

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

**FINANCIAL STATEMENTS
JUNE 30, 2019**

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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JUNE 30, 2019**

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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, 2019, 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, 2019, 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, 2019 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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, 2018 (not presented herein), and have issued our report thereon dated December 12, 2018, 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, 2018 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 2018 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2018 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2018 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, 2018.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 9, 2019

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2019**

Assets:	
Current:	
Cash and cash equivalents	\$ 42,061,503
Receivables, net:	
User charges	14,265,644
Other	911,378
Due from City of Norwich	101,173
Inventories	1,812,896
Other assets	1,829,327
Total current assets	<u>60,981,921</u>
Capital assets, net	<u>148,448,946</u>
Total assets	<u>209,430,867</u>
Deferred Outflows of Resources:	
Deferred outflow of resources related to pensions	2,401,869
Deferred outflow of resources related to OPEB	<u>1,343,003</u>
Total deferred outflows of resources	<u>3,744,872</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	6,556,988
Notes payable	1,501,511
Bonds payable	10,551
Compensated absences	1,823,299
Risk management claims	216,081
Cash advances from other funds	1,016,500
Due to City of Norwich	41,086
Total current liabilities	<u>11,166,016</u>
Noncurrent liabilities:	
Customer deposits	2,777,231
Notes payable	20,349,783
Compensated absences	2,829,009
Risk management claims	514,515
Cash advances from other funds	12,300,227
Net pension liability	35,663,369
Net OPEB liability	6,081,302
Total noncurrent liabilities	<u>80,515,436</u>
Total liabilities	<u>91,681,452</u>
Deferred Inflows of Resources:	
Deferred inflow of resources related to pensions	61,921
Deferred inflow of resources related to OPEB	<u>116,525</u>
Total deferred inflows of resources	<u>178,446</u>
Net Position:	
Net investment in capital assets	126,587,101
Restricted for energy efficiency program	249,139
Unrestricted	<u>(5,520,399)</u>
Total Net Position	<u>\$ 121,315,841</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, 2019**

Operating revenues:	
Charges for services	\$ 92,915,869
Use of property	2,170,926
Other services	<u>2,380,077</u>
Total operating revenues	<u>97,466,872</u>
Operating expenses:	
Purchased gas and electric	32,383,946
Operations and maintenance	14,515,611
General and administrative	10,511,765
Depreciation	8,243,444
Pension expense	5,164,584
Customer accounts	3,339,724
Gross revenue and property taxes	3,191,217
OPEB expense	<u>980,652</u>
Total operating expenses	<u>78,330,943</u>
Operating Income (Loss)	<u>19,135,929</u>
Nonoperating Income (Expenses):	
Interest income	420,012
Interest expense	(951,176)
Loss on disposal of capital assets	<u>(449,972)</u>
Net nonoperating expenses	<u>(981,136)</u>
Income Before Contributions and Transfers	18,154,793
Capital Contributions	5,155,842
Transfer out to City of Norwich	<u>(8,810,921)</u>
Change in Net Position	14,499,714
Net Position at Beginning of Year	<u>106,816,127</u>
Net Position at End of Year	<u>\$ 121,315,841</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, 2019**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 97,549,365
Cash paid to vendors	(51,312,861)
Cash paid to employees for services	<u>(22,633,315)</u>
Net cash provided by (used in) operating activities	<u>23,603,189</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(8,810,921)
Customer deposits	595,379
Cash advance to other funds	<u>(4,654)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(8,220,196)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	5,155,842
Purchases of capital assets	(15,478,436)
Proceeds from sale of capital assets	34,616
Proceeds from long-term debt	4,088,375
Principal payment on bonds and notes	(1,600,360)
Interest payment on debt	(951,176)
Cash advances from City of Norwich	<u>(485,280)</u>
Net cash provided by (used in) capital and related financing activities	<u>(9,236,419)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>420,012</u>
Net cash provided by (used in) investing activities	<u>420,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,566,586
Cash and Cash Equivalents at Beginning of Year	<u>35,494,917</u>
Cash and Cash Equivalents at End of Year	<u>\$ 42,061,503</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)	
Operating Activities:	
Operating income (loss)	\$ <u>19,135,929</u>
Adjustments to reconcile operating income (loss) to net cash provided by	
(used in) operating activities:	
Depreciation expense	8,243,444
Change in net pension liability and related deferred outflows/inflows	1,233,755
Change in net OPEB liability and related deferred outflows/inflows	(1,808,753)
(Increase) decrease in receivables	82,493
(Increase) decrease in inventories and other assets	(868,545)
Increase (decrease) in accounts payable and accrued liabilities	<u>(2,415,134)</u>
Total adjustments	<u>4,467,260</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 23,603,189</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 Sewer Authority 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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance 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 annually for benefits accrued 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.

2. CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). At June 30, 2019, the carrying amount of the Department's deposits was \$42,061,503, and the bank balance was \$43,011,661. The Department's deposits, along with other cash equivalents, are under the control of the Treasurer of the City and subject to the City's available Federal Depository Insurance Coverage and certain limited collateralization provisions contained in Section 36a-333 of the Connecticut General Statutes. The Department's deposits that are uninsured and uncollateralized are not separately identifiable.

