

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

FINANCIAL STATEMENTS

JUNE 30, 2020



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**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
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JUNE 30, 2020**

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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, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Norwich, Connecticut, Department of Public Utilities as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020 and the changes in its financial position and, where applicable, its cash flows for the year then ended, in accordance 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 an opinion 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.

The basic financial statements of the Department as of and for the year ended June 30, 2019 (not presented herein) were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated December 9, 2019 expressed 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, 2019 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 2019 financial statements. The accompanying statements of net position, activities and cash flows as of and for the year ended June 30, 2019 for the Gas, Electric, Water and Sewer divisions have been subjected to the auditing procedures applied in the audit of the 2019 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 their 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, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021 on our consideration of the City of Norwich, Connecticut, Department of Public Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Norwich, Connecticut, Department of Public Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut, Department of Public Utilities' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

West Hartford, Connecticut
March 11, 2021

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
STATEMENT OF NET POSITION
JUNE 30, 2020**

Assets:	
Current:	
Cash and cash equivalents	\$ 53,446,567
Receivables, net:	
User charges	15,015,572
Other	689,871
Due from City of Norwich	2,328
Inventories	1,816,222
Other assets	1,248,500
Total current assets	<u>72,219,060</u>
Capital assets, net	<u>153,974,757</u>
Total assets	<u>226,193,817</u>
Deferred Outflows of Resources:	
Deferred outflow of resources related to pensions	10,270,829
Deferred outflow of resources related to OPEB	<u>2,796,127</u>
Total deferred outflows of resources	<u>13,066,956</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	6,699,325
Notes payable	1,581,339
Compensated absences	2,135,943
Risk management claims	274,051
Cash advances from other funds	1,016,500
Due to City of Norwich	16,606
Total current liabilities	<u>11,723,764</u>
Noncurrent liabilities:	
Customer deposits	3,020,054
Notes payable	23,829,865
Compensated absences	2,982,977
Risk management claims	693,425
Cash advances from other funds	11,928,929
Net pension liability	46,528,901
Net OPEB liability	8,285,832
Total noncurrent liabilities	<u>97,269,983</u>
Total liabilities	<u>108,993,747</u>
Deferred Inflows of Resources:	
Deferred inflow of resources related to pensions	43,709
Deferred inflow of resources related to OPEB	<u>80,012</u>
Total deferred inflows of resources	<u>123,721</u>
Net Position:	
Net investment in capital assets	127,657,850
Restricted for energy efficiency program	523,967
Unrestricted	<u>1,961,488</u>
Total Net Position	<u>\$ 130,143,305</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, 2020**

Operating revenues:	
Charges for services	\$ 91,083,802
Use of property	1,618,231
Other services	2,511,771
Total operating revenues	<u>95,213,804</u>
Operating expenses:	
Purchased gas and electric	28,684,222
Operations and maintenance	14,711,456
General and administrative	14,531,917
Depreciation	8,066,596
Pension expense	6,890,360
Customer accounts	3,053,557
Gross revenue and property taxes	3,016,381
OPEB expense	1,427,051
Total operating expenses	<u>80,381,540</u>
Operating Income	<u>14,832,264</u>
Nonoperating Income (Expenses):	
Interest income	385,091
Interest expense	(951,058)
Loss on disposal of capital assets	(427,093)
Net nonoperating expenses	<u>(993,060)</u>
Income Before Contributions and Transfers	13,839,204
Capital Contributions	3,848,927
Transfer out to City of Norwich	<u>(8,860,667)</u>
Change in Net Position	8,827,464
Net Position at Beginning of Year	<u>121,315,841</u>
Net Position at End of Year	<u>\$ 130,143,305</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, 2020**

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 94,685,383
Cash paid to vendors	(43,854,925)
Cash paid to employees for services	(24,249,139)
Net cash provided by (used in) operating activities	<u>26,581,319</u>
Cash Flows from Noncapital and Related Financing Activities:	
Transfers to City of Norwich	(8,860,667)
Customer deposits	242,823
Cash advance to other funds	74,365
Net cash provided by (used in) noncapital and related financing activities	<u>(8,543,479)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	3,848,927
Purchases of capital assets	(13,312,482)
Proceeds from sale of capital assets	198,685
Proceeds from long-term debt	5,166,910
Principal payment on bonds and notes	(1,617,551)
Interest payment on debt	(951,058)
Cash advances (repayments) from City of Norwich	(371,298)
Net cash provided by (used in) capital and related financing activities	<u>(7,037,867)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>385,091</u>
Net cash provided by (used in) investing activities	<u>385,091</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,385,064
Cash and Cash Equivalents at Beginning of Year	<u>42,061,503</u>
Cash and Cash Equivalents at End of Year	<u>\$ 53,446,567</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in)	
Operating Activities:	
Operating income	\$ <u>14,832,264</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	8,066,596
Change in deferred outflow of resources related to pensions	(7,868,960)
Change in deferred outflow of resources related to OPEB	(1,453,124)
Change in net pension liability	10,865,532
Change in net OPEB liability	2,204,530
Change in deferred inflow of resources related to pensions	(18,212)
Change in deferred inflow of resources related to OPEB	(36,513)
(Increase) decrease in receivables	(528,421)
(Increase) decrease in inventories and other assets	577,501
Increase (decrease) in accounts payable and accrued liabilities	(59,874)
Total adjustments	<u>11,749,055</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 26,581,319</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. Investments are reported at fair value.

