

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

FINANCIAL STATEMENTS

JUNE 30, 2014

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

CONTENTS

Independent Auditors' Report	1-2	
<u>Exhibit</u>		
Financial Statements:		
I	Statement of Net Position	3
II	Statement of Activities	4
III	Statement of Cash Flows	5
Notes to Financial Statements	6-15	
Combining and Individual Fund Statements and Schedules:		
A-1	Combining Statement of Net Position by Division	16
A-2	Combining Statement of Activities by Division	17
A-3	Combining Statement of Cash Flows by Division	18
Gas Division:		
B-1	Comparative Statements of Net Position	19
B-2	Comparative Statements of Activities	20
B-3	Comparative Statements of Cash Flows	21
Electric Division:		
C-1	Comparative Statements of Net Position	22
C-2	Comparative Statements of Activities	23
C-3	Comparative Statements of Cash Flows	24
Water Division:		
D-1	Comparative Statements of Net Position	25
D-2	Comparative Statements of Activities	26
D-3	Comparative Statements of Cash Flows	27
Sewer Division:		
E-1	Comparative Statements of Net Position	28
E-2	Comparative Statements of Activities	29
E-3	Comparative Statements of Cash Flows	30

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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, 2014, 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 an opinion on the 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 opinion.

Opinion

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, 2014 and the changes in its 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Department as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 4, 2013, which contained an unmodified opinion on the financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2013 for the Gas, Electric, Water and Sewer divisions 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 related directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2013 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of net position, activities and cash flows as of and for the year ended June 30, 2013 for the Gas, Electric, Water and Sewer divisions are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 17, 2014

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

STATEMENT OF NET POSITION

JUNE 30, 2014

Assets:	
Current:	
Cash and cash equivalents	\$ 17,893,034
Receivables, net:	
User charges	15,768,313
Other	651,003
Inventories	1,951,169
Other assets	1,106,627
Total current assets	<u>37,370,146</u>
Capital assets, net	<u>116,833,565</u>
Total assets	<u>154,203,711</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	6,788,294
Due to City of Norwich/other funds	7,544
Notes payable	3,669,269
Bonds payable	14,871
Capital leases payable	311,702
Compensated absences	564,177
Risk management claims	389,001
Cash advances from other funds	441,500
Total current liabilities	<u>12,186,358</u>
Noncurrent liabilities:	
Customer deposits	1,195,448
Notes payable	9,103,559
Bonds payable	58,078
Capital leases payable	705,177
Compensated absences	2,172,917
Risk management claims	895,429
Cash advances from other funds	7,979,830
Total noncurrent liabilities	<u>22,110,438</u>
Total liabilities	<u>34,296,796</u>
Net Position:	
Net investment in capital assets	102,970,909
Restricted for energy efficiency program	228,308
Unrestricted	<u>16,707,698</u>
Total Net Position	<u>\$ 119,906,915</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, 2014

Operating revenues:	
Charges for services	\$ 83,451,210
Use of property	1,208,072
Other services	378,620
Total operating revenues	<u>85,037,902</u>
Operating expenses:	
Purchased gas and electric	34,125,586
General and administrative	14,582,638
Depreciation	7,083,941
Operations and maintenance	13,042,048
Customer accounts	2,932,463
Bad debts	2,378,860
Gross revenue and property taxes	2,695,481
Total operating expenses	<u>76,841,017</u>
Operating Income	<u>8,196,885</u>
Nonoperating Income (Expenses):	
Interest income	5,340
Interest expense	(497,243)
Loss on disposal of capital assets	(123,553)
Net nonoperating expenses	<u>(615,456)</u>
Income Before Contributions and Transfers	7,581,429
Capital Contributions	1,797,691
Transfer out to City of Norwich	<u>(8,017,740)</u>
Change in Net Position	1,361,380
Net Position at Beginning of Year, as Restated	<u>118,545,535</u>
Net Position at End of Year	<u><u>\$ 119,906,915</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, 2014

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 84,827,957
Cash paid to vendors	(55,004,435)
Cash paid to employees for services	(14,403,289)
Net cash provided by operating activities	<u>15,420,233</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(8,017,740)
Customer deposits	54,597
Cash advance to other funds	(3,791)
Net cash used in noncapital and related financing activities	<u>(7,966,934)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	1,797,691
Purchase of capital assets	(9,262,924)
Proceeds from long-term debt	3,043,121
Principal payment on bonds and notes	(1,127,190)
Principal payment on capital leases	(332,050)
Interest payment on debt	(497,243)
Cash advances from City of Norwich	3,062,503
Net cash used in capital and related financing activities	<u>(3,316,092)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>5,340</u>
Net Increase in Cash and Cash Equivalents	4,142,547
Cash and Cash Equivalents at Beginning of Year	<u>13,750,487</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,893,034</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ <u>8,196,885</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	7,083,941
Provision for uncollectible accounts	2,378,860
Increase in receivables	(2,293,260)
Decrease in inventories and other assets	515,602
Decrease in accounts payable and accrued liabilities	(461,795)
Total adjustments	<u>7,223,348</u>
Net Cash Provided by Operating Activities	<u>\$ 15,420,233</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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time.

