

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

FINANCIAL STATEMENTS

JUNE 30, 2017

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
TABLE OF CONTENTS
JUNE 30, 2017**

Independent Auditors' Report	1-3
------------------------------	-----

Exhibit

	Financial Statements:	
I	Statement of Net Position	4
II	Statement of Activities	5
III	Statement of Cash Flows	6
	Notes to the Financial Statements	7-19
	Combining and Individual Fund Statements and Schedules:	
A-1	Combining Statement of Net Position by Division	20
A-2	Combining Statement of Activities by Division	21
A-3	Combining Statement of Cash Flows by Division	22
	Gas Division:	
B-1	Comparative Statements of Net Position	23
B-2	Comparative Statements of Activities	24
B-3	Comparative Statements of Cash Flows	25
	Electric Division:	
C-1	Comparative Statements of Net Position	26
C-2	Comparative Statements of Activities	27
C-3	Comparative Statements of Cash Flows	28
	Water Division:	
D-1	Comparative Statements of Net Position	29
D-2	Comparative Statements of Activities	30
D-3	Comparative Statements of Cash Flows	31
	Sewer Division:	
E-1	Comparative Statements of Net Position	32
E-2	Comparative Statements of Activities	33
E-3	Comparative Statements of Cash Flows	34



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Norwich, Connecticut, Department of Public Utilities (the Department), as of and for the year ended June 30, 2017, 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, 2017 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, 2017 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. Our opinion is not modified with respect to this matter.

As discussed in Note 16, the 2016 financial statements of the Department have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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, 2016 (not presented herein), and have issued our report thereon dated November 18, 2016, 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, 2016 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 2016 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2016 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2016 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, 2016.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 15, 2017

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2017**

Assets:	
Current:	
Cash and cash equivalents	\$ 27,176,246
Receivables, net:	
User charges	14,554,982
Other	692,157
Inventories	1,838,427
Other assets	1,333,856
Total current assets	<u>45,595,668</u>
Capital assets, net	<u>139,001,620</u>
Total assets	<u>184,597,288</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	689,376
Changes of assumptions	1,820,494
Changes in projected investment earnings	<u>2,155,427</u>
Total deferred outflows of resources	<u>4,665,297</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	9,239,073
Notes payable	1,080,576
Bonds payable	10,852
Capital leases payable	219,406
Compensated absences	1,737,564
Risk management claims	327,509
Cash advances from other funds	1,063,051
Due to City of Norwich	46,546
Total current liabilities	<u>13,724,577</u>
Noncurrent liabilities:	
Customer deposits	1,751,036
Notes payable	14,269,813
Bonds payable	21,302
Compensated absences	2,809,846
Risk management claims	615,995
Cash advances from other funds	13,388,066
Net pension liability	36,501,074
Total noncurrent liabilities	<u>69,357,132</u>
Total liabilities	<u>83,081,709</u>
Net Position:	
Net investment in capital assets	123,399,671
Restricted for energy efficiency program	273,396
Unrestricted	<u>(17,492,191)</u>
Total Net Position	<u>\$ 106,180,876</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, 2017**

Operating revenues:	
Charges for services	\$ 86,623,267
Use of property	830,494
Other services	<u>1,153,709</u>
Total operating revenues	<u>88,607,470</u>
Operating expenses:	
Purchased gas and electric	31,741,711
General and administrative	15,398,051
Operations and maintenance	14,824,635
Depreciation	7,571,696
Customer accounts	3,789,341
Gross revenue and property taxes	2,891,428
Pension expense	<u>2,285,995</u>
Total operating expenses	<u>78,502,857</u>
Operating Income (Loss)	<u>10,104,613</u>
Nonoperating Income (Expenses):	
Interest income	12,708
Interest expense	(858,826)
Loss on disposal of capital assets	<u>(119,243)</u>
Net nonoperating expenses	<u>(965,361)</u>
Income Before Contributions and Transfers	9,139,252
Capital Contributions	4,584,773
Transfer out to City of Norwich	<u>(8,670,845)</u>
Change in Net Position	5,053,180
Net Position at Beginning of Year, as Restated	<u>101,127,696</u>
Net Position at End of Year	<u>\$ 106,180,876</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, 2017**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 91,955,080
Cash paid to vendors	(47,630,153)
Cash paid to employees for services	(20,871,419)
Net cash provided by (used in) operating activities	<u>23,453,508</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(8,670,845)
Customer deposits	310,638
Cash advance from other funds	(19,716)
Net cash provided by (used in) noncapital and related financing activities	<u>(8,379,923)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	4,584,773
Purchases of capital assets	(11,338,486)
Proceeds from sale of capital assets	36,548
Proceeds from long-term debt	1,528,016
Principal payment on bonds and notes	(1,243,271)
Principal payment on capital leases	(331,235)
Interest payment on debt	(858,826)
Cash advances from City of Norwich	309,146
Net cash provided by (used in) capital and related financing activities	<u>(7,313,335)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>12,708</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,772,958
Cash and Cash Equivalents at Beginning of Year	<u>19,403,288</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,176,246</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)	
Operating Activities:	
Operating income (loss)	\$ <u>10,104,613</u>
Adjustments to reconcile operating income (loss) to net cash provided by	
(used in) operating activities:	
Depreciation expense	7,571,696
(Increase) decrease in receivables	3,347,610
(Increase) decrease in inventories and other assets	391,812
(Increase) decrease in deferred outflows of resources:	
Differences between expected and actual experience	186,318
Changes of assumptions	492,026
Changes in projected investment earnings	3,086,500
Increase (decrease) in accounts payable and accrued liabilities	(248,217)
Increase (decrease) in net pension liability	(1,478,850)
Total adjustments	<u>13,348,895</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 23,453,508</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 and vacation leave hours for subsequent use or for payment upon retirement. Sick leave vests and may be carried forward, but not to exceed 120 days. Vacation time is earned on a calendar year basis to be used in the following year. Hours accumulated and not used or expired are paid upon retirement.