**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. Investments are reported at fair value.

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, 2020, the carrying amount of the Department's deposits was \$53,446,567, and the bank balance was \$52,839,539. 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	\$ 3,167,024	\$ 8,849,728	\$ 1,036,545	\$ 849,863	\$ 13,903,160
Unbilled revenue	408,835	3,273,639	637,487	562,451	4,882,412
Other			689,871		689,871
Gross receivables	<u>3,575,859</u>	<u>12,123,367</u>	<u>2,363,903</u>	<u>1,412,314</u>	<u>19,475,443</u>
Less allowance for uncollectibles:					
User charges	<u>(1,000,000)</u>	<u>(2,630,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(3,770,000)</u>
Net Total Receivables	<u>\$ 2,575,859</u>	<u>\$ 9,493,367</u>	<u>\$ 2,293,903</u>	<u>\$ 1,342,314</u>	<u>\$ 15,705,443</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, 2020 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	\$ 1,728,439	\$ -	\$ -	\$ -	\$ 1,728,439
Construction in progress	18,864,615	(6,656,053)	14,218,185	(146,473)	26,280,274
Total capital assets not being depreciated	<u>20,593,054</u>	<u>(6,656,053)</u>	<u>14,218,185</u>	<u>(146,473)</u>	<u>28,008,713</u>
Capital assets being depreciated:					
Structures and improvements	52,005,122	32,301	-	(3,397)	52,034,026
Machinery, equipment pumping and distribution systems	242,886,123	6,623,752	-	(1,579,387)	247,930,488
Total capital assets being depreciated	<u>294,891,245</u>	<u>6,656,053</u>	<u>-</u>	<u>(1,582,784)</u>	<u>299,964,514</u>
Less accumulated depreciation for:					
Structures and improvements	(25,684,011)	-	(1,206,902)	3,397	(26,887,516)
Machinery, equipment pumping and distribution systems	(141,351,342)	-	(6,859,694)	1,100,082	(147,110,954)
Total accumulated depreciation	<u>(167,035,353)</u>	<u>-</u>	<u>(8,066,596)</u>	<u>1,103,479</u>	<u>(173,998,470)</u>
Total capital assets being depreciated, net	<u>127,855,892</u>	<u>6,656,053</u>	<u>(8,066,596)</u>	<u>(479,305)</u>	<u>125,966,044</u>
Business Activities Capital Assets, Net	<u>\$ 148,448,946</u>	<u>\$ -</u>	<u>\$ 6,151,589</u>	<u>\$ (625,778)</u>	<u>\$ 153,974,757</u>

Depreciation was charged to the divisions as follows:

Gas	\$ 2,586,589
Electric	2,066,724
Water	1,303,658
Sewer	<u>2,109,625</u>
Total	<u>\$ 8,066,596</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, 2020 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	\$ 10,551	\$		\$	(10,551)	\$	-	\$	
Notes payable	1,527,181				(307,371)		1,219,810		320,692
State of Connecticut - serial note	<u>20,324,113</u>		<u>5,166,910</u>		<u>(1,299,629)</u>		<u>24,191,394</u>		<u>1,260,647</u>
Total bonds and notes payable	21,861,845		5,166,910		(1,617,551)		25,411,204		1,581,339
Compensated absences	4,652,308		2,289,911		(1,823,299)		5,118,920		2,135,943
Workers' compensation	730,596		452,961		(216,081)		967,476		274,051
Cash advances	13,316,727		645,203		(1,016,501)		12,945,429		1,016,500
Net pension liability	35,663,369		10,865,532				46,528,901		
Net OPEB liability	<u>6,081,302</u>		<u>2,204,530</u>				<u>8,285,832</u>		
Total Long-Term Liabilities	<u>\$ 82,306,147</u>	\$	<u>21,625,047</u>	\$	<u>(4,673,432)</u>	\$	<u>99,257,762</u>	\$	<u>5,007,833</u>

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

Outstanding bonds and serial notes payable at June 30, 2020 are comprised of the following:

Description	Interest Rate (%)	Date of Issue	Date of Maturity	(In Thousands)	
				Original Amount Issued	Outstanding June 30, 2020
General purpose bonds payable:					
Refunding - (02/12/14) Stony Brook Reservoir	3.0-5.0	02/12/2014	09/15/2019	\$ 73	\$
Notes payable:					
Equipment financing agreement	4.25	12/28/2017	1/1/2025	1,937	1,220
State of Connecticut serial notes payable:					
Clean Water Act 349-C	2.00	12/31/2002	12/31/2021	881	78
Clean Water Act 9714-C	2.77	12/31/2002	12/31/2021	1,899	179
Clean Water Act 200801-C	2.27	07/01/2009	07/01/2029	450	201
Clean Water Act 625-D	2.00	12/31/2012	12/31/2031	1,865	1,151
Clean Water Act 495-C	2.00	05/31/2013	06/01/2032	5,748	3,662
Clean Water Act 625-D1	2.00	05/31/2015	12/31/2031	2,510	1,736
Clean Water Act 707-PD	*	*	*	*	1,655
Drinking Water State Revolving Fund 2010-8005	2.06	03/31/2010	12/31/2029	145	69
Drinking Water State Revolving Fund 2010-8006	2.06	03/31/2010	06/30/2030	326	163
Drinking Water State Revolving Fund 2010-7005	2.00	04/30/2014	10/31/2032	160	107
Drinking Water State Revolving Fund 2010-7006	2.00	04/30/2014	04/30/2032	148	97
Drinking Water State Revolving Fund 2014-7027	2.00	06/30/2015	12/31/2034	506	367
Drinking Water State Revolving Fund 2014-7036	2.00	05/31/2016	11/30/2036	4,052	3,123
Drinking Water State Revolving Fund 2015-7037	2.00	10/31/2016	10/31/2034	1,528	1,210
Drinking Water State Revolving Fund 2017-7056	2.00	8/31/2019	8/31/2038	2,695	2,448
Drinking Water State Revolving Fund 2019-7069	*	*	*	*	1,652
Drinking Water State Revolving Fund 2019-7072	2	43,707	50,829	1,582	1,477
Drinking Water State Revolving Fund 2019-7081	*	*	*	*	2,041
Drinking Water State Revolving Fund 2019-7077	*	*	*	*	2,775
Total				\$	<u>25,411</u>

* Loans not permanently financed as of June 30, 2020

**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
2021	\$ 1,581	\$ 357	\$ 1,938
2022	1,522	317	1,839
2023	1,460	280	1,740
2024	1,336	243	1,579
2025	1,132	218	1,350
2026-2030	5,799	743	6,542
2031-2035	3,657	227	3,884
2036-2040	801	25	826
Subtotal	17,288	2,410	19,698
State of Connecticut - serial notes not permanently financed as of June 30, 2020	8,123		8,123
Total	\$ <u>25,411</u>	\$ <u>2,410</u>	\$ <u>27,821</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. 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 periods.

