

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

**FINANCIAL STATEMENTS
JUNE 30, 2018**

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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JUNE 30, 2018**

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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, 2018, 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, 2018 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the Department adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Department has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Norwich, Connecticut, as of June 30, 2018 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.

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, 2017 (not presented herein), and have issued our report thereon dated November 15, 2017, 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, 2017 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 2017 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2017 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2018

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2018**

Assets:	
Current:	
Cash and cash equivalents	\$ 35,494,917
Receivables, net:	
User charges	15,086,471
Other	173,044
Due from City of Norwich	55,433
Inventories	1,787,177
Other assets	986,501
Total current assets	<u>53,583,543</u>
Capital assets, net	<u>140,851,547</u>
Total assets	<u>194,435,090</u>
Deferred Outflows of Resources:	
Deferred outflow of resources related to pensions	3,810,863
Deferred outflow of resources related to OPEB	<u>47,444</u>
Total deferred outflows of resources	<u>3,858,307</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	8,003,601
Notes payable	1,237,409
Bonds payable	10,751
Compensated absences	1,791,354
Risk management claims	329,029
Cash advances from other funds	1,064,547
Total current liabilities	<u>12,436,691</u>
Noncurrent liabilities:	
Customer deposits	2,181,852
Notes payable	18,115,119
Bonds payable	10,551
Compensated absences	2,632,667
Risk management claims	751,380
Cash advances from other funds	12,737,460
Net pension liability	35,847,594
Net OPEB liability	6,137,875
Total noncurrent liabilities	<u>78,414,498</u>
Total liabilities	<u>90,851,189</u>
Deferred Inflows of Resources:	
Deferred inflow of resources related to pensions	52,935
Deferred inflow of resources related to OPEB	<u>573,146</u>
Total deferred inflows of resources	<u>626,081</u>
Net Position:	
Net investment in capital assets	121,477,717
Restricted for energy efficiency program	119,598
Unrestricted	<u>(14,781,188)</u>
Total Net Position	<u>\$ 106,816,127</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, 2018**

Operating revenues:	
Charges for services	\$ 91,692,708
Use of property	1,645,733
Other services	1,878,587
Total operating revenues	<u>95,217,028</u>
Operating expenses:	
Purchased gas and electric	32,795,477
Operations and maintenance	15,083,042
General and administrative	17,535,941
Depreciation	7,852,982
Customer accounts	3,607,399
Pension expense	253,889
OPEB expense	2,347,410
Gross revenue and property taxes	2,885,208
Total operating expenses	<u>82,361,348</u>
Operating Income (Loss)	<u>12,855,680</u>
Nonoperating Income (Expenses):	
Interest income	55,682
Interest expense	(927,833)
Loss on disposal of capital assets	(963,929)
Net nonoperating expenses	<u>(1,836,080)</u>
Income Before Contributions and Transfers	11,019,600
Capital Contributions	2,420,913
Transfer out to City of Norwich	<u>(8,489,095)</u>
Change in Net Position	4,951,418
Net Position at Beginning of Year, as Restated	<u>101,864,709</u>
Net Position at End of Year	<u>\$ 106,816,127</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, 2018**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 95,204,652
Cash paid to vendors	(50,672,806)
Cash paid to employees for services	<u>(23,217,828)</u>
Net cash provided by (used in) operating activities	<u>21,314,018</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(8,489,095)
Customer deposits	430,816
Cash advance to other funds	<u>(101,979)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(8,160,258)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	2,420,913
Purchases of capital assets	(9,543,040)
Proceeds from sale of capital assets	36,418
Proceeds from long-term debt	5,082,712
Principal payment on bonds and notes	(1,091,425)
Principal payment on capital leases	(219,406)
Interest payment on debt	(927,833)
Cash advances from City of Norwich	<u>(649,110)</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,890,771)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>55,682</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,318,671
Cash and Cash Equivalents at Beginning of Year	<u>27,176,246</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,494,917</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)	
Operating Activities:	
Operating income (loss)	\$ <u>12,855,680</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	7,852,982
Change in net pension liability and related deferred outflows/inflows	253,889
Change in net OPEB liability and related deferred outflows/inflows	2,347,410
(Increase) decrease in receivables	(12,376)
(Increase) decrease in inventories and other assets	398,605
Increase (decrease) in accounts payable and accrued liabilities	<u>(2,382,172)</u>
Total adjustments	<u>8,458,338</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 21,314,018</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 and OPEB. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, and investment gains and losses. These amounts are deferred and included in pension and OPEB 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 and OPEB plans (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. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, and investment gains and losses. These amounts are deferred and included in pension and OPEB 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 and OPEB plan (active employees and inactive employees).

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.

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

L. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB 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.

M. 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.

N. 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.

O. New Accounting Standards Adopted

Effective for the year ended June 30, 2018, the Town adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, expands disclosure requirements for postemployment benefits that are administered through trusts meeting certain criteria. The standard further requires that the net other post-employment benefits liability be recorded as a liability on the statement of net position and retrospective application. The expanded disclosure is included in Note 7 and restatement effects in Note 16.

