

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

FINANCIAL STATEMENTS

JUNE 30, 2013

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

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Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

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, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2013 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Norwich, Connecticut, Department of Public Utilities taken as a whole. The combining and individual division financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual division financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 4, 2013

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

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets:

Current:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 13,750,487 |
| Receivables, net: | |
| User charges | 15,603,921 |
| Other | 900,995 |
| Inventories | 2,140,796 |
| Other assets | 1,432,602 |
| Total current assets | <u>33,828,801</u> |

| | |
|---------------------|--------------------|
| Capital assets, net | <u>114,778,135</u> |
|---------------------|--------------------|

| | |
|--------------|--------------------|
| Total assets | <u>148,606,936</u> |
|--------------|--------------------|

Liabilities:

Current liabilities:

| | |
|--|-------------------|
| Accounts payable and accrued liabilities | 7,732,285 |
| Unearned revenue | 291,552 |
| Due to City of Norwich | 10,505 |
| Notes payable | 6,409,359 |
| Bonds payable | 40,500 |
| Capital leases payable | 332,038 |
| Compensated absences | 275,331 |
| Risk management claims | 123,825 |
| Total current liabilities | <u>15,215,395</u> |

Noncurrent liabilities:

| | |
|------------------------------|------------------|
| Customer deposits | 1,140,851 |
| Notes payable | 4,405,328 |
| Bonds payable | 74,659 |
| Capital leases payable | 1,016,891 |
| Compensated absences | 2,477,975 |
| Risk management claims | 371,475 |
| Total noncurrent liabilities | <u>9,487,179</u> |

| | |
|-------------------|-------------------|
| Total liabilities | <u>24,702,574</u> |
|-------------------|-------------------|

Net Position:

| | |
|--|-------------------|
| Net investment in capital assets | 102,499,360 |
| Restricted for energy efficiency program | 187,833 |
| Unrestricted | <u>21,217,169</u> |

| | |
|--------------------|-----------------------|
| Total Net Position | <u>\$ 123,904,362</u> |
|--------------------|-----------------------|

The accompanying notes are an integral part of the financial statements

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

| | |
|---|------------------------------|
| Operating revenues: | |
| Charges for services | \$ 80,670,055 |
| Use of property | 793,151 |
| Other services | 453,982 |
| Total operating revenues | <u>81,917,188</u> |
| Operating expenses: | |
| Purchased gas and electric | 36,838,663 |
| General and administrative | 16,272,403 |
| Depreciation | 6,988,142 |
| Operations and maintenance | 11,084,587 |
| Customer accounts | 1,690,047 |
| Gross revenue and property taxes | 2,163,972 |
| Total operating expenses | <u>75,037,814</u> |
| Operating Income | <u>6,879,374</u> |
| Nonoperating Income (Expenses): | |
| Interest income | 6,135 |
| Interest expense | (252,133) |
| Loss on disposal of capital assets | (185,634) |
| Net nonoperating expenses | <u>(431,632)</u> |
| Income Before Contributions and Transfers | 6,447,742 |
| Capital Contributions | 5,423,266 |
| Transfer out to City of Norwich | <u>(8,135,880)</u> |
| Change in Net Position | 3,735,128 |
| Net Position at Beginning of Year | <u>120,169,234</u> |
| Net Position at End of Year | <u><u>\$ 123,904,362</u></u> |

The accompanying notes are an integral part of the financial statements

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

| | |
|---|----------------------|
| Cash Flows from Operating Activities: | |
| Cash received from charges for services | \$ 80,559,953 |
| Cash paid to vendors | (54,675,789) |
| Cash paid to employees for services | (14,271,638) |
| Net cash provided by operating activities | <u>11,612,526</u> |
| Cash Flows from Noncapital and Related Financing Activities: | |
| Transfers to City of Norwich | (8,135,880) |
| Customer deposits | 180,020 |
| Cash advance from other funds | 10,505 |
| Net cash used in noncapital and related financing activities | <u>(7,945,355)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Capital contributions | 5,423,266 |
| Purchase of capital assets | (11,712,587) |
| Proceeds from long-term debt | 717,571 |
| Principal payment on bonds and notes | (708,211) |
| Principal payment on capital leases | (313,452) |
| Interest payment on debt | (252,133) |
| Net cash used in capital and related financing activities | <u>(6,845,546)</u> |
| Cash Flows from Investing Activities: | |
| Income on investments | <u>6,135</u> |
| Net Decrease in Cash and Cash Equivalents | (3,172,240) |
| Cash and Cash Equivalents at Beginning of Year | <u>16,922,727</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 13,750,487</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating income | \$ <u>6,879,374</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 6,988,142 |
| Provision for uncollectible accounts | 2,124,000 |
| Increase in receivables | (3,115,728) |
| Increase in inventories and other assets | (530,541) |
| Decrease in unearned revenue | (25,977) |
| Decrease in accounts payable and accrued liabilities | (706,744) |
| Total adjustments | <u>4,733,152</u> |
| Net Cash Provided by Operating Activities | <u>\$ 11,612,526</u> |

The accompanying notes are an integral part of the financial statements

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of Public Utilities (the Department) of the City of Norwich (the City), which operates gas, electric, water and sewer divisions, is managed by a Public Utilities Commission 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.

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

C. Accounting Estimates

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

D. Cash Equivalents

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

E. Estimated Unbilled Utility Services

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

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. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets as follows:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Buildings | 40 |
| Improvements | 20 |
| Underground distribution and collection systems | 50 |
| Electrical transmission systems | 20 |
| Vehicles, machinery and equipment | 3-20 |

G. Inventories

Inventories are valued at cost using the average cost method.

H. Compensated Absences

Employees accumulate sick 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 cannot be carried forward.

The expense and liability for vested sick leave is recorded as the benefits accrue to employees.

I. Funding Policy for Pension

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

J. Net Position

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

2. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2013, the carrying amount of the Department's deposits was \$13,750,487, and the bank balance was \$14,016,075. 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.

