

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

FINANCIAL STATEMENTS

JUNE 30, 2015

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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JUNE 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2015, the Department adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Department has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Norwich, Connecticut, as of June 30, 2015 and the changes in its financial position and its cash flows, where applicable, for the year then ended, in conformity 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, 2014 (not presented herein), and have issued our report thereon dated December 17, 2014, 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, 2014 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 2014 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2014 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2014 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, 2014 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, 2014.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 4, 2015

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2015**

Assets:	
Current:	
Cash and cash equivalents	\$ 16,827,436
Receivables, net:	
User charges	17,664,904
Other	1,479,182
Inventories	1,780,359
Other assets	1,732,871
Total current assets	<u>39,484,752</u>
Capital assets, net	<u>127,315,354</u>
Total assets	<u>166,800,106</u>
Deferred Outflows of Resources:	
Changes in projected investment earnings	<u>1,889,546</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	7,654,407
Due to City of Norwich/other funds	98,128
Notes payable	3,595,541
Bonds payable	14,972
Capital leases payable	394,155
Compensated absences	525,954
Risk management claims	489,425
Cash advances from other funds	640,213
Total current liabilities	<u>13,412,795</u>
Noncurrent liabilities:	
Customer deposits	1,263,833
Notes payable	11,003,113
Bonds payable	43,106
Capital leases payable	550,639
Compensated absences	2,322,981
Risk management claims	1,009,141
Net pension liability	27,689,063
Cash advances from other funds	10,983,222
Total noncurrent liabilities	<u>54,865,098</u>
Total liabilities	<u>68,277,893</u>
Net Position:	
Net investment in capital assets	100,090,393
Restricted for energy efficiency program	338,102
Unrestricted	<u>(16,736)</u>
Total Net Position	<u>\$ 100,411,759</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, 2015**

Operating revenues:	
Charges for services	\$ 91,082,222
Use of property	1,344,057
Other services	1,067,662
Total operating revenues	<u>93,493,941</u>
Operating expenses:	
Purchased gas and electric	37,630,288
General and administrative	15,970,747
Depreciation	6,971,934
Operations and maintenance	14,544,104
Customer accounts	3,314,931
Bad debts	2,420,393
Gross revenue and property taxes	2,596,136
Total operating expenses	<u>83,448,533</u>
Operating Income	<u>10,045,408</u>
Nonoperating Income (Expenses):	
Interest income	5,282
Interest expense	(667,011)
Loss on disposal of capital assets	(146,553)
Net nonoperating expenses	<u>(808,282)</u>
Income Before Contributions and Transfers	9,237,126
Capital Contributions	3,470,464
Transfer out to City of Norwich	<u>(7,466,520)</u>
Change in Net Position	5,241,070
Net Position at Beginning of Year, as Restated	<u>95,170,689</u>
Net Position at End of Year	\$ <u><u>100,411,759</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, 2015**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 90,421,885
Cash paid to vendors	(58,922,967)
Cash paid to employees for services	(15,058,647)
Net cash provided by operating activities	<u>16,440,271</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(7,466,520)
Customer deposits	(6,615)
Cash advance from other funds	(18,751)
Net cash used in noncapital and related financing activities	<u>(7,491,886)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	3,470,464
Purchase of capital assets	(17,360,657)
Proceeds from long-term debt	2,767,533
Principal payment on bonds and notes	(956,578)
Principal payment on capital leases	(311,704)
Interest payment on debt	(667,011)
Cash advances from City of Norwich	3,038,688
Net cash used in capital and related financing activities	<u>(10,019,265)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>5,282</u>
Net Decrease in Cash and Cash Equivalents	(1,065,598)
Cash and Cash Equivalents at Beginning of Year	<u>17,893,034</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,827,436</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ <u>10,045,408</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	6,971,934
Provision for uncollectible accounts	2,420,393
Increase in receivables	(5,145,163)
Increase in inventories and other assets	(455,434)
Increase in accounts payable and accrued liabilities	1,539,842
Increase in net pension liability	2,952,837
Increase in deferred outflows of resources	(1,889,546)
Total adjustments	<u>6,394,863</u>
Net Cash Provided by Operating Activities	<u>\$ 16,440,271</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

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

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. The Department reports deferred outflows related to pension. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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

K. Net Pension Liability

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

L. 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.

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

2. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2015, the carrying amount of the Department's deposits was \$16,827,436, and the bank balance was \$17,262,297. 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	\$ 2,976,187	\$ 9,938,597	\$ 945,620	\$ 957,973	\$ 14,818,377
Unbilled revenue	478,703	3,707,483	497,627	435,714	5,119,527
Other	660,740	197,371	114,732	506,339	1,479,182
Gross receivables	<u>4,115,630</u>	<u>13,843,451</u>	<u>1,557,979</u>	<u>1,900,026</u>	<u>21,417,086</u>
Less allowance for uncollectibles:					
User charges	<u>(500,000)</u>	<u>(1,633,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(2,273,000)</u>
Net Total Receivables	<u>\$ 3,615,630</u>	<u>\$ 12,210,451</u>	<u>\$ 1,487,979</u>	<u>\$ 1,830,026</u>	<u>\$ 19,144,086</u>