K. 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, 2014, the carrying amount of the Department's deposits was \$17,893,034, and the bank balance was \$17,813,435. 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	\$ 3,014,912	\$ 8,219,762	\$ 887,019	\$ 785,704	\$ 12,907,397
Unbilled revenue	438,416	3,038,008	488,713	427,779	4,392,916
Other	371,889	279,114			651,003
Gross receivables	<u>3,825,217</u>	<u>11,536,884</u>	<u>1,375,732</u>	<u>1,213,483</u>	<u>17,951,316</u>
Less allowance for uncollectibles:					
User charges	<u>(342,000)</u>	<u>(1,045,000)</u>	<u>(70,000)</u>	<u>(75,000)</u>	<u>(1,532,000)</u>
Net Total Receivables	<u>\$ 3,483,217</u>	<u>\$ 10,491,884</u>	<u>\$ 1,305,732</u>	<u>\$ 1,138,483</u>	<u>\$ 16,419,316</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 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	\$ 1,652,514	\$ -	\$ -	\$ -	\$ 1,652,514
Construction in progress	<u>10,820,245</u>	<u>(6,444,114)</u>	<u>10,183,806</u>	<u>(932,217)</u>	<u>13,627,720</u>
Total capital assets not being depreciated	<u>12,472,759</u>	<u>(6,444,114)</u>	<u>10,183,806</u>	<u>(932,217)</u>	<u>15,280,234</u>
Capital assets being depreciated:					
Structures and improvements	40,394,496	147,916		(345,138)	40,197,274
Machinery, equipment pumping and distribution systems	<u>194,359,527</u>	<u>6,296,198</u>		<u>(1,351,686)</u>	<u>199,304,039</u>
Total capital assets being depreciated	<u>234,754,023</u>	<u>6,444,114</u>	<u>-</u>	<u>(1,696,824)</u>	<u>239,501,313</u>
Less accumulated depreciation for:					
Structures and improvements	(21,041,345)		(1,017,593)	834	(22,058,104)
Machinery, equipment pumping and distribution systems	<u>(111,407,302)</u>		<u>(6,066,348)</u>	<u>1,583,772</u>	<u>(115,889,878)</u>
Total accumulated depreciation	<u>(132,448,647)</u>	<u>-</u>	<u>(7,083,941)</u>	<u>1,584,606</u>	<u>(137,947,982)</u>
Total capital assets being depreciated, net	<u>102,305,376</u>	<u>6,444,114</u>	<u>(7,083,941)</u>	<u>(112,218)</u>	<u>101,553,331</u>
Business Activities Capital Assets, Net	<u>\$ 114,778,135</u>	<u>\$ -</u>	<u>\$ 3,099,865</u>	<u>\$ (1,044,435)</u>	<u>\$ 116,833,565</u>

Depreciation was charged to the divisions as follows:

Gas	\$ 1,471,036
Electric	2,862,397
Water	1,021,920
Sewer	<u>1,728,588</u>
Total	<u>\$ 7,083,941</u>

5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 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	\$ 117,159	\$	\$ (44,210)	\$ 72,949	\$ 14,871
State of Connecticut - serial note	<u>10,814,687</u>	<u>3,043,121</u>	<u>(1,084,980)</u>	<u>12,772,828</u>	<u>3,669,269</u>
Total bonds and notes payable	10,931,846	3,043,121	(1,129,190)	12,845,777	3,684,140
Compensated absences	2,753,306	259,119	(275,331)	2,737,094	564,177
Capital leases	1,348,929		(332,050)	1,016,879	311,702
Workers' compensation	495,300	912,955	(123,825)	1,284,430	389,001
Cash advances	<u>5,358,827</u>	<u>3,112,503</u>	<u>(50,000)</u>	<u>8,421,330</u>	<u>441,500</u>
Total Long-Term Liabilities	<u>\$ 20,888,208</u>	<u>\$ 7,327,698</u>	<u>\$ (1,910,396)</u>	<u>\$ 26,305,510</u>	<u>\$ 5,390,520</u>

Outstanding bonds and serial notes payable at June 30, 2014 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, 2014</u>
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 73
State of Connecticut serial notes payable:					
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	467
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	377
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	369
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	827
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	336
Clean Water Act 625-D	2.00	12/31/2012	12/31/1931	1,865	1,655
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	5,201
Clean Water Act 625-D1*	*	*	*	*	2,510
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	112
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	261
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	159
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	147
Drinking Water State Revolving Fund 2014-7027*	*	*	*	*	<u>352</u>
Total				<u>\$</u>	<u>12,846</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>
2015	\$ 3,684	\$ 202	\$ 3,886
2016	834	183	1,017
2017	708	167	875
2018	651	152	803
2019	662	138	800
2020-2024	2,608	502	3,110
2025-2029	2,369	258	2,627
2030-2033	1,330	40	1,370
Total	\$ <u>12,846</u>	\$ <u>1,642</u>	\$ <u>14,488</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 2013-14 were \$332,050. The following is a summary of capital lease commitments at June 30, 2014.

