,199,329 | \$ 11,624,589 | \$ 10,573,288 | \$ 100,880,401 |
| Use of Property | 24,000 | 294,918 | 83,059 | - | 401,977 |
| Other Services | 123,936 | 625,222 | 74,775 | 210,429 | 1,034,362 |
| Total Operating Revenues | <u>16,631,131</u> | <u>63,119,469</u> | <u>11,782,423</u> | <u>10,783,717</u> | <u>102,316,740</u> |
| OPERATING EXPENSES | | | | | |
| Purchased Gas and Electric | 2,097,192 | 27,877,130 | - | - | 29,974,322 |
| Operations and Maintenance | 3,773,613 | 6,634,422 | 4,792,770 | 4,945,309 | 20,146,114 |
| General and Administrative | 3,981,847 | 8,358,520 | 2,696,304 | 1,874,180 | 16,910,851 |
| Depreciation and Amortization Expense | 3,353,752 | 2,242,768 | 2,065,042 | 2,329,242 | 9,990,804 |
| Pension Expense | 1,528,687 | 2,858,639 | 1,112,790 | 1,080,544 | 6,580,660 |
| Customer Accounts | 462,396 | 2,458,527 | 333,832 | 222,059 | 3,476,814 |
| Gross Revenue and Property Taxes | - | 2,088,624 | 132,855 | - | 2,221,479 |
| OPEB Expense | 277,467 | 518,863 | 201,979 | 196,127 | 1,194,436 |
| Total Operating Expenses | <u>15,474,954</u> | <u>53,037,493</u> | <u>11,335,572</u> | <u>10,647,461</u> | <u>90,495,480</u> |
| OPERATING INCOME (LOSS) | 1,156,177 | 10,081,976 | 446,851 | 136,256 | 11,821,260 |
| NONOPERATING INCOME (LOSS) | | | | | |
| Interest Income | 42,890 | 449,706 | 132,778 | 302,171 | 927,545 |
| Interest Expense | (664,137) | (767,006) | (627,425) | (559,064) | (2,617,632) |
| Loss on Disposal of Capital Assets | 34,633 | 13,810 | (12,581) | 1,480 | 37,342 |
| Other Nonoperating Revenue | 12,839 | 456,346 | - | - | 469,185 |
| Net Nonoperating Expenses | <u>(573,775)</u> | <u>152,856</u> | <u>(507,228)</u> | <u>(255,413)</u> | <u>(1,183,560)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 582,402 | 10,234,832 | (60,377) | (119,157) | 10,637,700 |
| Capital Contributions | 104,168 | 425,709 | 1,112,195 | 9,758,010 | 11,400,082 |
| Transfers out to City of Norwich | <u>(2,330,364)</u> | <u>(5,657,232)</u> | <u>(1,126,164)</u> | <u>-</u> | <u>(9,113,760)</u> |
| CHANGE IN NET POSITION | (1,643,794) | 5,003,309 | (74,346) | 9,638,853 | 12,924,022 |
| Net Position - Beginning 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> |
| NET POSITION - END OF YEAR | <u>\$ 21,314,277</u> | <u>\$ 28,883,318</u> | <u>\$ 30,319,673</u> | <u>\$ 57,045,277</u> | <u>\$ 137,562,545</u> |