The expense and liability for vested sick and vacation leave is recorded 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 conform 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, 2017, the carrying amount of the Department's deposits was \$27,176,246, and the bank balance was \$27,297,905. 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	\$ 2,143,367	\$ 8,763,083	\$ 878,947	\$ 849,318	\$ 12,634,715
Unbilled revenue	558,053	3,556,062	667,372	548,780	5,330,267
Other	<u>54,987</u>	<u>5,700</u>	<u>406,095</u>	<u>225,375</u>	<u>692,157</u>
Gross receivables	2,756,407	12,324,845	1,952,414	1,623,473	18,657,139
Less allowance for uncollectibles:					
User charges	<u>(850,000)</u>	<u>(2,420,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(3,410,000)</u>
Net Total Receivables	<u>\$ 1,906,407</u>	<u>\$ 9,904,845</u>	<u>\$ 1,882,414</u>	<u>\$ 1,553,473</u>	<u>\$ 15,247,139</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, 2017 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	\$	\$ 50,775	\$	\$ 1,703,289
Construction in progress	<u>17,628,483</u>	<u>(17,851,102)</u>	<u>13,815,262</u>	<u>(666,091)</u>	<u>12,926,552</u>
Total capital assets not being depreciated	<u>19,280,997</u>	<u>(17,851,102)</u>	<u>13,866,037</u>	<u>(666,091)</u>	<u>14,629,841</u>
Capital assets being depreciated:					
Structures and improvements	42,143,782	3,347,037		(249,841)	45,240,978
Machinery, equipment pumping and distribution systems	<u>220,111,607</u>	<u>14,504,065</u>		<u>(985,365)</u>	<u>233,630,307</u>
Total capital assets being depreciated	<u>262,255,389</u>	<u>17,851,102</u>	<u>-</u>	<u>(1,235,206)</u>	<u>278,871,285</u>
Less accumulated depreciation for:					
Structures and improvements	(23,839,755)		(932,178)	220,342	(24,551,591)
Machinery, equipment pumping and distribution systems	<u>(124,167,472)</u>		<u>(6,639,518)</u>	<u>859,075</u>	<u>(129,947,915)</u>
Total accumulated depreciation	<u>(148,007,227)</u>	<u>-</u>	<u>(7,571,696)</u>	<u>1,079,417</u>	<u>(154,499,506)</u>
Total capital assets being depreciated, net	<u>114,248,162</u>	<u>17,851,102</u>	<u>(7,571,696)</u>	<u>(155,789)</u>	<u>124,371,779</u>
Business Activities Capital Assets, Net	<u>\$ 133,529,159</u>	<u>\$ -</u>	<u>\$ 6,294,341</u>	<u>\$ (821,880)</u>	<u>\$ 139,001,620</u>

Depreciation was charged to the divisions as follows:

Depreciation was charged to the following divisions as follows:

Gas	\$ 2,336,753
Electric	2,104,695
Water	1,182,498
Sewer	<u>1,947,750</u>
Total	<u>\$ 7,571,696</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, 2017 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	\$ 43,106	\$	\$ (10,952)	\$ 32,154	\$ 10,852
State of Connecticut - serial note	<u>15,054,692</u>	<u>1,528,016</u>	<u>(1,232,319)</u>	<u>15,350,389</u>	<u>1,080,576</u>
Total bonds and notes payable	15,097,798	1,528,016	(1,243,271)	15,382,543	1,091,428
Compensated absences	4,262,556	1,932,702	(1,647,848)	4,547,410	1,737,564
Capital leases	550,641		(331,235)	219,406	219,406
Workers' compensation	1,644,979		(701,475)	943,504	327,509
Cash advances	14,141,971	1,215,753	(906,607)	14,451,117	1,063,051
Net pension liability	<u>37,979,924</u>		<u>(1,478,850)</u>	<u>36,501,074</u>	
Total Long-Term Liabilities	<u>\$ 73,677,869</u>	<u>\$ 4,676,471</u>	<u>\$ (6,309,286)</u>	<u>\$ 72,045,054</u>	<u>\$ 4,438,958</u>

Outstanding bonds and serial notes payable at June 30, 2017 are comprised of the following:

Description	Interest Rate (%)	Date of Issue	Date of Maturity	(In Thousands)	
				Original Amount Issued	Outstanding June 30, 2017
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 32
State of Connecticut serial notes payable:					
Clean Water Act 106-C	2.00	10/31/1997	10/31/2016	3,410	
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	151
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	228
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	516
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	268
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,410
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,455
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	2,127
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	90
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	212
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	133
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	122
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2015	506	443
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	3,732
Drinking Water State Revolving Fund 2015-7037	2.00	10/31/2016	10/31/2034	1,528	<u>1,464</u>
Total				<u>\$</u>	<u>15,383</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>
2018	\$ 1,091	\$ 303	\$ 1,394
2019	1,105	279	1,384
2020	1,043	257	1,300
2021	1,047	235	1,282
2022	973	214	1,187
2023-2027	4,590	791	5,381
2028-2032	4,584	320	4,904
2033-2037	950	30	980
Total	\$ <u>15,383</u>	\$ <u>2,429</u>	\$ <u>17,812</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, in 2007 the Department has entered into a ten-year 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, 2017 were \$331,234. The following is a summary of capital lease commitments at June 30, 2017.