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, 2020 was \$3,912,000, equal to the required contribution for the year. Employer contributions in 2019 and 2018 were \$3,407,238 and \$2,962,816, 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, 2020 were as follows:

Total pension liability	\$ 108,345,949
Plan fiduciary net position	<u>(61,817,048)</u>
Net Pension Liability	<u>\$ 46,528,901</u>
Plan fiduciary net position as a percentage of the total pension liability	57.06%

**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, 2019	\$ 96,157,064	\$ 60,493,695	\$ 35,663,369
Changes for the year:			
Service cost	1,806,414		1,806,414
Interest on total pension liability	7,115,769		7,115,769
Difference between expected and actual experience	4,413,639		4,413,639
Change in assumptions	5,139,832		5,139,832
Employer contributions		3,912,000	(3,912,000)
Member contributions		1,353,462	(1,353,462)
Net investment income		2,368,469	(2,368,469)
Benefit payments, including refund to employee contributions	(6,286,769)	(6,286,769)	-
Administrative expenses		(23,809)	23,809
Net changes	<u>12,188,885</u>	<u>1,323,353</u>	<u>10,865,532</u>
Balances as of June 30, 2020	\$ <u>108,345,949</u>	\$ <u>61,817,048</u>	\$ <u>46,528,901</u>

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

For the year ended June 30, 2020, the Department recognized pension expense of \$6,890,360. At June 30, 2020, 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	\$ 3,717,373	\$ 43,709
Changes of assumptions	5,139,951	
Net difference between projected and actual earnings on pension plan investments	<u>1,413,505</u>	
Total	\$ <u>10,270,829</u>	\$ <u>43,709</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

2021	\$	2,582,694
2022		2,527,171
2023		2,347,937
2024		2,228,557
2025		540,761

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, 2020 was \$712,158 and equal to the required contribution for the year. Employer contributions in 2019 and 2018 were \$693,000 and \$602,607, 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, 2020. The components of the net OPEB liability of the Department at June 30, 2020 were as follows:

Total OPEB liability	\$	9,216,807
Plan fiduciary net position		<u>(930,975)</u>
Net OPEB Liability	\$	<u><u>8,285,832</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		10.10%

**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, 2019	\$ 6,935,104	\$ 853,802	\$ 6,081,302
Changes for the year:			
Service cost	230,639		230,639
Interest on total OPEB liability	512,909		512,909
Difference between expected and actual experience	1,716,200		1,716,200
Change in assumptions	487,918		487,918
Employer contributions		712,158	(712,158)
Net investment income		32,097	(32,097)
Benefit payments, including refund to employee contributions	(665,963)	(665,963)	-
Administrative expenses		(1,119)	1,119
Net changes	<u>2,281,703</u>	<u>77,173</u>	<u>2,204,530</u>
Balances as of June 30, 2020	\$ <u>9,216,807</u>	\$ <u>930,975</u>	\$ <u>8,285,832</u>

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

For the year ended June 30, 2020, the Department recognized OPEB expense of \$1,427,051. At June 30, 2020, 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	\$ 2,374,111	\$
Changes of assumptions	399,206	80,012
Net difference between projected and actual earnings on OPEB plan investments	<u>22,810</u>	
Total	\$ <u>2,796,127</u>	\$ <u>80,012</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

2021	\$	748,079
2022		748,077
2023		612,115
2024		407,466
2025		200,378

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 \$967,476 for estimated unpaid accrued losses on reported claims as of June 30, 2020. 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, 2020 is \$2,923,276.

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, 2019	\$ 249,139
Deposits into the fund	1,004,582
Investment income	5,783
Approved program expenses	<u>(735,537)</u>
Funds Held by CMEEC, June 30, 2020	<u>\$ 523,967</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, 2020, the Electric Division reported net revenue of \$1,433,253 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, 2020 was \$23.91 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 2020 fiscal year, the share of contributions to the fund received by the Department totaled \$153,285, with drawdowns of \$33,379, and interest on the fund of \$3,658. The balance of the Department's funds held by CMEEC for the RGGI was \$312,818 for the year ended June 30, 2020.

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, 2020 was \$41. For the year ended June 30, 2020, the Department's contributions to the fund totaled \$124,952 with interest on the fund of \$2,171. Distributions to NCDC totaled \$377,420 for the year ended June 30, 2020. 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, 2020, the Department has obligations in place through 2031. Expense under the contracts totaled \$5,387,704 during the year ended June 30, 2020.

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, 2020 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 17,010,988
Department - rate stabilization funds on deposit with CMEEC	<u>(8,844,251)</u>
Net Deferred Fixed Cost Obligation	\$ <u>8,166,737</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 \$2,570,646.

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, 2020, \$4,310,319 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, 2020, the State is committed to providing the Department funding in the form of loans and grants of \$1,655,000 and \$345,000, 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, 2020 and 2019, the Department has purchased \$905,703 and \$846,995 in capital assets on account, respectively, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

16. CORONAVIRUS (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19.

The Department derives the majority of its revenues from charges for services from the City's ratepayers. While the Department has not experienced any significant increase in the amount of delinquency, the situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on the Department's fuel and energy costs, the cost of services, changes in interest rates, and the future federal or state grant programs.