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
YEAR ENDED JUNE 30, 2024**

| | Gas | Electric | Water | Sewer | Total |
|---|---------------------|----------------------|---------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash Received from Charges for Services | \$ 16,944,537 | \$ 63,012,712 | \$ 10,741,733 | \$ 7,590,287 | \$ 98,289,269 |
| Cash Paid to Vendors | (5,326,854) | (38,272,164) | (4,098,217) | (3,908,495) | (51,605,730) |
| Cash Paid to Employees for Services | (5,812,663) | (10,731,368) | (4,271,171) | (3,651,021) | (24,466,223) |
| Net Cash Provided (Used) by Operating Activities | <u>5,805,020</u> | <u>14,009,180</u> | <u>2,372,345</u> | <u>30,771</u> | <u>22,217,316</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Transfers to City of Norwich | (2,330,364) | (5,657,232) | (1,126,164) | - | (9,113,760) |
| Customer Deposits | - | 441,885 | - | - | 441,885 |
| Cash Advance from (to) Other Funds | (9,359) | (11,754) | (10,107) | (69,696) | (100,916) |
| Net Cash Provided (Used) by Noncapital and Related Financing Activities | <u>(2,339,723)</u> | <u>(5,227,101)</u> | <u>(1,136,271)</u> | <u>(69,696)</u> | <u>(8,772,791)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Cash Advance to CMEEC and Other Funds | - | - | - | - | - |
| Capital Contributions | 104,168 | 425,709 | 1,112,195 | 9,758,010 | 11,400,082 |
| Purchases of Capital Assets | (2,979,432) | (3,185,147) | (2,805,855) | (19,729,928) | (28,700,362) |
| Proceeds from Sale of Capital Assets | 43,006 | 39,617 | 40,015 | 35,703 | 158,341 |
| Lease Payments Received | - | - | 155,494 | - | 155,494 |
| Proceeds from Notes Payable | - | - | - | 10,434,558 | 10,434,558 |
| Principal Payment on Notes Payable | - | (280,132) | (1,144,640) | (717,179) | (2,141,951) |
| Payments on leases | (51,583) | (5,657) | (26,533) | (61,550) | (145,323) |
| Payments on SBITAs | (24,103) | (106,662) | (18,077) | (12,051) | (160,893) |
| Interest Payment on Debt | (664,137) | (767,006) | (627,425) | (559,064) | (2,617,632) |
| Repayments of Cash Advances from the City of Norwich | (1,479,593) | (663,744) | (280,797) | (236,863) | (2,660,997) |
| Other Nonoperating Revenue (Expenses) | 12,839 | 456,346 | - | - | 469,185 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(5,038,835)</u> | <u>(4,086,676)</u> | <u>(3,595,623)</u> | <u>(1,088,364)</u> | <u>(13,809,498)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Income on Investments | 42,890 | 449,706 | 132,778 | 302,171 | 927,545 |
| Net Cash Provided (Used) by Investing Activities | <u>42,890</u> | <u>449,706</u> | <u>132,778</u> | <u>302,171</u> | <u>927,545</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| | (1,530,648) | 5,145,109 | (2,226,771) | (825,118) | 562,572 |
| Cash and Cash Equivalents - Beginning 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> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 9,466,379</u> | <u>\$ 34,903,493</u> | <u>\$ 8,191,448</u> | <u>\$ 12,527,836</u> | <u>\$ 65,089,156</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | |
| Operating Income | \$ 1,156,177 | \$ 10,081,976 | \$ 446,851 | \$ 136,256 | \$ 11,821,260 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Depreciation and Amortization Expense | 3,353,752 | 2,242,768 | 2,065,042 | 2,329,242 | 9,990,804 |
| Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: | | | | | |
| Change in Deferred Outflow of Resources Related to Pensions | 2,135,074 | 3,662,971 | 1,783,367 | 1,427,605 | 9,009,017 |
| Change in Deferred Outflow of Resources Related to OPEB | (215,950) | (433,830) | (136,338) | (160,067) | (946,185) |
| Change in Net Pension Liability | (1,658,880) | (2,781,962) | (1,430,140) | (1,093,353) | (6,964,335) |
| Change in Net OPEB Liability | 230,461 | 579,154 | 64,727 | 199,569 | 1,073,911 |
| Change in Deferred Inflow of Resources Related to Leases | - | - | (171,876) | - | (171,876) |
| Change in Deferred Inflow of Resources Related to Pensions | 719,362 | 1,345,203 | 523,651 | 508,475 | 3,096,691 |
| Change in Deferred Inflow of Resources Related to OPEB | 69,372 | 159,684 | 29,669 | 56,448 | 315,173 |
| (Increase) Decrease in Receivables | 313,406 | (106,757) | (868,814) | (3,193,430) | (3,855,595) |
| (Increase) Decrease in Inventories and Other Assets | (48,477) | 37,138 | (14,086) | (15,426) | (40,851) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (249,277) | (777,165) | 80,292 | (164,548) | (1,110,698) |
| Total Adjustments | <u>4,648,843</u> | <u>3,927,204</u> | <u>1,925,494</u> | <u>(105,485)</u> | <u>10,396,056</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 5,805,020</u> | <u>\$ 14,009,180</u> | <u>\$ 2,372,345</u> | <u>\$ 30,771</u> | <u>\$ 22,217,316</u> |



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