3. RECEIVABLES

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

| | <u>Gas</u> | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|------------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| Receivables: | | | | | |
| User charges | \$ 2,633,116 | \$ 7,627,135 | \$ 824,870 | \$ 798,286 | \$ 11,883,407 |
| Unbilled revenue | 429,458 | 3,149,180 | 511,885 | 461,561 | 4,552,084 |
| Other | 546,270 | 354,725 | | | 900,995 |
| Gross receivables | <u>3,608,844</u> | <u>11,131,040</u> | <u>1,336,755</u> | <u>1,259,847</u> | <u>17,336,486</u> |
| Less allowance for uncollectibles: | | | | | |
| User charges | <u>(378,892)</u> | <u>(290,934)</u> | <u>(74,042)</u> | <u>(87,702)</u> | <u>(831,570)</u> |
| Net Total Receivables | <u>\$ 3,229,952</u> | <u>\$ 10,840,106</u> | <u>\$ 1,262,713</u> | <u>\$ 1,172,145</u> | <u>\$ 16,504,916</u> |

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balance</u> | <u>Transfers</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|--------------------------|---------------------|---------------------|---------------------|-----------------------|
| Business activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,601,527 | \$ 50,987 | \$ | \$ | \$ 1,652,514 |
| Construction in progress | 21,906,877 | (22,841,494) | 11,817,931 | (63,069) | 10,820,245 |
| Total capital assets not being depreciated | <u>23,508,404</u> | <u>(22,790,507)</u> | <u>11,817,931</u> | <u>(63,069)</u> | <u>12,472,759</u> |
| Capital assets being depreciated: | | | | | |
| Structures and improvements | 37,360,518 | 3,314,805 | | (280,827) | 40,394,496 |
| Machinery, equipment pumping and distribution systems | 175,791,650 | 19,475,702 | | (907,825) | 194,359,527 |
| Total capital assets being depreciated | <u>213,152,168</u> | <u>22,790,507</u> | <u>-</u> | <u>(1,188,652)</u> | <u>234,754,023</u> |
| Less accumulated depreciation for: | | | | | |
| Structures and improvements | (20,267,336) | | (1,018,004) | | (21,285,340) |
| Machinery, equipment pumping and distribution systems | (106,196,189) | | (5,970,138) | 1,003,020 | (111,163,307) |
| Total accumulated depreciation | <u>(126,463,525)</u> | <u>-</u> | <u>(6,988,142)</u> | <u>1,003,020</u> | <u>(132,448,647)</u> |
| Total capital assets being depreciated, net | <u>86,688,643</u> | <u>22,790,507</u> | <u>(6,988,142)</u> | <u>(185,632)</u> | <u>102,305,376</u> |
| Business Activities Capital Assets, Net | <u>\$ 110,197,047</u> | <u>\$ -</u> | <u>\$ 4,829,789</u> | <u>\$ (248,701)</u> | <u>\$ 114,778,135</u> |

Depreciation was charged to the divisions as follows:

| | |
|----------|---------------------|
| Gas | \$ 1,310,926 |
| Electric | 2,916,980 |
| Water | 1,020,435 |
| Sewer | <u>1,739,801</u> |
| Total | <u>\$ 6,988,142</u> |

5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| General obligation bonds | \$ 157,909 | \$ | \$ (40,750) | \$ 117,159 | \$ 40,500 |
| Less deferred amount on refunding | (4,000) | | 2,000 | (2,000) | |
| State of Connecticut - serial note | <u>10,766,577</u> | <u>717,571</u> | <u>(669,461)</u> | <u>10,814,687</u> | <u>6,409,359</u> |
| Total bonds and notes payable | 10,920,486 | 717,571 | (708,211) | 10,929,846 | 6,449,859 |
| Compensated absences | 2,856,185 | 182,740 | (285,619) | 2,753,306 | 275,331 |
| Capital leases | 1,620,104 | 42,277 | (313,452) | 1,348,929 | 332,038 |
| Workers' compensation | <u>649,900</u> | <u>7,875</u> | <u>(162,475)</u> | <u>495,300</u> | <u>123,825</u> |
| Total Long-Term Liabilities | <u>\$ 16,046,675</u> | <u>\$ 950,463</u> | <u>\$ (1,469,757)</u> | <u>\$ 15,527,381</u> | <u>\$ 7,181,053</u> |

Outstanding bonds and serial notes payable at June 30, 2013 are comprised of the following:

| <u>Description</u> | <u>Interest Rate (%)</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>(In Thousands)</u> | |
|--|------------------------------|--------------------------|-----------------------------|---------------------------------------|--------------------------------------|
| | | | | <u>Original Amount Issued</u> | <u>Outstanding June 30, 2013</u> |
| General purpose bonds payable: | | | | | |
| Refunding - (02/01/1996) Stony Brook Reservoir | 3.0-4.0 | 03/15/2005 | 09/15/2015 | \$ 368 | \$ 117 |
| State of Connecticut serial notes payable: | | | | | |
| Clean Water Act 106-C | 2.00 | 10/31/1997 | 10/31/2016 | 3,410 | 663 |
| Clean Water Act 298-C | 2.00 | 06/30/2000 | 06/30/2019 | 1,508 | 452 |
| Clean Water Act 349-C | 2.00 | 12/31/2002 | 12/31/2021 | 881 | 414 |
| Clean Water Act 9714-C | 2.77 | 12/31/2002 | 12/31/2021 | 1,899 | 925 |
| Clean Water Act 200801-C | 2.27 | 07/01/2009 | 07/01/2029 | 450 | 358 |
| Clean Water Act 625-D | 2.00 | 12/31/2012 | 12/31/1931 | 1,865 | 1,733 |
| Clean Water Act 495-C* | * | * | * | * | 5,748 |
| Drinking Water State Revolving Fund 2010-8005 | 2.06 | 03/31/2010 | 12/31/2029 | 145 | 119 |
| Drinking Water State Revolving Fund 2010-8006 | 2.06 | 03/31/2010 | 06/30/2030 | 326 | 277 |
| Drinking Water State Revolving Fund 2010-7005 | * | * | * | * | 55 |
| Drinking Water State Revolving Fund 2010-7006 | * | * | * | * | <u>71</u> |
| Total | | | | <u>\$</u> | <u>10,932</u> |

* Loans are not permanently financed at this time.