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF NET POSITION BY DIVISION
JUNE 30, 2020**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:					
Current:					
Cash and cash equivalents	\$ 7,497,760	\$ 25,821,154	\$ 7,329,755	\$ 12,797,898	\$ 53,446,567
Receivables, net:					
User charges	2,575,859	9,493,367	1,604,032	1,342,314	15,015,572
Other			689,871		689,871
Due from City of Norwich	2,328				2,328
Inventories	950,832	570,307	235,289	59,794	1,816,222
Other assets	96,770	1,030,697	72,620	48,413	1,248,500
Total current assets	<u>11,123,549</u>	<u>36,915,525</u>	<u>9,931,567</u>	<u>14,248,419</u>	<u>72,219,060</u>
Capital assets, net	<u>36,024,234</u>	<u>21,539,879</u>	<u>45,154,593</u>	<u>51,256,051</u>	<u>153,974,757</u>
Total assets	<u>47,147,783</u>	<u>58,455,404</u>	<u>55,086,160</u>	<u>65,504,470</u>	<u>226,193,817</u>
Deferred Outflows of Resources:					
Deferred outflow of resources related to pensions	2,342,776	4,214,121	2,035,678	1,678,254	10,270,829
Deferred outflow of resources related to OPEB	637,797	1,147,251	554,193	456,886	2,796,127
Total deferred outflows of resources	<u>2,980,573</u>	<u>5,361,372</u>	<u>2,589,871</u>	<u>2,135,140</u>	<u>13,066,956</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	753,548	5,002,432	671,677	271,668	6,699,325
Notes payable		320,692	708,298	552,349	1,581,339
Compensated absences	548,599	903,452	377,737	306,155	2,135,943
Risk management claims	83,365	70,519	25,772	94,395	274,051
Cash advances from other funds	1,016,500				1,016,500
Due to City of Norwich		1,322	1,064	14,220	16,606
Total current liabilities	<u>2,402,012</u>	<u>6,298,417</u>	<u>1,784,548</u>	<u>1,238,787</u>	<u>11,723,764</u>
Noncurrent liabilities:					
Customer deposits	10,000	3,010,054			3,020,054
Notes payable		899,118	15,200,466	7,730,281	23,829,865
Compensated absences	798,724	1,130,149	548,417	505,687	2,982,977
Risk management claims	214,544	178,806	68,405	231,670	693,425
Cash advances from other funds	11,928,929				11,928,929
Net pension liability	10,613,242	19,090,808	9,222,028	7,602,823	46,528,901
Net OPEB liability	1,889,998	3,399,677	1,642,252	1,353,905	8,285,832
Total noncurrent liabilities	<u>25,455,437</u>	<u>27,708,612</u>	<u>26,681,568</u>	<u>17,424,366</u>	<u>97,269,983</u>
Total liabilities	<u>27,857,449</u>	<u>34,007,029</u>	<u>28,466,116</u>	<u>18,663,153</u>	<u>108,993,747</u>
Deferred Inflows of Resources:					
Deferred inflow of resources related to pensions	9,970	17,934	8,663	7,142	43,709
Deferred inflow of resources related to OPEB	18,251	32,829	15,858	13,074	80,012
Total deferred inflows of resources	<u>28,221</u>	<u>50,763</u>	<u>24,521</u>	<u>20,216</u>	<u>123,721</u>
Net Position:					
Net investment in capital assets	35,826,476	20,138,566	28,731,887	42,960,921	127,657,850
Restricted for energy efficiency program		523,967			523,967
Unrestricted	<u>(13,583,790)</u>	<u>9,096,451</u>	<u>453,507</u>	<u>5,995,320</u>	<u>1,961,488</u>
Total Net Position	<u>\$ 22,242,686</u>	<u>\$ 29,758,984</u>	<u>\$ 29,185,394</u>	<u>\$ 48,956,241</u>	<u>\$ 130,143,305</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 20,057,368	\$ 51,487,696	\$ 11,139,518	\$ 8,399,220	\$ 91,083,802
Use of property	24,000	1,513,595	80,636		1,618,231
Other services	248,549	703,982	51,412	1,507,828	2,511,771
Total operating revenues	<u>20,329,917</u>	<u>53,705,273</u>	<u>11,271,566</u>	<u>9,907,048</u>	<u>95,213,804</u>
Operating Expenses:					
Purchased gas and electric	4,763,887	23,920,335			28,684,222
Operations and maintenance	2,539,698	4,567,108	3,811,466	3,793,184	14,711,456
General and administrative	2,029,018	7,920,285	2,570,815	2,011,799	14,531,917
Depreciation	2,586,589	2,066,724	1,303,658	2,109,625	8,066,596
Pension expense	1,571,691	2,827,115	1,365,669	1,125,885	6,890,360
Customer accounts	559,445	1,936,235	334,841	223,036	3,053,557
Gross revenue and property taxes	921,354	1,934,746	160,281		3,016,381
OPEB expense	325,510	585,519	282,842	233,180	1,427,051
Total operating expenses	<u>15,297,192</u>	<u>45,758,067</u>	<u>9,829,572</u>	<u>9,496,709</u>	<u>80,381,540</u>
Operating Income	<u>5,032,725</u>	<u>7,947,206</u>	<u>1,441,994</u>	<u>410,339</u>	<u>14,832,264</u>
Nonoperating Income (Expenses):					
Interest income	23,077	227,242	41,600	93,172	385,091
Interest expense	(495,861)	(102,510)	(226,200)	(126,487)	(951,058)
Loss on disposal of capital assets	(12,568)	(362,977)	(19,356)	(32,192)	(427,093)
Net nonoperating expenses	<u>(485,352)</u>	<u>(238,245)</u>	<u>(203,956)</u>	<u>(65,507)</u>	<u>(993,060)</u>
Income Before Contributions and Transfers	4,547,373	7,708,961	1,238,038	344,832	13,839,204
Capital Contributions	70,180	81,133	3,491,130	206,484	3,848,927
Transfers out to City of Norwich	<u>(2,044,409)</u>	<u>(5,711,210)</u>	<u>(1,105,048)</u>		<u>(8,860,667)</u>
Change in Net Position	2,573,144	2,078,884	3,624,120	551,316	8,827,464
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 22,242,686</u>	<u>\$ 29,758,984</u>	<u>\$ 29,185,394</u>	<u>\$ 48,956,241</u>	<u>\$ 130,143,305</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMBINING STATEMENT OF CASH FLOWS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2020**