Future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 347,462
2016	337,257
2017	286,059
2018	<u>117,528</u>
Total	1,088,306
Less amount representing interest	<u>(71,427)</u>
Total	\$ <u>1,016,879</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, 2014 was \$1,694,000, equal to the required contribution for the year. Employer contributions in 2013 and 2012 were \$1,679,012 and \$1,290,000, 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 \$1,284,430 for estimated unpaid accrued losses on reported claims as of June 30, 2014. 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, 2014 is \$691,832.

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, 2013	\$	187,834
Deposits into the fund		840,688
Investment income		131
Approved program expenses		<u>(800,345)</u>
Funds Held by CMEEC, June 30, 2014	\$	<u><u>228,308</u></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, 2014, the Electric Division reported net revenue of \$1,041,856 from the operation of the unit.

12. JOINTLY GOVERNED ORGANIZATION AND RELATED ORGANIZATIONS

Connecticut Municipal Electric Energy Cooperative

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, 2014 was \$27.48 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 2014 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 2014 fiscal year, the Department's contributions to the fund totaled \$206,603, drawdowns were \$86,407 and interest on the fund was \$94. The balance of the Department's funds held by CMEEC for the RGGI was \$194,464 for the year ended June 30, 2014.

Norwich City Development Corporation

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, 2014 was \$296,073. The Department's contributions to the fund during the year totaled \$168,813. Distributions to NCDC totaled \$150,000 for the year ended June 30, 2014. NCDC is a non-stock 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 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, 2014 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 23,273,808
Department - rate stabilization funds on deposit with CMEEC	<u>(4,584,017)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 18,689,791</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 \$2,966,685.

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.

15. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

The Norwich Department of Public Utilities - Gas Division had historically been accounting for cash advances from the City associated with the Gas Bond Expansion project as contributed capital although there is a resolution that the City will be repaid through reimbursement of principal payments on the Gas Bond annually by the Department. As of June 30, 2013, the cumulative amount of cash advances was \$5,358,827. The elimination of the previously recognized contributed capital and establishment of the liability for these cash advances resulted in a decrease in net position to the Gas Division beginning net position of \$5,358,827 from \$19,582,105 to \$14,223,278.

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

COMBINING STATEMENT OF NET POSITION BY DIVISION

JUNE 30, 2014

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 1,136,351	\$ 8,029,155	\$ 1,967,545	\$ 6,759,983	\$ 17,893,034
Receivables, net:					
User charges	3,111,328	10,212,770	1,305,732	1,138,483	15,768,313
Other	371,889	279,114			651,003
Inventories	1,114,088	605,733	183,745	47,603	1,951,169
Other assets	147,638	774,602	110,632	73,755	1,106,627
Total current assets	<u>5,881,294</u>	<u>19,901,374</u>	<u>3,567,654</u>	<u>8,019,824</u>	<u>37,370,146</u>
Capital assets, net	<u>20,020,219</u>	<u>21,699,266</u>	<u>22,546,096</u>	<u>52,567,984</u>	<u>116,833,565</u>
Total assets	<u>25,901,513</u>	<u>41,600,640</u>	<u>26,113,750</u>	<u>60,587,808</u>	<u>154,203,711</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,109,726	5,060,558	251,636	366,374	6,788,294
Due to City of Norwich/other funds	659	757	6,055	73	7,544
Notes payable			516,284	3,152,985	3,669,269
Bonds payable			14,871		14,871
Capital leases payable	6,516	274,660	24,010	6,516	311,702
Compensated absences	149,342	259,140	80,799	74,896	564,177
Risk management claims	188,073	121,639	29,306	49,983	389,001
Cash advances from other funds	441,500				441,500
Total current liabilities	<u>1,895,816</u>	<u>5,716,754</u>	<u>922,961</u>	<u>3,650,827</u>	<u>12,186,358</u>
Noncurrent liabilities:					
Customer deposits		1,195,448			1,195,448
Notes payable			1,677,462	7,426,097	9,103,559
Bonds payable			58,078		58,078
Capital leases payable	7,319	675,937	14,608	7,313	705,177
Compensated absences	686,907	952,351	287,121	246,538	2,172,917
Risk management claims	432,919	279,997	67,458	115,055	895,429
Cash advances from other funds	7,979,830				7,979,830
Total noncurrent liabilities	<u>9,106,975</u>	<u>3,103,733</u>	<u>2,104,727</u>	<u>7,795,003</u>	<u>22,110,438</u>
Total liabilities	<u>11,002,791</u>	<u>8,820,487</u>	<u>3,027,688</u>	<u>11,445,830</u>	<u>34,296,796</u>
Net Position:					
Net investment in capital assets	20,006,384	20,748,669	20,240,783	41,975,073	102,970,909
Restricted for energy efficiency program		228,308			228,308
Unrestricted	<u>(5,107,662)</u>	<u>11,803,176</u>	<u>2,845,279</u>	<u>7,166,905</u>	<u>16,707,698</u>
Total Net Position	<u>\$ 14,898,722</u>	<u>\$ 32,780,153</u>	<u>\$ 23,086,062</u>	<u>\$ 49,141,978</u>	<u>\$ 119,906,915</u>