The annual debt service requirements are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>(In Thousands)</u> | | |
|------------------------------------|-----------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | \$ 6,450 | \$ 105 | \$ 6,555 |
| 2015 | 584 | 92 | 676 |
| 2016 | 593 | 79 | 672 |
| 2017 | 427 | 67 | 494 |
| 2018 | 364 | 59 | 423 |
| 2019-2023 | 1,342 | 183 | 1,525 |
| 2024-2028 | 727 | 83 | 810 |
| 2029-2032 | 445 | 15 | 460 |
| Total | <u>\$ 10,932</u> | <u>\$ 683</u> | <u>\$ 11,615</u> |

Capital Leases

The Department has entered into multi-year capital leases for financing the purchase of vehicles and replacement and enhancement of the Department's financial billing and work management systems. Additionally, the Department has entered into a capital lease financing agreement for \$2,300,000 related to the Department's installation of a municipal wide area fiber network. Principal payments during 2012-13 were \$313,452. The following is a summary of capital lease commitments at June 30, 2013.

Future minimum lease payments under capital leases are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------------|---------------------|
| 2014 | \$ 380,505 |
| 2015 | 347,462 |
| 2016 | 337,257 |
| 2017 | 286,059 |
| 2018 | 117,528 |
| Total | 1,468,811 |
| Less amount representing interest | (119,882) |
| Total | <u>\$ 1,348,929</u> |

6. EMPLOYEE BENEFITS

Employees are entitled to certain benefits from the City, including postemployment health care coverage, medical insurance and pension benefits. Information about these benefits is contained in the City's comprehensive annual financial report, which is available from the City Comptroller, City Hall, 100 Broadway, Norwich, Connecticut.

7. PENSION PLAN

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.

Employees are required to contribute 8% 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, 2013 was \$1,679,012, equal to the required contribution for the year. Employer contributions in 2012 and 2011 were \$1,290,000 and \$846,000, respectively, and equal to the required contribution for each year.

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 self-insured 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.

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 City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation account with an individual claim maximum of \$500,000 and a \$10,000,000 aggregate maximum per year. 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 \$495,300 for estimated unpaid accrued losses on reported claims as of June 30, 2013. 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, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years.

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, 2013 is \$640,197.

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, 2012 | \$ | 360,670 |
| Deposits into the fund | | 825,765 |
| Investment income | | 143 |
| Approved program expenses | | <u>(998,745)</u> |
| Funds Held by CMEEC, June 30, 2012 | \$ | <u>187,833</u> |

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.

11. CONTRACT FOR SALE OF ELECTRICAL PRODUCTS - COMBUSTION TURBINE UNIT

The Department had entered into a contract with CMEEC dated July 1, 2007, 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-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, 2013, the Electric Division reported net revenue of \$534,213 from the operation of the unit.

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 City of Norwich, Department of Public Utilities, 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. The bylaws were amended in 1995 to allow for participation of representation from the Town of Wallingford on the Board of Directors. CMEEC's Board is comprised of nineteen 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 City of Norwich, Department of Public Utilities 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 City of Norwich Department of Public Utilities. 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, 2013 was \$32.28 million.

On July 1, 2006, the City of Norwich, Department of Public Utilities entered into a contract for the sale of Pierce Project Electric Power & Energy (the Pierce Contract). Under the terms of the Pierce Contract, the City of Norwich, Department of Public Utilities receives its allocable share of all electric products and benefits and pays its share of all costs associated with the project.

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 (CO₂) cap and trading program as proposed by the RGGI in Connecticut. During the 2013 fiscal year, the Department's contributions to the fund totaled \$220,999, drawdowns were \$151,947 and interest on the fund was \$29. The balance of the Department's funds held by CMEEC for the RGGI was \$74,174 for the year ended June 30, 2013.

Norwich City Development Corporation (NCDC)

CMEEC administers an Economic Development Fund for the Department. CMEEC includes a charge of .5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department for deposit into the fund. Periodically, funds are transferred to the Norwich Community Development Corporation (NCDC) in support of regional economic development. The funds held by CMEEC that have not been disbursed to NCDC are not included in the Department's financial statements. The balance of economic development funds held by CMEEC as of June 30, 2013 was \$277,017. The Department's contributions to the fund during the year totaled \$169,017. Distributions to NCDC totaled \$175,000 for the year ended June 30, 2013. NCDC is a nonstock corporation organized pursuant to the Non-Stock Corporation Act, Connecticut General Statute Section 33-1000 as a separate entity.

13. COMMITMENTS AND CONTINGENCIES

Power Sales Contract - Connecticut Municipal Electric Energy Cooperative (CMEEC)

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. The Department's current rate structure for its customers includes an annual amortized cost recovery component to pay the annual fixed charged cost obligation for the Department's percentage of CMEEC's annual debt service.

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2013 is summarized as follows:

| | |
|---|----------------------|
| CMEEC - debt service fixed cost obligation | \$ 25,629,030 |
| Department - rate stabilization funds on deposit with CMEEC | <u>(8,506,538)</u> |
| Net Deferred Fixed Cost Obligation | <u>\$ 17,122,492</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 \$3,173,123.

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

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.

