

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

FINANCIAL STATEMENTS

JUNE 30, 2016

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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JUNE 30, 2016**

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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, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Norwich, Connecticut, Department of Public Utilities, as of June 30, 2016 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2016 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 opinions on the financial statements that collectively comprise the Department's basic financial statements 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, 2015 (not presented herein), and have issued our report thereon dated December 4, 2015, which contained unmodified opinions on the respective financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2015 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 2015 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2015 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2015 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 accompanying statements of net position, activities and cash flows 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, 2015.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 18, 2016

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2016**

Assets:	
Current:	
Cash and cash equivalents	\$ 19,403,288
Receivables, net:	
User charges	16,912,914
Other	1,681,835
Inventories	2,044,079
Other assets	1,520,016
Total current assets	<u>41,562,132</u>
Capital assets, net	<u>133,529,159</u>
Total assets	<u>175,091,291</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	875,694
Changes of assumptions	2,312,520
Changes in projected investment earnings	<u>5,241,927</u>
Total deferred outflows of resources	<u>8,430,141</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	7,209,206
Due to City of Norwich	66,262
Notes payable	1,168,650
Bonds payable	10,952
Capital leases payable	331,235
Compensated absences	564,482
Risk management claims	533,477
Cash advances from other funds	906,607
Total current liabilities	<u>10,790,871</u>
Noncurrent liabilities:	
Customer deposits	1,440,398
Notes payable	13,886,042
Bonds payable	32,154
Capital leases payable	219,406
Compensated absences	2,532,695
Risk management claims	1,111,502
Net pension liability	37,979,924
Cash advances from other funds	13,235,364
Total noncurrent liabilities	<u>70,437,485</u>
Total liabilities	<u>81,228,356</u>
Net Position:	
Net investment in capital assets	117,880,720
Restricted for energy efficiency program	333,605
Unrestricted	<u>(15,921,249)</u>
Total Net Position	<u>\$ 102,293,076</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, 2016**

Operating revenues:	
Charges for services	\$ 90,444,235
Use of property	771,394
Other services	<u>1,117,629</u>
Total operating revenues	<u>92,333,258</u>
Operating expenses:	
Purchased gas and electric	33,214,807
General and administrative	19,796,669
Depreciation	7,109,257
Operations and maintenance	16,536,637
Customer accounts	3,499,075
Bad debts	2,951,669
Gross revenue and property taxes	<u>2,493,112</u>
Total operating expenses	<u>85,601,226</u>
Operating Income (Loss)	<u>6,732,032</u>
Nonoperating Income (Expenses):	
Interest income	5,875
Interest expense	(772,949)
Loss on disposal of capital assets	<u>(88,696)</u>
Net nonoperating expenses	<u>(855,770)</u>
Income Before Contributions and Transfers	5,876,262
Capital Contributions	3,809,419
Transfer out to City of Norwich	<u>(7,804,364)</u>
Change in Net Position	1,881,317
Net Position at Beginning of Year	<u>100,411,759</u>
Net Position at End of Year	<u>\$ 102,293,076</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, 2016**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 92,882,595
Cash paid to vendors	(54,395,184)
Cash paid to employees for services	(20,447,930)
Net cash provided by (used in) operating activities	<u>18,039,481</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(7,804,364)
Customer deposits	176,565
Cash advance from other funds	(31,866)
Net cash provided by (used in) noncapital and related financing activities	<u>(7,659,665)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	3,809,419
Net change in capital assets	(13,411,758)
Proceeds from long-term debt	1,437,032
Principal payment on bonds and notes	(995,966)
Principal payment on capital leases	(394,153)
Interest payment on debt	(772,949)
Cash advances from City of Norwich	2,518,536
Net cash provided by (used in) capital and related financing activities	<u>(7,809,839)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>5,875</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,575,852
Cash and Cash Equivalents at Beginning of Year	<u>16,827,436</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,403,288</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)	
Operating Activities:	
Operating income (loss)	\$ <u>6,732,032</u>
Adjustments to reconcile operating income (loss) to net cash provided by	
(used in) operating activities:	
Depreciation expense	7,109,257
Provision for uncollectible accounts	2,951,669
(Increase) decrease in receivables	(2,402,332)
(Increase) decrease in inventories and other assets	(50,865)
(Increase) decrease in deferred outflows of resources:	
Differences between expected and actual experience	(875,694)
Changes of assumptions	(2,312,520)
Changes in projected investment earnings	(3,352,381)
Increase (decrease) in accounts payable and accrued liabilities	(50,546)
Increase (decrease) in net pension liability	10,290,861
Total adjustments	<u>11,307,449</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 18,039,481</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:

Assets	Years
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**

M. Estimates

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues and expenditures during the fiscal year.