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

COMBINING STATEMENT OF ACTIVITIES BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 17,334,732	\$ 50,429,130	\$ 8,732,994	\$ 6,954,354	\$ 83,451,210
Use of property		1,133,059	75,013		1,208,072
Other services	274,047	64,644	27	39,902	378,620
Total operating revenues	<u>17,608,779</u>	<u>51,626,833</u>	<u>8,808,034</u>	<u>6,994,256</u>	<u>85,037,902</u>
Operating Expenses:					
Purchased gas and electric	6,646,096	27,479,490			34,125,586
General and administrative	3,611,273	7,155,381	2,162,341	1,653,643	14,582,638
Depreciation	1,471,036	2,862,397	1,021,920	1,728,588	7,083,941
Operations and maintenance	2,144,900	4,797,818	3,090,212	3,009,118	13,042,048
Customer accounts	550,436	1,942,693	263,171	176,163	2,932,463
Bad debts	344,139	2,023,835	5,575	5,311	2,378,860
Gross revenue and property taxes	790,694	1,757,424	147,363		2,695,481
Total operating expenses	<u>15,558,574</u>	<u>48,019,038</u>	<u>6,690,582</u>	<u>6,572,823</u>	<u>76,841,017</u>
Operating Income	<u>2,050,205</u>	<u>3,607,795</u>	<u>2,117,452</u>	<u>421,433</u>	<u>8,196,885</u>
Nonoperating Income (Expenses):					
Interest income	279	2,459	450	2,152	5,340
Interest expense	(27,065)	(64,189)	(47,762)	(358,227)	(497,243)
Loss on disposal of capital assets	(33,887)	(36,114)	(5,940)	(47,612)	(123,553)
Net nonoperating expenses	<u>(60,673)</u>	<u>(97,844)</u>	<u>(53,252)</u>	<u>(403,687)</u>	<u>(615,456)</u>
Income Before Contributions and Transfers	1,989,532	3,509,951	2,064,200	17,746	7,581,429
Capital Contributions	22,952	383,024	95,697	1,296,018	1,797,691
Transfers out to City of Norwich	<u>(1,337,040)</u>	<u>(6,015,060)</u>	<u>(665,640)</u>		<u>(8,017,740)</u>
Change in Net Position	675,444	(2,122,085)	1,494,257	1,313,764	1,361,380
Net Position at Beginning of Year, as Restated *	<u>14,223,278</u>	<u>* 34,902,238</u>	<u>21,591,805</u>	<u>47,828,214</u>	<u>118,545,535</u>
Net Position at End of Year	<u>\$ 14,898,722</u>	<u>\$ 32,780,153</u>	<u>\$ 23,086,062</u>	<u>\$ 49,141,978</u>	<u>\$ 119,906,915</u>