	<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	\$ 20,504,308	\$ 53,034,031	\$ 11,351,494	\$ 9,795,550	\$ 94,685,383
Cash paid to vendors	(7,768,410)	(30,429,799)	(3,195,059)	(2,461,657)	(43,854,925)
Cash paid to employees for services	(5,374,836)	(10,998,853)	(4,447,326)	(3,428,124)	(24,249,139)
Net cash provided by (used in) operating activities	<u>7,361,062</u>	<u>11,605,379</u>	<u>3,709,109</u>	<u>3,905,769</u>	<u>26,581,319</u>
Cash Flows from Noncapital and Related Financing Activities:					
Transfers to City of Norwich	(2,044,409)	(5,711,210)	(1,105,048)		(8,860,667)
Customer deposits		242,823			242,823
Cash advance from (to) other funds	98,845	(947)	460	(23,993)	74,365
Net cash provided by (used in) noncapital and related financing activities	<u>(1,945,564)</u>	<u>(5,469,334)</u>	<u>(1,104,588)</u>	<u>(23,993)</u>	<u>(8,543,479)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	70,180	81,133	3,491,130	206,484	3,848,927
Purchases of capital assets	(1,864,198)	(1,266,509)	(8,389,197)	(1,792,578)	(13,312,482)
Proceeds from sale of capital assets	78,380	20,846	94,494	4,965	198,685
Proceeds from long-term debt			5,074,717	92,193	5,166,910
Principal payment on bonds and notes		(307,371)	(813,464)	(496,716)	(1,617,551)
Interest payment on debt	(495,861)	(102,510)	(226,200)	(126,487)	(951,058)
Repayment of cash advances from the City of Norwich	(371,298)				(371,298)
Net cash provided by (used in) capital and related financing activities	<u>(2,582,797)</u>	<u>(1,574,411)</u>	<u>(768,520)</u>	<u>(2,112,139)</u>	<u>(7,037,867)</u>
Cash Flows from Investing Activities:					
Income on investments	23,077	227,242	41,600	93,172	385,091
Net cash provided by (used in) investing activities	<u>23,077</u>	<u>227,242</u>	<u>41,600</u>	<u>93,172</u>	<u>385,091</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,855,778	4,788,876	1,877,601	1,862,809	11,385,064
Cash and Cash Equivalents at Beginning 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>
Cash and Cash Equivalents at End of Year	<u>\$ 7,497,760</u>	<u>\$ 25,821,154</u>	<u>\$ 7,329,755</u>	<u>\$ 12,797,898</u>	<u>\$ 53,446,567</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Operating income	\$ 5,032,725	\$ 7,947,206	\$ 1,441,994	\$ 410,339	\$ 14,832,264
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	2,586,589	2,066,724	1,303,658	2,109,625	8,066,596
Change in deferred outflow of resources related to pensions	(1,728,138)	(3,235,600)	(1,596,616)	(1,308,606)	(7,868,960)
Change in deferred outflow of resources related to OPEB	(294,123)	(600,112)	(308,692)	(250,197)	(1,453,124)
Change in net pension liability	1,486,986	4,561,551	2,702,764	2,114,231	10,865,532
Change in net OPEB liability	333,793	922,155	530,590	417,992	2,204,530
Change in deferred inflow of resources related to pensions	(5,876)	(7,293)	(2,656)	(2,387)	(18,212)
Change in deferred inflow of resources related to OPEB	(11,568)	(14,643)	(5,443)	(4,859)	(36,513)
(Increase) decrease in receivables	174,391	(671,242)	79,928	(111,498)	(528,421)
(Increase) decrease in inventories and other assets	176,525	184,257	129,312	87,407	577,501
Increase (decrease) in accounts payable and accrued liabilities	(390,242)	452,376	(565,730)	443,722	(59,874)
Total adjustments	<u>2,328,337</u>	<u>3,658,173</u>	<u>2,267,115</u>	<u>3,495,430</u>	<u>11,749,055</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,361,062</u>	<u>\$ 11,605,379</u>	<u>\$ 3,709,109</u>	<u>\$ 3,905,769</u>	<u>\$ 26,581,319</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - GAS DIVISION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 7,497,760	\$ 4,641,982
Receivables, net:		
User charges	2,575,859	2,717,203
Other		33,047
Due from City of Norwich	2,328	101,173
Inventories	950,832	949,815
Other assets	96,770	274,312
Total current assets	<u>11,123,549</u>	<u>8,717,532</u>
Capital assets, net	<u>36,024,234</u>	<u>36,639,815</u>
Total assets	<u>47,147,783</u>	<u>45,357,347</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	2,342,776	614,638
Deferred outflow of resources related to OPEB	637,797	343,674
Total deferred outflows of resources	<u>2,980,573</u>	<u>958,312</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	753,548	1,005,234
Compensated absences	548,599	471,601
Risk management claims	83,365	68,257
Cash advances from other funds	1,016,500	1,016,500
Total current liabilities	<u>2,402,012</u>	<u>2,561,592</u>
Noncurrent liabilities:		
Customer deposits	10,000	10,000
Compensated absences	798,724	880,076
Risk management claims	214,544	166,096
Cash advances from other funds	11,928,929	12,300,227
Net pension liability	10,613,242	9,126,256
Net OPEB liability	1,889,998	1,556,205
Total noncurrent liabilities	<u>25,455,437</u>	<u>24,038,860</u>
Total liabilities	<u>27,857,449</u>	<u>26,600,452</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	9,970	15,846
Deferred inflow of resources related to OPEB	18,251	29,819
Total deferred inflows of resources	<u>28,221</u>	<u>45,665</u>
Net Position:		
Net investment in capital assets	35,826,476	36,639,815
Unrestricted	<u>(13,583,790)</u>	<u>(16,970,273)</u>
Total Net Position	<u>\$ 22,242,686</u>	<u>\$ 19,669,542</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Charges for services	\$ 20,057,368	\$ 20,441,451
Use of property	24,000	24,000
Other services	248,549	996,204
Total operating revenues	<u>20,329,917</u>	<u>21,461,655</u>
Operating Expenses:		
Purchased gas	4,763,887	6,453,529
Operations and maintenance	2,539,698	2,676,341
General and administrative	2,029,018	2,751,109
Depreciation	2,586,589	2,597,140
Pension expense	1,571,691	1,321,617
Customer accounts	559,445	536,823
Gross revenue and property taxes	921,354	992,165
OPEB expense	325,510	250,949
Total operating expenses	<u>15,297,192</u>	<u>17,579,673</u>
Operating Income	<u>5,032,725</u>	<u>3,881,982</u>
Nonoperating Income (Expenses):		
Interest income	23,077	22,868
Interest expense	(495,861)	(531,956)
Gain (loss) on disposal of capital assets	(12,568)	(49,714)
Net nonoperating expenses	<u>(485,352)</u>	<u>(558,802)</u>
Income Before Contributions and Transfers	4,547,373	3,323,180
Capital Contributions	70,180	3,236,101
Transfers out to City of Norwich	<u>(2,044,409)</u>	<u>(1,868,964)</u>
Change in Net Position	2,573,144	4,690,317
Net Position at Beginning of Year	<u>19,669,542</u>	<u>14,979,225</u>
Net Position at End of Year	<u>\$ 22,242,686</u>	<u>\$ 19,669,542</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - GAS DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 20,504,308	\$ 21,093,514
Cash paid to vendors	(7,768,410)	(9,507,708)
Cash paid to employees for services	(5,374,836)	(5,132,519)
Net cash provided by (used in) operating activities	<u>7,361,062</u>	<u>6,453,287</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(2,044,409)	(1,868,964)
Cash advances to other funds	98,845	(29,032)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,945,564)</u>	<u>(1,897,996)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	70,180	3,236,101
Purchases of capital assets	(1,864,198)	(5,421,994)
Proceeds from sale of capital assets	78,380	6,809
Interest payment on debt	(495,861)	(531,956)
Repayment of cash advances from the City of Norwich	(371,298)	(442,233)