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

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Reclassifications</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	13,627,720		(11,773,629)	17,890,654	(290,377)	19,454,368
Total capital assets not being depreciated	<u>15,280,234</u>	<u>-</u>	<u>(11,773,629)</u>	<u>17,890,654</u>	<u>(290,377)</u>	<u>21,106,882</u>
Capital assets being depreciated:						
Structures and improvements	40,197,274		262,050		(33,941)	40,425,383
Machinery, equipment pumping and distribution systems	199,304,039		11,511,579		(1,114,336)	209,701,282
Total capital assets being depreciated	<u>239,501,313</u>	<u>-</u>	<u>11,773,629</u>	<u>-</u>	<u>(1,148,277)</u>	<u>250,126,665</u>
Less accumulated depreciation for:						
Structures and improvements	(22,058,104)	295,000		(1,027,563)	29,880	(22,760,787)
Machinery, equipment pumping and distribution systems	(115,889,878)	(295,000)		(5,944,371)	971,843	(121,157,406)
Total accumulated depreciation	<u>(137,947,982)</u>	<u>-</u>	<u>-</u>	<u>(6,971,934)</u>	<u>1,001,723</u>	<u>(143,918,193)</u>
Total capital assets being depreciated, net	<u>101,553,331</u>	<u>-</u>	<u>11,773,629</u>	<u>(6,971,934)</u>	<u>(146,554)</u>	<u>106,208,472</u>
Business Activities Capital Assets, Net	\$ <u>116,833,565</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,918,720</u>	\$ <u>(436,931)</u>	\$ <u>127,315,354</u>

Depreciation was charged to the divisions as follows:

Gas	\$ 1,729,500
Electric	2,465,107
Water	975,233
Sewer	<u>1,802,094</u>
Total	\$ <u>6,971,934</u>

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

5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2015 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	\$ 72,949	\$	\$ (14,871)	\$ 58,078	\$ 14,972
State of Connecticut - serial note	<u>12,772,828</u>	<u>2,767,533</u>	<u>(941,707)</u>	<u>14,598,654</u>	<u>3,595,541</u>
Total bonds and notes payable	12,845,777	2,767,533	(956,578)	14,656,732	3,610,513
Compensated absences	2,737,094	676,018	(564,177)	2,848,935	525,954
Capital leases	1,016,879	239,617	(311,702)	944,794	394,155
Workers' compensation	1,284,430	603,137	(389,001)	1,498,566	489,425
Cash advances	8,622,116	3,480,188	(478,869)	11,623,435	640,213
Net Pension Liability	<u>24,736,225</u>	<u>2,952,838</u>	<u></u>	<u>27,689,063</u>	<u></u>
Total Long-Term Liabilities	<u>\$ 51,242,521</u>	<u>\$ 10,719,331</u>	<u>\$ (2,700,327)</u>	<u>\$ 59,261,525</u>	<u>\$ 5,660,260</u>

Outstanding bonds and serial notes payable at June 30, 2015 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, 2015</u>
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 58
State of Connecticut serial notes payable:					
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	270
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	302
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	323
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	726
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	313
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,575
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,957
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	2,374
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	105
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	245
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	150
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	138
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2015	506	506
Drinking Water State Revolving Fund 2014-7036*	*	*	*	*	<u>2,615</u>
Total					<u>\$ 14,657</u>

* Loan is not permanently financed at this time.

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

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>
2016	\$ 3,611	\$ 239	\$ 3,850
2017	859	221	1,080
2018	804	203	1,007
2019	817	186	1,003
2020	754	169	923
2021-2025	3,302	623	3,925
2026-2030	3,290	295	3,585
2031-2035	<u>1,220</u>	<u>27</u>	<u>1,247</u>
Total	\$ <u>14,657</u>	\$ <u>1,963</u>	\$ <u>16,620</u>

Capital Leases

The Department has entered into multi-year capital leases for financing the purchase of vehicles, water treatment equipment, and technology upgrades. 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 2014-15 were \$311,701. The following is a summary of capital lease commitments at June 30, 2015.

Future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 418,138
2017	366,940
2018	<u>198,409</u>
Total	983,487
Less amount representing interest	<u>(38,693)</u>
Total	\$ <u>944,794</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.

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

7. PENSION PLAN

A. Plan Description and Benefits Provided

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

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

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, 2015 was \$1,949,000, equal to the required contribution for the year. Employer contributions in 2014 and 2013 were \$1,694,000 and \$1,679,012, respectively, and equal to the required contribution for each year.

GASB No. 68, which was implemented this year, requires certain items to be recorded differently than in the past. The items below provide detail of those items. Refer to the City of Norwich comprehensive annual financial report for the full pension disclosures.

B. Net Pension Liability of the Department

The components of the net pension liability of the Department at June 30, 2015 were as follows:

Total pension liability	\$ 81,362,945
Plan fiduciary net position	<u>(53,673,882)</u>
Net Pension Liability	\$ <u>27,689,063</u>
Plan fiduciary net position as a percentage of the total pension liability	65.97%

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

C. Changes in the Net Pension Liability

	NPU Portion of the City Retirement System		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 78,792,598	\$ 54,056,373	\$ 24,736,225
Changes for the year:			
Service cost	1,621,246		1,621,246
Interest on total pension liability	6,038,538		6,038,538
Differences between expected and actual experience			-
Changes in assumptions			-
Employer contributions		1,949,000	(1,949,000)
Member contributions		1,040,276	(1,040,276)
Net investment income		2,224,904	(2,224,904)
Benefit payments, including refund to employee contributions	(5,089,437)	(5,089,437)	-
Administrative expenses		(507,234)	507,234
Other changes			-
Net changes	<u>2,570,347</u>	<u>(382,491)</u>	<u>2,952,838</u>
Balances as of June 30, 2015	\$ <u>81,362,945</u>	\$ <u>53,673,882</u>	\$ <u>27,689,063</u>