N. Reclassifications

Certain reclassifications have been made to the prior years' financial statements to confirm to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

2. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2016, the carrying amount of the Department's deposits was \$19,403,288, and the bank balance was \$19,997,110. 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	\$ 2,705,493	\$ 10,223,482	\$ 822,044	\$ 884,449	\$ 14,635,468
Unbilled revenue	489,232	3,577,640	603,031	557,543	5,227,446
Other	761,199	10,500	304,458	605,678	1,681,835
Gross receivables	<u>3,955,924</u>	<u>13,811,622</u>	<u>1,729,533</u>	<u>2,047,670</u>	<u>21,544,749</u>
Less allowance for uncollectibles:					
User charges	<u>(710,000)</u>	<u>(2,100,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(2,950,000)</u>
Net Total Receivables	<u>\$ 3,245,924</u>	<u>\$ 11,711,622</u>	<u>\$ 1,659,533</u>	<u>\$ 1,977,670</u>	<u>\$ 18,594,749</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, 2016 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>19,454,368</u>	<u>(15,290,917)</u>	<u>15,198,448</u>	<u>(1,733,416)</u>	<u>17,628,483</u>
Total capital assets not being depreciated	<u>21,106,882</u>	<u>(15,290,917)</u>	<u>15,198,448</u>	<u>(1,733,416)</u>	<u>19,280,997</u>
Capital assets being depreciated:					
Structures and improvements	40,425,383	1,724,759		(6,360)	42,143,782
Machinery, equipment pumping and distribution systems	<u>209,701,282</u>	<u>13,566,158</u>		<u>(3,155,833)</u>	<u>220,111,607</u>
Total capital assets being depreciated	<u>250,126,665</u>	<u>15,290,917</u>	<u>-</u>	<u>(3,162,193)</u>	<u>262,255,389</u>
Less accumulated depreciation for:					
Structures and improvements	(22,760,787)		(1,085,328)	6,360	(23,839,755)
Machinery, equipment pumping and distribution systems	<u>(121,157,406)</u>		<u>(6,023,929)</u>	<u>3,013,863</u>	<u>(124,167,472)</u>
Total accumulated depreciation	<u>(143,918,193)</u>	<u>-</u>	<u>(7,109,257)</u>	<u>3,020,223</u>	<u>(148,007,227)</u>
Total capital assets being depreciated, net	<u>106,208,472</u>	<u>15,290,917</u>	<u>(7,109,257)</u>	<u>(141,970)</u>	<u>114,248,162</u>
Business Activities Capital Assets, Net	<u>\$ 127,315,354</u>	<u>\$ -</u>	<u>\$ 8,089,191</u>	<u>\$ (1,875,386)</u>	<u>\$ 133,529,159</u>

Depreciation was charged to the divisions as follows:

Gas	\$ 1,954,804
Electric	2,202,353
Water	1,098,886
Sewer	<u>1,853,214</u>
Total	<u>\$ 7,109,257</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, 2016 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	\$ 58,078	\$	\$ (14,972)	\$ 43,106	\$ 10,952
State of Connecticut - serial note	<u>14,598,654</u>	<u>1,436,617</u>	<u>(980,579)</u>	<u>15,054,692</u>	<u>1,168,650</u>
Total bonds and notes payable	14,656,732	1,436,617	(995,551)	15,097,798	1,179,602
Compensated absences	2,848,935	774,196	(525,954)	3,097,177	564,482
Capital leases	944,794		(394,153)	550,641	331,235
Workers' compensation	1,498,566	635,838	(489,425)	1,644,979	533,477
Cash advances	11,623,435	3,158,749	(640,213)	14,141,971	906,607
Net pension liability	<u>27,689,063</u>	<u>10,290,861</u>		<u>37,979,924</u>	
Total Long-Term Liabilities	<u>\$ 59,261,525</u>	<u>\$ 16,296,261</u>	<u>\$ (3,045,296)</u>	<u>\$ 72,512,490</u>	<u>\$ 3,515,403</u>

Outstanding bonds and serial notes payable at June 30, 2016 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, 2016</u>
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 43
State of Connecticut serial notes payable:					
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	68
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	226
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	276
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	623
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	291
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,493
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,708
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	2,252
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	98
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	228
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	142
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	130
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2015	506	468
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	<u>4,052</u>
Total				<u>\$</u>	<u>15,098</u>

**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>
2017	\$ 1,180	\$ 304	\$ 1,484
2018	1,006	275	1,281
2019	1,020	253	1,273
2020	958	232	1,190
2021	961	212	1,173
2022-2026	4,197	794	4,991
2027-2031	4,315	368	4,683
2032-2036	1,461	48	1,509
Total	<u>\$ 15,098</u>	<u>\$ 2,486</u>	<u>\$ 17,584</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 the year ended June 30, 2016 were \$394,153. The following is a summary of capital lease commitments at June 30, 2016.

Future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 343,435
2018	<u>221,914</u>
Total	565,349
Less amount representing interest	<u>(14,708)</u>
Total	<u>\$ 550,641</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, 2016 was \$2,242,000, equal to the required contribution for the year. Employer contributions in 2015 and 2014 were \$1,949,000 and \$1,694,000, respectively, and equal to the required contribution for each year.