Net cash provided by (used in) capital and related financing activities	<u>(2,582,797)</u>	<u>(3,153,273)</u>
Cash Flows from Investing Activities:		
Income on investments	23,077	22,868
Net cash provided by (used in) investing activities	<u>23,077</u>	<u>22,868</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,855,778	1,424,886
Cash and Cash Equivalents at Beginning of Year	<u>4,641,982</u>	<u>3,217,096</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,497,760</u>	<u>\$ 4,641,982</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 5,032,725	\$ 3,881,982
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	2,586,589	2,597,140
Change in deferred outflow of resources related to pensions	(1,728,138)	268,533
Change in deferred outflow of resources related to OPEB	(294,123)	(333,340)
Change in net pension liability	1,486,986	957,038
Change in net OPEB liability	333,793	122,261
Change in deferred inflow of resources related to pensions	(5,876)	4,317
Change in deferred inflow of resources related to OPEB	(11,568)	(95,012)
(Increase) decrease in receivables	174,391	(368,141)
(Increase) decrease in inventories and other assets	176,525	(120,747)
Increase (decrease) in accounts payable and accrued liabilities	(390,242)	(460,744)
Total adjustments	<u>2,328,337</u>	<u>2,571,305</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,361,062</u>	<u>\$ 6,453,287</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - ELECTRIC DIVISION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 25,821,154	\$ 21,032,278
Receivables, net:		
User charges	9,493,367	8,822,125
Inventories	570,307	573,136
Other assets	1,030,697	1,212,125
Total current assets	<u>36,915,525</u>	<u>31,639,664</u>
Capital assets, net	<u>21,539,879</u>	<u>22,542,414</u>
Total assets	<u>58,455,404</u>	<u>54,182,078</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	4,214,121	978,521
Deferred outflow of resources related to OPEB	<u>1,147,251</u>	<u>547,139</u>
Total deferred outflows of resources	<u>5,361,372</u>	<u>1,525,660</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	5,002,432	4,567,073
Notes payable	320,692	307,371
Compensated absences	903,452	767,856
Risk management claims	70,519	76,990
Due to City of Norwich	1,322	2,269
Total current liabilities	<u>6,298,417</u>	<u>5,721,559</u>
Noncurrent liabilities:		
Customer deposits	3,010,054	2,767,231
Notes payable	899,118	1,219,810
Compensated absences	1,130,149	1,058,859
Risk management claims	178,806	180,701
Net pension liability	19,090,808	14,529,257
Net OPEB liability	<u>3,399,677</u>	<u>2,477,522</u>
Total noncurrent liabilities	<u>27,708,612</u>	<u>22,233,380</u>
Total liabilities	<u>34,007,029</u>	<u>27,954,939</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	17,934	25,227
Deferred inflow of resources related to OPEB	<u>32,829</u>	<u>47,472</u>
Total deferred inflows of resources	<u>50,763</u>	<u>72,699</u>
Net Position:		
Net investment in capital assets	20,138,566	21,015,233
Restricted for energy efficiency purposes	523,967	249,139
Unrestricted	<u>9,096,451</u>	<u>6,415,728</u>
Total Net Position	<u>\$ 29,758,984</u>	<u>\$ 27,680,100</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Charges for services	\$ 51,487,696	\$ 52,755,117
Use of property	1,513,595	2,062,865
Other services	703,982	1,181,847
Total operating revenues	<u>53,705,273</u>	<u>55,999,829</u>
Operating Expenses:		
Purchased electric	23,920,335	25,930,417
Operations and maintenance	4,567,108	4,420,962
General and administrative	7,920,285	5,485,017
Depreciation	2,066,724	2,319,677
Pension expense	2,827,115	2,104,052
Customer accounts	1,936,235	2,222,469
Gross revenue and property taxes	1,934,746	2,039,140
OPEB expense	585,519	399,518
Total operating expenses	<u>45,758,067</u>	<u>44,921,252</u>
Operating Income	<u>7,947,206</u>	<u>11,078,577</u>
Nonoperating Income (Expenses):		
Interest income	227,242	250,009
Interest expense	(102,510)	(116,000)
Loss on disposal of capital assets	(362,977)	(356,864)
Net nonoperating expenses	<u>(238,245)</u>	<u>(222,855)</u>
Income Before Contributions and Transfers	7,708,961	10,855,722
Capital Contributions	81,133	241,514
Transfers out to City of Norwich	<u>(5,711,210)</u>	<u>(5,835,627)</u>
Change in Net Position	2,078,884	5,261,609
Net Position at Beginning of Year	<u>27,680,100</u>	<u>22,418,491</u>
Net Position at End of Year	<u>\$ 29,758,984</u>	<u>\$ 27,680,100</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - ELECTRIC DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 53,034,031	\$ 56,996,848
Cash paid to vendors	(30,429,799)	(35,744,974)
Cash paid to employees for services	(10,998,853)	(10,268,603)
Net cash provided by (used in) operating activities	<u>11,605,379</u>	<u>10,983,271</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(5,711,210)	(5,835,627)
Net change in customer deposits	242,823	595,379
Cash advances to other funds	(947)	(7,056)
Net cash provided by (used in) noncapital and related financing activities	<u>(5,469,334)</u>	<u>(5,247,304)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	81,133	241,514
Purchases of capital assets	(1,266,509)	(3,719,453)
Proceeds from sale of capital assets	20,846	21,896
Proceeds from long-term debt		40,659
Principal payment on bonds and notes	(307,371)	(409,950)
Interest payment on debt	(102,510)	(116,000)
Net cash provided by (used in) capital and related financing activities	<u>(1,574,411)</u>	<u>(3,941,334)</u>
Cash Flows from Investing Activities:		
Income on investments	<u>227,242</u>	<u>250,009</u>
Net cash provided by (used in) investing activities	<u>227,242</u>	<u>250,009</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,788,876	2,044,642
Cash and Cash Equivalents at Beginning of Year	<u>21,032,278</u>	<u>18,987,636</u>
Cash and Cash Equivalents at End of Year	<u>\$ 25,821,154</u>	<u>\$ 21,032,278</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ <u>7,947,206</u>	\$ <u>11,078,577</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	2,066,724	2,319,677
Change in deferred outflow of resources related to pensions	(3,235,600)	626,994
Change in deferred outflow of resources related to OPEB	(600,112)	(525,652)
Change in net pension liability	4,561,551	(836,602)
Change in net OPEB liability	922,155	(155,571)
Change in deferred inflow of resources related to pensions	(7,293)	1,252
Change in deferred inflow of resources related to OPEB	(14,643)	(212,106)
(Increase) decrease in receivables	(671,242)	997,019
(Increase) decrease in inventories and other assets	184,257	(612,317)
Increase (decrease) in accounts payable and accrued liabilities	<u>452,376</u>	<u>(1,698,000)</u>
Total adjustments	<u>3,658,173</u>	<u>(95,306)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 11,605,379</u>	<u>\$ 10,983,271</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - WATER DIVISION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 7,329,755	\$ 5,452,154
Receivables, net:		
User charges	1,604,032	1,533,119
Other	689,871	840,712
Inventories	235,289	231,487
Other assets	72,620	205,734
Total current assets	<u>9,931,567</u>	<u>8,263,206</u>
Capital assets, net	<u>45,154,593</u>	<u>37,668,962</u>
Total assets	<u>55,086,160</u>	<u>45,932,168</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	2,035,678	439,062