Future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 221,914
Less amount representing interest	<u>2,508</u>
Total	\$ <u>219,406</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, 2017 was \$2,576,362, equal to the required contribution for the year. Employer contributions in 2016 and 2015 were \$2,242,000 and \$1,949,000, 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, 2017 were as follows:

Total pension liability	\$ 91,682,835
Plan fiduciary net position	<u>(55,181,761)</u>
Net Pension Liability	<u>\$ 36,501,074</u>
Plan fiduciary net position as a percentage of the total pension liability	60.19%

**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, 2016	\$ 88,922,176	\$ 50,942,252	\$ 37,979,924
Changes for the year:			
Service cost	1,588,189		1,588,189
Interest on total pension liability	6,800,536		6,800,536
Employer contributions		2,576,362	(2,576,362)
Member contributions		1,198,264	(1,198,264)
Net investment income		6,094,557	(6,094,557)
Benefit payments, including refund to employee contributions	(5,628,066)	(5,628,066)	-
Administrative expenses		(1,608)	1,608
Net changes	<u>2,760,659</u>	<u>4,239,509</u>	<u>(1,478,850)</u>
Balances as of June 30, 2017	<u>\$ 91,682,835</u>	<u>\$ 55,181,761</u>	<u>\$ 36,501,074</u>

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

For the year ended June 30, 2017, the Department recognized pension expense of \$2,285,995. At June 30, 2017, the Department reported deferred outflows of resources related to pension from the following sources:

	NPU Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 689,376	\$ -
Changes of assumptions	1,820,494	
Net difference between projected and actual earnings on pension plan investments	<u>2,155,427</u>	<u>-</u>
Total	<u>\$ 4,665,297</u>	<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,

2018	\$	1,692,442
2019		1,692,440
2020		1,220,055
2021		60,360

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 \$943,504 for estimated unpaid accrued losses on reported claims as of June 30, 2017. 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, 2017 is \$1,120,149.

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, 2016	\$ 333,605
Deposits into the fund	967,661
Investment income	1,467
Approved program expenses	<u>(1,029,337)</u>
Funds Held by CMEEC, June 30, 2017	<u>\$ 273,396</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 New England (ISO-NE) markets. The Department receives a monthly payment based on the actual revenues received by CMEEC from ISO-NE associated with the delivery of electrical power from the unit. For the fiscal year ended June 30, 2017, the Electric Division reported net revenue of \$646,811 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, 2017 was \$27.79 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 2017 fiscal year, the share of contributions to the fund received by the Department totaled \$82,803, with drawdowns of \$81,162, and interest on the fund of \$1,558. The balance of the Department's funds held by CMEEC for the RGGI was \$297,586 for the year ended June 30, 2017.

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, 2017 was \$232,859. For the year ended June 30, 2017, the Department's contributions to the fund totaled \$157,638, 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, 2017 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 17,874,462
Department - rate stabilization funds on deposit with CMEEC	<u>(13,022,196)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 4,852,266</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 \$2,996,405.

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
NOTES TO FINANCIAL STATEMENTS**

15. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of June 30, 2017, the Department has purchased \$1,861,462 in capital assets on account, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

16. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

During the year ended June 30, 2017, it was determined that the vesting conditions of vacation leave time creates a potential liability as of the end of a fiscal year that was not previously being recorded by the Department. The following restatement was recorded to beginning net position to adjust for the previous exclusion of the related expense and compensated absences liability:

Net position balance at June 30, 2016, as previously reported	\$ 102,293,076
Adjustments:	
Increase in compensated absences	<u>1,165,380</u>
Net Position Balance at July 1, 2016, as Restated	<u><u>\$ 101,127,696</u></u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2017**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 1,733,724	\$ 15,079,371	\$ 2,731,340	\$ 7,631,811	\$ 27,176,246
Receivables, net:					
User charges	1,851,420	9,899,145	1,476,319	1,328,098	14,554,982
Other	54,987	5,700	406,095	225,375	692,157
Inventories	989,652	582,012	211,040	55,723	1,838,427
Other assets	212,493	855,747	159,370	106,246	1,333,856
Total current assets	<u>4,842,276</u>	<u>26,421,975</u>	<u>4,984,164</u>	<u>9,347,253</u>	<u>45,595,668</u>
Capital assets, net	<u>34,364,809</u>	<u>21,304,340</u>	<u>30,350,611</u>	<u>52,981,860</u>	<u>139,001,620</u>
Total assets	<u>39,207,085</u>	<u>47,726,315</u>	<u>35,334,775</u>	<u>62,329,113</u>	<u>184,597,288</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	162,592	290,706	131,035	105,043	689,376
Changes of assumptions	429,371	767,692	346,037	277,394	1,820,494
Changes in projected investment earnings	477,305	934,091	425,866	318,165	2,155,427
Total deferred outflows of resources	<u>1,069,268</u>	<u>1,992,489</u>	<u>902,938</u>	<u>700,602</u>	<u>4,665,297</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,132,291	6,499,469	521,666	1,085,647	9,239,073
Notes payable			484,969	595,607	1,080,576
Bonds payable			10,852		10,852
Capital leases payable	16,017	183,368	12,013	8,008	219,406
Compensated absences	471,971	738,623	277,582	249,388	1,737,564
Risk management claims	177,054	89,467	39,731	21,257	327,509
Cash advances from other funds	1,021,500			41,551	1,063,051
Due to City of Norwich	3,035	25,773	1,285	16,453	46,546
Total current liabilities	<u>2,821,868</u>	<u>7,536,700</u>	<u>1,348,098</u>	<u>2,017,911</u>	<u>13,724,577</u>
Noncurrent liabilities:					
Customer deposits	10,000	1,741,036			1,751,036
Notes payable			6,494,654	7,775,159	14,269,813
Bonds payable			21,302		21,302
Compensated absences	893,750	1,133,231	473,507	309,358	2,809,846
Risk management claims	328,885	168,406	77,799	40,905	615,995
Cash advances from other funds	13,345,019			43,047	13,388,066
Net pension liability	8,311,546	15,661,822	7,111,841	5,415,865	36,501,074
Total noncurrent liabilities	<u>22,889,200</u>	<u>18,704,495</u>	<u>14,179,103</u>	<u>13,584,334</u>	<u>69,357,132</u>
Total liabilities	<u>25,711,068</u>	<u>26,241,195</u>	<u>15,527,201</u>	<u>15,602,245</u>	<u>83,081,709</u>
Net Position:					
Net investment in capital assets	34,348,792	21,120,972	23,326,821	44,603,086	123,399,671
Restricted for energy efficiency program		273,396			273,396
Unrestricted	<u>(19,783,507)</u>	<u>2,083,241</u>	<u>(2,616,309)</u>	<u>2,824,384</u>	<u>(17,492,191)</u>
Total Net Position	<u>\$ 14,565,285</u>	<u>\$ 23,477,609</u>	<u>\$ 20,710,512</u>	<u>\$ 47,427,470</u>	<u>\$ 106,180,876</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 16,328,081	\$ 51,492,363	\$ 10,396,565	\$ 8,406,258	\$ 86,623,267
Use of property		751,888	78,606		830,494
Other services	308,148	605,036	17,658	222,867	1,153,709
Total operating revenues	<u>16,636,229</u>	<u>52,849,287</u>	<u>10,492,829</u>	<u>8,629,125</u>	<u>88,607,470</u>
Operating Expenses:					
Purchased gas and electric	3,939,786	27,801,925			31,741,711
General and administrative	3,658,941	7,706,218	2,264,300	1,768,592	15,398,051
Operations and maintenance	2,539,442	4,959,223	3,724,509	3,601,461	14,824,635
Depreciation	2,336,753	2,104,695	1,182,498	1,947,750	7,571,696
Customer accounts	691,120	2,548,919	327,926	221,376	3,789,341
Gross revenue and property taxes	802,014	1,938,983	150,431		2,891,428
Pension expense	549,325	957,603	430,453	348,614	2,285,995
Total operating expenses	<u>14,517,381</u>	<u>48,017,566</u>	<u>8,080,117</u>	<u>7,887,793</u>	<u>78,502,857</u>
Operating Income	<u>2,118,848</u>	<u>4,831,721</u>	<u>2,412,712</u>	<u>741,332</u>	<u>10,104,613</u>
Nonoperating Income (Expenses):					
Interest income	937	7,154	1,275	3,342	12,708
Interest expense	(480,034)	(47,789)	(152,297)	(178,706)	(858,826)
Loss on disposal of capital assets	(44,359)	(32,340)	(35,129)	(7,415)	(119,243)
Net nonoperating expenses	<u>(523,456)</u>	<u>(72,975)</u>	<u>(186,151)</u>	<u>(182,779)</u>	<u>(965,361)</u>
Income Before Contributions and Transfers	1,595,392	4,758,746	2,226,561	558,553	9,139,252
Capital Contributions	3,596,021	128,024	238,674	622,054	4,584,773
Transfers out to City of Norwich	<u>(1,911,067)</u>	<u>(5,877,489)</u>	<u>(882,289)</u>		<u>(8,670,845)</u>
Change in Net Position	3,280,346	(990,719)	1,582,946	1,180,607	5,053,180
Net Position at Beginning of Year, as Restated	<u>11,284,939</u>	<u>24,468,328</u>	<u>19,127,566</u>	<u>46,246,863</u>	<u>101,127,696</u>
Net Position at End of Year	<u>\$ 14,565,285</u>	<u>\$ 23,477,609</u>	<u>\$ 20,710,512</u>	<u>\$ 47,427,470</u>	<u>\$ 106,180,876</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 17,975,746	\$ 54,656,064	\$ 10,269,948	\$ 9,053,322	\$ 91,955,080
Cash paid to vendors	(7,145,757)	(35,209,912)	(2,803,172)	(2,471,312)	(47,630,153)