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

COMBINING STATEMENT OF NET POSITION BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Gas</u> | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Interfund Eliminations</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------------------|-----------------------|
| Assets: | | | | | | |
| Current: | | | | | | |
| Cash and cash equivalents | \$ 111,469 | \$ 7,691,989 | \$ 878,419 | \$ 5,068,610 | \$ | \$ 13,750,487 |
| Receivables, net: | | | | | | |
| User charges | 2,683,682 | 10,485,381 | 1,262,713 | 1,172,145 | | 15,603,921 |
| Other | 546,270 | 354,725 | | | | 900,995 |
| Due from City of Norwich/other funds | | 1,244,810 | | | (1,244,810) | - |
| Inventories | 1,214,893 | 638,645 | 236,474 | 50,784 | | 2,140,796 |
| Other assets | 223,889 | 928,715 | 167,999 | 111,999 | | 1,432,602 |
| Total current assets | <u>4,780,203</u> | <u>21,344,265</u> | <u>2,545,605</u> | <u>6,403,538</u> | <u>(1,244,810)</u> | <u>33,828,801</u> |
| Capital assets, net | <u>17,300,630</u> | <u>23,581,073</u> | <u>22,433,906</u> | <u>51,462,526</u> | | <u>114,778,135</u> |
| Total assets | <u>22,080,833</u> | <u>44,925,338</u> | <u>24,979,511</u> | <u>57,866,064</u> | <u>(1,244,810)</u> | <u>148,606,936</u> |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 882,835 | 6,003,902 | 282,253 | 563,295 | | 7,732,285 |
| Unearned revenue | | 291,552 | | | | 291,552 |
| Due to City of Norwich/other funds | 553,419 | | 701,896 | | (1,244,810) | 10,505 |
| Notes payable | | | 269,504 | 6,139,855 | | 6,409,359 |
| Bonds payable | | | 40,500 | | | 40,500 |
| Capital leases payable | 6,290 | 295,674 | 23,784 | 6,290 | | 332,038 |
| Compensated absences | 76,975 | 123,252 | 41,488 | 33,616 | | 275,331 |
| Risk management claims | 68,150 | 27,000 | 1,525 | 27,150 | | 123,825 |
| Total current liabilities | <u>1,587,669</u> | <u>6,741,380</u> | <u>1,360,950</u> | <u>6,770,206</u> | <u>(1,244,810)</u> | <u>15,215,395</u> |
| Noncurrent liabilities: | | | | | | |
| Customer deposits | | 1,140,851 | | | | 1,140,851 |
| Notes payable | | | 1,535,510 | 2,869,818 | | 4,405,328 |
| Bonds payable | | | 74,659 | | | 74,659 |
| Capital leases payable | 13,838 | 950,597 | 38,621 | 13,835 | | 1,016,891 |
| Compensated absences | 692,771 | 1,109,272 | 373,391 | 302,541 | | 2,477,975 |
| Risk management claims | 204,450 | 81,000 | 4,575 | 81,450 | | 371,475 |
| Total noncurrent liabilities | <u>911,059</u> | <u>3,281,720</u> | <u>2,026,756</u> | <u>3,267,644</u> | <u>-</u> | <u>9,487,179</u> |
| Total liabilities | <u>2,498,728</u> | <u>10,023,100</u> | <u>3,387,706</u> | <u>10,037,850</u> | <u>(1,244,810)</u> | <u>24,702,574</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 17,280,502 | 22,334,802 | 20,451,328 | 42,432,728 | | 102,499,360 |
| Restricted for energy efficiency program | | 187,833 | | | | 187,833 |
| Unrestricted | <u>2,301,603</u> | <u>12,379,603</u> | <u>1,140,477</u> | <u>5,395,486</u> | | <u>21,217,169</u> |
| Total Net Position | <u>\$ 19,582,105</u> | <u>\$ 34,902,238</u> | <u>\$ 21,591,805</u> | <u>\$ 47,828,214</u> | <u>\$ -</u> | <u>\$ 123,904,362</u> |

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

COMBINING STATEMENT OF ACTIVITIES BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Gas</u> | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Operating Revenues: | | | | | |
| Charges for services | \$ 14,701,534 | \$ 50,493,647 | \$ 8,300,585 | \$ 7,174,289 | \$ 80,670,055 |
| Use of property | | 719,965 | 73,186 | | 793,151 |
| Other services | 191,102 | 182,768 | 2,652 | 77,460 | 453,982 |
| Total operating revenues | <u>14,892,636</u> | <u>51,396,380</u> | <u>8,376,423</u> | <u>7,251,749</u> | <u>81,917,188</u> |
| Operating Expenses: | | | | | |
| Purchased gas and electric | 4,610,496 | 32,228,167 | | | 36,838,663 |
| General and administrative | 3,382,843 | 8,394,440 | 2,456,474 | 2,038,646 | 16,272,403 |
| Depreciation | 1,310,926 | 2,916,980 | 1,020,435 | 1,739,801 | 6,988,142 |
| Operations and maintenance | 1,614,253 | 4,509,874 | 2,585,614 | 2,374,846 | 11,084,587 |
| Customer accounts | 320,738 | 963,320 | 243,071 | 162,918 | 1,690,047 |
| Gross revenue and property taxes | 701,532 | 1,322,270 | 140,167 | 3 | 2,163,972 |
| Total operating expenses | <u>11,940,788</u> | <u>50,335,051</u> | <u>6,445,761</u> | <u>6,316,214</u> | <u>75,037,814</u> |
| Operating Income | <u>2,951,848</u> | <u>1,061,329</u> | <u>1,930,662</u> | <u>935,535</u> | <u>6,879,374</u> |
| Nonoperating Income (Expenses): | | | | | |
| Interest income | 473 | 2,680 | 780 | 2,202 | 6,135 |
| Interest expense | (40,364) | (74,177) | (56,910) | (80,682) | (252,133) |
| Loss on disposal of capital assets | (5,948) | (14,338) | (551) | (164,797) | (185,634) |
| Net nonoperating expenses | <u>(45,839)</u> | <u>(85,835)</u> | <u>(56,681)</u> | <u>(243,277)</u> | <u>(431,632)</u> |
| Income Before Contributions and Transfers | 2,906,009 | 975,494 | 1,873,981 | 692,258 | 6,447,742 |
| Capital Contributions | 3,564,029 | 1,363,058 | 94,702 | 401,477 | 5,423,266 |
| Transfers out to City of Norwich | <u>(1,628,220)</u> | <u>(5,828,280)</u> | <u>(679,380)</u> | | <u>(8,135,880)</u> |
| Change in Net Position | 4,841,818 | (3,489,728) | 1,289,303 | 1,093,735 | 3,735,128 |
| Net Position at Beginning of Year | <u>14,740,287</u> | <u>38,391,966</u> | <u>20,302,502</u> | <u>46,734,479</u> | <u>120,169,234</u> |
| Net Position at End of Year | <u>\$ 19,582,105</u> | <u>\$ 34,902,238</u> | <u>\$ 21,591,805</u> | <u>\$ 47,828,214</u> | <u>\$ 123,904,362</u> |