B. Net Pension Liability of the Department

The components of the net pension liability of the Department at June 30, 2016 were as follows:

Total pension liability	\$ 88,922,176
Plan fiduciary net position	<u>(50,942,252)</u>
Net Pension Liability	\$ <u>37,979,924</u>
Plan fiduciary net position as a percentage of the total pension liability	57.29%

**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, 2015	\$ 81,362,945	\$ 53,673,882	\$ 27,689,063
Changes for the year:			
Service cost	1,736,719		1,736,719
Interest on total pension liability	6,244,390		6,244,390
Differences between expected and actual experience	1,313,571		1,313,571
Changes in assumptions	3,414,429		3,414,429
Employer contributions		2,242,000	(2,242,000)
Member contributions		1,148,807	(1,148,807)
Net investment income (loss)		(958,453)	958,453
Benefit payments, including refund to employee contributions	(5,149,878)	(5,149,878)	-
Administrative expenses		(14,106)	14,106
Net changes	<u>7,559,231</u>	<u>(2,731,630)</u>	<u>10,290,861</u>
Balances as of June 30, 2016	\$ <u>88,922,176</u>	\$ <u>50,942,252</u>	\$ <u>37,979,924</u>

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

For the year ended June 30, 2016, the Department recognized pension expense of \$5,197,911. At June 30, 2016, the Department reported deferred outflows of resources related to pension from the following sources:

	<u>NPU Employees Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 875,694
Changes of assumptions	2,312,520
Net difference between projected and actual earnings on pension plan investments	<u>5,241,927</u>
Total	\$ <u><u>8,430,141</u></u>

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

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

Year Ending June 30,

2017	\$	2,106,923
2018		2,106,923
2019		2,106,921
2020		1,634,535
2021		474,839

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 \$1,644,979 for estimated unpaid accrued losses on reported claims as of June 30, 2016. 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, 2016 is \$948,457.

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, 2015	\$	338,102
Deposits into the fund		860,396
Investment income		962
Approved program expenses		<u>(865,855)</u>
Funds Held by CMEEC, June 30, 2016	\$	<u>333,605</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, 2016, the Electric Division reported net revenue of \$600,285 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. 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, 2016 was \$29.85 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 2016 fiscal year, the share of contributions to the fund received by the Department totaled \$222,490, with drawdowns of \$47,729, and interest on the fund of \$467. The balance of the Department's funds held by CMEEC for the RGGI was \$284,619 for the year ended June 30, 2016.

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, 2016 was \$223,968. For the year ended June 30, 2016, the Department's contributions to the fund totaled \$160,198, with distributions to NCDC of \$150,000 and interest on the fund of \$542. NCDC is a nonstock corporation organized pursuant to the Non-Stock Corporation Act, Connecticut General Statute Section 33-1000 as a separate entity.

13. COMMITMENTS AND CONTINGENCIES

Power Sales Contract - Connecticut Municipal Electric Energy Cooperative

CMEEC 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 net deferred debt fixed cost obligation to CMEEC as of June 30, 2016 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 19,693,353
Department - rate stabilization funds on deposit with CMEEC	<u>(10,575,084)</u>
Net Deferred Fixed Cost Obligation	\$ <u>9,118,269</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 \$2,856,593.