Deferred outflow of resources related to OPEB	554,193	245,501
Total deferred outflows of resources	<u>2,589,871</u>	<u>684,563</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	671,677	837,629
Notes payable	708,298	697,425
Bonds payable		10,551
Compensated absences	377,737	306,549
Risk management claims	25,772	41,361
Due to City of Norwich	1,064	604
Total current liabilities	<u>1,784,548</u>	<u>1,894,119</u>
Noncurrent liabilities:		
Notes payable	15,200,466	10,939,535
Compensated absences	548,417	459,453
Risk management claims	68,405	98,804
Net pension liability	9,222,028	6,519,264
Net OPEB liability	1,642,252	1,111,662
Total noncurrent liabilities	<u>26,681,568</u>	<u>19,128,718</u>
Total liabilities	<u>28,466,116</u>	<u>21,022,837</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	8,663	11,319
Deferred inflow of resources related to OPEB	15,858	21,301
Total deferred inflows of resources	<u>24,521</u>	<u>32,620</u>
Net Position:		
Net investment in capital assets	28,731,887	26,021,451
Unrestricted	453,507	(460,177)
Total Net Position	<u>\$ 29,185,394</u>	<u>\$ 25,561,274</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Charges for services	\$ 11,139,518	\$ 11,145,946
Use of property	80,636	84,061
Other services	51,412	63,218
Total operating revenues	<u>11,271,566</u>	<u>11,293,225</u>
Operating Expenses:		
Operations and maintenance	3,811,466	3,795,819
General and administrative	2,570,815	1,106,067
Depreciation	1,303,658	1,240,063
Pension expense	1,365,669	944,086
Customer accounts	334,841	348,316
Gross revenue and property taxes	160,281	159,912
OPEB expense	282,842	179,263
Total operating expenses	<u>9,829,572</u>	<u>7,773,526</u>
Operating Income	<u>1,441,994</u>	<u>3,519,699</u>
Nonoperating Income (Expenses):		
Interest income	41,600	38,237
Interest expense	(226,200)	(139,757)
Loss on disposal of capital assets	(19,356)	(35,067)
Net nonoperating expenses	<u>(203,956)</u>	<u>(136,587)</u>
Income Before Contributions and Transfers	1,238,038	3,383,112
Capital Contributions	3,491,130	1,450,306
Transfers out to City of Norwich	<u>(1,105,048)</u>	<u>(1,106,330)</u>
Change in Net Position	3,624,120	3,727,088
Net Position at Beginning of Year	<u>25,561,274</u>	<u>21,834,186</u>
Net Position at End of Year	<u>\$ 29,185,394</u>	<u>\$ 25,561,274</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 11,351,494	\$ 10,645,197
Cash paid to vendors	(3,195,059)	(3,274,784)
Cash paid to employees for services	(4,447,326)	(4,018,949)
Net cash provided by (used in) operating activities	<u>3,709,109</u>	<u>3,351,464</u>
Cash Flows from Noncapital and Related Financing Activities:		
Transfers to City of Norwich	(1,105,048)	(1,106,330)
Cash advances from (to) other funds	460	(1,833)
Net cash provided by (used in) noncapital and related financing activities	<u>(1,104,588)</u>	<u>(1,108,163)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	3,491,130	1,450,306
Purchases of capital assets	(8,389,197)	(5,181,709)
Proceeds from sale of capital assets	94,494	5,166
Proceeds from long-term debt	5,074,717	3,346,520
Principal payment on bonds and notes	(813,464)	(539,596)
Interest payment on debt	(226,200)	(139,757)
Net cash provided by (used in) capital and related financing activities	<u>(768,520)</u>	<u>(1,059,070)</u>
Cash Flows from Investing Activities:		
Income on investments	41,600	38,237
Net cash provided by (used in) investing activities	<u>41,600</u>	<u>38,237</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,877,601	1,222,468
Cash and Cash Equivalents at Beginning of Year	<u>5,452,154</u>	<u>4,229,686</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,329,755</u>	<u>\$ 5,452,154</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 1,441,994	\$ 3,519,699
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	1,303,658	1,240,063
Change in deferred outflow of resources related to pensions	(1,596,616)	308,625
Change in deferred outflow of resources related to OPEB	(308,692)	(236,880)
Change in net pension liability	2,702,764	(473,840)
Change in net OPEB liability	530,590	(32,076)
Change in deferred inflow of resources related to pensions	(2,656)	1,701
Change in deferred inflow of resources related to OPEB	(5,443)	(82,840)
(Increase) decrease in receivables	79,928	(648,028)
(Increase) decrease in inventories and other assets	129,312	(78,077)
Increase (decrease) in accounts payable and accrued liabilities	(565,730)	(166,883)
Total adjustments	<u>2,267,115</u>	<u>(168,235)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,709,109</u>	<u>\$ 3,351,464</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF NET POSITION - SEWER DIVISION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 12,797,898	\$ 10,935,089
Receivables, net:		
User charges	1,342,314	1,193,197
Other		37,619
Inventories	59,794	58,458
Other assets	48,413	137,156
Total current assets	<u>14,248,419</u>	<u>12,361,519</u>
Capital assets, net	<u>51,256,051</u>	<u>51,597,755</u>
Total assets	<u>65,504,470</u>	<u>63,959,274</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions	1,678,254	369,648
Deferred outflow of resources related to OPEB	456,886	206,689
Total deferred outflows of resources	<u>2,135,140</u>	<u>576,337</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	271,668	147,052
Notes payable	552,349	496,715
Compensated absences	306,155	277,293
Risk management claims	94,395	29,473
Due to City of Norwich	14,220	38,213
Total current liabilities	<u>1,238,787</u>	<u>988,746</u>
Noncurrent liabilities:		
Notes payable	7,730,281	8,190,438
Compensated absences	505,687	430,621
Risk management claims	231,670	68,914
Net pension liability	7,602,823	5,488,592
Net OPEB liability	1,353,905	935,913
Total noncurrent liabilities	<u>17,424,366</u>	<u>15,114,478</u>
Total liabilities	<u>18,663,153</u>	<u>16,103,224</u>
Deferred Inflows of Resources:		
Deferred inflow of resources related to pensions	7,142	9,529
Deferred inflow of resources related to OPEB	13,074	17,933
Total deferred inflows of resources	<u>20,216</u>	<u>27,462</u>
Net Position:		
Net investment in capital assets	42,960,921	42,910,602
Unrestricted	5,995,320	5,494,323
Total Net Position	<u>\$ 48,956,241</u>	<u>\$ 48,404,925</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF ACTIVITIES - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Charges for services	\$ 8,399,220	\$ 8,573,355
Other services	1,507,828	138,808
Total operating revenues	<u>9,907,048</u>	<u>8,712,163</u>
Operating Expenses:		
Operations and maintenance	3,793,184	3,622,489
General and administrative	2,011,799	1,169,572
Depreciation	2,109,625	2,086,564
Pension expense	1,125,885	794,829
Customer accounts	223,036	232,116
OPEB expense	233,180	150,922
Total operating expenses	<u>9,496,709</u>	<u>8,056,492</u>
Operating Income	<u>410,339</u>	<u>655,671</u>
Nonoperating Income (Expenses):		
Interest income	93,172	108,898
Interest expense	(126,487)	(163,463)
Loss on disposal of assets	(32,192)	(8,327)
Net nonoperating expenses	<u>(65,507)</u>	<u>(62,892)</u>
Income Before Contributions	344,832	592,779
Capital Contributions	<u>206,484</u>	<u>227,921</u>
Change in Net Position	551,316	820,700
Net Position at Beginning of Year	<u>48,404,925</u>	<u>47,584,225</u>
Net Position at End of Year	<u>\$ 48,956,241</u>	<u>\$ 48,404,925</u>