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

COMBINING STATEMENT OF CASH FLOWS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Gas</u> | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|
| Cash Flows from Operating Activities: | | | | | |
| Cash received from charges for services | \$ 13,270,760 | \$ 51,733,595 | \$ 8,388,423 | \$ 7,167,175 | \$ 80,559,953 |
| Cash paid to vendors | (7,653,959) | (41,084,080) | (3,286,902) | (2,650,848) | (54,675,789) |
| Cash paid to employees for services | (2,920,792) | (6,806,884) | (2,371,638) | (2,172,324) | (14,271,638) |
| Net cash provided by operating activities | <u>2,696,009</u> | <u>3,842,631</u> | <u>2,729,883</u> | <u>2,344,003</u> | <u>11,612,526</u> |
| Cash Flows from Noncapital and Related Financing Activities: | | | | | |
| Transfers to City of Norwich | (1,628,220) | (5,828,280) | (679,380) | | (8,135,880) |
| Customer deposits | | 180,020 | | | 180,020 |
| Cash advance from (to) other funds | 553,419 | (402,914) | (140,000) | | 10,505 |
| Net cash used in noncapital and related financing activities | <u>(1,074,801)</u> | <u>(6,051,174)</u> | <u>(819,380)</u> | <u>-</u> | <u>(7,945,355)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Capital contributions | 3,564,029 | 1,363,058 | 94,702 | 401,477 | 5,423,266 |
| Purchase of capital assets | (5,167,518) | (2,519,353) | (1,259,882) | (2,765,834) | (11,712,587) |
| Proceeds from long-term debt | | | 125,628 | 591,943 | 717,571 |
| Principal payment on bonds and notes | | | (267,086) | (441,125) | (708,211) |
| Principal payment on capital leases | (6,081) | (295,207) | (6,081) | (6,083) | (313,452) |
| Interest payment on debt | (40,364) | (74,177) | (56,910) | (80,682) | (252,133) |
| Net cash used in capital and related financing activities | <u>(1,649,934)</u> | <u>(1,525,679)</u> | <u>(1,369,629)</u> | <u>(2,300,304)</u> | <u>(6,845,546)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Income on investments | 473 | 2,680 | 780 | 2,202 | 6,135 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (28,253) | (3,731,542) | 541,654 | 45,901 | (3,172,240) |
| Cash and Cash Equivalents at Beginning of Year | 139,722 | 11,423,531 | 336,765 | 5,022,709 | 16,922,727 |
| Cash and Cash Equivalents at End of Year | <u>\$ 111,469</u> | <u>\$ 7,691,989</u> | <u>\$ 878,419</u> | <u>\$ 5,068,610</u> | <u>\$ 13,750,487</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | | |
| Operating income | \$ 2,951,848 | \$ 1,061,329 | \$ 1,930,662 | \$ 935,535 | \$ 6,879,374 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation expense | 1,310,926 | 2,916,980 | 1,020,435 | 1,739,801 | 6,988,142 |
| Provision for uncollectible accounts | 600,000 | 1,500,000 | 12,000 | 12,000 | 2,124,000 |
| Increase in receivables | (1,621,876) | (1,136,808) | (260,470) | (96,574) | (3,115,728) |
| Increase in inventories and other assets | (433,878) | (26,756) | (47,604) | (22,303) | (530,541) |
| Decrease in unearned revenue | | (25,977) | | | (25,977) |
| Increase (decrease) in accounts payable and accrued liabilities | (111,011) | (446,137) | 74,860 | (224,456) | (706,744) |
| Total adjustments | <u>(255,839)</u> | <u>2,781,302</u> | <u>799,221</u> | <u>1,408,468</u> | <u>4,733,152</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,696,009</u> | <u>\$ 3,842,631</u> | <u>\$ 2,729,883</u> | <u>\$ 2,344,003</u> | <u>\$ 11,612,526</u> |

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

COMPARATIVE STATEMENT OF NET POSITION - GAS DIVISION

JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Current: | | |
| Cash and cash equivalents | \$ 111,469 | \$ 139,722 |
| Receivables, net: | | |
| User charges | 2,683,682 | 2,169,321 |
| Other | 546,270 | 38,755 |
| Inventories | 1,214,893 | 827,575 |
| Other assets | 223,889 | 177,329 |
| Total current assets | <u>4,780,203</u> | <u>3,352,702</u> |
| Capital assets, net | <u>17,300,630</u> | <u>13,449,986</u> |
| Total assets | <u>22,080,833</u> | <u>16,802,688</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 882,835 | 1,006,825 |
| Due to other funds | 553,419 | |
| Capital lease payable | 6,290 | 6,080 |
| Compensated absences | 76,975 | 77,937 |
| Risk management claims | 68,150 | 62,500 |
| Total current liabilities | <u>1,587,669</u> | <u>1,153,342</u> |
| Noncurrent liabilities: | | |
| Capital leases payable | 13,838 | 20,129 |
| Compensated absences | 692,771 | 701,430 |
| Risk management claims | 204,450 | 187,500 |
| Total noncurrent liabilities | <u>911,059</u> | <u>909,059</u> |
| Total liabilities | <u>2,498,728</u> | <u>2,062,401</u> |
| Net Position: | | |
| Net investment in capital assets | 17,280,502 | 13,429,857 |
| Unrestricted | <u>2,301,603</u> | <u>1,310,430</u> |
| Total Net Position | <u>\$ 19,582,105</u> | <u>\$ 14,740,287</u> |

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

COMPARATIVE STATEMENT OF ACTIVITIES - GAS DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Charges for services | \$ 14,701,534 | \$ 13,192,045 |
| Other services | 191,102 | 178,225 |
| Total operating revenues | <u>14,892,636</u> | <u>13,370,270</u> |
| Operating Expenses: | | |
| Purchased gas | 4,610,496 | 5,216,522 |
| General and administrative | 3,382,843 | 2,920,032 |
| Depreciation | 1,310,926 | 1,142,439 |
| Operations and maintenance | 1,614,253 | 1,526,042 |
| Customer accounts | 320,738 | 311,608 |
| Gross revenue and property taxes | 701,532 | 719,866 |
| Total operating expenses | <u>11,940,788</u> | <u>11,836,509</u> |
| Operating Income | <u>2,951,848</u> | <u>1,533,761</u> |
| Nonoperating Income (Expenses): | | |
| Interest income | 473 | 742 |
| Interest expense | (40,364) | (832) |
| Loss on disposal of capital assets | (5,948) | (12,209) |
| Net nonoperating expenses | <u>(45,839)</u> | <u>(12,299)</u> |
| Income Before Contributions and Transfers | 2,906,009 | 1,521,462 |
| Capital Contributions | 3,564,029 | 1,861,441 |
| Transfers out to City of Norwich | <u>(1,628,220)</u> | <u>(1,650,900)</u> |
| Change in Net Position | 4,841,818 | 1,732,003 |
| Net Position at Beginning of Year | <u>14,740,287</u> | <u>13,008,284</u> |
| Net Position at End of Year | <u>\$ 19,582,105</u> | <u>\$ 14,740,287</u> |