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

14. LITIGATION

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

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2016**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 745,739	\$ 11,877,826	\$ 572,496	\$ 6,207,227	\$ 19,403,288
Receivables, net:					
User charges	2,484,725	11,701,122	1,355,075	1,371,992	16,912,914
Other	761,199	10,500	304,458	605,678	1,681,835
Inventories	1,111,591	661,253	216,655	54,580	2,044,079
Other assets	237,283	986,131	177,961	118,641	1,520,016
Total current assets	<u>5,340,537</u>	<u>25,236,832</u>	<u>2,626,645</u>	<u>8,358,118</u>	<u>41,562,132</u>
Capital assets, net	<u>29,456,301</u>	<u>22,255,476</u>	<u>29,602,179</u>	<u>52,215,203</u>	<u>133,529,159</u>
Total assets	<u>34,796,838</u>	<u>47,492,308</u>	<u>32,228,824</u>	<u>60,573,321</u>	<u>175,091,291</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	207,364	368,755	166,119	133,456	875,694
Changes of assumptions	547,605	973,802	438,685	352,428	2,312,520
Changes in projected investment earnings	1,218,991	2,227,026	1,007,054	788,856	5,241,927
Total deferred outflows of resources	<u>1,973,960</u>	<u>3,569,583</u>	<u>1,611,858</u>	<u>1,274,740</u>	<u>8,430,141</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	945,470	5,852,283	253,882	157,571	7,209,206
Due to City of Norwich	20,578	24,270	7,506	13,908	66,262
Notes payable			515,268	653,382	1,168,650
Bonds payable			10,952		10,952
Capital leases payable	16,432	293,834	12,467	8,502	331,235
Compensated absences	182,793	216,757	82,919	82,013	564,482
Risk management claims	165,413	258,252	86,683	23,129	533,477
Cash advances from other funds	866,500			40,107	906,607
Total current liabilities	<u>2,197,186</u>	<u>6,645,396</u>	<u>969,677</u>	<u>978,612</u>	<u>10,790,871</u>
Noncurrent liabilities:					
Customer deposits	10,000	1,430,398			1,440,398
Notes payable			5,515,275	8,370,767	13,886,042
Bonds payable			32,154		32,154
Capital leases payable	16,017	183,368	12,013	8,008	219,406
Compensated absences	768,191	1,037,523	408,826	318,155	2,532,695
Risk management claims	348,351	531,068	182,159	49,924	1,111,502
Net pension liability	8,666,915	16,281,312	7,390,309	5,641,388	37,979,924
Cash advances from other funds	13,150,767			84,597	13,235,364
Total noncurrent liabilities	<u>22,960,241</u>	<u>19,463,669</u>	<u>13,540,736</u>	<u>14,472,839</u>	<u>70,437,485</u>
Total liabilities	<u>25,157,427</u>	<u>26,109,065</u>	<u>14,510,413</u>	<u>15,451,451</u>	<u>81,228,356</u>
Net Position:					
Net investment in capital assets	29,423,852	21,778,274	23,504,050	43,174,544	117,880,720
Restricted for energy efficiency program		333,605			333,605
Unrestricted	<u>(17,810,481)</u>	<u>2,840,947</u>	<u>(4,173,781)</u>	<u>3,222,066</u>	<u>(15,921,249)</u>
Total Net Position	<u>\$ 11,613,371</u>	<u>\$ 24,952,826</u>	<u>\$ 19,330,269</u>	<u>\$ 46,396,610</u>	<u>\$ 102,293,076</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 16,452,116	\$ 57,723,660	\$ 8,951,752	\$ 7,316,707	\$ 90,444,235
Use of property		693,179	78,215		771,394
Other services	463,985	499,738	28,301	125,605	1,117,629
Total operating revenues	<u>16,916,101</u>	<u>58,916,577</u>	<u>9,058,268</u>	<u>7,442,312</u>	<u>92,333,258</u>
Operating Expenses:					
Purchased gas and electric	3,364,509	29,850,298			33,214,807
General and administrative	4,246,051	10,247,751	3,058,108	2,244,759	19,796,669
Depreciation	1,954,804	2,202,353	1,098,886	1,853,214	7,109,257
Operations and maintenance	2,808,633	6,233,103	3,692,518	3,802,383	16,536,637
Customer accounts	681,921	2,302,283	307,685	207,186	3,499,075
Bad debts	673,573	2,221,293	14,146	42,657	2,951,669
Gross revenue and property taxes	757,061	1,586,349	149,702		2,493,112
Total operating expenses	<u>14,486,552</u>	<u>54,643,430</u>	<u>8,321,045</u>	<u>8,150,199</u>	<u>85,601,226</u>
Operating Income (Loss)	<u>2,429,549</u>	<u>4,273,147</u>	<u>737,223</u>	<u>(707,887)</u>	<u>6,732,032</u>
Nonoperating Income (Expenses):					
Interest income	295	2,911	475	2,194	5,875
Interest expense	(405,947)	(41,402)	(130,585)	(195,015)	(772,949)
Gain (loss) on disposal of capital assets	3,274	(79,385)	(36,651)	24,066	(88,696)
Net nonoperating (expenses)	<u>(402,378)</u>	<u>(117,876)</u>	<u>(166,761)</u>	<u>(168,755)</u>	<u>(855,770)</u>
Income (Loss) Before Contributions and Transfers	2,027,171	4,155,271	570,462	(876,642)	5,876,262
Capital Contributions	1,354,596	608,444	644,618	1,201,761	3,809,419
Transfers out to City of Norwich	<u>(1,760,878)</u>	<u>(5,162,683)</u>	<u>(880,803)</u>		<u>(7,804,364)</u>
Change in Net Position	1,620,889	(398,968)	334,277	325,119	1,881,317
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 11,613,371</u>	<u>\$ 24,952,826</u>	<u>\$ 19,330,269</u>	<u>\$ 46,396,610</u>	<u>\$ 102,293,076</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 17,285,807	\$ 59,415,406	\$ 8,886,714	\$ 7,294,668	\$ 92,882,595
Cash paid to vendors	(7,619,952)	(40,760,028)	(3,188,289)	(2,826,915)	(54,395,184)