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

For the year ended June 30, 2015, the Department recognized pension expense of \$3,012,293. At June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	NPU Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,889,546	\$ -
Total	<u>\$ 1,889,546</u>	<u>\$ -</u>

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

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

Year Ending June 30,

2016	\$	(472,387)
2017		(472,387)
2018		(472,386)
2019		(472,386)

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 \$1,498,566 for estimated unpaid accrued losses on reported claims as of June 30, 2015. 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.

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

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, 2015 is \$879,347.

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, 2014	\$ 228,308
Deposits into the fund	887,934
Investment income	443
Approved program expenses	<u>(778,583)</u>
Funds Held by CMEEC, June 30, 2015	<u>\$ 338,102</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, 2015, the Electric Division reported net revenue of \$1,178,810 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 2013 to create an Associate of CMEEC, which would be a Rate 9 customer, but not a Member of CMEEC. An Associate of CMEEC would, at the discretion of the CMEEC Board of Directors, be granted one seat on the CMEEC Board of Directors, without a vote and without a governance role in CMEEC boards or committees. CMEEC's Board is comprised of twenty 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, 2015 was \$31.28 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 cap and trading program as proposed by the RGGI in Connecticut. During the 2015 fiscal year, the Department's contributions to the fund totaled \$243,577, drawdowns were \$328,726 and interest on the fund was \$74. The balance of the Department's funds held by CMEEC for the RGGI was \$109,391 for the year ended June 30, 2015.

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, 2015 was

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

\$213,228. The Department's contributions to the fund during the year totaled \$166,915. Distributions to NCDC totaled \$150,000 for the year ended June 30, 2015. 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, 2015 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 21,491,808
Department - rate stabilization funds on deposit with CMEEC	<u>(8,994,006)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 12,497,802</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 \$2,488,915.