3. RECEIVABLES

Receivables as of year end for the Department's divisions, including applicable allowances for uncollected amounts, are as follows:

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:					
User charges	\$ 3,218,219	\$ 8,264,814	\$ 972,112	\$ 802,734	\$ 13,257,879
Unbilled revenue	528,984	3,157,311	631,007	460,463	4,777,765
Other	33,047		840,712	37,619	911,378
Gross receivables	<u>3,780,250</u>	<u>11,422,125</u>	<u>2,443,831</u>	<u>1,300,816</u>	<u>18,947,022</u>
Less allowance for uncollectibles:					
User charges	<u>(1,030,000)</u>	<u>(2,600,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(3,770,000)</u>
Net Total Receivables	<u>\$ 2,750,250</u>	<u>\$ 8,822,125</u>	<u>\$ 2,373,831</u>	<u>\$ 1,230,816</u>	<u>\$ 15,177,022</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, 2019 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	\$ 1,716,189	\$ 12,250	\$	\$	\$ 1,728,439
Construction in progress	16,467,317	(13,915,759)	16,325,431	(12,374)	18,864,615
Total capital assets not being depreciated	<u>18,183,506</u>	<u>(13,903,509)</u>	<u>16,325,431</u>	<u>(12,374)</u>	<u>20,593,054</u>
Capital assets being depreciated:					
Structures and improvements	46,897,358	6,188,633		(1,080,869)	52,005,122
Machinery, equipment pumping and distribution systems	237,552,890	7,714,876		(2,381,643)	242,886,123
Total capital assets being depreciated	<u>284,450,248</u>	<u>13,903,509</u>	<u>-</u>	<u>(3,462,512)</u>	<u>294,891,245</u>
Less accumulated depreciation for:					
Structures and improvements	(25,242,561)		(1,210,573)	769,123	(25,684,011)
Machinery, equipment pumping and distribution systems	(136,539,646)		(7,032,871)	2,221,175	(141,351,342)
Total accumulated depreciation	<u>(161,782,207)</u>	<u>-</u>	<u>(8,243,444)</u>	<u>2,990,298</u>	<u>(167,035,353)</u>
Total capital assets being depreciated, net	<u>122,668,041</u>	<u>13,903,509</u>	<u>(8,243,444)</u>	<u>(472,214)</u>	<u>127,855,892</u>
Business Activities Capital Assets, Net	<u>\$ 140,851,547</u>	<u>\$ -</u>	<u>\$ 8,081,987</u>	<u>\$ (484,588)</u>	<u>\$ 148,448,946</u>

Depreciation was charged to the divisions as follows:

Gas	\$ 2,597,140
Electric	2,319,677
Water	1,240,063
Sewer	<u>2,086,564</u>
Total	<u>\$ 8,243,444</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, 2019 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	\$ 21,302	\$	\$ (10,751)	\$ 10,551	\$ 10,551
Notes payable	1,896,472	40,659	(409,950)	1,527,181	307,371
State of Connecticut - serial note	<u>17,456,056</u>	<u>4,047,715</u>	<u>(1,179,658)</u>	<u>20,324,113</u>	<u>1,194,140</u>
Total bonds and notes payable	19,373,830	4,088,374	(1,600,359)	21,861,845	1,512,062
Compensated absences	4,424,021	2,019,641	(1,791,354)	4,652,308	1,823,299
Workers' compensation	1,080,409	(20,784)	(329,029)	730,596	216,081
Cash advances	13,802,007	579,267	(1,064,547)	13,316,727	1,016,500
Net pension liability	35,847,594		(184,225)	35,663,369	
Net OPEB liability	<u>6,137,875</u>		<u>(56,573)</u>	<u>6,081,302</u>	
Total Long-Term Liabilities	<u>\$ 80,665,736</u>	<u>\$ 6,666,498</u>	<u>\$ (5,026,087)</u>	<u>\$ 82,306,147</u>	<u>\$ 4,567,942</u>

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

Outstanding bonds and serial notes payable at June 30, 2019 are comprised of the following:

Description	Interest Rate (%)	Date of Issue	Date of Maturity	(In Thousands)	
				Original Amount Issued	Outstanding June 30, 2019
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$ 11
Notes payable:					
Equipment financing agreement	4.25	12/28/2017	1/1/2025	1,937	1,527
State of Connecticut serial notes payable:					
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	125
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	285
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	221
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,232
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	3,910
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	1,858
Clean Water Act 707-PD	*	*	*	*	1,563
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	75
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	178
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	115
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	105
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2034	506	390
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	3,309
Drinking Water State Revolving Fund 2015-7037	2.00	10/31/2016	10/31/2034	1,528	1,287
Drinking Water State Revolving Fund 2017-7056	2.00	8/31/2019	8/31/2038	2,695	2,695
Drinking Water State Revolving Fund 2019-7069	*	*	*	*	1,181
Drinking Water State Revolving Fund 2019-7072	*	*	*	*	1,501
Drinking Water State Revolving Fund 2019-7077	*	*	*	*	294
Total				\$	<u>21,862</u>

* Loans not permanently financed as of June 30, 2019

**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
2020	\$ 1,512	\$ 362	\$ 1,874
2021	1,502	328	1,830
2022	1,443	290	1,733
2023	1,380	254	1,634
2024	1,257	219	1,476
2025-2029	5,373	762	6,135
2030-2034	3,973	251	4,224
2035-2039	883	28	911
Subtotal	17,323	2,494	19,817
State of Connecticut - serial notes not permanently financed as of June 30, 2019	4,539		4,539
Total	\$ <u>21,862</u>	\$ <u>2,494</u>	\$ <u>24,356</u>

Notes Payable

Effective November 20, 2017, the Department entered into a master financing agreement for notes payable with GE Government Finance, Inc., to finance the upgrading of streetlights. Principal balances outstanding on the notes totaled \$1,896,472 as of June 30, 2018. Accrued interest totaling \$40,659 was incurred during the construction period and added to the principal balance during the year ended June 30, 2019 to arrive at a notes payable balance of \$1,937,131. Principal payments of \$409,950 were made on the notes during the year then ended to arrive at a balance outstanding of \$1,527,181 as of June 30, 2019. The notes are payable in monthly installments beginning January 2019 at an interest rate of 4.25% and collateralized by the equipment purchased. The notes do not contain any financial covenants. Events of default include payment default or default of other terms within the agreement including default of other loans or bonds, failure to maintain the appropriate liability and property insurance, and any other false statements made within the agreement. Such a default could result in the acceleration of the total outstanding principal and accrued interest or action being taken against the collateralized assets.