Cash paid to employees for services	(4,554,163)	(9,535,160)	(3,798,571)	(2,983,525)	(20,871,419)
Net cash provided by (used in) operating activities	<u>6,275,826</u>	<u>9,910,992</u>	<u>3,668,205</u>	<u>3,598,485</u>	<u>23,453,508</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,911,067)	(5,877,489)	(882,289)		(8,670,845)
Customer deposits		310,638			310,638
Cash advance from (to) other funds	(17,543)	1,503	(6,221)	2,545	(19,716)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,928,610)</u>	<u>(5,565,348)</u>	<u>(888,510)</u>	<u>2,545</u>	<u>(8,379,923)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	3,596,021	128,024	238,674	622,054	4,584,773
Purchases of capital assets	(6,828,106)	(950,474)	(1,637,583)	(1,922,323)	(11,338,486)
Proceeds from sale of capital assets	19,131	12,820	3,419	1,178	36,548
Proceeds from long-term debt			1,528,016		1,528,016
Principal payment on bonds and notes			(589,888)	(653,383)	(1,243,271)
Principal payment on capital leases	(16,432)	(293,834)	(12,467)	(8,502)	(331,235)
Interest payment on debt	(480,034)	(47,789)	(152,297)	(178,706)	(858,826)
Cash advances from City of Norwich	349,252			(40,106)	309,146
Net cash provided by (used in) capital and related financing activities	<u>(3,360,168)</u>	<u>(1,151,253)</u>	<u>(622,126)</u>	<u>(2,179,788)</u>	<u>(7,313,335)</u>
Cash Flows from Investing Activities:					
Income (loss) on investments	937	7,154	1,275	3,342	12,708
Net Increase (Decrease) in Cash and Cash Equivalents	987,985	3,201,545	2,158,844	1,424,584	7,772,958
Cash and Cash Equivalents at Beginning of Year	745,739	11,877,826	572,496	6,207,227	19,403,288
Cash and Cash Equivalents at End of Year	<u>\$ 1,733,724</u>	<u>\$ 15,079,371</u>	<u>\$ 2,731,340</u>	<u>\$ 7,631,811</u>	<u>\$ 27,176,246</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 2,118,848	\$ 4,831,721	\$ 2,412,712	\$ 741,332	\$ 10,104,613
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,336,753	2,104,695	1,182,498	1,947,750	7,571,696
(Increase) decrease in receivables	1,339,517	1,806,777	(222,881)	424,197	3,347,610
(Increase) decrease in inventories and other assets	146,729	209,625	24,206	11,252	391,812
(Increase) decrease in deferred outflows of resources:					
Differences between expected and actual experience	44,772	78,049	35,084	28,413	186,318
Changes of assumptions	118,234	206,110	92,648	75,034	492,026
Changes in projected investment earnings	741,686	1,292,935	581,188	470,691	3,086,500
Increase (decrease) in accounts payable and accrued liabilities	(215,344)	570	(158,782)	125,339	(248,217)
Increase (decrease) in net pension liability	(355,369)	(619,490)	(278,468)	(225,523)	(1,478,850)
Total adjustments	<u>4,156,978</u>	<u>5,079,271</u>	<u>1,255,493</u>	<u>2,857,153</u>	<u>13,348,895</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,275,826</u>	<u>\$ 9,910,992</u>	<u>\$ 3,668,205</u>	<u>\$ 3,598,485</u>	<u>\$ 23,453,508</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 1,733,724	\$ 745,739
Receivables, net:		
User charges	1,851,420	2,484,725
Other	54,987	761,199
Inventories	989,652	1,111,591
Other assets	212,493	237,283
Total current assets	<u>4,842,276</u>	<u>5,340,537</u>
Capital assets, net	<u>34,364,809</u>	<u>29,456,301</u>
Total assets	<u>39,207,085</u>	<u>34,796,838</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	162,592	207,364
Changes of assumptions	429,371	547,605
Changes in projected investment earnings	<u>477,305</u>	<u>1,218,991</u>
Total deferred outflows of resources	<u>1,069,268</u>	<u>1,973,960</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,132,291	945,470
Capital lease payable	16,017	16,432
Compensated absences	471,971	511,225
Risk management claims	177,054	165,413
Cash advances from other funds	1,021,500	866,500
Due to City of Norwich	<u>3,035</u>	<u>20,578</u>
Total current liabilities	<u>2,821,868</u>	<u>2,525,618</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Capital leases payable		16,017
Compensated absences	893,750	768,191
Risk management claims	328,885	348,351
Cash advances from other funds	13,345,019	13,150,767
Net pension liability	<u>8,311,546</u>	<u>8,666,915</u>
Total noncurrent liabilities	<u>22,889,200</u>	<u>22,960,241</u>
Total liabilities	<u>25,711,068</u>	<u>25,485,859</u>
Net Position:		
Net investment in capital assets	34,348,792	29,423,852
Unrestricted	<u>(19,783,507)</u>	<u>(18,138,913)</u>
Total Net Position	<u>\$ 14,565,285</u>	<u>\$ 11,284,939</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Charges for services	\$ 16,328,081	\$ 15,778,543
Other services	308,148	463,985
Total operating revenues	<u>16,636,229</u>	<u>16,242,528</u>
Operating Expenses:		
Purchased gas	3,939,786	3,364,509
General and administrative	3,658,941	3,686,420
Operations and maintenance	2,539,442	2,808,633
Depreciation	2,336,753	1,954,804
Customer accounts	691,120	681,921
Gross revenue and property taxes	802,014	757,061
Pension expense	549,325	888,063
Total operating expenses	<u>14,517,381</u>	<u>14,141,411</u>
Operating Income	<u>2,118,848</u>	<u>2,101,117</u>
Nonoperating Income (Expenses):		
Interest income	937	295
Interest expense	(480,034)	(405,947)