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

COMPARATIVE STATEMENT OF CASH FLOWS - GAS DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from charges for services | \$ 13,270,760 | \$ 13,103,182 |
| Cash paid to vendors | (7,653,959) | (7,735,137) |
| Cash paid to employees for services | (2,920,792) | (2,685,495) |
| Net cash provided by operating activities | <u>2,696,009</u> | <u>2,682,550</u> |
| Cash Flows from Noncapital and Related Financing Activities: | | |
| Transfers to City of Norwich | (1,628,220) | (1,650,900) |
| Cash advances from other funds | 553,419 | |
| Net cash used in noncapital and related financing activities | <u>(1,074,801)</u> | <u>(1,650,900)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital contributions | 3,564,029 | 1,861,441 |
| Purchase of capital assets | (5,167,518) | (4,937,083) |
| Payments on capital leases | (6,081) | (5,484) |
| Interest payment on debt | (40,364) | (832) |
| Loss on the disposal of property and equipment | - | (12,209) |
| Net cash used in capital and related financing activities | <u>(1,649,934)</u> | <u>(3,094,167)</u> |
| Cash Flows from Investing Activities: | | |
| Income on investments | 473 | 742 |
| Net Decrease in Cash and Cash Equivalents | (28,253) | (2,061,775) |
| Cash and Cash Equivalents at Beginning of Year | <u>139,722</u> | <u>2,201,497</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 111,469</u> | <u>\$ 139,722</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ <u>2,951,848</u> | \$ <u>1,533,761</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 1,310,926 | 1,142,439 |
| Provision for uncollectible accounts | 600,000 | 300,000 |
| Increase in receivables | (1,621,876) | (267,088) |
| (Increase) decrease in inventories and other assets | (433,878) | 44,374 |
| Decrease in accounts payable and accrued liabilities | (111,011) | (70,936) |
| Total adjustments | <u>(255,839)</u> | <u>1,148,789</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,696,009</u> | <u>\$ 2,682,550</u> |

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

COMPARATIVE STATEMENT OF NET POSITION - ELECTRIC DIVISION

JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Assets: | | |
| Current: | | |
| Cash and cash equivalents | \$ 7,691,989 | \$ 11,423,531 |
| Receivables, net: | | |
| User charges | 10,485,381 | 11,049,459 |
| Other | 354,725 | 153,839 |
| Due from other funds | 1,244,810 | 841,896 |
| Inventories | 638,645 | 566,976 |
| Other assets | 928,715 | 973,628 |
| Total current assets | <u>21,344,265</u> | <u>25,009,329</u> |
| Capital assets, net | <u>23,581,073</u> | <u>23,993,038</u> |
| Total assets | <u>44,925,338</u> | <u>49,002,367</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 6,003,902 | 6,228,155 |
| Unearned revenue | 291,552 | 317,529 |
| Capital leases payable | 295,674 | 293,888 |
| Compensated absences | 123,252 | 125,091 |
| Risk management claims | 27,000 | 77,875 |
| Total current liabilities | <u>6,741,380</u> | <u>7,042,538</u> |
| Noncurrent liabilities: | | |
| Customer deposits | 1,140,851 | 960,831 |
| Capital leases payable | 950,597 | 1,247,590 |
| Compensated absences | 1,109,272 | 1,125,817 |
| Risk management claims | 81,000 | 233,625 |
| Total noncurrent liabilities | <u>3,281,720</u> | <u>3,567,863</u> |
| Total liabilities | <u>10,023,100</u> | <u>10,610,401</u> |
| Net Position: | | |
| Net investment in capital assets | 22,334,802 | 22,451,560 |
| Restricted for energy efficiency purposes | 187,833 | 360,670 |
| Unrestricted | <u>12,379,603</u> | <u>15,579,736</u> |
| Total Net Position | <u>\$ 34,902,238</u> | <u>\$ 38,391,966</u> |

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

COMPARATIVE STATEMENT OF ACTIVITIES - ELECTRIC DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Charges for services | \$ 50,493,647 | \$ 57,271,044 |
| Use of property | 719,965 | 2,549,968 |
| Other services | 182,768 | 329,589 |
| Total operating revenues | <u>51,396,380</u> | <u>60,150,601</u> |
| Operating Expenses: | | |
| Purchased electric | 32,228,167 | 33,977,220 |
| General and administrative | 8,394,440 | 7,661,517 |
| Depreciation | 2,916,980 | 2,842,309 |
| Operations and maintenance | 4,509,874 | 4,525,741 |
| Customer accounts | 963,320 | 952,454 |
| Gross revenue and property taxes | 1,322,270 | 1,207,281 |
| Total operating expenses | <u>50,335,051</u> | <u>51,166,522</u> |
| Operating Income | <u>1,061,329</u> | <u>8,984,079</u> |
| Nonoperating Income (Expenses): | | |
| Interest income | 2,680 | 3,999 |
| Interest expense | (74,177) | (86,576) |
| Loss on disposal of capital assets | (14,338) | (43,808) |
| Net nonoperating expenses | <u>(85,835)</u> | <u>(126,385)</u> |
| Income Before Contributions and Transfers | 975,494 | 8,857,694 |
| Capital Contributions | 1,363,058 | 2,046,082 |
| Transfers out to City of Norwich | <u>(5,828,280)</u> | <u>(5,230,350)</u> |
| Change in Net Position | (3,489,728) | 5,673,426 |
| Net Position at Beginning of Year | <u>38,391,966</u> | <u>32,718,540</u> |
| Net Position at End of Year | <u>\$ 34,902,238</u> | <u>\$ 38,391,966</u> |