P. 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.

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

2. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2018, the carrying amount of the Department's deposits was \$35,494,917, and the bank balance was \$35,617,877. 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	\$ 2,715,355	\$ 8,749,747	\$ 1,024,571	\$ 858,370	\$ 13,348,043
Unbilled revenue	533,707	3,441,867	662,630	540,224	5,178,428
Other	33,047	27,530	108,602	3,865	173,044
Gross receivables	<u>3,282,109</u>	<u>12,219,144</u>	<u>1,795,803</u>	<u>1,402,459</u>	<u>18,699,515</u>
Less allowance for uncollectibles:					
User charges	<u>(900,000)</u>	<u>(2,400,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(3,440,000)</u>
Net Total Receivables	<u>\$ 2,382,109</u>	<u>\$ 9,819,144</u>	<u>\$ 1,725,803</u>	<u>\$ 1,332,459</u>	<u>\$ 15,259,515</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, 2018 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	\$ 1,703,289	\$ 12,900	\$	\$	\$ 1,716,189
Construction in progress	<u>12,926,552</u>	<u>(7,162,491)</u>	<u>10,703,256</u>	<u></u>	<u>16,467,317</u>
Total capital assets not being depreciated	<u>14,629,841</u>	<u>(7,149,591)</u>	<u>10,703,256</u>	<u>-</u>	<u>18,183,506</u>
Capital assets being depreciated:					
Structures and improvements	45,240,978	2,751,971		(1,095,591)	46,897,358
Machinery, equipment pumping and distribution systems	<u>233,630,307</u>	<u>4,397,620</u>	<u></u>	<u>(475,037)</u>	<u>237,552,890</u>
Total capital assets being depreciated	<u>278,871,285</u>	<u>7,149,591</u>	<u>-</u>	<u>(1,570,628)</u>	<u>284,450,248</u>
Less accumulated depreciation for:					
Structures and improvements	(24,551,591)		(846,989)	156,019	(25,242,561)
Machinery, equipment pumping and distribution systems	<u>(129,947,915)</u>	<u></u>	<u>(7,005,993)</u>	<u>414,262</u>	<u>(136,539,646)</u>
Total accumulated depreciation	<u>(154,499,506)</u>	<u>-</u>	<u>(7,852,982)</u>	<u>570,281</u>	<u>(161,782,207)</u>
Total capital assets being depreciated, net	<u>124,371,779</u>	<u>7,149,591</u>	<u>(7,852,982)</u>	<u>(1,000,347)</u>	<u>122,668,041</u>
Business Activities Capital Assets, Net	<u>\$ 139,001,620</u>	<u>\$ -</u>	<u>\$ 2,850,274</u>	<u>\$ (1,000,347)</u>	<u>\$ 140,851,547</u>

Depreciation was charged to the divisions as follows:

Depreciation was charged to the following divisions as follows:

Gas	\$ 2,394,161
Electric	2,200,373
Water	1,148,484
Sewer	<u>2,109,964</u>
Total	<u>\$ 7,852,982</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, 2018 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	\$ 32,154	\$	\$ (10,852)	\$ 21,302	\$ 10,751
Notes payable		1,896,472		1,896,472	143,267
State of Connecticut - serial note	15,350,389	3,186,240	(1,080,573)	17,456,056	1,094,142
Total bonds and notes payable	15,382,543	5,082,712	(1,091,425)	19,373,830	1,248,160
Compensated absences	4,547,410	1,614,175	(1,737,564)	4,424,021	1,791,354
Capital leases	219,406		(219,406)	-	
Workers' compensation	943,504	464,414	(327,509)	1,080,409	329,029
Cash advances	14,451,117	413,941	(1,063,051)	13,802,007	1,064,547
Net pension liability	36,501,074		(653,480)	35,847,594	
Net OPEB liability	4,316,167	1,821,708		6,137,875	
Total Long-Term Liabilities	<u>\$ 76,361,221</u>	<u>\$ 9,396,950</u>	<u>\$ (5,092,435)</u>	<u>\$ 80,665,736</u>	<u>\$ 4,433,090</u>

Outstanding bonds and serial notes payable at June 30, 2018 are comprised of the following:

Description	Interest Rate (%)	Date of Issue	Date of Maturity	(In Thousands)	
				Original Amount Issued	Outstanding June 30, 2018
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 21
Notes payable:					
Equipment financing agreement	4.25	12/28/2017	1/1/2025	1,896	1,896
State of Connecticut serial notes payable:					
Clean Water Act 298-C	2.00	06/30/2000	06/30/2019	1,508	75
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	179
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	407
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	246
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,326
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	4,196
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	1,999
Clean Water Act 707-PD	*	*	*	*	862
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	83
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	196
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	124
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	114
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2015	506	417
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	3,528
Drinking Water State Revolving Fund 2015-7037	2.00	10/31/2016	10/31/2034	1,528	1,381
Drinking Water State Revolving Fund 2017-7056	*	*	*	*	2,324
Total				<u>\$</u>	<u>19,374</u>

* Loans not permanently financed as of June 30, 2018

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

The annual debt service requirements are as follows:

Fiscal Year Ending June 30	(In Thousands)		
	Principal	Interest	Total
2019	\$ 1,248	\$ 303	\$ 1,551
2020	1,340	279	1,619
2021	1,356	257	1,613
2022	1,295	235	1,530
2023	1,233	214	1,447
2024-2028	4,645	791	5,436
2029-2033	4,479	320	4,799
2034-2037	592	30	622
Subtotal	16,188	2,429	18,617
State of Connecticut - serial notes not permanently financed as of June 30, 2018	3,186	-	3,186
Total	\$ 19,374	\$ 2,429	\$ 21,803

6. 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. Effective January 1, 2018, the plan was amended such that employees hired after January 1, 2018 receive a retirement benefit of 1.95% of average final earnings during the highest 3 of the last 10 consecutive-year period.

Employees are required to contribute 8.5% 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, 2018 was \$2,962,816, equal to the required contribution for the year. Employer contributions in 2017 and 2016 were \$2,576,362 and \$2,242,000, respectively, and equal to the required contribution for each year.

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

B. Net Pension Liability of the Department

The components of the net pension liability of the Department at June 30, 2018 were as follows:

Total pension liability	\$ 93,522,190
Plan fiduciary net position	<u>(57,674,596)</u>
Net Pension Liability	<u>\$ 35,847,594</u>
Plan fiduciary net position as a percentage of the total pension liability	61.67%

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 July 1, 2017	\$ <u>91,682,835</u>	\$ <u>55,181,761</u>	\$ <u>36,501,074</u>
Changes for the year:			
Service cost	1,620,040		1,620,040
Interest on total pension liability	7,010,104		7,010,104
Difference between expected and actual experience	(98,152)		(98,152)
Change in benefit terms	(2,501,033)		(2,501,033)
Change in assumptions	1,616,618		1,616,618
Employer contributions		2,962,816	(2,962,816)
Member contributions		1,323,701	(1,323,701)
Net investment income		4,028,976	(4,028,976)
Benefit payments, including refund to employee contributions	(5,808,222)	(5,808,222)	-
Administrative expenses		(14,436)	14,436
Net changes	<u>1,839,355</u>	<u>2,492,835</u>	<u>(653,480)</u>
Balances as of June 30, 2018	\$ <u><u>93,522,190</u></u>	\$ <u><u>57,674,596</u></u>	\$ <u><u>35,847,594</u></u>