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

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, 2019 was \$3,407,238, equal to the required contribution for the year. Employer contributions in 2018 and 2017 were \$2,962,816 and \$2,576,362, 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, 2019 were as follows:

Total pension liability	\$ 96,157,064
Plan fiduciary net position	<u>(60,493,695)</u>
Net Pension Liability	<u>\$ 35,663,369</u>
Plan fiduciary net position as a percentage of the total pension liability	62.91%

**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 July 1, 2018	\$ 93,522,190	\$ 57,674,596	\$ 35,847,594
Changes for the year:			
Service cost	1,793,872		1,793,872
Interest on total pension liability	6,924,691		6,924,691
Employer contributions		3,407,238	(3,407,238)
Member contributions		1,347,327	(1,347,327)
Net investment income		4,150,810	(4,150,810)
Benefit payments, including refund to employee contributions	(6,083,689)	(6,083,689)	-
Administrative expenses		(2,587)	2,587
Net changes	<u>2,634,874</u>	<u>2,819,099</u>	<u>(184,225)</u>
Balances as of June 30, 2019	\$ <u>96,157,064</u>	\$ <u>60,493,695</u>	\$ <u>35,663,369</u>

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

For the year ended June 30, 2019, the Department recognized pension expense of \$5,164,584. At June 30, 2019, 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	\$ 331,487	\$ 61,921
Changes of assumptions	1,738,765	
Net difference between projected and actual earnings on pension plan investments	<u>331,617</u>	
Total	\$ <u>2,401,869</u>	\$ <u>61,921</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

2020	\$	1,567,817
2021		354,137
2022		298,614
2023		119,380

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. The Department's contributions to the plan for the year ended June 30, 2019 was \$693,000 and equal to the required contribution for the year. Employer contributions in 2018 and 2017 were \$602,607 and \$597,216, respectively, and equal to the required contribution for each year.

B. Net OPEB Liability of the Department

The Department's net OPEB liability was measured as of June 30, 2019. The components of the net OPEB liability of the Department at June 30, 2019 were as follows:

Total OPEB liability	\$	6,935,104
Plan fiduciary net position		<u>(853,802)</u>
Net OPEB Liability	\$	<u>6,081,302</u>
Plan fiduciary net position as a percentage of the total OPEB liability		12.31%

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

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, 2018	\$ 7,116,285	\$ 978,410	\$ 6,137,875
Changes for the year:			
Service cost	190,371		190,371
Interest on total OPEB liability	515,342		515,342
Employer contributions		693,000	(693,000)
Net investment income		69,729	(69,729)
Benefit payments, including refund to employee contributions	(886,894)	(886,894)	-
Administrative expenses		(443)	443
Net changes	<u>(181,181)</u>	<u>(124,608)</u>	<u>(56,573)</u>
Balances as of June 30, 2019	\$ <u>6,935,104</u>	\$ <u>853,802</u>	\$ <u>6,081,302</u>

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

For the year ended June 30, 2019, the Department recognized OPEB expense of \$980,652. At June 30, 2019, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	NPU Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,343,003	\$
Changes of assumptions		110,785
Net difference between projected and actual earnings on OPEB plan investments		<u>5,740</u>
Total	\$ <u>1,343,003</u>	\$ <u>116,525</u>

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

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

Year Ending June 30

2020	\$	340,611
2021		340,611
2022		340,609
2023		204,647

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 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 Department purchases commercial insurance for claims in excess of a self-insured retention amount of \$200,000 with a \$10,000,000 limit of liability. In addition, the Department has unlimited coverage under the City's policy for all claims in excess of \$10,200,000. 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 \$730,596 for estimated unpaid accrued losses on reported claims as of June 30, 2019. 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, 2019 is \$1,390,845.

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, 2018	\$ 119,598
Deposits into the fund	985,739
Investment income	4,391
Approved program expenses	<u>(860,589)</u>
 Funds Held by CMEEC, June 30, 2019	 \$ <u>249,139</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 September 1, 2015, 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, 2019, the Electric Division reported net revenue of \$1,982,523 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 20 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, 2019 was \$25.92 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 2019 fiscal year, the share of contributions to the fund received by the Department totaled \$72,353, with drawdowns of \$106,048, and interest on the fund of \$2,295. The balance of the Department's funds held by CMEEC for the RGGI was \$189,255 for the year ended June 30, 2019.

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, 2019 was \$250,339. For the year ended June 30, 2019, the Department's contributions to the fund totaled \$156,020 with interest on the fund of \$3,817. Distributions to NCDC totaled \$150,000 for the year ended June 30, 2019. NCDC is a nonstock corporation organized pursuant to the Non-Stock Corporation Act, Connecticut General Statute Section 33-1000 as a separate entity.

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

13. COMMITMENTS AND CONTINGENCIES

Purchased Gas Contracts

The Department participates in forward contracts for the purchase of gas capacity for storage and transmission. Under the terms of the contracts, the Department is obligated to make payments for set capacities that will be charged at variable and fixed rates until the end of the respective terms. As of June 30, 2019, the Department has obligations in place through 2031. Expense under the contracts totaled \$3,196,706 during the year ended June 30, 2019.

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, 2019 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 17,964,054
Department - rate stabilization funds on deposit with CMEEC	<u>(10,920,308)</u>
Net Deferred Fixed Cost Obligation	\$ <u>7,043,746</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 \$3,038,146.