**CITY OF NORWICH, CONNECTICUT
DEPARTMENT OF PUBLIC UTILITIES
COMPARATIVE STATEMENTS OF CASH FLOWS - SEWER DIVISION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from charges for services	\$ 9,795,550	\$ 8,813,806
Cash paid to vendors	(2,461,657)	(2,785,395)
Cash paid to employees for services	(3,428,124)	(3,213,244)
Net cash provided by (used in) operating activities	<u>3,905,769</u>	<u>2,815,167</u>
Cash Flows from Noncapital and Related Financing Activities:		
Cash advances from (to) other funds	(23,993)	33,267
Net cash provided by (used in) noncapital and related financing activities	<u>(23,993)</u>	<u>33,267</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	206,484	227,921
Purchases of capital assets	(1,792,578)	(1,155,280)
Proceeds from sale of capital assets	4,965	745
Proceeds from long-term debt	92,193	701,196
Principal payment on bonds and notes	(496,716)	(650,814)
Interest payment on debt	(126,487)	(163,463)
Repayment of cash advances from the City of Norwich	(43,047)	(43,047)
Net cash provided by (used in) capital and related financing activities	<u>(2,112,139)</u>	<u>(1,082,742)</u>
Cash Flows from Investing Activities:		
Income on investments	93,172	108,898
Net cash provided by (used in) investing activities	<u>93,172</u>	<u>108,898</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,862,809	1,874,590
Cash and Cash Equivalents at Beginning of Year	<u>10,935,089</u>	<u>9,060,499</u>
Cash and Cash Equivalents at End of Year	<u>\$ 12,797,898</u>	<u>\$ 10,935,089</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Operating income	\$ 410,339	\$ 655,671
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	2,109,625	2,086,564
Change in deferred outflow of resources related to pensions	(1,308,606)	204,842
Change in deferred outflow of resources related to OPEB	(250,197)	(199,687)
Change in net pension liability	2,114,231	169,179
Change in net OPEB liability	417,992	8,813
Change in deferred inflow of resources related to pensions	(2,387)	1,716
Change in deferred inflow of resources related to OPEB	(4,859)	(66,663)
(Increase) decrease in receivables	(111,498)	101,643
(Increase) decrease in inventories and other assets	87,407	(57,404)
Increase (decrease) in accounts payable and accrued liabilities	443,722	(89,507)
Total adjustments	<u>3,495,430</u>	<u>2,159,496</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,905,769</u>	<u>\$ 2,815,167</u>