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

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

For the year ended June 30, 2018, the Department recognized pension expense of \$253,889. At June 30, 2018, the Department reported deferred outflows and inflows 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	\$ 503,057	\$ 52,935
Changes of assumptions	2,066,583	
Net difference between projected and actual earnings on pension plan investments	<u>1,241,223</u>	<u>-</u>
Total	<u>\$ 3,810,863</u>	<u>\$ 52,935</u>

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

Year Ending June 30

2019	\$ 1,873,138
2020	1,400,751
2021	241,055
2022	180,695
2023	62,289

7. OTHER POST EMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

Employees are entitled to certain benefits from the City, including postemployment health benefits through the City retiree health plan (RHP). 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 medical coverage and life insurance benefits to the Department under the RHP. All Department employees are eligible to join at age 55 with 25 years of service or age 60 with 5 years of service. The City pays 95% of the cost of insurance for the retiree before the age of 65 and provides between \$10,000 to \$25,000 in life insurance benefit for those retirees with 10 years of service.

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

B. Net OPEB Liability of the Department

The Department's net OPEB liability was measured as of June 30, 2018. The components of the net OPEB liability of the Department at June 30, 2018 were as follows:

Total OPEB liability	\$ 7,116,285
Plan fiduciary net position	<u>(978,410)</u>
Net OPEB Liability	<u>\$ 6,137,875</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.75%

C. Changes in Net OPEB Liability

NPU Portion of the City Retiree Health Plan			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of July 1, 2017	\$ <u>5,871,510</u>	\$ <u>1,555,343</u>	\$ <u>4,316,167</u>
Changes for the year:			
Service cost	184,188		184,188
Interest on total OPEB liability	420,758		420,758
Difference between expected and actual experience	2,089,115		2,089,115
Change in assumptions	(172,331)		(172,331)
Employer contributions		602,607	(602,607)
Net investment income		99,561	(99,561)
Benefit payments, including refund to employee contributions	(1,276,955)	(1,276,955)	-
Administrative expenses		(2,146)	2,146
Net changes	<u>1,244,775</u>	<u>(576,933)</u>	<u>1,821,708</u>
Balances as of June 30, 2018	<u>\$ 7,116,285</u>	<u>\$ 978,410</u>	<u>\$ 6,137,875</u>

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

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Department recognized OPEB expense of \$2,347,410. At June 30, 2018, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>NPU Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 177,008
Changes of assumptions		396,138
Net difference between projected and actual earnings on OPEB plan investments		<u>47,444</u>
Total	<u>\$ 47,444</u>	<u>\$ 573,146</u>

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

Year Ending June 30

2019	\$	(112,736)
2020		(112,736)
2021		(112,736)
2022		(112,736)
2023		(74,758)

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.

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

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 \$1,080,409 for estimated unpaid accrued losses on reported claims as of June 30, 2018. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including the frequency and amounts of payouts, and other economic and social factors.

The Department purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years.

9. SEWER CAPITAL CONNECTION FEES

The Department has established a sewer capital connection fee and levies this fee for new connections and for changes in use, which result in an increase of existing waste water discharge to the sewer system. A fee of \$2,500 for each 200 gallons per day increased discharge is assessed. The revenues received from the sewer capital connection fee have been designated by the Department to partially offset costs associated with planned upgrades to the wastewater treatment plant. The designated balance of funds included in the Sewer Division’s cash and cash equivalents at June 30, 2018 is \$1,301,317.

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, 2017	\$	273,396
Deposits into the fund		789,219
Investment income		1,232
Approved program expenses		<u>(944,249)</u>
Funds Held by CMEEC, June 30, 2018	\$	<u>119,598</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, 2018, the Electric Division reported net revenue of \$1,453,764 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, 2018 was \$27.28 million.

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

During the 2012 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide cap and trading program as proposed by the RGGI in Connecticut. During the 2018 fiscal year, the share of contributions to the fund received by the Department totaled \$43,247, with drawdowns of \$122,481, and interest on the fund of \$2,303. The balance of the Department's funds held by CMEEC for the RGGI was \$220,655 for the year ended June 30, 2018.

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

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, 2018 was \$240,501. For the year ended June 30, 2018, the Department's contributions to the fund totaled \$155,505, with distributions to NCDC of \$150,000. 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, 2018 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 16,532,485
Department - rate stabilization funds on deposit with CMEEC	<u>(14,430,515)</u>
Net Deferred Fixed Cost Obligation	\$ <u><u>2,101,970</u></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 \$2,101,970.

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

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

Combined Sewer Overflows

Under various consent decrees issued by the State of Connecticut Department of Environmental Protection (consent decrees), the Department is required to eliminate certain combined storm and sanitary sewers. The estimated cost of these improvements is \$53,000,000. As of June 30, 2018, \$3,383,122 relating to these projects, including capitalized interest, has been incurred and included in property, plant and equipment. Based on current engineering estimates, completion of these projects will be within the next 15 years. Funding for these improvements is being provided by the State of Connecticut's Clean Water Fund in the form of loans and grants. As of June 30, 2018, the State is committed to providing the Department funding in the form of loans and grants of \$1,655,000 and \$345,000, respectively, with loans and grants yet to be expended of \$552,197 and \$233,377, respectively.

14. LITIGATION

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

15. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of June 30, 2018 and 2017, the Department has purchased \$1,160,216 and \$1,861,462 in capital assets on account, respectively, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