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, 2019, \$4,187,847 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, 2019, 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 \$54,574 and \$6,680, 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, 2019 and 2018, the Department has purchased \$846,995 and \$1,160,216 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
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2019**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 4,641,982	\$ 21,032,278	\$ 5,452,154	\$ 10,935,089	\$ 42,061,503
Receivables, net:					
User charges	2,717,203	8,822,125	1,533,119	1,193,197	14,265,644
Other	33,047		840,712	37,619	911,378
Due from City of Norwich	101,173				101,173
Inventories	949,815	573,136	231,487	58,458	1,812,896
Other assets	274,312	1,212,125	205,734	137,156	1,829,327
Total current assets	<u>8,717,532</u>	<u>31,639,664</u>	<u>8,263,206</u>	<u>12,361,519</u>	<u>60,981,921</u>
Capital assets, net	<u>36,639,815</u>	<u>22,542,414</u>	<u>37,668,962</u>	<u>51,597,755</u>	<u>148,448,946</u>
Total assets	<u>45,357,347</u>	<u>54,182,078</u>	<u>45,932,168</u>	<u>63,959,274</u>	<u>209,430,867</u>
Deferred Outflows of Resources:					
Deferred outflow of resources related to pensions	614,638	978,521	439,062	369,648	2,401,869
Deferred outflow of resources related to OPEB	<u>343,674</u>	<u>547,139</u>	<u>245,501</u>	<u>206,689</u>	<u>1,343,003</u>
Total deferred outflows of resources	<u>958,312</u>	<u>1,525,660</u>	<u>684,563</u>	<u>576,337</u>	<u>3,744,872</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,005,234	4,567,073	837,629	147,052	6,556,988
Notes payable		307,371	697,425	496,715	1,501,511
Bonds payable			10,551		10,551
Compensated absences	471,601	767,856	306,549	277,293	1,823,299
Risk management claims	68,257	76,990	41,361	29,473	216,081
Cash advances from other funds	1,016,500				1,016,500
Due to City of Norwich		2,269	604	38,213	41,086
Total current liabilities	<u>2,561,592</u>	<u>5,721,559</u>	<u>1,894,119</u>	<u>988,746</u>	<u>11,166,016</u>
Noncurrent liabilities:					
Customer deposits	10,000	2,767,231			2,777,231
Notes payable		1,219,810	10,939,535	8,190,438	20,349,783
Compensated absences	880,076	1,058,859	459,453	430,621	2,829,009
Risk management claims	166,096	180,701	98,804	68,914	514,515
Cash advances from other funds	12,300,227				12,300,227
Net pension liability	9,126,256	14,529,257	6,519,264	5,488,592	35,663,369
Net OPEB liability	1,556,205	2,477,522	1,111,662	935,913	6,081,302
Total noncurrent liabilities	<u>24,038,860</u>	<u>22,233,380</u>	<u>19,128,718</u>	<u>15,114,478</u>	<u>80,515,436</u>
Total liabilities	<u>26,600,452</u>	<u>27,954,939</u>	<u>21,022,837</u>	<u>16,103,224</u>	<u>91,681,452</u>
Deferred Inflows of Resources:					
Deferred inflow of resources related to pensions	15,846	25,227	11,319	9,529	61,921
Deferred inflow of resources related to OPEB	<u>29,819</u>	<u>47,472</u>	<u>21,301</u>	<u>17,933</u>	<u>116,525</u>
Total deferred outflows of resources	<u>45,665</u>	<u>72,699</u>	<u>32,620</u>	<u>27,462</u>	<u>178,446</u>
Net Position:					
Net investment in capital assets	36,639,815	21,015,233	26,021,451	42,910,602	126,587,101
Restricted for energy efficiency program		249,139			249,139
Unrestricted	<u>(16,970,273)</u>	<u>6,415,728</u>	<u>(460,177)</u>	<u>5,494,323</u>	<u>(5,520,399)</u>
Total Net Position	<u>\$ 19,669,542</u>	<u>\$ 27,680,100</u>	<u>\$ 25,561,274</u>	<u>\$ 48,404,925</u>	<u>\$ 121,315,841</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 20,441,451	\$ 52,755,117	\$ 11,145,946	\$ 8,573,355	\$ 92,915,869
Use of property	24,000	2,062,865	84,061		2,170,926
Other services	996,204	1,181,847	63,218	138,808	2,380,077
Total operating revenues	<u>21,461,655</u>	<u>55,999,829</u>	<u>11,293,225</u>	<u>8,712,163</u>	<u>97,466,872</u>
Operating Expenses:					
Purchased gas and electric	6,453,529	25,930,417			32,383,946
Operations and maintenance	2,676,341	4,420,962	3,795,819	3,622,489	14,515,611
General and administrative	2,751,109	5,485,017	1,106,067	1,169,572	10,511,765
Depreciation	2,597,140	2,319,677	1,240,063	2,086,564	8,243,444
Pension expense	1,321,617	2,104,052	944,086	794,829	5,164,584
Customer accounts	536,823	2,222,469	348,316	232,116	3,339,724
Gross revenue and property taxes	992,165	2,039,140	159,912		3,191,217
OPEB expense	250,949	399,518	179,263	150,922	980,652
Total operating expenses	<u>17,579,673</u>	<u>44,921,252</u>	<u>7,773,526</u>	<u>8,056,492</u>	<u>78,330,943</u>
Operating Income	<u>3,881,982</u>	<u>11,078,577</u>	<u>3,519,699</u>	<u>655,671</u>	<u>19,135,929</u>
Nonoperating Income (Expenses):					
Interest income	22,868	250,009	38,237	108,898	420,012
Interest expense	(531,956)	(116,000)	(139,757)	(163,463)	(951,176)
Loss on disposal of capital assets	(49,714)	(356,864)	(35,067)	(8,327)	(449,972)
Net nonoperating expenses	<u>(558,802)</u>	<u>(222,855)</u>	<u>(136,587)</u>	<u>(62,892)</u>	<u>(981,136)</u>
Income Before Contributions and Transfers	3,323,180	10,855,722	3,383,112	592,779	18,154,793
Capital Contributions	3,236,101	241,514	1,450,306	227,921	5,155,842
Transfers out to City of Norwich	<u>(1,868,964)</u>	<u>(5,835,627)</u>	<u>(1,106,330)</u>		<u>(8,810,921)</u>
Change in Net Position	4,690,317	5,261,609	3,727,088	820,700	14,499,714
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 19,669,542</u>	<u>\$ 27,680,100</u>	<u>\$ 25,561,274</u>	<u>\$ 48,404,925</u>	<u>\$ 121,315,841</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 21,093,514	\$ 56,996,848	\$ 10,645,197	\$ 8,813,806	\$ 97,549,365