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

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

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 following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
General and administrative expense at June 30, 2014	\$ 3,611,273	\$ 7,155,381	\$ 2,162,341	\$ 1,653,643	\$ 14,582,638
Adjustments:					
Record total pension expense per GASB No. 68	<u>(664,737)</u>	<u>(1,274,819)</u>	<u>(580,242)</u>	<u>(434,590)</u>	<u>(2,954,388)</u>
General and Administrative Expense at June 30, 2014, as Restated	<u>\$ 2,946,536</u>	<u>\$ 5,880,562</u>	<u>\$ 1,582,099</u>	<u>\$ 1,219,053</u>	<u>\$ 11,628,250</u>
Net pension liability at June 30 2014, as previously reported	\$	\$	\$	\$	\$ -
Adjustments:					
Record starting net pension liability per GASB No. 68	<u>5,565,651</u>	<u>10,673,681</u>	<u>4,858,195</u>	<u>3,638,699</u>	<u>24,736,226</u>
Net Pension Liability Balance at June 30, 2014, as Restated	<u>\$ 5,565,651</u>	<u>\$ 10,673,681</u>	<u>\$ 4,858,195</u>	<u>\$ 3,638,699</u>	<u>\$ 24,736,226</u>
Net position balance at June 30 2014, as previously reported	\$ 14,898,722	\$ 32,780,153	\$ 23,086,062	\$ 49,141,978	\$ 119,906,915
Adjustments:					
Record starting net pension liability per GASB No. 68	<u>(5,565,651)</u>	<u>(10,673,681)</u>	<u>(4,858,195)</u>	<u>(3,638,699)</u>	<u>(24,736,226)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 9,333,071</u>	<u>\$ 22,106,472</u>	<u>\$ 18,227,867</u>	<u>\$ 45,503,279</u>	<u>\$ 95,170,689</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2015**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 1,062,252	\$ 8,061,160	\$ 1,452,172	\$ 6,251,852	\$ 16,827,436
Receivables, net:					
User charges	2,954,890	12,013,080	1,373,247	1,323,687	17,664,904
Other	660,740	197,371	114,732	506,339	1,479,182
Inventories	877,175	637,673	211,036	54,475	1,780,359
Other assets	257,461	1,153,583	193,096	128,731	1,732,871
Total current assets	<u>5,812,518</u>	<u>22,062,867</u>	<u>3,344,283</u>	<u>8,265,084</u>	<u>39,484,752</u>
Capital assets, net	<u>24,299,561</u>	<u>23,731,141</u>	<u>27,014,294</u>	<u>52,270,358</u>	<u>127,315,354</u>
Total assets	<u>30,112,079</u>	<u>45,794,008</u>	<u>30,358,577</u>	<u>60,535,442</u>	<u>166,800,106</u>
Deferred Outflows of Resources:					
Changes in projected investment earnings	<u>425,148</u>	<u>815,339</u>	<u>371,107</u>	<u>277,952</u>	<u>1,889,546</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	957,719	5,915,647	602,199	178,842	7,654,407
Due to City of Norwich/other funds	16,239	57,894	9,093	14,902	98,128
Notes payable			2,818,809	776,732	3,595,541
Bonds payable			14,972		14,972
Capital leases payable	22,792	330,526	26,069	14,768	394,155
Compensated absences	145,128	242,280	65,023	73,523	525,954
Risk management claims	292,170	63,122	115,193	18,940	489,425
Cash advances from other funds	601,500			38,713	640,213
Total current liabilities	<u>2,035,548</u>	<u>6,609,469</u>	<u>3,651,358</u>	<u>1,116,420</u>	<u>13,412,795</u>
Noncurrent liabilities:					
Customer deposits	10,000	1,188,833		65,000	1,263,833
Notes payable			1,978,963	9,024,150	11,003,113
Bonds payable			43,106		43,106
Capital leases payable	32,450	477,201	24,482	16,506	550,639
Compensated absences	781,732	898,917	361,518	280,814	2,322,981
Risk management claims	596,458	135,302	236,133	41,248	1,009,141
Net pension liability	6,230,039	11,947,831	5,438,132	4,073,061	27,689,063
Cash advances from other funds	10,858,518			124,704	10,983,222
Total noncurrent liabilities	<u>18,509,197</u>	<u>14,648,084</u>	<u>8,082,334</u>	<u>13,625,483</u>	<u>54,865,098</u>
Total liabilities	<u>20,544,745</u>	<u>21,257,553</u>	<u>11,733,692</u>	<u>14,741,903</u>	<u>68,277,893</u>
Net Position:					
Net investment in capital assets	12,784,301	22,923,414	22,107,893	42,274,785	100,090,393
Restricted for energy efficiency program		338,102			338,102
Unrestricted	<u>(2,791,819)</u>	<u>2,090,278</u>	<u>(3,111,901)</u>	<u>3,796,706</u>	<u>(16,736)</u>
Total Net Position	<u>\$ 9,992,482</u>	<u>\$ 25,351,794</u>	<u>\$ 18,995,992</u>	<u>\$ 46,071,491</u>	<u>\$ 100,411,759</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 18,655,725	\$ 57,071,356	\$ 8,707,724	\$ 6,647,417	\$ 91,082,222
Use of property		1,267,821	76,236		1,344,057
Other services	454,945	435,713	38,931	138,073	1,067,662
Total operating revenues	<u>19,110,670</u>	<u>58,774,890</u>	<u>8,822,891</u>	<u>6,785,490</u>	<u>93,493,941</u>
Operating Expenses:					
Purchased gas and electric	6,355,162	31,275,126			37,630,288
General and administrative	3,853,573	7,686,085	2,678,977	1,752,112	15,970,747
Depreciation	1,729,500	2,465,107	975,233	1,802,094	6,971,934
Operations and maintenance	2,776,134	5,239,249	3,655,009	2,873,712	14,544,104
Customer accounts	695,932	2,130,249	292,570	196,180	3,314,931
Bad debts	535,342	1,855,296	5,809	23,946	2,420,393
Gross revenue and property taxes	857,354	1,590,006	148,776		2,596,136
Total operating expenses	<u>16,802,997</u>	<u>52,241,118</u>	<u>7,756,374</u>	<u>6,648,044</u>	<u>83,448,533</u>
Operating Income	<u>2,307,673</u>	<u>6,533,772</u>	<u>1,066,517</u>	<u>137,446</u>	<u>10,045,408</u>
Nonoperating Income (Expenses):					
Interest income	280	2,406	449	2,147	5,282