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

16. PRIOR PERIOD ADJUSTMENT - RESTATEMENT

The following restatements were recorded as a result of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPEB expense at June 30, 2017, as previously reported	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments:					
Record total OPEB expense per GASB No. 75	<u>(81,676)</u>	<u>(142,381)</u>	<u>(64,002)</u>	<u>(51,833)</u>	<u>(339,892)</u>
OPEB Expense at June 30, 2017, as Restated	<u>\$ (81,676)</u>	<u>\$ (142,381)</u>	<u>\$ (64,002)</u>	<u>\$ (51,833)</u>	<u>\$ (339,892)</u>
Net OPEB liability at June 30, 2017, as previously reported	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments:					
Record starting net OPEB liability per GASB No. 75	<u>(1,037,175)</u>	<u>(1,808,042)</u>	<u>(812,734)</u>	<u>(658,216)</u>	<u>(4,316,167)</u>
Net OPEB Liability Balance at June 30, 2017, as Restated	<u>\$ (1,037,175)</u>	<u>\$ (1,808,042)</u>	<u>\$ (812,734)</u>	<u>\$ (658,216)</u>	<u>\$ (4,316,167)</u>
Net position balance at June 30, 2017, as previously reported	\$ 14,565,285	\$ 23,477,609	\$ 20,710,512	\$ 47,427,470	\$ 106,180,876
Adjustments:					
Record starting net OPEB liability per GASB No. 75	<u>(1,037,175)</u>	<u>(1,808,042)</u>	<u>(812,734)</u>	<u>(658,216)</u>	<u>(4,316,167)</u>
Net Position Balance at July 1, 2017, as Restated	<u>\$ 13,528,110</u>	<u>\$ 21,669,567</u>	<u>\$ 19,897,778</u>	<u>\$ 46,769,254</u>	<u>\$ 101,864,709</u>
Net position balance at June 30, 2016, as previously reported	\$ 11,284,939	\$ 24,468,328	\$ 19,127,566	\$ 46,246,863	\$ 101,127,696
Adjustments:					
Record starting net OPEB liability per GASB No. 75	<u>(1,118,851)</u>	<u>(1,950,423)</u>	<u>(876,736)</u>	<u>(710,049)</u>	<u>(4,656,059)</u>
Net Position Balance at July 1, 2016, as Restated	<u>\$ 10,166,088</u>	<u>\$ 22,517,905</u>	<u>\$ 18,250,830</u>	<u>\$ 45,536,814</u>	<u>\$ 96,471,637</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2018**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 3,217,096	\$ 18,987,636	\$ 4,229,686	\$ 9,060,499	\$ 35,494,917
Receivables, net:					
User charges	2,349,062	9,791,614	1,617,201	1,328,594	15,086,471
Other	33,047	27,530	108,602	3,865	173,044
Due from City of Norwich	72,141				72,141
Inventories	930,000	576,550	229,108	51,519	1,787,177
Other assets	173,380	596,394	130,036	86,691	986,501
Total current assets	<u>6,774,726</u>	<u>29,979,724</u>	<u>6,314,633</u>	<u>10,531,168</u>	<u>53,600,251</u>
Capital assets, net	<u>33,723,268</u>	<u>21,449,588</u>	<u>33,141,380</u>	<u>52,537,311</u>	<u>140,851,547</u>
Total assets	<u>40,497,994</u>	<u>51,429,312</u>	<u>39,456,013</u>	<u>63,068,479</u>	<u>194,451,798</u>
Deferred Outflows of Resources:					
Deferred outflow of resources related to pensions	883,171	1,605,515	747,687	574,490	3,810,863
Deferred outflow of resources related to OPEB	<u>10,334</u>	<u>21,487</u>	<u>8,621</u>	<u>7,002</u>	<u>47,444</u>
Total deferred outflows of resources	<u>893,505</u>	<u>1,627,002</u>	<u>756,308</u>	<u>581,492</u>	<u>3,858,307</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	852,692	6,281,870	514,786	354,253	8,003,601
Notes payable		143,267	488,035	606,107	1,237,409
Bonds payable			10,751		10,751
Compensated absences	478,939	739,055	303,476	269,884	1,791,354
Risk management claims	238,827	58,440	21,123	10,639	329,029
Cash advances from other funds	1,021,500			43,047	1,064,547
Due to City of Norwich		9,325	2,437	4,946	16,708
Total current liabilities	<u>2,591,958</u>	<u>7,231,957</u>	<u>1,340,608</u>	<u>1,288,876</u>	<u>12,453,399</u>
Noncurrent liabilities:					
Customer deposits	10,000	2,171,852			2,181,852
Notes payable		1,753,205	8,331,250	8,030,664	18,115,119
Bonds payable			10,551		10,551
Compensated absences	796,910	1,061,791	392,731	381,235	2,632,667
Risk management claims	536,424	136,513	52,394	26,049	751,380
Cash advances from other funds	12,737,460				12,737,460
Net pension liability	8,169,218	15,365,859	6,993,104	5,319,413	35,847,594
Net OPEB liability	1,433,944	2,633,093	1,143,738	927,100	6,137,875
Total noncurrent liabilities	<u>23,683,956</u>	<u>23,122,313</u>	<u>16,923,768</u>	<u>14,684,461</u>	<u>78,414,498</u>
Total liabilities	<u>26,275,914</u>	<u>30,354,270</u>	<u>18,264,376</u>	<u>15,973,337</u>	<u>90,867,897</u>
Deferred Inflows of Resources:					
Deferred inflow of resources related to pensions	11,529	23,975	9,618	7,813	52,935
Deferred inflow of resources related to OPEB	<u>124,831</u>	<u>259,578</u>	<u>104,141</u>	<u>84,596</u>	<u>573,146</u>
Total deferred outflows of resources	<u>136,360</u>	<u>283,553</u>	<u>113,759</u>	<u>92,409</u>	<u>626,081</u>
Net Position:					
Net investment in capital assets	33,723,268	19,553,116	24,300,793	43,900,540	121,477,717
Restricted for energy efficiency program		119,598			119,598
Unrestricted	<u>(18,744,043)</u>	<u>2,745,777</u>	<u>(2,466,607)</u>	<u>3,683,685</u>	<u>(14,781,188)</u>
Total Net Position	<u>\$ 14,979,225</u>	<u>\$ 22,418,491</u>	<u>\$ 21,834,186</u>	<u>\$ 47,584,225</u>	<u>\$ 106,816,127</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 19,596,954	\$ 52,866,166	\$ 10,858,421	\$ 8,371,167	\$ 91,692,708
Use of property		1,561,394	84,339		1,645,733
Other services	<u>272,521</u>	<u>1,244,514</u>	<u>92,888</u>	<u>268,664</u>	<u>1,878,587</u>
Total operating revenues	<u>19,869,475</u>	<u>55,672,074</u>	<u>11,035,648</u>	<u>8,639,831</u>	<u>95,217,028</u>
Operating Expenses:					
Purchased gas and electric	5,506,952	27,288,525			32,795,477
Operations and maintenance	2,389,291	5,522,825	3,727,648	3,443,278	15,083,042
General and administrative	4,064,594	8,817,335	2,558,054	2,095,958	17,535,941
Depreciation	2,394,161	2,200,373	1,148,484	2,109,964	7,852,982
Customer accounts	620,743	2,417,969	340,355	228,332	3,607,399
Pension expense	55,298	114,986	46,132	37,473	253,889
OPEB expense	511,266	1,063,142	426,524	346,478	2,347,410
Gross revenue and property taxes	<u>921,869</u>	<u>1,805,351</u>	<u>157,988</u>		<u>2,885,208</u>
Total operating expenses	<u>16,464,174</u>	<u>49,230,506</u>	<u>8,405,185</u>	<u>8,261,483</u>	<u>82,361,348</u>
Operating Income	<u>3,405,301</u>	<u>6,441,568</u>	<u>2,630,463</u>	<u>378,348</u>	<u>12,855,680</u>
Nonoperating Income (Expenses):					
Interest income	1,640	27,604	12,716	13,722	55,682
Interest expense	(552,918)	(69,062)	(140,754)	(165,099)	(927,833)
Gain (loss) on disposal of capital assets	<u>17,586</u>	<u>(44,830)</u>	<u>1,511</u>	<u>(938,196)</u>	<u>(963,929)</u>
Net nonoperating expenses	<u>(533,692)</u>	<u>(86,288)</u>	<u>(126,527)</u>	<u>(1,089,573)</u>	<u>(1,836,080)</u>
Income Before Contributions and Transfers	2,871,609	6,355,280	2,503,936	(711,225)	11,019,600
Capital Contributions	271,116	285,302	338,299	1,526,196	2,420,913
Transfers out to City of Norwich	<u>(1,691,610)</u>	<u>(5,891,658)</u>	<u>(905,827)</u>		<u>(8,489,095)</u>
Change in Net Position	1,451,115	748,924	1,936,408	814,971	4,951,418
Net Position at Beginning of Year, as Restated	<u>13,528,110</u>	<u>21,669,567</u>	<u>19,897,778</u>	<u>46,769,254</u>	<u>101,864,709</u>
Net Position at End of Year	<u>\$ 14,979,225</u>	<u>\$ 22,418,491</u>	<u>\$ 21,834,186</u>	<u>\$ 47,584,225</u>	<u>\$ 106,816,127</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2018**