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

COMBINING STATEMENT OF CASH FLOWS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 17,011,375	\$ 51,975,055	\$ 8,813,609	\$ 7,027,918	\$ 84,827,957
Cash paid to vendors	(10,045,874)	(39,112,754)	(3,368,526)	(2,477,281)	(55,004,435)
Cash paid to employees for services	(2,878,683)	(6,818,398)	(2,225,546)	(2,480,662)	(14,403,289)
Net cash provided by operating activities	<u>4,086,818</u>	<u>6,043,903</u>	<u>3,219,537</u>	<u>2,069,975</u>	<u>15,420,233</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,337,040)	(6,015,060)	(665,640)		(8,017,740)
Customer deposits		54,597			54,597
Cash advance from (to) other funds	(552,760)	1,244,810	(695,841)		(3,791)
Net cash used in noncapital and related financing activities	<u>(1,889,800)</u>	<u>(4,715,653)</u>	<u>(1,361,481)</u>	<u>-</u>	<u>(7,966,934)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	22,952	383,024	95,697	1,296,018	1,797,691
Purchase of capital assets	(4,224,512)	(1,016,704)	(1,140,050)	(2,881,658)	(9,262,924)
Proceeds from long-term debt			532,699	2,510,422	3,043,121
Principal payment on bonds and notes			(186,177)	(941,013)	(1,127,190)
Principal payment on capital leases	(6,293)	(295,674)	(23,787)	(6,296)	(332,050)
Interest payment on debt	(27,065)	(64,189)	(47,762)	(358,227)	(497,243)
Cash advances from City of Norwich	3,062,503				3,062,503
Net cash used in capital and related financing activities	<u>(1,172,415)</u>	<u>(993,543)</u>	<u>(769,380)</u>	<u>(380,754)</u>	<u>(3,316,092)</u>
Cash Flows from Investing Activities:					
Income on investments	279	2,459	450	2,152	5,340
Net Increase in Cash and Cash Equivalents	1,024,882	337,166	1,089,126	1,691,373	4,142,547
Cash and Cash Equivalents at Beginning of Year	111,469	7,691,989	878,419	5,068,610	13,750,487
Cash and Cash Equivalents at End of Year	<u>\$ 1,136,351</u>	<u>\$ 8,029,155</u>	<u>\$ 1,967,545</u>	<u>\$ 6,759,983</u>	<u>\$ 17,893,034</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	\$ 2,050,205	\$ 3,607,795	\$ 2,117,452	\$ 421,433	\$ 8,196,885
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,471,036	2,862,397	1,021,920	1,728,588	7,083,941
Provision for uncollectible accounts	344,139	2,023,835	5,575	5,311	2,378,860
(Increase) decrease in receivables	(597,404)	(1,675,613)	(48,594)	28,351	(2,293,260)
Decrease in inventories and other assets	177,056	187,025	110,096	41,425	515,602
Increase (decrease) in accounts payable and accrued liabilities	641,786	(961,536)	13,088	(155,133)	(461,795)
Total adjustments	<u>2,036,613</u>	<u>2,436,108</u>	<u>1,102,085</u>	<u>1,648,542</u>	<u>7,223,348</u>
Net Cash Provided by Operating Activities	<u>\$ 4,086,818</u>	<u>\$ 6,043,903</u>	<u>\$ 3,219,537</u>	<u>\$ 2,069,975</u>	<u>\$ 15,420,233</u>

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

COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 1,136,351	\$ 111,469
Receivables, net:		
User charges	3,111,328	2,683,682
Other	371,889	546,270
Inventories	1,114,088	1,214,893
Other assets	147,638	223,889
Total current assets	<u>5,881,294</u>	<u>4,780,203</u>
Capital assets, net	<u>20,020,219</u>	<u>17,300,630</u>
Total assets	<u>25,901,513</u>	<u>22,080,833</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,109,726	882,835
Due to City of Norwich/other funds	659	553,419
Capital lease payable	6,516	6,290
Compensated absences	149,342	76,975
Risk management claims	188,073	68,150
Cash advances from other funds	441,500	50,000
Total current liabilities	<u>1,895,816</u>	<u>1,637,669</u>
Noncurrent liabilities:		
Capital leases payable	7,319	13,838
Compensated absences	686,907	692,771
Risk management claims	432,919	204,450
Cash advances from other funds	7,979,830	5,308,827
Total noncurrent liabilities	<u>9,106,975</u>	<u>6,219,886</u>
Total liabilities	<u>11,002,791</u>	<u>7,857,555</u>
Net Position:		
Net investment in capital assets	20,006,384	11,921,675
Unrestricted	<u>(5,107,662)</u>	<u>2,301,603</u>
Total Net Position	<u>\$ 14,898,722</u>	<u>\$ 14,223,278</u>

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

COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Charges for services	\$ 17,334,732	\$ 15,301,534
Other services	274,047	191,102
Total operating revenues	<u>17,608,779</u>	<u>15,492,636</u>
Operating Expenses:		
Purchased gas	6,646,096	4,610,496
General and administrative	3,611,273	2,901,957
Depreciation	1,471,036	1,310,926
Operations and maintenance	2,144,900	1,907,820
Customer accounts	550,436	508,057
Bad debts	344,139	600,000
Gross revenue and property taxes	790,694	701,532
Total operating expenses	<u>15,558,574</u>	<u>12,540,788</u>
Operating Income	<u>2,050,205</u>	<u>2,951,848</u>
Nonoperating Income (Expenses):		
Interest income	279	473
Interest expense	(27,065)	(40,364)
Loss on disposal of capital assets	(33,887)	(5,948)
Net nonoperating expenses	<u>(60,673)</u>	<u>(45,839)</u>
Income Before Contributions and Transfers	1,989,532	2,906,009
Capital Contributions	22,952	21,848
Transfers out to City of Norwich	<u>(1,337,040)</u>	<u>(1,628,220)</u>
Change in Net Position	675,444	1,299,637
Net Position at Beginning of Year, as Restated	<u>14,223,278</u>	<u>12,923,641</u>
Net Position at End of Year	<u>\$ 14,898,722</u>	<u>\$ 14,223,278</u>