Interest expense	(313,403)	(52,396)	(55,868)	(245,344)	(667,011)
Loss on disposal of capital assets	(16,875)	(109,647)	(11,886)	(8,145)	(146,553)
Net nonoperating expenses	<u>(329,998)</u>	<u>(159,637)</u>	<u>(67,305)</u>	<u>(251,342)</u>	<u>(808,282)</u>
Income (Loss) Before Contributions and Transfers	1,977,675	6,374,135	999,212	(113,896)	9,237,126
Capital Contributions	170,996	2,010,847	606,513	682,108	3,470,464
Transfers out to City of Norwich	<u>(1,489,260)</u>	<u>(5,139,660)</u>	<u>(837,600)</u>		<u>(7,466,520)</u>
Change in Net Position	659,411	3,245,322	768,125	568,212	5,241,070
Net Position at Beginning of Year, as Restated	<u>9,333,071</u>	<u>22,106,472</u>	<u>18,227,867</u>	<u>45,503,279</u>	<u>95,170,689</u>
Net Position at End of Year	<u>\$ 9,992,482</u>	<u>\$ 25,351,794</u>	<u>\$ 18,995,992</u>	<u>\$ 46,071,491</u>	<u>\$ 100,411,759</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 18,442,915	\$ 57,056,323	\$ 8,828,700	\$ 6,093,947	\$ 90,421,885
Cash paid to vendors	(10,913,126)	(42,311,751)	(3,359,046)	(2,339,044)	(58,922,967)
Cash paid to employees for services	(3,042,459)	(6,777,650)	(2,847,330)	(2,391,208)	(15,058,647)
Net cash provided by operating activities	<u>4,487,330</u>	<u>7,966,922</u>	<u>2,622,324</u>	<u>1,363,695</u>	<u>16,440,271</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,489,260)	(5,139,660)	(837,600)		(7,466,520)
Customer deposits		(6,615)			(6,615)
Cash advance from (to) other funds	15,580		3,038	(37,369)	(18,751)
Net cash used in noncapital and related financing activities	<u>(1,473,680)</u>	<u>(5,146,275)</u>	<u>(834,562)</u>	<u>(37,369)</u>	<u>(7,491,886)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	170,996	2,010,847	606,513	682,108	3,470,464
Purchase of capital assets	(5,977,793)	(4,474,839)	(5,419,374)	(1,488,651)	(17,360,657)
Proceeds from long-term debt			2,767,533		2,767,533
Principal payment on bonds and notes			(178,378)	(778,200)	(956,578)
Principal payment on capital leases	(6,517)	(274,660)	(24,010)	(6,517)	(311,704)
Interest payment on debt	(313,403)	(52,396)	(55,868)	(245,344)	(667,011)
Cash advances from City of Norwich	3,038,688				3,038,688
Net cash used in capital and related financing activities	<u>(3,088,029)</u>	<u>(2,791,048)</u>	<u>(2,303,584)</u>	<u>(1,836,604)</u>	<u>(10,019,265)</u>
Cash Flows from Investing Activities:					
Income on investments	280	2,406	449	2,147	5,282
Net Increase (Decrease) in Cash and Cash Equivalents	(74,099)	32,005	(515,373)	(508,131)	(1,065,598)
Cash and Cash Equivalents at Beginning of Year	1,136,351	8,029,155	1,967,545	6,759,983	17,893,034
Cash and Cash Equivalents at End of Year	<u>\$ 1,062,252</u>	<u>\$ 8,061,160</u>	<u>\$ 1,452,172</u>	<u>\$ 6,251,852</u>	<u>\$ 16,827,436</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	\$ 2,307,673	\$ 6,533,772	\$ 1,066,517	\$ 137,446	\$ 10,045,408
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,729,500	2,465,107	975,233	1,802,094	6,971,934
Provision for uncollectible accounts	535,342	1,855,296	5,809	23,946	2,420,393
Increase in receivables	(667,755)	(3,573,863)	(188,056)	(715,489)	(5,145,163)
Decrease (increase) in inventories and other assets	127,090	(410,921)	(109,755)	(61,848)	(455,434)
Increase in accounts payable and accrued liabilities	216,240	638,720	663,746	21,136	1,539,842
Increase in net pension liability	664,388	1,274,150	579,937	434,362	2,952,837
Increase in deferred outflows of resources	(425,148)	(815,339)	(371,107)	(277,952)	(1,889,546)
Total adjustments	<u>2,179,657</u>	<u>1,433,150</u>	<u>1,555,807</u>	<u>1,226,249</u>	<u>6,394,863</u>
Net Cash Provided by Operating Activities	<u>\$ 4,487,330</u>	<u>\$ 7,966,922</u>	<u>\$ 2,622,324</u>	<u>\$ 1,363,695</u>	<u>\$ 16,440,271</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 1,062,252	\$ 1,136,351
Receivables, net:		
User charges	2,954,890	3,111,328
Other	660,740	371,889
Inventories	877,175	1,114,088
Other assets	257,461	147,638
Total current assets	<u>5,812,518</u>	<u>5,881,294</u>
Capital assets, net	<u>24,299,561</u>	<u>20,020,219</u>
Total assets	<u>30,112,079</u>	<u>25,901,513</u>
Deferred Outflows of Resources:		
Changes in projected investment earnings	<u>425,148</u>	
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	957,719	1,099,726
Due to City of Norwich/other funds	16,239	659
Capital lease payable	22,792	6,516
Compensated absences	145,128	149,342
Risk management claims	292,170	188,073
Cash advances from other funds	601,500	441,500
Total current liabilities	<u>2,035,548</u>	<u>1,885,816</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Notes payable		
Capital leases payable	32,450	7,319
Compensated absences	781,732	686,907
Risk management claims	596,458	432,919
Net pension liability	6,230,039	5,565,651
Cash advances from other funds	10,858,518	7,979,830
Total noncurrent liabilities	<u>18,509,197</u>	<u>14,682,626</u>
Total liabilities	<u>20,544,745</u>	<u>16,568,442</u>
Net Position:		
Net investment in capital assets	12,784,301	20,006,384
Unrestricted	<u>(2,791,819)</u>	<u>(10,673,313)</u>
Total Net Position	<u>\$ 9,992,482</u>	<u>\$ 9,333,071</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Charges for services	\$ 18,655,725	\$ 17,151,813
Other services	454,945	456,966
Total operating revenues	<u>19,110,670</u>	<u>17,608,779</u>