	<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	\$ 19,393,773	\$ 55,757,775	\$ 11,192,259	\$ 8,860,845	\$ 95,204,652
Cash paid to vendors	(8,715,356)	(35,381,339)	(3,095,640)	(3,480,471)	(50,672,806)
Cash paid to employees for services	(4,963,486)	(11,100,008)	(4,076,018)	(3,078,316)	(23,217,828)
Net cash provided by (used in) operating activities	<u>5,714,931</u>	<u>9,276,428</u>	<u>4,020,601</u>	<u>2,302,058</u>	<u>21,314,018</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,691,610)	(5,891,658)	(905,827)		(8,489,095)
Customer deposits		430,816			430,816
Cash advance from (to) other funds	(75,176)	(16,448)	1,152	(11,507)	(101,979)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,766,786)</u>	<u>(5,477,290)</u>	<u>(904,675)</u>	<u>(11,507)</u>	<u>(8,160,258)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	271,116	285,302	338,299	1,526,196	2,420,913
Purchases of capital assets	(1,580,793)	(1,856,237)	(3,651,404)	(2,454,606)	(9,543,040)
Proceeds from sale of capital assets	19,758	8,416	6,766	1,478	36,418
Proceeds from long-term debt		1,896,472	2,324,629	861,611	5,082,712
Principal payment on bonds and notes			(495,819)	(595,606)	(1,091,425)
Principal payment on capital leases	(16,017)	(183,368)	(12,013)	(8,008)	(219,406)
Interest payment on debt	(552,918)	(69,062)	(140,754)	(165,099)	(927,833)
Cash advances from City of Norwich	(607,559)			(41,551)	(649,110)
Net cash provided by (used in) capital and related financing activities	<u>(2,466,413)</u>	<u>81,523</u>	<u>(1,630,296)</u>	<u>(875,585)</u>	<u>(4,890,771)</u>
Cash Flows from Investing Activities:					
Income on investments	1,640	27,604	12,716	13,722	55,682
Net Increase (Decrease) in Cash and Cash Equivalents	1,483,372	3,908,265	1,498,346	1,428,688	8,318,671
Cash and Cash Equivalents at Beginning of Year	1,733,724	15,079,371	2,731,340	7,631,811	27,176,246
Cash and Cash Equivalents at End of Year	<u>\$ 3,217,096</u>	<u>\$ 18,987,636</u>	<u>\$ 4,229,686</u>	<u>\$ 9,060,499</u>	<u>\$ 35,494,917</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 3,405,301	\$ 6,441,568	\$ 2,630,463	\$ 378,348	\$ 12,855,680
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,394,161	2,200,373	1,148,484	2,109,964	7,852,982
Change in net pension liability and related deferred outflows/inflows	55,298	114,986	46,132	37,473	253,889
Change in net OPEB liability and related deferred outflows/inflows	511,266	1,063,142	426,524	346,478	2,347,410
(Increase) decrease in receivables	(475,702)	85,701	156,611	221,014	(12,376)
(Increase) decrease in inventories and other assets	98,765	264,815	11,266	23,759	398,605
Increase (decrease) in accounts payable and accrued liabilities	(274,158)	(894,157)	(398,879)	(814,978)	(2,382,172)
Total adjustments	<u>2,309,630</u>	<u>2,834,860</u>	<u>1,390,138</u>	<u>1,923,710</u>	<u>8,458,338</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,714,931</u>	<u>\$ 9,276,428</u>	<u>\$ 4,020,601</u>	<u>\$ 2,302,058</u>	<u>\$ 21,314,018</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 3,217,096	\$ 1,733,724
Receivables, net:		
User charges	2,349,062	1,851,420
Other	33,047	54,987
Due from City of Norwich	72,141	
Inventories	930,000	989,652
Other assets	173,380	212,493
Total current assets	<u>6,774,726</u>	<u>4,842,276</u>
Capital assets, net	<u>33,723,268</u>	<u>34,364,809</u>
Total assets	<u>40,497,994</u>	<u>39,207,085</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	883,171	1,069,268
Deferred outflow of resources related to OPEB	<u>10,334</u>	
Total deferred outflows of resources	<u>893,505</u>	<u>1,069,268</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	852,692	1,132,291
Capital lease payable		16,017
Compensated absences	478,939	471,971
Risk management claims	238,827	177,054
Cash advances from other funds	1,021,500	1,021,500
Due to City of Norwich		3,035
Total current liabilities	<u>2,591,958</u>	<u>2,821,868</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Compensated absences	796,910	893,750
Risk management claims	536,424	328,885
Cash advances from other funds	12,737,460	13,345,019
Net pension liability	8,169,218	8,311,546
Net OPEB liability	<u>1,433,944</u>	<u>1,037,175</u>
Total noncurrent liabilities	<u>23,683,956</u>	<u>23,926,375</u>
Total liabilities	<u>26,275,914</u>	<u>26,748,243</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	11,529	
Deferred inflow of resources related to OPEB	<u>124,831</u>	
Total deferred outflows of resources	<u>136,360</u>	<u>-</u>
Net Position:		
Net investment in capital assets	33,723,268	34,348,792
Unrestricted	<u>(18,744,043)</u>	<u>(20,820,682)</u>
Total Net Position	<u>\$ 14,979,225</u>	<u>\$ 13,528,110</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 19,596,954	\$ 16,328,081
Other services	272,521	308,148
Total operating revenues	<u>19,869,475</u>	<u>16,636,229</u>
Operating Expenses:		
Purchased gas	5,506,952	3,939,786
Operations and maintenance	2,389,291	2,541,413
General and administrative	4,064,594	3,656,931
Depreciation	2,394,161	2,336,753
Customer accounts	620,743	691,159
Pension expense	55,298	549,325
OPEB expense	511,266	(81,676)
Gross revenue and property taxes	921,869	802,014
Total operating expenses	<u>16,464,174</u>	<u>14,435,705</u>
Operating Income	<u>3,405,301</u>	<u>2,200,524</u>
Nonoperating Income (Expenses):		
Interest income	1,640	937
Interest expense	(552,918)	(480,034)
Gain (loss) on disposal of capital assets	17,586	(44,359)