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

COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 17,011,375	\$ 13,270,760
Cash paid to vendors	(10,045,874)	(7,653,959)
Cash paid to employees for services	(2,878,683)	(2,920,792)
Net cash provided by operating activities	<u>4,086,818</u>	<u>2,696,009</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,337,040)	(1,628,220)
Cash advances from other funds	(552,760)	553,419
Net cash used in noncapital and related financing activities	<u>(1,889,800)</u>	<u>(1,074,801)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	22,952	3,564,029
Purchase of capital assets	(4,224,512)	(5,167,518)
Payments on capital leases	(6,293)	(6,081)
Interest payment on debt	(27,065)	(40,364)
Cash advances from City of Norwich	3,062,503	
Net cash used in capital and related financing activities	<u>(1,172,415)</u>	<u>(1,649,934)</u>
Cash Flows from Investing Activities:		
Income on investments	279	473
Net Increase (Decrease) in Cash and Cash Equivalents	1,024,882	(28,253)
Cash and Cash Equivalents at Beginning of Year	111,469	139,722
Cash and Cash Equivalents at End of Year	<u>\$ 1,136,351</u>	<u>\$ 111,469</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 2,050,205	\$ 2,951,848
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,471,036	1,310,926
Provision for uncollectible accounts	344,139	600,000
Increase in receivables	(597,404)	(1,621,876)
(Increase) decrease in inventories and other assets	177,056	(433,878)
Decrease in accounts payable and accrued liabilities	641,786	(111,011)
Total adjustments	<u>2,036,613</u>	<u>(255,839)</u>
Net Cash Provided by Operating Activities	<u>\$ 4,086,818</u>	<u>\$ 2,696,009</u>

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

COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 8,029,155	\$ 7,691,989
Receivables, net:		
User charges	10,212,770	10,485,381
Other	279,114	354,725
Due from other funds		1,244,810
Inventories	605,733	638,645
Other assets	774,602	928,715
Total current assets	<u>19,901,374</u>	<u>21,344,265</u>
Capital assets, net	<u>21,699,266</u>	<u>23,581,073</u>
Total assets	<u>41,600,640</u>	<u>44,925,338</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	5,060,558	6,295,454
Due to City of Norwich/other funds	757	
Capital leases payable	274,660	295,674
Compensated absences	259,140	123,252
Risk management claims	121,639	27,000
Total current liabilities	<u>5,716,754</u>	<u>6,741,380</u>
Noncurrent liabilities:		
Customer deposits	1,195,448	1,140,851
Capital leases payable	675,937	950,597
Compensated absences	952,351	1,109,272
Risk management claims	279,997	81,000
Total noncurrent liabilities	<u>3,103,733</u>	<u>3,281,720</u>
Total liabilities	<u>8,820,487</u>	<u>10,023,100</u>
Net Position:		
Net investment in capital assets	20,748,669	22,334,802
Restricted for energy efficiency purposes	228,308	187,833
Unrestricted	<u>11,803,176</u>	<u>12,379,603</u>
Total Net Position	<u>\$ 32,780,153</u>	<u>\$ 34,902,238</u>

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

COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Charges for services	\$ 50,429,130	\$ 51,993,647
Use of property	1,133,059	719,965
Other services	64,644	182,768
Total operating revenues	<u>51,626,833</u>	<u>52,896,380</u>
Operating Expenses:		
Purchased electric	27,479,490	32,228,167
General and administrative	7,155,381	6,880,584
Depreciation	2,862,397	2,916,980
Operations and maintenance	4,797,818	4,678,185
Customer accounts	1,942,693	2,308,865
Bad debts	2,023,835	1,500,000
Gross revenue and property taxes	1,757,424	1,322,270
Total operating expenses	<u>48,019,038</u>	<u>51,835,051</u>
Operating Income	<u>3,607,795</u>	<u>1,061,329</u>
Nonoperating Income (Expenses):		
Interest income	2,459	2,680
Interest expense	(64,189)	(74,177)
Loss on disposal of capital assets	(36,114)	(14,338)
Net nonoperating expenses	<u>(97,844)</u>	<u>(85,835)</u>
Income Before Contributions and Transfers	3,509,951	975,494
Capital Contributions	383,024	1,363,058
Transfers out to City of Norwich	<u>(6,015,060)</u>	<u>(5,828,280)</u>
Change in Net Position	(2,122,085)	(3,489,728)
Net Position at Beginning of Year	<u>34,902,238</u>	<u>38,391,966</u>
Net Position at End of Year	<u>\$ 32,780,153</u>	<u>\$ 34,902,238</u>