Cash paid to vendors	(9,507,708)	(35,744,974)	(3,274,784)	(2,785,395)	(51,312,861)
Cash paid to employees for services	(5,132,519)	(10,268,603)	(4,018,949)	(3,213,244)	(22,633,315)
Net cash provided by (used in) operating activities	<u>6,453,287</u>	<u>10,983,271</u>	<u>3,351,464</u>	<u>2,815,167</u>	<u>23,603,189</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(1,868,964)	(5,835,627)	(1,106,330)		(8,810,921)
Customer deposits		595,379			595,379
Cash advance from (to) other funds	(29,032)	(7,056)	(1,833)	33,267	(4,654)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,897,996)</u>	<u>(5,247,304)</u>	<u>(1,108,163)</u>	<u>33,267</u>	<u>(8,220,196)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	3,236,101	241,514	1,450,306	227,921	5,155,842
Purchases of capital assets	(5,421,994)	(3,719,453)	(5,181,709)	(1,155,280)	(15,478,436)
Proceeds from sale of capital assets	6,809	21,896	5,166	745	34,616
Proceeds from long-term debt		40,659	3,346,520	701,196	4,088,375
Principal payment on bonds and notes		(409,950)	(539,596)	(650,814)	(1,600,360)
Interest payment on debt	(531,956)	(116,000)	(139,757)	(163,463)	(951,176)
Repayment of cash advances from the City of Norwich	(442,233)			(43,047)	(485,280)
Net cash provided by (used in) capital and related financing activities	<u>(3,153,273)</u>	<u>(3,941,334)</u>	<u>(1,059,070)</u>	<u>(1,082,742)</u>	<u>(9,236,419)</u>
Cash Flows from Investing Activities:					
Income on investments	22,868	250,009	38,237	108,898	420,012
Net cash provided by (used in) investing activities	<u>22,868</u>	<u>250,009</u>	<u>38,237</u>	<u>108,898</u>	<u>420,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,424,886	2,044,642	1,222,468	1,874,590	6,566,586
Cash and Cash Equivalents at Beginning 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>
Cash and Cash Equivalents at End of Year	<u>\$ 4,641,982</u>	<u>\$ 21,032,278</u>	<u>\$ 5,452,154</u>	<u>\$ 10,935,089</u>	<u>\$ 42,061,503</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 3,881,982	\$ 11,078,577	\$ 3,519,699	\$ 655,671	\$ 19,135,929
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,597,140	2,319,677	1,240,063	2,086,564	8,243,444
Change in net pension liability and related deferred outflows/inflows	1,229,888	(208,356)	(163,514)	375,737	1,233,755
Change in net OPEB liability and related deferred outflows/inflows	(306,091)	(893,329)	(351,796)	(257,537)	(1,808,753)
(Increase) decrease in receivables	(368,141)	997,019	(648,028)	101,643	82,493
(Increase) decrease in inventories and other assets	(120,747)	(612,317)	(78,077)	(57,404)	(868,545)
Increase (decrease) in accounts payable and accrued liabilities	(460,744)	(1,698,000)	(166,883)	(89,507)	(2,415,134)
Total adjustments	<u>2,571,305</u>	<u>(95,306)</u>	<u>(168,235)</u>	<u>2,159,496</u>	<u>4,467,260</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,453,287</u>	<u>\$ 10,983,271</u>	<u>\$ 3,351,464</u>	<u>\$ 2,815,167</u>	<u>\$ 23,603,189</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 4,641,982	\$ 3,217,096
Receivables, net:		
User charges	2,717,203	2,349,062
Other	33,047	33,047
Due from City of Norwich	101,173	72,141
Inventories	949,815	930,000
Other assets	274,312	173,380
Total current assets	<u>8,717,532</u>	<u>6,774,726</u>
Capital assets, net	<u>36,639,815</u>	<u>33,723,268</u>
Total assets	<u>45,357,347</u>	<u>40,497,994</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	614,638	883,171
Deferred outflow of resources related to OPEB	<u>343,674</u>	<u>10,334</u>
Total deferred outflows of resources	<u>958,312</u>	<u>893,505</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,005,234	852,692
Compensated absences	471,601	478,939
Risk management claims	68,257	238,827
Cash advances from other funds	<u>1,016,500</u>	<u>1,021,500</u>
Total current liabilities	<u>2,561,592</u>	<u>2,591,958</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Compensated absences	880,076	796,910
Risk management claims	166,096	536,424
Cash advances from other funds	12,300,227	12,737,460
Net pension liability	9,126,256	8,169,218
Net OPEB liability	<u>1,556,205</u>	<u>1,433,944</u>
Total noncurrent liabilities	<u>24,038,860</u>	<u>23,683,956</u>
Total liabilities	<u>26,600,452</u>	<u>26,275,914</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	15,846	11,529
Deferred inflow of resources related to OPEB	<u>29,819</u>	<u>124,831</u>
Total deferred outflows of resources	<u>45,665</u>	<u>136,360</u>
Net Position:		
Net investment in capital assets	36,639,815	33,723,268
Unrestricted	<u>(16,970,273)</u>	<u>(18,744,043)</u>
Total Net Position	<u>\$ 19,669,542</u>	<u>\$ 14,979,225</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 20,441,451	\$ 19,596,954
Use of property	24,000	
Other services	996,204	272,521
Total operating revenues	<u>21,461,655</u>	<u>19,869,475</u>
Operating Expenses:		
Purchased gas	6,453,529	5,506,952
Operations and maintenance	2,676,341	2,389,291
General and administrative	2,751,109	4,064,594
Depreciation	2,597,140	2,394,161
Pension expense	1,321,617	55,298
Customer accounts	536,823	620,743
Gross revenue and property taxes	992,165	921,869
OPEB expense	250,949	511,266
Total operating expenses	<u>17,579,673</u>	<u>16,464,174</u>
Operating Income	<u>3,881,982</u>	<u>3,405,301</u>
Nonoperating Income (Expenses):		
Interest income	22,868	1,640
Interest expense	(531,956)	(552,918)
Gain (loss) on disposal of capital assets	(49,714)	17,586
Net nonoperating expenses	<u>(558,802)</u>	<u>(533,692)</u>
Income Before Contributions and Transfers	3,323,180	2,871,609