Net nonoperating expenses	<u>(533,692)</u>	<u>(523,456)</u>
Income Before Contributions and Transfers	2,871,609	1,677,068
Capital Contributions	271,116	3,596,021
Transfers out to City of Norwich	<u>(1,691,610)</u>	<u>(1,911,067)</u>
Change in Net Position	1,451,115	3,362,022
Net Position at Beginning of Year, as Restated	<u>13,528,110</u>	<u>10,166,088</u>
Net Position at End of Year	<u>\$ 14,979,225</u>	<u>\$ 13,528,110</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 19,393,773	\$ 17,975,746
Cash paid to vendors	(8,715,356)	(7,145,757)
Cash paid to employees for services	(4,963,486)	(4,554,163)
Net cash provided by (used in) operating activities	<u>5,714,931</u>	<u>6,275,826</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,691,610)	(1,911,067)
Cash advances from (to) other funds	(75,176)	(17,543)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,766,786)</u>	<u>(1,928,610)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	271,116	3,596,021
Purchases of capital assets	(1,580,793)	(6,828,106)
Proceeds from sale of capital assets	19,758	19,131
Payments on capital leases	(16,017)	(16,432)
Interest payment on debt	(552,918)	(480,034)
Cash advances from (to) City of Norwich	(607,559)	349,252
Net cash provided by (used in) capital and related financing activities	<u>(2,466,413)</u>	<u>(3,360,168)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>1,640</u>	<u>937</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,483,372	987,985
Cash and Cash Equivalents at Beginning of Year	<u>1,733,724</u>	<u>745,739</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,217,096</u>	<u>\$ 1,733,724</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>3,405,301</u>	\$ <u>2,200,524</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,394,161	2,336,753
Change in net pension liability and related deferred outflows/inflows	55,298	549,323
Change in net OPEB liability and related deferred outflows/inflows	511,266	(81,676)
(Increase) decrease in receivables	(475,702)	1,339,517
(Increase) decrease in inventories and other assets	98,765	146,729
Increase (decrease) in accounts payable and accrued liabilities	(274,158)	(215,344)
Total adjustments	<u>2,309,630</u>	<u>4,075,302</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,714,931</u>	<u>\$ 6,275,826</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 18,987,636	\$ 15,079,371
Receivables, net:		
User charges	9,791,614	9,899,145
Other	27,530	5,700
Inventories	576,550	582,012
Other assets	596,394	855,747
Total current assets	<u>29,979,724</u>	<u>26,421,975</u>
Capital assets, net	<u>21,449,588</u>	<u>21,304,340</u>
Total assets	<u>51,429,312</u>	<u>47,726,315</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	1,605,515	1,992,489
Deferred outflow of resources related to OPEB	21,487	
Total deferred outflows of resources	<u>1,627,002</u>	<u>1,992,489</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	6,281,870	6,499,469
Notes payable	143,267	
Capital leases payable		183,368
Compensated absences	739,055	738,623
Risk management claims	58,440	89,467
Due to City of Norwich	9,325	25,773
Total current liabilities	<u>7,231,957</u>	<u>7,536,700</u>
Noncurrent liabilities:		
Customer deposits	2,171,852	1,741,036
Notes payable	1,753,205	
Compensated absences	1,061,791	1,133,231
Risk management claims	136,513	168,406
Net pension liability	15,365,859	15,661,822
Net OPEB liability	2,633,093	1,808,042
Total noncurrent liabilities	<u>23,122,313</u>	<u>20,512,537</u>
Total liabilities	<u>30,354,270</u>	<u>28,049,237</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	23,975	
Deferred inflow of resources related to OPEB	259,578	
Total deferred outflows of resources	<u>283,553</u>	<u>-</u>
Net Position:		
Net investment in capital assets	19,553,116	21,120,972
Restricted for energy efficiency purposes	119,598	273,396
Unrestricted	2,745,777	275,199
Total Net Position	<u>\$ 22,418,491</u>	<u>\$ 21,669,567</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 52,866,166	\$ 51,492,363
Use of property	1,561,394	751,888
Other services	1,244,514	605,036
Total operating revenues	<u>55,672,074</u>	<u>52,849,287</u>
Operating Expenses:		
Purchased electric	27,288,525	27,801,925
Operations and maintenance	5,522,825	4,959,223
General and administrative	8,817,335	7,706,218
Depreciation	2,200,373	2,104,695
Customer accounts	2,417,969	2,548,919
Pension expense	114,986	957,603
OPEB expense	1,063,142	(142,381)
Gross revenue and property taxes	1,805,351	1,938,983
Total operating expenses	<u>49,230,506</u>	<u>47,875,185</u>
Operating Income	<u>6,441,568</u>	<u>4,974,102</u>
Nonoperating Income (Expenses):		
Interest income	27,604	7,154
Interest expense	(69,062)	(47,789)
Loss on disposal of capital assets	(44,830)	(32,340)
Net nonoperating expenses	<u>(86,288)</u>	<u>(72,975)</u>
Income Before Contributions and Transfers	6,355,280	4,901,127
Capital Contributions	285,302	128,024
Transfers out to City of Norwich	<u>(5,891,658)</u>	<u>(5,877,489)</u>
Change in Net Position	748,924	(848,338)
Net Position at Beginning of Year, as Restated	<u>21,669,567</u>	<u>22,517,905</u>
Net Position at End of Year	<u>\$ 22,418,491</u>	<u>\$ 21,669,567</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 55,757,775	\$ 54,656,064
Cash paid to vendors	(35,381,339)	(35,209,912)
Cash paid to employees for services	(11,100,008)	(9,535,160)
Net cash provided by (used in) operating activities	<u>9,276,428</u>	<u>9,910,992</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,891,658)	(5,877,489)