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

COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 51,975,055	\$ 51,733,595
Cash paid to vendors	(39,112,754)	(41,084,080)
Cash paid to employees for services	(6,818,398)	(6,806,884)
Net cash provided by operating activities	<u>6,043,903</u>	<u>3,842,631</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(6,015,060)	(5,828,280)
Customer deposits	54,597	180,020
Cash advances from (to) other funds	1,244,810	(402,914)
Net cash used in noncapital and related financing activities	<u>(4,715,653)</u>	<u>(6,051,174)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	383,024	1,363,058
Purchase of capital assets	(1,016,704)	(2,519,353)
Principal payment on capital leases	(295,674)	(295,207)
Interest payment on debt	(64,189)	(74,177)
Net cash used in capital and related financing activities	<u>(993,543)</u>	<u>(1,525,679)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>2,459</u>	<u>2,680</u>
Net Increase (Decrease) in Cash and Cash Equivalents	337,166	(3,731,542)
Cash and Cash Equivalents at Beginning of Year	<u>7,691,989</u>	<u>11,423,531</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,029,155</u>	<u>\$ 7,691,989</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>3,607,795</u>	\$ <u>1,061,329</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,862,397	2,916,980
Provision for uncollectible accounts	2,023,835	1,500,000
Increase in receivables	(1,675,613)	(1,136,808)
(Increase) decrease in inventories and other assets	187,025	(26,756)
Decrease in unearned revenue	-	(25,977)
Decrease in accounts payable and accrued liabilities	(961,536)	(446,137)
Total adjustments	<u>2,436,108</u>	<u>2,781,302</u>
Net Cash Provided by Operating Activities	<u>\$ 6,043,903</u>	<u>\$ 3,842,631</u>

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

COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION

JUNE 30, 2014 AND 2013

	2014	2013
Assets:		
Current:		
Cash and cash equivalents	\$ 1,967,545	\$ 878,419
Receivables, net:		
User charges	1,305,732	1,262,713
Inventories	183,745	236,474
Other assets	110,632	167,999
Total current assets	3,567,654	2,545,605
Capital assets, net	22,546,096	22,433,906
Total assets	26,113,750	24,979,511
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	251,636	282,253
Due to City of Norwich/other funds	6,055	701,896
Notes payable	516,284	269,504
Bonds payable	14,871	40,500
Capital leases payable	24,010	23,784
Compensated absences	80,799	41,488
Risk management claims	29,306	1,525
Total current liabilities	922,961	1,360,950
Noncurrent liabilities:		
Notes payable	1,677,462	1,535,510
Bonds payable	58,078	74,659
Capital leases payable	14,608	38,621
Compensated absences	287,121	373,391
Risk management claims	67,458	4,575
Total noncurrent liabilities	2,104,727	2,026,756
Total liabilities	3,027,688	3,387,706
Net Position:		
Net investment in capital assets	20,240,783	20,451,328
Unrestricted	2,845,279	1,140,477
Total Net Position	\$ 23,086,062	\$ 21,591,805

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

COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Charges for services	\$ 8,732,994	\$ 8,312,585
Use of property	75,013	73,186
Other services	27	2,652
Total operating revenues	<u>8,808,034</u>	<u>8,388,423</u>
Operating Expenses:		
General and administrative	2,162,341	2,075,661
Depreciation	1,021,920	1,020,435
Operations and maintenance	3,090,212	2,944,275
Customer accounts	263,171	265,223
Bad debts	5,575	12,000
Gross revenue and property taxes	147,363	140,167
Total operating expenses	<u>6,690,582</u>	<u>6,457,761</u>
Operating Income	<u>2,117,452</u>	<u>1,930,662</u>
Nonoperating Income (Expenses):		
Interest income	450	780
Interest expense	(47,762)	(56,910)
Loss on disposal of capital assets	(5,940)	(551)
Net nonoperating expenses	<u>(53,252)</u>	<u>(56,681)</u>
Income Before Contributions and Transfers	2,064,200	1,873,981
Capital Contributions	95,697	94,702
Transfers out to City of Norwich	<u>(665,640)</u>	<u>(679,380)</u>
Change in Net Position	1,494,257	1,289,303
Net Position at Beginning of Year	<u>21,591,805</u>	<u>20,302,502</u>
Net Position at End of Year	<u>\$ 23,086,062</u>	<u>\$ 21,591,805</u>

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

COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 8,813,609	\$ 8,388,423
Cash paid to vendors	(3,368,526)	(3,286,902)
Cash paid to employees for services	(2,225,546)	(2,371,638)
Net cash provided by operating activities	<u>3,219,537</u>	<u>2,729,883</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(665,640)	(679,380)
Cash advances to other funds	(695,841)	(140,000)
Net cash used in noncapital and related financing activities	<u>(1,361,481)</u>	<u>(819,380)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	95,697	94,702
Purchase of capital assets	(1,140,050)	(1,259,882)
Proceeds from long-term debt	532,699	125,628
Principal payment on bonds and notes	(186,177)	(267,086)
Principal payment on capital leases	(23,787)	(6,081)
Interest payment on debt	(47,762)	(56,910)
Net cash used in capital and related financing activities	<u>(769,380)</u>	<u>(1,369,629)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>450</u>	<u>780</u>
Net Increase in Cash and Cash Equivalents	1,089,126	541,654
Cash and Cash Equivalents at Beginning of Year	<u>878,419</u>	<u>336,765</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,967,545</u>	<u>\$ 878,419</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>2,117,452</u>	\$ <u>1,930,662</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,021,920	1,020,435
Provision for uncollectible accounts	5,575	12,000
Increase in receivables	(48,594)	(260,470)
(Increase) decrease in inventories and other assets	110,096	(47,604)
Increase in accounts payable and accrued liabilities	13,088	74,860
Total adjustments	<u>1,102,085</u>	<u>799,221</u>
Net Cash Provided by Operating Activities	<u>\$ 3,219,537</u>	<u>\$ 2,729,883</u>