Capital Contributions	3,236,101	271,116
Transfers out to City of Norwich	<u>(1,868,964)</u>	<u>(1,691,610)</u>
Change in Net Position	4,690,317	1,451,115
Net Position at Beginning of Year	<u>14,979,225</u>	<u>13,528,110</u>
Net Position at End of Year	<u>\$ 19,669,542</u>	<u>\$ 14,979,225</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 21,093,514	\$ 19,393,773
Cash paid to vendors	(9,507,708)	(8,715,356)
Cash paid to employees for services	(5,132,519)	(4,963,486)
Net cash provided by (used in) operating activities	<u>6,453,287</u>	<u>5,714,931</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,868,964)	(1,691,610)
Cash advances to other funds	(29,032)	(75,176)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,897,996)</u>	<u>(1,766,786)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	3,236,101	271,116
Purchases of capital assets	(5,421,994)	(1,580,793)
Proceeds from sale of capital assets	6,809	19,758
Payments on capital leases		(16,017)
Interest payment on debt	(531,956)	(552,918)
Repayment of cash advances from the City of Norwich	(442,233)	(607,559)
Net cash provided by (used in) capital and related financing activities	<u>(3,153,273)</u>	<u>(2,466,413)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>22,868</u>	<u>1,640</u>
Net cash provided by (used in) investing activities	<u>22,868</u>	<u>1,640</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,424,886	1,483,372
Cash and Cash Equivalents at Beginning of Year	<u>3,217,096</u>	<u>1,733,724</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,641,982</u>	<u>\$ 3,217,096</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>3,881,982</u>	\$ <u>3,405,301</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,597,140	2,394,161
Change in net pension liability and related deferred outflows/inflows	1,229,888	55,298
Change in net OPEB liability and related deferred outflows/inflows	(306,091)	511,266
(Increase) decrease in receivables	(368,141)	(475,702)
(Increase) decrease in inventories and other assets	(120,747)	98,765
Increase (decrease) in accounts payable and accrued liabilities	(460,744)	(274,158)
Total adjustments	<u>2,571,305</u>	<u>2,309,630</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,453,287</u>	<u>\$ 5,714,931</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 21,032,278	\$ 18,987,636
Receivables, net:		
User charges	8,822,125	9,791,614
Other		27,530
Inventories	573,136	576,550
Other assets	1,212,125	596,394
Total current assets	<u>31,639,664</u>	<u>29,979,724</u>
Capital assets, net	<u>22,542,414</u>	<u>21,449,588</u>
Total assets	<u>54,182,078</u>	<u>51,429,312</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	978,521	1,605,515
Deferred outflow of resources related to OPEB	547,139	21,487
Total deferred outflows of resources	<u>1,525,660</u>	<u>1,627,002</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	4,567,073	6,281,870
Notes payable	307,371	143,267
Compensated absences	767,856	739,055
Risk management claims	76,990	58,440
Due to City of Norwich	2,269	9,325
Total current liabilities	<u>5,721,559</u>	<u>7,231,957</u>
Noncurrent liabilities:		
Customer deposits	2,767,231	2,171,852
Notes payable	1,219,810	1,753,205
Compensated absences	1,058,859	1,061,791
Risk management claims	180,701	136,513
Net pension liability	14,529,257	15,365,859
Net OPEB liability	2,477,522	2,633,093
Total noncurrent liabilities	<u>22,233,380</u>	<u>23,122,313</u>
Total liabilities	<u>27,954,939</u>	<u>30,354,270</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	25,227	23,975
Deferred inflow of resources related to OPEB	47,472	259,578
Total deferred outflows of resources	<u>72,699</u>	<u>283,553</u>
Net Position:		
Net investment in capital assets	21,015,233	19,553,116
Restricted for energy efficiency purposes	249,139	119,598
Unrestricted	6,415,728	2,745,777
Total Net Position	<u>\$ 27,680,100</u>	<u>\$ 22,418,491</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 52,755,117	\$ 52,866,166
Use of property	2,062,865	1,561,394
Other services	1,181,847	1,244,514
Total operating revenues	<u>55,999,829</u>	<u>55,672,074</u>
Operating Expenses:		
Purchased electric	25,930,417	27,288,525
Operations and maintenance	4,420,962	5,522,825
General and administrative	5,485,017	8,817,335
Depreciation	2,319,677	2,200,373
Pension expense	2,104,052	114,986
Customer accounts	2,222,469	2,417,969
Gross revenue and property taxes	2,039,140	1,805,351
OPEB expense	399,518	1,063,142
Total operating expenses	<u>44,921,252</u>	<u>49,230,506</u>
Operating Income	<u>11,078,577</u>	<u>6,441,568</u>
Nonoperating Income (Expenses):		
Interest income	250,009	27,604
Interest expense	(116,000)	(69,062)
Loss on disposal of capital assets	(356,864)	(44,830)
Net nonoperating expenses	<u>(222,855)</u>	<u>(86,288)</u>
Income Before Contributions and Transfers	10,855,722	6,355,280
Capital Contributions	241,514	285,302
Transfers out to City of Norwich	<u>(5,835,627)</u>	<u>(5,891,658)</u>
Change in Net Position	5,261,609	748,924
Net Position at Beginning of Year	<u>22,418,491</u>	<u>21,669,567</u>
Net Position at End of Year	<u>\$ 27,680,100</u>	<u>\$ 22,418,491</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 56,996,848	\$ 55,757,775
Cash paid to vendors	(35,744,974)	(35,381,339)
Cash paid to employees for services	(10,268,603)	(11,100,008)
Net cash provided by (used in) operating activities	<u>10,983,271</u>	<u>9,276,428</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,835,627)	(5,891,658)
Net change in customer deposits	595,379	430,816