Cash paid to employees for services	(4,600,959)	(9,317,325)	(3,678,525)	(2,851,121)	(20,447,930)
Net cash provided by (used in) operating activities	<u>5,064,896</u>	<u>9,338,053</u>	<u>2,019,900</u>	<u>1,616,632</u>	<u>18,039,481</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,760,878)	(5,162,683)	(880,803)		(7,804,364)
Customer deposits		241,565		(65,000)	176,565
Cash advance from (to) other funds	4,339	(33,624)	(1,587)	(994)	(31,866)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,756,539)</u>	<u>(4,954,742)</u>	<u>(882,390)</u>	<u>(65,994)</u>	<u>(7,659,665)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	1,354,596	608,444	644,618	1,201,761	3,809,419
Net change in capital assets	(7,108,270)	(806,073)	(3,723,422)	(1,773,993)	(13,411,758)
Proceeds from long-term debt			1,437,032		1,437,032
Principal payment on bonds and notes			(219,233)	(776,733)	(995,966)
Principal payment on capital leases	(22,793)	(330,525)	(26,071)	(14,764)	(394,153)
Interest payment on debt	(405,947)	(41,402)	(130,585)	(195,015)	(772,949)
Cash advances from City of Norwich	2,557,249			(38,713)	2,518,536
Net cash provided by (used in) capital and related financing activities	<u>(3,625,165)</u>	<u>(569,556)</u>	<u>(2,017,661)</u>	<u>(1,597,457)</u>	<u>(7,809,839)</u>
Cash Flows from Investing Activities:					
Income (loss) on investments	295	2,911	475	2,194	5,875
Net Increase (Decrease) in Cash and Cash Equivalents	(316,513)	3,816,666	(879,676)	(44,625)	2,575,852
Cash and Cash Equivalents at Beginning of Year	1,062,252	8,061,160	1,452,172	6,251,852	16,827,436
Cash and Cash Equivalents at End of Year	<u>\$ 745,739</u>	<u>\$ 11,877,826</u>	<u>\$ 572,496</u>	<u>\$ 6,207,227</u>	<u>\$ 19,403,288</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 2,429,549	\$ 4,273,147	\$ 737,223	\$ (707,887)	\$ 6,732,032
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	1,954,804	2,202,353	1,098,886	1,853,214	7,109,257
Provision for uncollectible accounts	673,573	2,221,293	14,146	42,657	2,951,669
(Increase) decrease in receivables	(303,867)	(1,722,464)	(185,700)	(190,301)	(2,402,332)
(Increase) decrease in inventories and other assets	(214,238)	143,872	9,516	9,985	(50,865)
(Increase) decrease in deferred outflows of resources:					
Differences between expected and actual experience	(207,364)	(368,755)	(166,119)	(133,456)	(875,694)
Changes of assumptions	(547,605)	(973,802)	(438,685)	(352,428)	(2,312,520)
Changes in projected investment earnings	(793,843)	(1,411,687)	(635,947)	(510,904)	(3,352,381)
Increase (decrease) in accounts payable and accrued liabilities	(362,989)	640,615	(365,597)	37,425	(50,546)
Increase (decrease) in net pension liability	2,436,876	4,333,481	1,952,177	1,568,327	10,290,861
Total adjustments	<u>2,635,347</u>	<u>5,064,906</u>	<u>1,282,677</u>	<u>2,324,519</u>	<u>11,307,449</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,064,896</u>	<u>\$ 9,338,053</u>	<u>\$ 2,019,900</u>	<u>\$ 1,616,632</u>	<u>\$ 18,039,481</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 745,739	\$ 1,062,252
Receivables, net:		
User charges	2,484,725	2,954,890
Other	761,199	660,740
Inventories	1,111,591	877,175
Other assets	237,283	257,461
Total current assets	<u>5,340,537</u>	<u>5,812,518</u>
Capital assets, net	<u>29,456,301</u>	<u>24,299,561</u>
Total assets	<u>34,796,838</u>	<u>30,112,079</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	207,364	
Changes of assumptions	547,605	
Changes in projected investment earnings	<u>1,218,991</u>	<u>425,148</u>
Total deferred outflows of resources	<u>1,973,960</u>	<u>425,148</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	945,470	957,719
Due to City of Norwich	20,578	16,239
Capital lease payable	16,432	22,792
Compensated absences	182,793	145,128
Risk management claims	165,413	292,170
Cash advances from other funds	866,500	601,500
Total current liabilities	<u>2,197,186</u>	<u>2,035,548</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Capital leases payable	16,017	32,450
Compensated absences	768,191	781,732
Risk management claims	348,351	596,458
Net pension liability	8,666,915	6,230,039
Cash advances from other funds	13,150,767	10,858,518
Total noncurrent liabilities	<u>22,960,241</u>	<u>18,509,197</u>
Total liabilities	<u>25,157,427</u>	<u>20,544,745</u>
Net Position:		
Net investment in capital assets	29,423,852	24,244,319
Unrestricted	<u>(17,810,481)</u>	<u>(14,251,837)</u>
Total Net Position	<u>\$ 11,613,371</u>	<u>\$ 9,992,482</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Charges for services	\$ 16,452,116	\$ 18,655,725
Other services	463,985	454,945
Total operating revenues	<u>16,916,101</u>	<u>19,110,670</u>
Operating Expenses:		
Purchased gas	3,364,509	6,355,162
General and administrative	4,246,051	3,853,573
Depreciation	1,954,804	1,729,500
Operations and maintenance	2,808,633	2,776,134
Customer accounts	681,921	695,932
Bad debts	673,573	535,342
Gross revenue and property taxes	757,061	857,354
Total operating expenses	<u>14,486,552</u>	<u>16,802,997</u>