Net change in customer deposits	430,816	310,638
Cash advances from (to) other funds	(16,448)	1,503
Net cash provided by (used in) noncapital and related financing activities	<u>(5,477,290)</u>	<u>(5,565,348)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	285,302	128,024
Purchases of capital assets	(1,856,237)	(950,474)
Proceeds from sale of capital assets	8,416	12,820
Proceeds from long-term debt	1,896,472	
Principal payment on capital leases	(183,368)	(293,834)
Interest payment on debt	(69,062)	(47,789)
Net cash provided by (used in) capital and related financing activities	<u>81,523</u>	<u>(1,151,253)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>27,604</u>	<u>7,154</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,908,265	3,201,545
Cash and Cash Equivalents at Beginning of Year	<u>15,079,371</u>	<u>11,877,826</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,987,636</u>	<u>\$ 15,079,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 6,441,568	\$ 4,974,102
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,200,373	2,104,695
Change in net pension liability and related deferred outflows/inflows	114,986	957,604
Change in net OPEB liability and related deferred outflows/inflows	1,063,142	(142,381)
(Increase) decrease in receivables	85,701	1,806,777
(Increase) decrease in inventories and other assets	264,815	209,625
Increase (decrease) in accounts payable and accrued liabilities	(894,157)	570
Total adjustments	<u>2,834,860</u>	<u>4,936,890</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 9,276,428</u>	<u>\$ 9,910,992</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 4,229,686	\$ 2,731,340
Receivables, net:		
User charges	1,617,201	1,476,319
Other	108,602	406,095
Inventories	229,108	211,040
Other assets	130,036	159,370
Total current assets	<u>6,314,633</u>	<u>4,984,164</u>
Capital assets, net	<u>33,141,380</u>	<u>30,350,611</u>
Total assets	<u>39,456,013</u>	<u>35,334,775</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	747,687	902,938
Deferred outflow of resources related to OPEB	8,621	-
Total deferred outflows of resources	<u>756,308</u>	<u>902,938</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	514,786	521,666
Notes payable	488,035	484,969
Bonds payable	10,751	10,852
Capital leases payable		12,013
Compensated absences	303,476	277,582
Risk management claims	21,123	39,731
Due to City of Norwich	2,437	1,285
Total current liabilities	<u>1,340,608</u>	<u>1,348,098</u>
Noncurrent liabilities:		
Notes payable	8,331,250	6,494,654
Bonds payable	10,551	21,302
Compensated absences	392,731	473,507
Risk management claims	52,394	77,799
Net pension liability	6,993,104	7,111,841
Net OPEB liability	1,143,738	812,734
Total noncurrent liabilities	<u>16,923,768</u>	<u>14,991,837</u>
Total liabilities	<u>18,264,376</u>	<u>16,339,935</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	9,618	
Deferred inflow of resources related to OPEB	104,141	
Total deferred outflows of resources	<u>113,759</u>	<u>-</u>
Net Position:		
Net investment in capital assets	24,300,793	23,326,821
Unrestricted	<u>(2,466,607)</u>	<u>(3,429,043)</u>
Total Net Position	<u>\$ 21,834,186</u>	<u>\$ 19,897,778</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 10,858,421	\$ 10,396,565
Use of property	84,339	78,606
Other services	92,888	17,658
Total operating revenues	<u>11,035,648</u>	<u>10,492,829</u>
Operating Expenses:		
Operations and maintenance	3,727,648	3,723,432
General and administrative	2,558,054	2,265,377
Depreciation	1,148,484	1,182,498
Customer accounts	340,355	327,926
Pension expense	46,132	430,453
OPEB expense	426,524	(64,002)
Gross revenue and property taxes	157,988	150,431
Total operating expenses	<u>8,405,185</u>	<u>8,016,115</u>
Operating Income	<u>2,630,463</u>	<u>2,476,714</u>
Nonoperating Income (Expenses):		
Interest income	12,716	1,275
Interest expense	(140,754)	(152,297)
Gain (loss) on disposal of capital assets	1,511	(35,129)
Net nonoperating expenses	<u>(126,527)</u>	<u>(186,151)</u>
Income Before Contributions and Transfers	2,503,936	2,290,563
Capital Contributions	338,299	238,674
Transfers out to City of Norwich	<u>(905,827)</u>	<u>(882,289)</u>
Change in Net Position	1,936,408	1,646,948
Net Position at Beginning of Year, as Restated	<u>19,897,778</u>	<u>18,250,830</u>
Net Position at End of Year	<u>\$ 21,834,186</u>	<u>\$ 19,897,778</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 11,192,259	\$ 10,269,948
Cash paid to vendors	(3,095,640)	(2,803,172)
Cash paid to employees for services	(4,076,018)	(3,798,571)
Net cash provided by (used in) operating activities	<u>4,020,601</u>	<u>3,668,205</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(905,827)	(882,289)
Cash advances from (to) other funds	1,152	(6,221)
Net cash provided by (used in) noncapital and related financing activities	<u>(904,675)</u>	<u>(888,510)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	338,299	238,674
Purchases of capital assets	(3,651,404)	(1,637,583)
Proceeds from sale of capital assets	6,766	3,419
Proceeds from long-term debt	2,324,629	1,528,016
Principal payment on bonds and notes	(495,819)	(589,888)
Principal payment on capital leases	(12,013)	(12,467)
Interest payment on debt	(140,754)	(152,297)
Net cash provided by (used in) capital and related financing activities	<u>(1,630,296)</u>	<u>(622,126)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>12,716</u>	<u>1,275</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,498,346	2,158,844