Cash advances to other funds	(7,056)	(16,448)
Net cash provided by (used in) noncapital and related financing activities	<u>(5,247,304)</u>	<u>(5,477,290)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	241,514	285,302
Purchases of capital assets	(3,719,453)	(1,856,237)
Proceeds from sale of capital assets	21,896	8,416
Proceeds from long-term debt	40,659	1,896,472
Principal payment on bonds and notes	(409,950)	
Principal payment on capital leases		(183,368)
Interest payment on debt	(116,000)	(69,062)
Net cash provided by (used in) capital and related financing activities	<u>(3,941,334)</u>	<u>81,523</u>
Cash Flows from Investing Activities:		
Income on investments	<u>250,009</u>	<u>27,604</u>
Net cash provided by (used in) investing activities	<u>250,009</u>	<u>27,604</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,044,642	3,908,265
Cash and Cash Equivalents at Beginning of Year	<u>18,987,636</u>	<u>15,079,371</u>
Cash and Cash Equivalents at End of Year	<u>\$ 21,032,278</u>	<u>\$ 18,987,636</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>11,078,577</u>	\$ <u>6,441,568</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,319,677	2,200,373
Change in net pension liability and related deferred outflows/inflows	(208,356)	114,986
Change in net OPEB liability and related deferred outflows/inflows	(893,329)	1,063,142
(Increase) decrease in receivables	997,019	85,701
(Increase) decrease in inventories and other assets	(612,317)	264,815
Increase (decrease) in accounts payable and accrued liabilities	(1,698,000)	(894,157)
Total adjustments	<u>(95,306)</u>	<u>2,834,860</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 10,983,271</u>	<u>\$ 9,276,428</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 5,452,154	\$ 4,229,686
Receivables, net:		
User charges	1,533,119	1,617,201
Other	840,712	108,602
Inventories	231,487	229,108
Other assets	205,734	130,036
Total current assets	<u>8,263,206</u>	<u>6,314,633</u>
Capital assets, net	<u>37,668,962</u>	<u>33,141,380</u>
Total assets	<u>45,932,168</u>	<u>39,456,013</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	439,062	747,687
Deferred outflow of resources related to OPEB	245,501	8,621
Total deferred outflows of resources	<u>684,563</u>	<u>756,308</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	837,629	514,786
Notes payable	697,425	488,035
Bonds payable	10,551	10,751
Compensated absences	306,549	303,476
Risk management claims	41,361	21,123
Due to City of Norwich	604	2,437
Total current liabilities	<u>1,894,119</u>	<u>1,340,608</u>
Noncurrent liabilities:		
Notes payable	10,939,535	8,331,250
Bonds payable		10,551
Compensated absences	459,453	392,731
Risk management claims	98,804	52,394
Net pension liability	6,519,264	6,993,104
Net OPEB liability	1,111,662	1,143,738
Total noncurrent liabilities	<u>19,128,718</u>	<u>16,923,768</u>
Total liabilities	<u>21,022,837</u>	<u>18,264,376</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	11,319	9,618
Deferred inflow of resources related to OPEB	21,301	104,141
Total deferred outflows of resources	<u>32,620</u>	<u>113,759</u>
Net Position:		
Net investment in capital assets	26,021,451	24,300,793
Unrestricted	<u>(460,177)</u>	<u>(2,466,607)</u>
Total Net Position	<u>\$ 25,561,274</u>	<u>\$ 21,834,186</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 11,145,946	\$ 10,858,421
Use of property	84,061	84,339
Other services	63,218	92,888
Total operating revenues	<u>11,293,225</u>	<u>11,035,648</u>
Operating Expenses:		
Operations and maintenance	3,795,819	3,727,648
General and administrative	1,106,067	2,558,054
Depreciation	1,240,063	1,148,484
Pension expense	944,086	46,132
Customer accounts	348,316	340,355
Gross revenue and property taxes	159,912	157,988
OPEB expense	179,263	426,524
Total operating expenses	<u>7,773,526</u>	<u>8,405,185</u>
Operating Income	<u>3,519,699</u>	<u>2,630,463</u>
Nonoperating Income (Expenses):		
Interest income	38,237	12,716
Interest expense	(139,757)	(140,754)
Gain (loss) on disposal of capital assets	(35,067)	1,511
Net nonoperating expenses	<u>(136,587)</u>	<u>(126,527)</u>
Income Before Contributions and Transfers	3,383,112	2,503,936
Capital Contributions	1,450,306	338,299
Transfers out to City of Norwich	<u>(1,106,330)</u>	<u>(905,827)</u>
Change in Net Position	3,727,088	1,936,408
Net Position at Beginning of Year	<u>21,834,186</u>	<u>19,897,778</u>
Net Position at End of Year	<u>\$ 25,561,274</u>	<u>\$ 21,834,186</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 10,645,197	\$ 11,192,259
Cash paid to vendors	(3,274,784)	(3,095,640)
Cash paid to employees for services	(4,018,949)	(4,076,018)
Net cash provided by (used in) operating activities	<u>3,351,464</u>	<u>4,020,601</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,106,330)	(905,827)
Cash advances from (to) other funds	(1,833)	1,152
Net cash provided by (used in) noncapital and related financing activities	<u>(1,108,163)</u>	<u>(904,675)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	1,450,306	338,299
Purchases of capital assets	(5,181,709)	(3,651,404)
Proceeds from sale of capital assets	5,166	6,766
Proceeds from long-term debt	3,346,520	2,324,629
Principal payment on bonds and notes	(539,596)	(495,819)
Principal payment on capital leases	(12,013)	(12,013)
Interest payment on debt	(139,757)	(140,754)
Net cash provided by (used in) capital and related financing activities	<u>(1,059,070)</u>	<u>(1,630,296)</u>
Cash Flows from Investing Activities:		
Income on investments	38,237	12,716