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

COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 6,759,983	\$ 5,068,610
Receivables, net:		
User charges	1,138,483	1,172,145
Inventories	47,603	50,784
Other assets	73,755	111,999
Total current assets	<u>8,019,824</u>	<u>6,403,538</u>
Capital assets, net	<u>52,567,984</u>	<u>51,462,526</u>
Total assets	<u>60,587,808</u>	<u>57,866,064</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	366,374	563,295
Due to City of Norwich/other funds	73	
Notes payable	3,152,985	6,139,855
Capital lease payable	6,516	6,290
Compensated absences	74,896	33,616
Risk management claims	49,983	27,150
Total current liabilities	<u>3,650,827</u>	<u>6,770,206</u>
Noncurrent liabilities:		
Notes payable	7,426,097	2,869,818
Capital lease payable	7,313	13,835
Compensated absences	246,538	302,541
Risk management claims	115,055	81,450
Total noncurrent liabilities	<u>7,795,003</u>	<u>3,267,644</u>
Total liabilities	<u>11,445,830</u>	<u>10,037,850</u>
Net Position:		
Net investment in capital assets	41,975,073	42,432,728
Unrestricted	<u>7,166,905</u>	<u>5,395,486</u>
Total Net Position	<u>\$ 49,141,978</u>	<u>\$ 47,828,214</u>

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

COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Charges for services	\$ 6,954,354	\$ 7,186,289
Other services	39,902	77,460
Total operating revenues	<u>6,994,256</u>	<u>7,263,749</u>
Operating Expenses:		
General and administrative	1,653,643	1,761,600
Depreciation	1,728,588	1,739,801
Operations and maintenance	3,009,118	2,637,282
Customer accounts	176,163	177,528
Bad debts	5,311	12,000
Gross revenue and property taxes	-	3
Total operating expenses	<u>6,572,823</u>	<u>6,328,214</u>
Operating Income	<u>421,433</u>	<u>935,535</u>
Nonoperating Income (Expenses):		
Interest income	2,152	2,202
Interest expense	(358,227)	(80,682)
Loss on disposal of assets	(47,612)	(164,797)
Net nonoperating expenses	<u>(403,687)</u>	<u>(243,277)</u>
Income Before Contributions and Transfers	17,746	692,258
Capital Contributions	<u>1,296,018</u>	<u>401,477</u>
Change in Net Position	1,313,764	1,093,735
Net Position at Beginning of Year	<u>47,828,214</u>	<u>46,734,479</u>
Net Position at End of Year	<u>\$ 49,141,978</u>	<u>\$ 47,828,214</u>

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

COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 7,027,918	\$ 7,167,175
Cash paid to vendors	(2,477,281)	(2,650,848)
Cash paid to employees for services	(2,480,662)	(2,172,324)
Net cash provided by operating activities	<u>2,069,975</u>	<u>2,344,003</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	1,296,018	401,477
Purchase of capital assets	(2,881,658)	(2,765,834)
Proceeds from long-term debt	2,510,422	591,943
Principal payment on bonds and notes	(941,013)	(441,125)
Principal payment on capital leases	(6,296)	(6,083)
Interest payment on debt	(358,227)	(80,682)
Net cash used in capital and related financing activities	<u>(380,754)</u>	<u>(2,300,304)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>2,152</u>	<u>2,202</u>
Net Increase in Cash and Cash Equivalents	1,691,373	45,901
Cash and Cash Equivalents at Beginning of Year	<u>5,068,610</u>	<u>5,022,709</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,759,983</u>	<u>\$ 5,068,610</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>421,433</u>	\$ <u>935,535</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,728,588	1,739,801
Provision for uncollectible accounts	5,311	12,000
(Increase) decrease in receivables	28,351	(96,574)
(Increase) decrease in inventories and other assets	41,425	(22,303)
Decrease in accounts payable and accrued liabilities	(155,133)	(224,456)
Total adjustments	<u>1,648,542</u>	<u>1,408,468</u>
Net Cash Provided by Operating Activities	<u>\$ 2,069,975</u>	<u>\$ 2,344,003</u>