Operating Income (Loss)	<u>2,429,549</u>	<u>2,307,673</u>
Nonoperating Income (Expenses):		
Interest income	295	280
Interest expense	(405,947)	(313,403)
Gain (loss) on disposal of capital assets	3,274	(16,875)
Net nonoperating expenses	<u>(402,378)</u>	<u>(329,998)</u>
Income Before Contributions and Transfers	2,027,171	1,977,675
Capital Contributions	1,354,596	170,996
Transfers out to City of Norwich	<u>(1,760,878)</u>	<u>(1,489,260)</u>
Change in Net Position	1,620,889	659,411
Net Position at Beginning of Year	<u>9,992,482</u>	<u>9,333,071</u>
Net Position at End of Year	<u>\$ 11,613,371</u>	<u>\$ 9,992,482</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 17,285,807	\$ 18,442,915
Cash paid to vendors	(7,619,952)	(10,913,126)
Cash paid to employees for services	(4,600,959)	(3,042,459)
Net cash provided by (used in) operating activities	<u>5,064,896</u>	<u>4,487,330</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,760,878)	(1,489,260)
Cash advances from (to) other funds	4,339	15,580
Net cash provided by (used in) noncapital and related financing activities	<u>(1,756,539)</u>	<u>(1,473,680)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	1,354,596	170,996
Net change in capital assets	(7,108,270)	(5,977,793)
Payments on capital leases	(22,793)	(6,517)
Interest payment on debt	(405,947)	(313,403)
Cash advances from (to) City of Norwich	2,557,249	3,038,688
Net cash provided by (used in) capital and related financing activities	<u>(3,625,165)</u>	<u>(3,088,029)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>295</u>	<u>280</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(316,513)	(74,099)
Cash and Cash Equivalents at Beginning of Year	<u>1,062,252</u>	<u>1,136,351</u>
Cash and Cash Equivalents at End of Year	<u>\$ 745,739</u>	<u>\$ 1,062,252</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>2,429,549</u>	\$ <u>2,307,673</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,954,804	1,729,500
Provision for uncollectible accounts	673,573	535,342
(Increase) decrease in receivables	(303,867)	(667,755)
(Increase) decrease in inventories and other assets	(214,238)	127,090
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	(207,364)	
Changes of assumptions	(547,605)	
Changes in projected investment earnings	(793,843)	(425,148)
Increase (decrease) in accounts payable and accrued liabilities	(362,989)	216,240
Increase (decrease) in net pension liability	2,436,876	664,388
Total adjustments	<u>2,635,347</u>	<u>2,179,657</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,064,896</u>	<u>\$ 4,487,330</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 11,877,826	\$ 8,061,160
Receivables, net:		
User charges	11,701,122	12,013,080
Other	10,500	197,371
Inventories	661,253	637,673
Other assets	986,131	1,153,583
Total current assets	<u>25,236,832</u>	<u>22,062,867</u>
Capital assets, net	<u>22,255,476</u>	<u>23,731,141</u>
Total assets	<u>47,492,308</u>	<u>45,794,008</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	368,755	
Changes of assumptions	973,802	
Changes in projected investment earnings	<u>2,227,026</u>	<u>815,339</u>
Total deferred outflows of resources	<u>3,569,583</u>	<u>815,339</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	5,852,283	5,915,647
Due to City of Norwich	24,270	57,894
Capital leases payable	293,834	330,526
Compensated absences	216,757	242,280
Risk management claims	<u>258,252</u>	<u>63,122</u>
Total current liabilities	<u>6,645,396</u>	<u>6,609,469</u>
Noncurrent liabilities:		
Customer deposits	1,430,398	1,188,833
Capital leases payable	183,368	477,201
Compensated absences	1,037,523	898,917
Risk management claims	531,068	135,302
Net pension liability	<u>16,281,312</u>	<u>11,947,831</u>
Total noncurrent liabilities	<u>19,463,669</u>	<u>14,648,084</u>
Total liabilities	<u>26,109,065</u>	<u>21,257,553</u>
Net Position:		
Net investment in capital assets	21,778,274	22,923,414
Restricted for energy efficiency purposes	333,605	338,102
Unrestricted	<u>2,840,947</u>	<u>2,090,278</u>
Total Net Position	<u>\$ 24,952,826</u>	<u>\$ 25,351,794</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Charges for services	\$ 57,723,660	\$ 57,071,356
Use of property	693,179	1,267,821
Other services	499,738	435,713
Total operating revenues	<u>58,916,577</u>	<u>58,774,890</u>
Operating Expenses:		
Purchased electric	29,850,298	31,275,126
General and administrative	10,247,751	7,686,085
Depreciation	2,202,353	2,465,107
Operations and maintenance	6,233,103	5,239,249
Customer accounts	2,302,283	2,130,249
Bad debts	2,221,293	1,855,296
Gross revenue and property taxes	1,586,349	1,590,006
Total operating expenses	<u>54,643,430</u>	<u>52,241,118</u>
Operating Income (Loss)	<u>4,273,147</u>	<u>6,533,772</u>
Nonoperating Income (Expenses):		
Interest income	2,911	2,406
Interest expense	(41,402)	(52,396)
Gain (loss) on disposal of capital assets	(79,385)	(109,647)
Net nonoperating expenses	<u>(117,876)</u>	<u>(159,637)</u>