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

COMPARATIVE STATEMENT OF CASH FLOWS - ELECTRIC DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from charges for services | \$ 51,733,595 | \$ 59,442,553 |
| Cash paid to vendors | (41,084,080) | (42,986,822) |
| Cash paid to employees for services | (6,806,884) | (6,399,497) |
| Net cash provided by operating activities | <u>3,842,631</u> | <u>10,056,234</u> |
| Cash Flows from Noncapital and Related Financing Activities: | | |
| Transfers to City of Norwich | (5,828,280) | (5,230,350) |
| Customer deposits | 180,020 | 56,842 |
| Cash advances to other funds | (402,914) | (441,896) |
| Net cash used in noncapital and related financing activities | <u>(6,051,174)</u> | <u>(5,615,404)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital contributions | 1,363,058 | 2,046,082 |
| Purchase of capital assets | (2,519,353) | (5,009,889) |
| Principal payment on capital leases | (295,207) | (298,803) |
| Interest payment on debt | (74,177) | (86,576) |
| Loss on the disposal of property and equipment | | (43,808) |
| Net cash used in capital and related financing activities | <u>(1,525,679)</u> | <u>(3,392,994)</u> |
| Cash Flows from Investing Activities: | | |
| Income on investments | <u>2,680</u> | <u>3,999</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,731,542) | 1,051,835 |
| Cash and Cash Equivalents at Beginning of Year | <u>11,423,531</u> | <u>10,371,696</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 7,691,989</u> | <u>\$ 11,423,531</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ 1,061,329 | \$ 8,984,079 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 2,916,980 | 2,842,309 |
| Provision for uncollectible accounts | 1,500,000 | 510,000 |
| Increase in receivables | (1,136,808) | (1,200,094) |
| Increase in inventories and other assets | (26,756) | (259,235) |
| Decrease in unearned revenue | (25,977) | (17,954) |
| Decrease in accounts payable and accrued liabilities | (446,137) | (802,871) |
| Total adjustments | <u>2,781,302</u> | <u>1,072,155</u> |
| Net Cash Provided by Operating Activities | <u>\$ 3,842,631</u> | <u>\$ 10,056,234</u> |

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

COMPARATIVE STATEMENT OF NET POSITION - WATER DIVISION

JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Current: | | |
| Cash and cash equivalents | \$ 878,419 | \$ 336,765 |
| Receivables, net: | | |
| User charges | 1,262,713 | 793,570 |
| Other | | 220,673 |
| Inventories | 236,474 | 216,400 |
| Other assets | 167,999 | 140,469 |
| Total current assets | <u>2,545,605</u> | <u>1,707,877</u> |
| Capital assets, net | <u>22,433,906</u> | <u>22,152,733</u> |
| Total assets | <u>24,979,511</u> | <u>23,860,610</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 282,253 | 160,219 |
| Due to other funds | 701,896 | 841,896 |
| Notes payable | 269,504 | 228,336 |
| Bonds payable | 40,500 | 40,750 |
| Capital leases payable | 23,784 | 6,080 |
| Compensated absences | 41,488 | 45,715 |
| Risk management claims | 1,525 | 2,750 |
| Total current liabilities | <u>1,360,950</u> | <u>1,325,746</u> |
| Noncurrent liabilities: | | |
| Notes payable | 1,535,510 | 1,679,386 |
| Bonds payable | 74,659 | 113,159 |
| Capital leases payable | 38,621 | 20,129 |
| Compensated absences | 373,391 | 411,438 |
| Risk management claims | 4,575 | 8,250 |
| Total noncurrent liabilities | <u>2,026,756</u> | <u>2,232,362</u> |
| Total liabilities | <u>3,387,706</u> | <u>3,558,108</u> |
| Net Position: | | |
| Net investment in capital assets | 20,451,328 | 20,091,102 |
| Unrestricted | <u>1,140,477</u> | <u>211,400</u> |
| Total Net Position | <u>\$ 21,591,805</u> | <u>\$ 20,302,502</u> |

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

COMPARATIVE STATEMENT OF ACTIVITIES - WATER DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Charges for services | \$ 8,300,585 | \$ 6,585,441 |
| Use of property | 73,186 | 69,802 |
| Other services | 2,652 | 1,209 |
| Total operating revenues | <u>8,376,423</u> | <u>6,656,452</u> |
| Operating Expenses: | | |
| General and administrative | 2,456,474 | 2,237,317 |
| Depreciation | 1,020,435 | 992,705 |
| Operations and maintenance | 2,585,614 | 2,905,622 |
| Customer accounts | 243,071 | 236,652 |
| Gross revenue and property taxes | 140,167 | 82,478 |
| Total operating expenses | <u>6,445,761</u> | <u>6,454,774</u> |
| Operating Income | <u>1,930,662</u> | <u>201,678</u> |
| Nonoperating Income (Expenses): | | |
| Interest income | 780 | 1,222 |
| Interest expense | (56,910) | (66,990) |
| Loss on disposal of capital assets | (551) | (22,706) |
| Net nonoperating expenses | <u>(56,681)</u> | <u>(88,474)</u> |
| Income Before Contributions and Transfers | 1,873,981 | 113,204 |
| Capital Contributions | 94,702 | 184,293 |
| Transfers out to City of Norwich | <u>(679,380)</u> | <u>(611,760)</u> |
| Change in Net Position | 1,289,303 | (314,263) |
| Net Position at Beginning of Year | <u>20,302,502</u> | <u>20,616,765</u> |
| Net Position at End of Year | <u>\$ 21,591,805</u> | <u>\$ 20,302,502</u> |