Operating Expenses:		
Purchased gas	6,355,162	6,646,096
General and administrative	3,853,573	2,946,536
Depreciation	1,729,500	1,471,036
Operations and maintenance	2,776,134	2,144,900
Customer accounts	695,932	550,436
Bad debts	535,342	344,139
Gross revenue and property taxes	857,354	790,694
Total operating expenses	<u>16,802,997</u>	<u>14,893,837</u>
Operating Income	<u>2,307,673</u>	<u>2,714,942</u>
Nonoperating Income (Expenses):		
Interest income	280	279
Interest expense	(313,403)	(27,065)
Loss on disposal of capital assets	(16,875)	(33,887)
Net nonoperating expenses	<u>(329,998)</u>	<u>(60,673)</u>
Income Before Contributions and Transfers	1,977,675	2,654,269
Capital Contributions	170,996	22,952
Transfers out to City of Norwich	<u>(1,489,260)</u>	<u>(1,337,040)</u>
Change in Net Position	659,411	1,340,181
Net Position at Beginning of Year, as Restated	<u>9,333,071</u>	<u>7,992,890</u>
Net Position at End of Year	<u>\$ 9,992,482</u>	<u>\$ 9,333,071</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 18,442,915	\$ 17,011,375
Cash paid to vendors	(10,913,126)	(10,045,874)
Cash paid to employees for services	(3,042,459)	(2,878,683)
Net cash provided by operating activities	<u>4,487,330</u>	<u>4,086,818</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,489,260)	(1,337,040)
Cash advances from other funds	15,580	(552,760)
Net cash used in noncapital and related financing activities	<u>(1,473,680)</u>	<u>(1,889,800)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	170,996	22,952
Purchase of capital assets	(5,977,793)	(4,224,512)
Payments on capital leases	(6,517)	(6,293)
Interest payment on debt	(313,403)	(27,065)
Cash advances from City of Norwich	3,038,688	3,062,503
Net cash used in capital and related financing activities	<u>(3,088,029)</u>	<u>(1,172,415)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>280</u>	<u>279</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,099)	1,024,882
Cash and Cash Equivalents at Beginning of Year	<u>1,136,351</u>	<u>111,469</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,062,252</u>	<u>\$ 1,136,351</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>2,307,673</u>	\$ <u>2,714,942</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,729,500	1,471,036
Provision for uncollectible accounts	535,342	344,139
Increase in receivables	(667,755)	(597,404)
Decrease in inventories and other assets	127,090	177,056
Increase in accounts payable and accrued liabilities	216,240	641,786
Increase (decrease) in net pension liability	664,388	(664,737)
Increase in deferred outflows of resources	(425,148)	
Total adjustments	<u>2,179,657</u>	<u>1,371,876</u>
Net Cash Provided by Operating Activities	<u>\$ 4,487,330</u>	<u>\$ 4,086,818</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 8,061,160	\$ 8,029,155
Receivables, net:		
User charges	12,013,080	10,212,770
Other	197,371	279,114
Inventories	637,673	605,733
Other assets	1,153,583	774,602
Total current assets	<u>22,062,867</u>	<u>19,901,374</u>
Capital assets, net	<u>23,731,141</u>	<u>21,699,266</u>
Total assets	<u>45,794,008</u>	<u>41,600,640</u>
Deferred Outflows of Resources:		
Changes in projected investment earnings	<u>815,339</u>	
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	5,915,647	5,060,558
Due to City of Norwich/other funds	57,894	757
Capital leases payable	330,526	274,660
Compensated absences	242,280	259,140
Risk management claims	63,122	121,639
Total current liabilities	<u>6,609,469</u>	<u>5,716,754</u>
Noncurrent liabilities:		
Customer deposits	1,188,833	1,195,448
Notes payable		
Capital leases payable	477,201	675,937
Compensated absences	898,917	952,351
Risk management claims	135,302	279,997
Net pension liability	11,947,831	10,673,681
Total noncurrent liabilities	<u>14,648,084</u>	<u>13,777,414</u>
Total liabilities	<u>21,257,553</u>	<u>19,494,168</u>
Net Position:		
Net investment in capital assets	22,923,414	20,748,669
Restricted for energy efficiency purposes	338,102	228,308
Unrestricted	2,090,278	1,129,495
Total Net Position	<u>\$ 25,351,794</u>	<u>\$ 22,106,472</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Charges for services	\$ 57,071,356	\$ 50,218,683
Use of property	1,267,821	1,133,059
Other services	435,713	275,091
Total operating revenues	<u>58,774,890</u>	<u>51,626,833</u>
Operating Expenses:		
Purchased electric	31,275,126	27,479,490
General and administrative	7,686,085	5,880,562
Depreciation	2,465,107	2,862,397
Operations and maintenance	5,239,249	4,797,818
Customer accounts	2,130,249	1,942,693
Bad debts	1,855,296	2,023,835
Gross revenue and property taxes	1,590,006	1,757,424
Total operating expenses	<u>52,241,118</u>	<u>46,744,219</u>
Operating Income	<u>6,533,772</u>	<u>4,882,614</u>
Nonoperating Income (Expenses):		
Interest income	2,406	2,459
Interest expense	(52,396)	(64,189)
Loss on disposal of capital assets	(109,647)	(36,114)
Net nonoperating expenses	<u>(159,637)</u>	<u>(97,844)</u>
Income Before Contributions and Transfers	6,374,135	4,784,770
Capital Contributions	2,010,847	383,024
Transfers out to City of Norwich	<u>(5,139,660)</u>	<u>(6,015,060)</u>
Change in Net Position	3,245,322	(847,266)
Net Position at Beginning of Year, as Restated	<u>22,106,472</u>	<u>22,953,738</u>