Net cash provided by (used in) investing activities	<u>38,237</u>	<u>12,716</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,222,468	1,498,346
Cash and Cash Equivalents at Beginning of Year	<u>4,229,686</u>	<u>2,731,340</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,452,154</u>	<u>\$ 4,229,686</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 3,519,699	\$ 2,630,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,240,063	1,148,484
Change in net pension liability and related deferred outflows/inflows	(163,514)	46,132
Change in net OPEB liability and related deferred outflows/inflows	(351,796)	426,524
(Increase) decrease in receivables	(648,028)	156,611
(Increase) decrease in inventories and other assets	(78,077)	11,266
Increase (decrease) in accounts payable and accrued liabilities	(166,883)	(398,879)
Total adjustments	<u>(168,235)</u>	<u>1,390,138</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,351,464</u>	<u>\$ 4,020,601</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 10,935,089	\$ 9,060,499
Receivables, net:		
User charges	1,193,197	1,328,594
Other	37,619	3,865
Inventories	58,458	51,519
Other assets	137,156	86,691
Total current assets	<u>12,361,519</u>	<u>10,531,168</u>
Capital assets, net	<u>51,597,755</u>	<u>52,537,311</u>
Total assets	<u>63,959,274</u>	<u>63,068,479</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	369,648	574,490
Deferred outflow of resources related to OPEB	206,689	7,002
Total deferred outflows of resources	<u>576,337</u>	<u>581,492</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	147,052	354,253
Notes payable	496,715	606,107
Compensated absences	277,293	269,884
Risk management claims	29,473	10,639
Cash advances from other funds		43,047
Due to City of Norwich	38,213	4,946
Total current liabilities	<u>988,746</u>	<u>1,288,876</u>
Noncurrent liabilities:		
Notes payable	8,190,438	8,030,664
Compensated absences	430,621	381,235
Risk management claims	68,914	26,049
Net pension liability	5,488,592	5,319,413
Net OPEB liability	935,913	927,100
Total noncurrent liabilities	<u>15,114,478</u>	<u>14,684,461</u>
Total liabilities	<u>16,103,224</u>	<u>15,973,337</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	9,529	7,813
Deferred inflow of resources related to OPEB	17,933	84,596
Total deferred outflows of resources	<u>27,462</u>	<u>92,409</u>
Net Position:		
Net investment in capital assets	42,910,602	43,900,540
Unrestricted	5,494,323	3,683,685
Total Net Position	<u>\$ 48,404,925</u>	<u>\$ 47,584,225</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 8,573,355	\$ 8,371,167
Other services	138,808	268,664
Total operating revenues	<u>8,712,163</u>	<u>8,639,831</u>
Operating Expenses:		
Operations and maintenance	3,622,489	3,443,278
General and administrative	1,169,572	2,095,958
Depreciation	2,086,564	2,109,964
Pension expense	794,829	37,473
Customer accounts	232,116	228,332
OPEB expense	150,922	346,478
Total operating expenses	<u>8,056,492</u>	<u>8,261,483</u>
Operating Income	<u>655,671</u>	<u>378,348</u>
Nonoperating Income (Expenses):		
Interest income	108,898	13,722
Interest expense	(163,463)	(165,099)
Loss on disposal of assets	(8,327)	(938,196)
Net nonoperating expenses	<u>(62,892)</u>	<u>(1,089,573)</u>
Income (Loss) Before Contributions	592,779	(711,225)
Capital Contributions	<u>227,921</u>	<u>1,526,196</u>
Change in Net Position	820,700	814,971
Net Position at Beginning of Year	<u>47,584,225</u>	<u>46,769,254</u>
Net Position at End of Year	<u>\$ 48,404,925</u>	<u>\$ 47,584,225</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 8,813,806	\$ 8,860,845
Cash paid to vendors	(2,785,395)	(3,480,471)
Cash paid to employees for services	(3,213,244)	(3,078,316)
Net cash provided by (used in) operating activities	<u>2,815,167</u>	<u>2,302,058</u>
Cash Flows from Noncapital and Related Financing Activities:		
Cash advances from (to) other funds	<u>33,267</u>	<u>(11,507)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>33,267</u>	<u>(11,507)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	227,921	1,526,196
Purchases of capital assets	(1,155,280)	(2,454,606)
Proceeds from sale of capital assets	745	1,478
Proceeds from long-term debt	701,196	861,611
Principal payment on bonds and notes	(650,814)	(595,606)
Principal payment on capital leases		(8,008)
Interest payment on debt	(163,463)	(165,099)
Repayment of cash advances from the City of Norwich	(43,047)	(41,551)
Net cash provided by (used in) capital and related financing activities	<u>(1,082,742)</u>	<u>(875,585)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>108,898</u>	<u>13,722</u>
Net cash provided by (used in) investing activities	<u>108,898</u>	<u>13,722</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,874,590	1,428,688
Cash and Cash Equivalents at Beginning of Year	<u>9,060,499</u>	<u>7,631,811</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,935,089</u>	<u>\$ 9,060,499</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ <u>655,671</u>	\$ <u>378,348</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,086,564	2,109,964
Change in net pension liability and related deferred outflows/inflows	375,737	37,473
Change in net OPEB liability and related deferred outflows/inflows	(257,537)	346,478
(Increase) decrease in receivables	101,643	221,014
(Increase) decrease in inventories and other assets	(57,404)	23,759
Increase (decrease) in accounts payable and accrued liabilities	(89,507)	(814,978)
Total adjustments	<u>2,159,496</u>	<u>1,923,710</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,815,167</u>	<u>\$ 2,302,058</u>