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

COMPARATIVE STATEMENT OF CASH FLOWS - WATER DIVISION

FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from charges for services | \$ 8,388,423 | \$ 6,668,452 |
| Cash paid to vendors | (3,286,902) | (3,240,993) |
| Cash paid to employees for services | (2,371,638) | (2,383,633) |
| Net cash provided by operating activities | <u>2,729,883</u> | <u>1,043,826</u> |
| Cash Flows from Noncapital and Related Financing Activities: | | |
| Transfers to City of Norwich | (679,380) | (611,760) |
| Cash advances from (to) other funds | (140,000) | 441,896 |
| Net cash used in noncapital and related financing activities | <u>(819,380)</u> | <u>(169,864)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital contributions | 94,702 | 184,293 |
| Purchase of capital assets | (1,259,882) | (880,706) |
| Proceeds from long-term debt | 125,628 | |
| Principal payment on bonds and notes | (267,086) | (259,833) |
| Principal payment on capital leases | (6,081) | (5,484) |
| Interest payment on debt | (56,910) | (66,990) |
| Loss on the disposal of property and equipment | | (22,706) |
| Net cash used in capital and related financing activities | <u>(1,369,629)</u> | <u>(1,051,426)</u> |
| Cash Flows from Investing Activities: | | |
| Income on investments | 780 | 1,222 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 541,654 | (176,242) |
| Cash and Cash Equivalents at Beginning of Year | <u>336,765</u> | <u>513,007</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 878,419</u> | <u>\$ 336,765</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ 1,930,662 | \$ 201,678 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 1,020,435 | 992,705 |
| Provision for uncollectible accounts | 12,000 | 12,000 |
| Increase in receivables | (260,470) | (36,129) |
| Increase in inventories and other assets | (47,604) | (54,003) |
| Increase (decrease) in accounts payable and accrued liabilities | 74,860 | (72,425) |
| Total adjustments | <u>799,221</u> | <u>842,148</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,729,883</u> | <u>\$ 1,043,826</u> |

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

COMPARATIVE STATEMENT OF NET POSITION - SEWER DIVISION

JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Current: | | |
| Cash and cash equivalents | \$ 5,068,610 | \$ 5,022,709 |
| Receivables, net: | | |
| User charges | 1,172,145 | 880,341 |
| Other | | 207,230 |
| Inventories | 50,784 | 52,372 |
| Other assets | 111,999 | 88,108 |
| Total current assets | <u>6,403,538</u> | <u>6,250,760</u> |
| Capital assets, net | <u>51,462,526</u> | <u>50,601,290</u> |
| Total assets | <u>57,866,064</u> | <u>56,852,050</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 563,295 | 786,351 |
| Notes payable | 6,139,855 | 5,596,738 |
| Capital lease payable | 6,290 | 6,080 |
| Compensated absences | 33,616 | 36,876 |
| Risk management claims | 27,150 | 19,350 |
| Total current liabilities | <u>6,770,206</u> | <u>6,445,395</u> |
| Noncurrent liabilities: | | |
| Notes payable | 2,869,818 | 3,262,117 |
| Capital lease payable | 13,835 | 20,128 |
| Compensated absences | 302,541 | 331,881 |
| Risk management claims | 81,450 | 58,050 |
| Total noncurrent liabilities | <u>3,267,644</u> | <u>3,672,176</u> |
| Total liabilities | <u>10,037,850</u> | <u>10,117,571</u> |
| Net Position: | | |
| Net investment in capital assets | 42,432,728 | 41,716,227 |
| Unrestricted | <u>5,395,486</u> | <u>5,018,252</u> |
| Total Net Position | <u>\$ 47,828,214</u> | <u>\$ 46,734,479</u> |

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

COMPARATIVE STATEMENT OF ACTIVITIES - SEWER DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Charges for services | \$ 7,174,289 | \$ 6,775,091 |
| Other services | 77,460 | 101,246 |
| Total operating revenues | <u>7,251,749</u> | <u>6,876,337</u> |
| Operating Expenses: | | |
| General and administrative | 2,038,646 | 1,641,110 |
| Depreciation | 1,739,801 | 1,302,296 |
| Operations and maintenance | 2,374,846 | 2,443,819 |
| Customer accounts | 162,918 | 157,919 |
| Gross revenue and property taxes | 3 | 33 |
| Total operating expenses | <u>6,316,214</u> | <u>5,545,177</u> |
| Operating Income | <u>935,535</u> | <u>1,331,160</u> |
| Nonoperating Income (Expenses): | | |
| Interest income | 2,202 | 2,787 |
| Interest expense | (80,682) | (80,588) |
| Loss on disposal of assets | (164,797) | (298,406) |
| Net nonoperating expenses | <u>(243,277)</u> | <u>(376,207)</u> |
| Income Before Contributions and Transfers | 692,258 | 954,953 |
| Capital Contributions | <u>401,477</u> | <u>2,652,305</u> |
| Change in Net Position | 1,093,735 | 3,607,258 |
| Net Position at Beginning of Year | <u>46,734,479</u> | <u>43,127,221</u> |
| Net Position at End of Year | <u>\$ 47,828,214</u> | <u>\$ 46,734,479</u> |

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

COMPARATIVE STATEMENT OF CASH FLOWS - SEWER DIVISION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from charges for services | \$ 7,167,175 | \$ 6,912,403 |
| Cash paid to vendors | (2,650,848) | (1,925,672) |
| Cash paid to employees for services | (2,172,324) | (2,087,367) |
| Net cash provided by operating activities | <u>2,344,003</u> | <u>2,899,364</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital contributions | 401,477 | 2,652,305 |
| Purchase of capital assets | (2,765,834) | (8,285,959) |
| Proceeds from long-term debt | 591,943 | 5,264,037 |
| Principal payment on bonds and notes | (441,125) | (305,107) |
| Principal payment on capital leases | (6,083) | (5,485) |
| Interest payment on debt | (80,682) | (80,236) |
| Loss on the disposal of property and equipment | | (298,406) |
| Net cash used in capital and related financing activities | <u>(2,300,304)</u> | <u>(1,058,851)</u> |
| Cash Flows from Investing Activities: | | |
| Income on investments | <u>2,202</u> | <u>2,787</u> |
| Net Increase in Cash and Cash Equivalents | 45,901 | 1,843,300 |
| Cash and Cash Equivalents at Beginning of Year | <u>5,022,709</u> | <u>3,179,409</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 5,068,610</u> | <u>\$ 5,022,709</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | <u>\$ 935,535</u> | <u>\$ 1,331,160</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 1,739,801 | 1,302,296 |
| Provision for uncollectible accounts | 12,000 | 12,000 |
| (Increase) decrease in receivables | (96,574) | 24,066 |
| Increase in inventories and other assets | (22,303) | (43,948) |
| Increase (decrease) in accounts payable and accrued liabilities | (224,456) | 273,790 |
| Total adjustments | <u>1,408,468</u> | <u>1,568,204</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,344,003</u> | <u>\$ 2,899,364</u> |