Net Position at End of Year	<u>\$ 25,351,794</u>	<u>\$ 22,106,472</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 57,056,323	\$ 51,975,055
Cash paid to vendors	(42,311,751)	(39,112,754)
Cash paid to employees for services	<u>(6,777,650)</u>	<u>(6,818,398)</u>
Net cash provided by operating activities	<u>7,966,922</u>	<u>6,043,903</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,139,660)	(6,015,060)
Customer deposits	(6,615)	54,597
Cash advances from (to) other funds	<u>1,244,810</u>	<u>1,244,810</u>
Net cash used in noncapital and related financing activities	<u>(5,146,275)</u>	<u>(4,715,653)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	2,010,847	383,024
Purchase of capital assets	(4,474,839)	(1,016,704)
Principal payment on capital leases	(274,660)	(295,674)
Interest payment on debt	<u>(52,396)</u>	<u>(64,189)</u>
Net cash used in capital and related financing activities	<u>(2,791,048)</u>	<u>(993,543)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>2,406</u>	<u>2,459</u>
Net Increase in Cash and Cash Equivalents	32,005	337,166
Cash and Cash Equivalents at Beginning of Year	<u>8,029,155</u>	<u>7,691,989</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,061,160</u>	<u>\$ 8,029,155</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ <u>6,533,772</u>	\$ <u>4,882,614</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,465,107	2,862,397
Provision for uncollectible accounts	1,855,296	2,023,835
Increase in receivables	(3,573,863)	(1,675,613)
(Increase) decrease in inventories and other assets	(410,921)	187,025
Increase (decrease) in accounts payable and accrued liabilities	638,720	(961,536)
Increase (decrease) in net pension liability	1,274,150	(1,274,819)
Increase in deferred outflows of resources	<u>(815,339)</u>	<u>(815,339)</u>
Total adjustments	<u>1,433,150</u>	<u>1,161,289</u>
Net Cash Provided by Operating Activities	<u>\$ 7,966,922</u>	<u>\$ 6,043,903</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 1,452,172	\$ 1,967,545
Receivables, net:		
User charges	1,373,247	1,305,732
Other	114,732	
Inventories	211,036	183,745
Other assets	193,096	110,632
Total current assets	<u>3,344,283</u>	<u>3,567,654</u>
Capital assets, net	<u>27,014,294</u>	<u>22,546,096</u>
Total assets	<u>30,358,577</u>	<u>26,113,750</u>
Deferred Outflows of Resources:		
Changes in projected investment earnings	<u>371,107</u>	
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	602,199	251,636
Due to City of Norwich/other funds	9,093	6,055
Notes payable	2,818,809	516,284
Bonds payable	14,972	14,871
Capital leases payable	26,069	24,010
Compensated absences	65,023	80,799
Risk management claims	115,193	29,306
Total current liabilities	<u>3,651,358</u>	<u>922,961</u>
Noncurrent liabilities:		
Notes payable	1,978,963	1,677,462
Bonds payable	43,106	58,078
Capital leases payable	24,482	14,608
Compensated absences	361,518	287,121
Risk management claims	236,133	67,458
Net pension liability	5,438,132	4,858,195
Total noncurrent liabilities	<u>8,082,334</u>	<u>6,962,922</u>
Total liabilities	<u>11,733,692</u>	<u>7,885,883</u>
Net Position:		
Net investment in capital assets	22,107,893	20,240,783
Unrestricted	<u>(3,111,901)</u>	<u>(2,012,916)</u>
Total Net Position	<u>\$ 18,995,992</u>	<u>\$ 18,227,867</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Charges for services	\$ 8,707,724	\$ 8,701,117
Use of property	76,236	75,013
Other services	38,931	31,904
Total operating revenues	<u>8,822,891</u>	<u>8,808,034</u>
Operating Expenses:		
General and administrative	2,678,977	1,582,099
Depreciation	975,233	1,021,920
Operations and maintenance	3,655,009	3,090,212
Customer accounts	292,570	263,171
Bad debts	5,809	5,575
Gross revenue and property taxes	148,776	147,363
Total operating expenses	<u>7,756,374</u>	<u>6,110,340</u>
Operating Income	<u>1,066,517</u>	<u>2,697,694</u>
Nonoperating Income (Expenses):		
Interest income	449	450
Interest expense	(55,868)	(47,762)
Loss on disposal of capital assets	(11,886)	(5,940)
Net nonoperating expenses	<u>(67,305)</u>	<u>(53,252)</u>
Income Before Contributions and Transfers	999,212	2,644,442
Capital Contributions	606,513	95,697
Transfers out to City of Norwich	<u>(837,600)</u>	<u>(665,640)</u>
Change in Net Position	768,125	2,074,499
Net Position at Beginning of Year, as Restated	<u>18,227,867</u>	<u>16,153,368</u>
Net Position at End of Year	<u>\$ 18,995,992</u>	<u>\$ 18,227,867</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 8,828,700	\$ 8,813,609
Cash paid to vendors	(3,359,046)	(3,368,526)
Cash paid to employees for services	(2,847,330)	(2,225,546)
Net cash provided by operating activities	<u>2,622,324</u>	<u>3,219,537</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(837,600)	(665,640)
Cash advances from (to) other funds	3,038	(695,841)
Net cash used in noncapital and related financing activities	<u>(834,562)</u>	<u>(1,361,481)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	606,513	95,697
Purchase of capital assets	(5,419,374)	(1,140,050)
Proceeds from long-term debt	2,767,533	532,699
Principal payment on bonds and notes	(178,378)	(186,177)
Principal payment on capital leases	(24,010)	(23,787)
Interest payment on debt	(55,868)	(47,762)