Income Before Contributions and Transfers	4,155,271	6,374,135
Capital Contributions	608,444	2,010,847
Transfers out to City of Norwich	<u>(5,162,683)</u>	<u>(5,139,660)</u>
Change in Net Position	(398,968)	3,245,322
Net Position at Beginning of Year	<u>25,351,794</u>	<u>22,106,472</u>
Net Position at End of Year	<u>\$ 24,952,826</u>	<u>\$ 25,351,794</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 59,415,406	\$ 57,056,323
Cash paid to vendors	(40,760,028)	(42,368,888)
Cash paid to employees for services	<u>(9,317,325)</u>	<u>(6,777,650)</u>
Net cash provided by (used in) operating activities	<u>9,338,053</u>	<u>7,909,785</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,162,683)	(5,139,660)
Net change in customer deposits	241,565	(6,615)
Cash advances from (to) other funds	<u>(33,624)</u>	<u>57,137</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(4,954,742)</u>	<u>(5,089,138)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	608,444	2,010,847
Net change in capital assets	(806,073)	(4,474,839)
Principal payment on capital leases	(330,525)	(274,660)
Interest payment on debt	<u>(41,402)</u>	<u>(52,396)</u>
Net cash provided by (used in) capital and related financing activities	<u>(569,556)</u>	<u>(2,791,048)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>2,911</u>	<u>2,406</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,816,666	32,005
Cash and Cash Equivalents at Beginning of Year	<u>8,061,160</u>	<u>8,029,155</u>
Cash and Cash Equivalents at End of Year	<u>\$ 11,877,826</u>	<u>\$ 8,061,160</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 4,273,147	\$ 6,533,772
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,202,353	2,465,107
Provision for uncollectible accounts	2,221,293	1,855,296
(Increase) decrease in receivables	(1,722,464)	(3,573,863)
(Increase) decrease in inventories and other assets	143,872	(410,921)
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	(368,755)	
Changes of assumptions	(973,802)	
Changes in projected investment earnings	(1,411,687)	(815,339)
Increase (decrease) in accounts payable and accrued liabilities	640,615	581,583
Increase (decrease) in net pension liability	<u>4,333,481</u>	<u>1,274,150</u>
Total adjustments	<u>5,064,906</u>	<u>1,376,013</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 9,338,053</u>	<u>\$ 7,909,785</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 572,496	\$ 1,452,172
Receivables, net:		
User charges	1,355,075	1,373,247
Other	304,458	114,732
Inventories	216,655	211,036
Other assets	177,961	193,096
Total current assets	<u>2,626,645</u>	<u>3,344,283</u>
Capital assets, net	<u>29,602,179</u>	<u>27,014,294</u>
Total assets	<u>32,228,824</u>	<u>30,358,577</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	166,119	
Changes of assumptions	438,685	
Changes in projected investment earnings	<u>1,007,054</u>	<u>371,107</u>
Total deferred outflows of resources	<u>1,611,858</u>	<u>371,107</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	253,882	602,199
Due to City of Norwich	7,506	9,093
Notes payable	515,268	2,818,809
Bonds payable	10,952	14,972
Capital leases payable	12,467	26,069
Compensated absences	82,919	65,023
Risk management claims	<u>86,683</u>	<u>115,193</u>
Total current liabilities	<u>969,677</u>	<u>3,651,358</u>
Noncurrent liabilities:		
Notes payable	5,515,275	1,978,963
Bonds payable	32,154	43,106
Capital leases payable	12,013	24,482
Compensated absences	408,826	361,518
Risk management claims	182,159	236,133
Net pension liability	<u>7,390,309</u>	<u>5,438,132</u>
Total noncurrent liabilities	<u>13,540,736</u>	<u>8,082,334</u>
Total liabilities	<u>14,510,413</u>	<u>11,733,692</u>
Net Position:		
Net investment in capital assets	23,504,050	22,107,893
Unrestricted	<u>(4,173,781)</u>	<u>(3,111,901)</u>
Total Net Position	<u>\$ 19,330,269</u>	<u>\$ 18,995,992</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Charges for services	\$ 8,951,752	\$ 8,707,724
Use of property	78,215	76,236
Other services	28,301	38,931
Total operating revenues	<u>9,058,268</u>	<u>8,822,891</u>
Operating Expenses:		
General and administrative	3,058,108	2,678,977
Depreciation	1,098,886	975,233
Operations and maintenance	3,692,518	3,655,009
Customer accounts	307,685	292,570
Bad debts	14,146	5,809
Gross revenue and property taxes	149,702	148,776
Total operating expenses	<u>8,321,045</u>	<u>7,756,374</u>
Operating Income (Loss)	<u>737,223</u>	<u>1,066,517</u>
Nonoperating Income (Expenses):		
Interest income	475	449
Interest expense	(130,585)	(55,868)
Gain (loss) on disposal of capital assets	(36,651)	(11,886)
Net nonoperating expenses	<u>(166,761)</u>	<u>(67,305)</u>
Income Before Contributions and Transfers	570,462	999,212
Capital Contributions	644,618	606,513
Transfers out to City of Norwich	<u>(880,803)</u>	<u>(837,600)</u>
Change in Net Position	334,277	768,125
Net Position at Beginning of Year	<u>18,995,992</u>	<u>18,227,867</u>
Net Position at End of Year	<u>\$ 19,330,269</u>	<u>\$ 18,995,992</u>

CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 8,886,714	\$ 8,828,700
Cash paid to vendors	(3,188,289)	(3,359,046)
Cash paid to employees for services	(3,678,525)	(2,847,330)
Net cash provided by (used in) operating activities	<u>2,019,900</u>	<u>2,622,324</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(880,803)	(837,600)
Cash advances from (to) other funds	(1,587)	3,038
Net cash provided by (used in) noncapital and related financing activities	<u>(882,390)</u>	<u>(834,562)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	644,618	606,513
Net change in capital assets	(3,723,422)	(5,419,374)
Proceeds from long-term debt	1,437,032	2,767,533
Principal payment on bonds and notes	(219,233)	(178,378)
Principal payment on capital leases	(26,071)	(24,010)
Interest payment on debt	(130,585)	(55,868)
Net cash provided by (used in) capital and related financing activities	<u>(2,017,661)</u>	<u>(2,303,584)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>475</u>	<u>449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(879,676)	(515,373)
Cash and Cash Equivalents at Beginning of Year	<u>1,452,172</u>	<u>1,967,545</u>
Cash and Cash Equivalents at End of Year	<u>\$ 572,496</u>	<u>\$ 1,452,172</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>737,223</u>	\$ <u>1,066,517</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,098,886	975,233
Provision for uncollectible accounts	14,146	5,809
(Increase) decrease in receivables	(185,700)	(188,056)
(Increase) decrease in inventories and other assets	9,516	(109,755)
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	(166,119)	
Changes of assumptions	(438,685)	
Changes in projected investment earnings	(635,947)	(371,107)
Increase (decrease) in accounts payable and accrued liabilities	(365,597)	663,746
Increase (decrease) in net pension liability	1,952,177	579,937
Total adjustments	<u>1,282,677</u>	<u>1,555,807</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,019,900</u>	<u>\$ 2,622,324</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 6,207,227	\$ 6,251,852
Receivables, net:		
User charges	1,371,992	1,323,687
Other	605,678	506,339
Inventories	54,580	54,475
Other assets	118,641	128,731
Total current assets	<u>8,358,118</u>	<u>8,265,084</u>
Capital assets, net	<u>52,215,203</u>	<u>52,270,358</u>
Total assets	<u>60,573,321</u>	<u>60,535,442</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	133,456	
Changes of assumptions	352,428	
Changes in projected investment earnings	788,856	277,952
Total deferred outflows of resources	<u>1,274,740</u>	<u>277,952</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	157,571	178,842
Due to City of Norwich	13,908	14,902
Notes payable	653,382	776,732
Capital lease payable	8,502	14,768
Compensated absences	82,013	73,523
Risk management claims	23,129	18,940
Cash advances from other funds	40,107	38,713
Total current liabilities	<u>978,612</u>	<u>1,116,420</u>
Noncurrent liabilities:		
Customer deposits		65,000
Notes payable	8,370,767	9,024,150
Capital lease payable	8,008	16,506
Compensated absences	318,155	280,814
Risk management claims	49,924	41,248
Net pension liability	5,641,388	4,073,061
Cash advances from other funds	84,597	124,704
Total noncurrent liabilities	<u>14,472,839</u>	<u>13,625,483</u>
Total liabilities	<u>15,451,451</u>	<u>14,741,903</u>
Net Position:		
Net investment in capital assets	43,174,544	42,438,202
Unrestricted	<u>3,222,066</u>	<u>3,633,289</u>
Total Net Position	<u>\$ 46,396,610</u>	<u>\$ 46,071,491</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Charges for services	\$ 7,316,707	\$ 6,647,417
Other services	125,605	138,073
Total operating revenues	<u>7,442,312</u>	<u>6,785,490</u>
Operating Expenses:		
General and administrative	2,244,759	1,752,112
Depreciation	1,853,214	1,802,094
Operations and maintenance	3,802,383	2,873,712
Customer accounts	207,186	196,180
Bad debts	42,657	23,946
Total operating expenses	<u>8,150,199</u>	<u>6,648,044</u>
Operating Income (Loss)	<u>(707,887)</u>	<u>137,446</u>
Nonoperating Income (Expenses):		
Interest income	2,194	2,147
Interest expense	(195,015)	(245,344)
Gain (loss) on disposal of assets	24,066	(8,145)
Net nonoperating expenses	<u>(168,755)</u>	<u>(251,342)</u>
Loss Before Contributions	(876,642)	(113,896)
Capital Contributions	<u>1,201,761</u>	<u>682,108</u>
Change in Net Position	325,119	568,212
Net Position at Beginning of Year	<u>46,071,491</u>	<u>45,503,279</u>
Net Position at End of Year	<u>\$ 46,396,610</u>	<u>\$ 46,071,491</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 7,294,668	\$ 6,093,947
Cash paid to vendors	(2,826,915)	(2,353,873)
Cash paid to employees for services	(2,851,121)	(2,391,208)
Net cash provided by (used in) operating activities	<u>1,616,632</u>	<u>1,348,866</u>
Cash Flows from Noncapital and Related Financing Activities:		
Customer deposits	(65,000)	
Cash advances from (to) other funds	(994)	14,829
Net cash provided by (used in) noncapital and related financing activities	<u>(65,994)</u>	<u>14,829</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	1,201,761	682,108
Net change in capital assets	(1,773,993)	(1,488,651)
Principal payment on bonds and notes	(776,733)	(778,200)
Principal payment on capital leases	(14,764)	(6,517)
Interest payment on debt	(195,015)	(245,344)
Cash advances from City of Norwich	(38,713)	(37,369)
Net cash provided by (used in) capital and related financing activities	<u>(1,597,457)</u>	<u>(1,873,973)</u>
Cash Flows from Investing Activities:		
Income on investments	2,194	2,147
Net Increase (Decrease) in Cash and Cash Equivalents	(44,625)	(508,131)
Cash and Cash Equivalents at Beginning of Year	<u>6,251,852</u>	<u>6,759,983</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,207,227</u>	<u>\$ 6,251,852</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>(707,887)</u>	\$ <u>137,446</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,853,214	1,802,094
Provision for uncollectible accounts	42,657	23,946
(Increase) decrease in receivables	(190,301)	(715,489)
(Increase) decrease in inventories and other assets	9,985	(61,848)
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	(133,456)	
Changes of assumptions	(352,428)	
Changes in projected investment earnings	(510,904)	(277,952)
Increase (decrease) in accounts payable and accrued liabilities	37,425	6,307
Increase (decrease) in net pension liability	1,568,327	434,362
Total adjustments	<u>2,324,519</u>	<u>1,211,420</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,616,632</u>	<u>\$ 1,348,866</u>