Cash and Cash Equivalents at Beginning of Year	<u>2,731,340</u>	<u>572,496</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,229,686</u>	<u>\$ 2,731,340</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>2,630,463</u>	\$ <u>2,476,714</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,148,484	1,182,498
Change in net pension liability and related deferred outflows/inflows	46,132	430,452
Change in net OPEB liability and related deferred outflows/inflows	426,524	(64,002)
(Increase) decrease in receivables	156,611	(222,881)
(Increase) decrease in inventories and other assets	11,266	24,206
Increase (decrease) in accounts payable and accrued liabilities	(398,879)	(158,782)
Total adjustments	<u>1,390,138</u>	<u>1,191,491</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 4,020,601</u>	<u>\$ 3,668,205</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 9,060,499	\$ 7,631,811
Receivables, net:		
User charges	1,328,594	1,328,098
Other	3,865	225,375
Inventories	51,519	55,723
Other assets	86,691	106,246
Total current assets	<u>10,531,168</u>	<u>9,347,253</u>
Capital assets, net	<u>52,537,311</u>	<u>52,981,860</u>
Total assets	<u>63,068,479</u>	<u>62,329,113</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	574,490	700,602
Deferred outflow of resources related to OPEB	7,002	-
Total deferred outflows of resources	<u>581,492</u>	<u>700,602</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	354,253	1,085,647
Notes payable	606,107	595,607
Capital lease payable		8,008
Compensated absences	269,884	249,388
Risk management claims	10,639	21,257
Cash advances from other funds	43,047	41,551
Due to City of Norwich	4,946	16,453
Total current liabilities	<u>1,288,876</u>	<u>2,017,911</u>
Noncurrent liabilities:		
Notes payable	8,030,664	7,775,159
Compensated absences	381,235	309,358
Risk management claims	26,049	40,905
Cash advances from other funds		43,047
Net pension liability	5,319,413	5,415,865
Net OPEB liability	927,100	658,216
Total noncurrent liabilities	<u>14,684,461</u>	<u>14,242,550</u>
Total liabilities	<u>15,973,337</u>	<u>16,260,461</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	7,813	
Deferred inflow of resources related to OPEB	84,596	
Total deferred outflows of resources	<u>92,409</u>	<u>-</u>
Net Position:		
Net investment in capital assets	43,900,540	44,603,086
Unrestricted	3,683,685	2,166,168
Total Net Position	<u>\$ 47,584,225</u>	<u>\$ 46,769,254</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 8,371,167	\$ 8,406,258
Other services	268,664	222,867
Total operating revenues	<u>8,639,831</u>	<u>8,629,125</u>
Operating Expenses:		
Operations and maintenance	3,443,278	3,601,461
General and administrative	2,095,958	1,768,592
Depreciation	2,109,964	1,947,750
Customer accounts	228,332	221,376
Pension expense	37,473	348,614
OPEB expense	346,478	(51,833)
Total operating expenses	<u>8,261,483</u>	<u>7,835,960</u>
Operating Income	<u>378,348</u>	<u>793,165</u>
Nonoperating Income (Expenses):		
Interest income	13,722	3,342
Interest expense	(165,099)	(178,706)
Loss on disposal of assets	(938,196)	(7,415)
Net nonoperating expenses	<u>(1,089,573)</u>	<u>(182,779)</u>
Loss Before Contributions	(711,225)	610,386
Capital Contributions	<u>1,526,196</u>	<u>622,054</u>
Change in Net Position	814,971	1,232,440
Net Position at Beginning of Year, as Restated	<u>46,769,254</u>	<u>45,536,814</u>
Net Position at End of Year	<u>\$ 47,584,225</u>	<u>\$ 46,769,254</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 8,860,845	\$ 9,053,322
Cash paid to vendors	(3,480,471)	(2,471,312)
Cash paid to employees for services	(3,078,316)	(2,983,525)
Net cash provided by (used in) operating activities	<u>2,302,058</u>	<u>3,598,485</u>
Cash Flows from Noncapital and Related Financing Activities:		
Cash advances from (to) other funds	<u>(11,507)</u>	<u>2,545</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	1,526,196	622,054
Purchases of capital assets	(2,454,606)	(1,922,323)
Proceeds from sale of capital assets	1,478	1,178
Proceeds from long-term debt	861,611	
Principal payment on bonds and notes	(595,606)	(653,383)
Principal payment on capital leases	(8,008)	(8,502)
Interest payment on debt	(165,099)	(178,706)
Cash advances from City of Norwich	(41,551)	(40,106)
Net cash provided by (used in) capital and related financing activities	<u>(875,585)</u>	<u>(2,179,788)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>13,722</u>	<u>3,342</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,428,688	1,424,584
Cash and Cash Equivalents at Beginning of Year	<u>7,631,811</u>	<u>6,207,227</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,060,499</u>	<u>\$ 7,631,811</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>378,348</u>	\$ <u>793,165</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,109,964	1,947,750
Change in net pension liability and related deferred outflows/inflows	37,473	348,615
Change in net OPEB liability and related deferred outflows/inflows	346,478	(51,833)
(Increase) decrease in receivables	221,014	424,197
(Increase) decrease in inventories and other assets	23,759	11,252
Increase (decrease) in accounts payable and accrued liabilities	<u>(814,978)</u>	<u>125,339</u>
Total adjustments	<u>1,923,710</u>	<u>2,805,320</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,302,058</u>	<u>\$ 3,598,485</u>