Gain (loss) on disposal of capital assets	(44,359)	3,274
Net nonoperating expenses	<u>(523,456)</u>	<u>(402,378)</u>
Income Before Contributions and Transfers	1,595,392	1,698,739
Capital Contributions	3,596,021	1,354,596
Transfers out to City of Norwich	<u>(1,911,067)</u>	<u>(1,760,878)</u>
Change in Net Position	3,280,346	1,292,457
Net Position at Beginning of Year, as Restated	<u>11,284,939</u>	<u>9,992,482</u>
Net Position at End of Year	<u>\$ 14,565,285</u>	<u>\$ 11,284,939</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 17,975,746	\$ 16,612,234
Cash paid to vendors	(7,145,757)	(6,946,379)
Cash paid to employees for services	(4,554,163)	(4,600,959)
Net cash provided by (used in) operating activities	<u>6,275,826</u>	<u>5,064,896</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,911,067)	(1,760,878)
Cash advances from (to) other funds	(17,543)	4,339
Net cash provided by (used in) noncapital and related financing activities	<u>(1,928,610)</u>	<u>(1,756,539)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	3,596,021	1,354,596
Purchases of capital assets	(6,828,106)	(7,116,919)
Proceeds from sale of capital assets	19,131	8,649
Payments on capital leases	(16,432)	(22,793)
Interest payment on debt	(480,034)	(405,947)
Cash advances from (to) City of Norwich	349,252	2,557,249
Net cash provided by (used in) capital and related financing activities	<u>(3,360,168)</u>	<u>(3,625,165)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>937</u>	<u>295</u>
Net Increase (Decrease) in Cash and Cash Equivalents	987,985	(316,513)
Cash and Cash Equivalents at Beginning of Year	<u>745,739</u>	<u>1,062,252</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,733,724</u>	<u>\$ 745,739</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>2,118,848</u>	\$ <u>2,101,117</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,336,753	1,954,804
(Increase) decrease in receivables	1,339,517	369,706
(Increase) decrease in inventories and other assets	146,729	(214,238)
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	44,772	(207,364)
Changes of assumptions	118,234	(547,605)
Changes in projected investment earnings	741,686	(793,843)
Increase (decrease) in accounts payable and accrued liabilities	(215,344)	(34,557)
Increase (decrease) in net pension liability	(355,369)	2,436,876
Total adjustments	<u>4,156,978</u>	<u>2,963,779</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,275,826</u>	<u>\$ 5,064,896</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 15,079,371	\$ 11,877,826
Receivables, net:		
User charges	9,899,145	11,701,122
Other	5,700	10,500
Inventories	582,012	661,253
Other assets	855,747	986,131
Total current assets	<u>26,421,975</u>	<u>25,236,832</u>
Capital assets, net	<u>21,304,340</u>	<u>22,255,476</u>
Total assets	<u>47,726,315</u>	<u>47,492,308</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	290,706	368,755
Changes of assumptions	767,692	973,802
Changes in projected investment earnings	934,091	2,227,026
Total deferred outflows of resources	<u>1,992,489</u>	<u>3,569,583</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	6,499,469	5,852,283
Capital leases payable	183,368	293,834
Compensated absences	738,623	701,255
Risk management claims	89,467	258,252
Due to City of Norwich	25,773	24,270
Total current liabilities	<u>7,536,700</u>	<u>7,129,894</u>
Noncurrent liabilities:		
Customer deposits	1,741,036	1,430,398
Capital leases payable		183,368
Compensated absences	1,133,231	1,037,523
Risk management claims	168,406	531,068
Net pension liability	15,661,822	16,281,312
Total noncurrent liabilities	<u>18,704,495</u>	<u>19,463,669</u>
Total liabilities	<u>26,241,195</u>	<u>26,593,563</u>
Net Position:		
Net investment in capital assets	21,120,972	21,778,274
Restricted for energy efficiency purposes	273,396	333,605
Unrestricted	2,083,241	2,356,449
Total Net Position	<u>\$ 23,477,609</u>	<u>\$ 24,468,328</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Charges for services	\$ 51,492,363	\$ 55,502,367
Use of property	751,888	693,179
Other services	605,036	499,738
Total operating revenues	<u>52,849,287</u>	<u>56,695,284</u>
Operating Expenses:		
Purchased electric	27,801,925	29,850,298
General and administrative	7,706,218	9,153,012
Operations and maintenance	4,959,223	6,233,103
Depreciation	2,104,695	2,202,353
Customer accounts	2,548,919	2,302,283
Gross revenue and property taxes	1,938,983	1,586,349
Pension expense	957,603	1,579,237
Total operating expenses	<u>48,017,566</u>	<u>52,906,635</u>
Operating Income	<u>4,831,721</u>	<u>3,788,649</u>
Nonoperating Income (Expenses):		
Interest income	7,154	2,911
Interest expense	(47,789)	(41,402)
Loss on disposal of capital assets	(32,340)	(79,385)
Net nonoperating expenses	<u>(72,975)</u>	<u>(117,876)</u>
Income Before Contributions and Transfers	4,758,746	3,670,773
Capital Contributions	128,024	608,444
Transfers out to City of Norwich	<u>(5,877,489)</u>	<u>(5,162,683)</u>
Change in Net Position	(990,719)	(883,466)
Net Position at Beginning of Year, as Restated	<u>24,468,328</u>	<u>25,351,794</u>
Net Position at End of Year	<u>\$ 23,477,609</u>	<u>\$ 24,468,328</u>

CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 54,656,064	\$ 57,194,113
Cash paid to vendors	(35,209,912)	(38,538,735)
Cash paid to employees for services	<u>(9,535,160)</u>	<u>(9,317,325)</u>
Net cash provided by (used in) operating activities	<u>9,910,992</u>	<u>9,338,053</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,877,489)	(5,162,683)
Net change in customer deposits	310,638	241,565
Cash advances from (to) other funds	<u>1,503</u>	<u>(33,624)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(5,565,348)</u>	<u>(4,954,742)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	128,024	608,444
Purchases of capital assets	(950,474)	(820,685)
Proceeds from sale of capital assets	12,820	14,612
Principal payment on capital leases	(293,834)	(330,525)
Interest payment on debt	<u>(47,789)</u>	<u>(41,402)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,151,253)</u>	<u>(569,556)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>7,154</u>	<u>2,911</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,201,545	3,816,666
Cash and Cash Equivalents at Beginning of Year	<u>11,877,826</u>	<u>8,061,160</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,079,371</u>	<u>\$ 11,877,826</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	<u>\$ 4,831,721</u>	<u>\$ 3,788,649</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,104,695	2,202,353
(Increase) decrease in receivables	1,806,777	498,829
(Increase) decrease in inventories and other assets	209,625	143,872
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	78,049	(368,755)
Changes of assumptions	206,110	(973,802)
Changes in projected investment earnings	1,292,935	(1,411,687)
Increase (decrease) in accounts payable and accrued liabilities	570	1,125,113
Increase (decrease) in net pension liability	<u>(619,490)</u>	<u>4,333,481</u>
Total adjustments	<u>5,079,271</u>	<u>5,549,404</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 9,910,992</u>	<u>\$ 9,338,053</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 2,731,340	\$ 572,496
Receivables, net:		
User charges	1,476,319	1,355,075
Other	406,095	304,458
Inventories	211,040	216,655
Other assets	159,370	177,961
Total current assets	<u>4,984,164</u>	<u>2,626,645</u>
Capital assets, net	<u>30,350,611</u>	<u>29,602,179</u>
Total assets	<u>35,334,775</u>	<u>32,228,824</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	131,035	166,119
Changes of assumptions	346,037	438,685
Changes in projected investment earnings	<u>425,866</u>	<u>1,007,054</u>
Total deferred outflows of resources	<u>902,938</u>	<u>1,611,858</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	521,666	253,882
Notes payable	484,969	515,268
Bonds payable	10,852	10,952
Capital leases payable	12,013	12,467
Compensated absences	277,582	285,622
Risk management claims	39,731	86,683
Due to City of Norwich	<u>1,285</u>	<u>7,506</u>
Total current liabilities	<u>1,348,098</u>	<u>1,172,380</u>
Noncurrent liabilities:		
Notes payable	6,494,654	5,515,275
Bonds payable	21,302	32,154
Capital leases payable		12,013
Compensated absences	473,507	408,826
Risk management claims	77,799	182,159
Net pension liability	<u>7,111,841</u>	<u>7,390,309</u>
Total noncurrent liabilities	<u>14,179,103</u>	<u>13,540,736</u>
Total liabilities	<u>15,527,201</u>	<u>14,713,116</u>
Net Position:		
Net investment in capital assets	23,326,821	23,504,050
Unrestricted	<u>(2,616,309)</u>	<u>(4,376,484)</u>
Total Net Position	<u>\$ 20,710,512</u>	<u>\$ 19,127,566</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Charges for services	\$ 10,396,565	\$ 8,937,606
Use of property	78,606	78,215
Other services	17,658	28,301
Total operating revenues	<u>10,492,829</u>	<u>9,044,122</u>
Operating Expenses:		
General and administrative	2,264,300	2,549,386
Operations and maintenance	3,724,509	3,692,518
Depreciation	1,182,498	1,098,886
Customer accounts	327,926	307,685
Gross revenue and property taxes	150,431	149,702
Pension expense	430,453	711,425
Total operating expenses	<u>8,080,117</u>	<u>8,509,602</u>
Operating Income	<u>2,412,712</u>	<u>534,520</u>
Nonoperating Income (Expenses):		
Interest income	1,275	475
Interest expense	(152,297)	(130,585)
Loss on disposal of capital assets	(35,129)	(36,651)
Net nonoperating expenses	<u>(186,151)</u>	<u>(166,761)</u>
Income Before Contributions and Transfers	2,226,561	367,759
Capital Contributions	238,674	644,618
Transfers out to City of Norwich	<u>(882,289)</u>	<u>(880,803)</u>
Change in Net Position	1,582,946	131,574
Net Position at Beginning of Year, as Restated	<u>19,127,566</u>	<u>18,995,992</u>
Net Position at End of Year	<u>\$ 20,710,512</u>	<u>\$ 19,127,566</u>

CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 10,269,948	\$ 8,872,568
Cash paid to vendors	(2,803,172)	(3,174,143)
Cash paid to employees for services	(3,798,571)	(3,678,525)
Net cash provided by (used in) operating activities	<u>3,668,205</u>	<u>2,019,900</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(882,289)	(880,803)
Cash advances to other funds	(6,221)	(1,587)
Net cash provided by (used in) noncapital and related financing activities	<u>(888,510)</u>	<u>(882,390)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	238,674	644,618
Purchases of capital assets	(1,637,583)	(3,726,973)
Proceeds from sale of capital assets	3,419	3,551
Proceeds from long-term debt	1,528,016	1,437,032
Principal payment on bonds and notes	(589,888)	(219,233)
Principal payment on capital leases	(12,467)	(26,071)
Interest payment on debt	(152,297)	(130,585)
Net cash provided by (used in) capital and related financing activities	<u>(622,126)</u>	<u>(2,017,661)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>1,275</u>	<u>475</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,158,844	(879,676)
Cash and Cash Equivalents at Beginning of Year	<u>572,496</u>	<u>1,452,172</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,731,340</u>	<u>\$ 572,496</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>2,412,712</u>	\$ <u>534,520</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,182,498	1,098,886
(Increase) decrease in receivables	(222,881)	(171,554)
(Increase) decrease in inventories and other assets	24,206	9,516
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	35,084	(166,119)
Changes of assumptions	92,648	(438,685)
Changes in projected investment earnings	581,188	(635,947)
Increase (decrease) in accounts payable and accrued liabilities	(158,782)	(162,894)
Increase (decrease) in net pension liability	(278,468)	1,952,177
Total adjustments	<u>1,255,493</u>	<u>1,485,380</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,668,205</u>	<u>\$ 2,019,900</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 7,631,811	\$ 6,207,227
Receivables, net:		
User charges	1,328,098	1,371,992
Other	225,375	605,678
Inventories	55,723	54,580
Other assets	106,246	118,641
Total current assets	<u>9,347,253</u>	<u>8,358,118</u>
Capital assets, net	<u>52,981,860</u>	<u>52,215,203</u>
Total assets	<u>62,329,113</u>	<u>60,573,321</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	105,043	133,456
Changes of assumptions	277,394	352,428
Changes in projected investment earnings	318,165	788,856
Total deferred outflows of resources	<u>700,602</u>	<u>1,274,740</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,085,647	157,571
Notes payable	595,607	653,382
Capital lease payable	8,008	8,502
Compensated absences	249,388	231,760
Risk management claims	21,257	23,129
Cash advances from other funds	41,551	40,107
Due to City of Norwich	16,453	13,908
Total current liabilities	<u>2,017,911</u>	<u>1,128,359</u>
Noncurrent liabilities:		
Notes payable	7,775,159	8,370,767
Capital lease payable		8,008
Compensated absences	309,358	318,155
Risk management claims	40,905	49,924
Cash advances from other funds	43,047	84,597
Net pension liability	5,415,865	5,641,388
Total noncurrent liabilities	<u>13,584,334</u>	<u>14,472,839</u>
Total liabilities	<u>15,602,245</u>	<u>15,601,198</u>
Net Position:		
Net investment in capital assets	44,603,086	43,174,544
Unrestricted	<u>2,824,384</u>	<u>3,072,319</u>
Total Net Position	<u>\$ 47,427,470</u>	<u>\$ 46,246,863</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Charges for services	\$ 8,406,258	\$ 7,274,050
Other services	222,867	125,605
Total operating revenues	<u>8,629,125</u>	<u>7,399,655</u>
Operating Expenses:		
General and administrative	1,768,592	1,822,966
Operations and maintenance	3,601,461	3,802,383
Depreciation	1,947,750	1,853,214
Customer accounts	221,376	207,186
Pension expense	348,614	571,540
Total operating expenses	<u>7,887,793</u>	<u>8,257,289</u>
Operating Income (Loss)	<u>741,332</u>	<u>(857,634)</u>
Nonoperating Income (Expenses):		
Interest income	3,342	2,194
Interest expense	(178,706)	(195,015)
Gain (loss) on disposal of assets	(7,415)	24,066
Net nonoperating expenses	<u>(182,779)</u>	<u>(168,755)</u>
Income (Loss) Before Contributions	558,553	(1,026,389)
Capital Contributions	<u>622,054</u>	<u>1,201,761</u>
Change in Net Position	1,180,607	175,372
Net Position at Beginning of Year, as Restated	<u>46,246,863</u>	<u>46,071,491</u>
Net Position at End of Year	<u>\$ 47,427,470</u>	<u>\$ 46,246,863</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 9,053,322	\$ 7,252,011
Cash paid to vendors	(2,471,312)	(2,784,258)
Cash paid to employees for services	(2,983,525)	(2,851,121)
Net cash provided by (used in) operating activities	<u>3,598,485</u>	<u>1,616,632</u>
Cash Flows from Noncapital and Related Financing Activities:		
Customer deposits		(65,000)
Cash advances from (to) other funds	2,545	(994)
Net cash provided by (used in) noncapital and related financing activities	<u>2,545</u>	<u>(65,994)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	622,054	1,201,761
Purchases of capital assets	(1,922,323)	(1,800,458)
Proceeds from sale of capital assets	1,178	26,465
Principal payment on bonds and notes	(653,383)	(776,733)
Principal payment on capital leases	(8,502)	(14,764)
Interest payment on debt	(178,706)	(195,015)
Cash advances from City of Norwich	(40,106)	(38,713)
Net cash provided by (used in) capital and related financing activities	<u>(2,179,788)</u>	<u>(1,597,457)</u>
Cash Flows from Investing Activities:		
Income on investments	3,342	2,194
Net Increase (Decrease) in Cash and Cash Equivalents	1,424,584	(44,625)
Cash and Cash Equivalents at Beginning of Year	<u>6,207,227</u>	<u>6,251,852</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,631,811</u>	<u>\$ 6,207,227</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 741,332	\$ (857,634)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,947,750	1,853,214
(Increase) decrease in receivables	424,197	(147,644)
(Increase) decrease in inventories and other assets	11,252	9,985
(Increase) decrease in deferred outflows of resources:		
Differences between expected and actual experience	28,413	(133,456)
Changes of assumptions	75,034	(352,428)
Changes in projected investment earnings	470,691	(510,904)
Increase (decrease) in accounts payable and accrued liabilities	125,339	187,172
Increase (decrease) in net pension liability	<u>(225,523)</u>	<u>1,568,327</u>
Total adjustments	<u>2,857,153</u>	<u>2,474,266</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,598,485</u>	<u>\$ 1,616,632</u>