Net cash used in capital and related financing activities	<u>(2,303,584)</u>	<u>(769,380)</u>
Cash Flows from Investing Activities:		
Income on investments	449	450
Net Increase (Decrease) in Cash and Cash Equivalents	(515,373)	1,089,126
Cash and Cash Equivalents at Beginning of Year	<u>1,967,545</u>	<u>878,419</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,452,172</u>	<u>\$ 1,967,545</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 1,066,517	\$ 2,697,694
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	975,233	1,021,920
Provision for uncollectible accounts	5,809	5,575
Increase in receivables	(188,056)	(48,594)
(Increase) decrease in inventories and other assets	(109,755)	110,096
Increase in accounts payable and accrued liabilities	663,746	13,088
Increase (decrease) in net pension liability	579,937	(580,242)
Increase in deferred outflows of resources	(371,107)	
Total adjustments	<u>1,555,807</u>	<u>521,843</u>
Net Cash Provided by Operating Activities	<u>\$ 2,622,324</u>	<u>\$ 3,219,537</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 6,251,852	\$ 6,759,983
Receivables, net:		
User charges	1,323,687	1,138,483
Other	506,339	
Inventories	54,475	47,603
Other assets	128,731	73,755
Total current assets	<u>8,265,084</u>	<u>8,019,824</u>
Capital assets, net	<u>52,270,358</u>	<u>52,567,984</u>
Total assets	<u>60,535,442</u>	<u>60,587,808</u>
Deferred Outflows of Resources:		
Changes in projected investment earnings	<u>277,952</u>	
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	178,842	100,588
Due to City of Norwich/other funds	14,902	73
Notes payable	776,732	3,152,985
Capital lease payable	14,768	6,516
Compensated absences	73,523	74,896
Risk management claims	18,940	49,983
Cash advances from other funds	38,713	37,368
Total current liabilities	<u>1,116,420</u>	<u>3,422,409</u>
Noncurrent liabilities:		
Customer deposits	65,000	65,000
Notes payable	9,024,150	7,426,097
Capital lease payable	16,506	7,313
Compensated absences	280,814	246,538
Risk management claims	41,248	115,055
Net pension liability	4,073,061	3,638,699
Cash advances from other funds	124,704	163,418
Total noncurrent liabilities	<u>13,625,483</u>	<u>11,662,120</u>
Total liabilities	<u>14,741,903</u>	<u>15,084,529</u>
Net Position:		
Net investment in capital assets	42,274,785	41,975,073
Unrestricted	<u>3,796,706</u>	<u>3,528,206</u>
Total Net Position	<u>\$ 46,071,491</u>	<u>\$ 45,503,279</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Charges for services	\$ 6,647,417	\$ 6,863,929
Other services	138,073	130,327
Total operating revenues	<u>6,785,490</u>	<u>6,994,256</u>
Operating Expenses:		
General and administrative	1,752,112	1,219,053
Depreciation	1,802,094	1,728,588
Operations and maintenance	2,873,712	3,009,118
Customer accounts	196,180	176,163
Bad debts	23,946	5,311
Total operating expenses	<u>6,648,044</u>	<u>6,138,233</u>
Operating Income	<u>137,446</u>	<u>856,023</u>
Nonoperating Income (Expenses):		
Interest income	2,147	2,152
Interest expense	(245,344)	(358,227)
Loss on disposal of assets	(8,145)	(47,612)
Net nonoperating expenses	<u>(251,342)</u>	<u>(403,687)</u>
Income (Loss) Before Contributions	(113,896)	452,336
Capital Contributions	<u>682,108</u>	<u>1,296,018</u>
Change in Net Position	568,212	1,748,354
Net Position at Beginning of Year, as Restated	<u>45,503,279</u>	<u>43,754,925</u>
Net Position at End of Year	<u>\$ 46,071,491</u>	<u>\$ 45,503,279</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 6,093,947	\$ 7,027,918
Cash paid to vendors	(2,339,044)	(2,441,211)
Cash paid to employees for services	(2,391,208)	(2,480,662)
Net cash provided by operating activities	<u>1,363,695</u>	<u>2,106,045</u>
Cash Flows from Noncapital and Related Financing Activities:		
Cash advances from other funds	<u>(37,369)</u>	<u>(36,070)</u>
Net cash used in noncapital and related financing activities	<u>(37,369)</u>	<u>(36,070)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	682,108	1,296,018
Purchase of capital assets	(1,488,651)	(2,881,658)
Proceeds from long-term debt		2,510,422
Principal payment on bonds and notes	(778,200)	(941,013)
Principal payment on capital leases	(6,517)	(6,296)
Interest payment on debt	(245,344)	(358,227)
Net cash used in capital and related financing activities	<u>(1,836,604)</u>	<u>(380,754)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>2,147</u>	<u>2,152</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(508,131)	1,691,373
Cash and Cash Equivalents at Beginning of Year	<u>6,759,983</u>	<u>5,068,610</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,251,852</u>	<u>\$ 6,759,983</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	\$ <u>137,446</u>	\$ <u>856,023</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,802,094	1,728,588
Provision for uncollectible accounts	23,946	5,311
(Increase) decrease in receivables	(715,489)	28,351
(Increase) decrease in inventories and other assets	(61,848)	41,425
Increase (decrease) in accounts payable and accrued liabilities	21,136	(119,063)
Increase (decrease) in net pension liability	434,362	(434,590)
Increase in deferred outflows of resources	(277,952)	
Total adjustments	<u>1,226,249</u>	<u>1,250,022</u>
Net Cash Provided by Operating Activities	<u>\$ 1,363,695</u>	<u>\$ 2,106,045</u>