South Central Connecticut Regional Water Authority
Aquarion Water Authority, 835 Main Street, Bridgeport, CT 06604
or
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AGENDA

Regular Meeting of Thursday, September 24, 2026 at 12:30 p.m.

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1. Call to Order
    1. Safety Moment
2. Public Comment: The time limit granted to each speaker shall be three (3) minutes. Residents and customers may address the Board.
3. Meet as Audit-Risk Committee: T. Cort
    1. Approve Minutes – May 28, 2026 meeting
    2. Review FY 2026 Audit Results: D. Flint and G. Epstein - *Upon 2/3 vote, convene in possible executive session pursuant to C.G.S. Section 1-200(6)(E) to discuss matters covered by Section 1-210(b)(5)(B), pertaining to commercial or financial information.*
4. Meet as Environmental, Health & Safety Committee *(Special meeting)*: M. Ricozzi
    1. Approve Minutes – May 28, 2026 meeting
    2. Invasive Plant and Aquatic Species update memorandum
    3. Forestry Management update memorandum
    4. Raw Water Supply/Minimum Stream Flows/Safe Yield/Available Water – *Upon 2/3 vote, convene in possible executive session pursuant to C.G.S. Section 1-200(6)(E) to discuss matters covered by Section 1-210(b)(5)(B)(19), pertaining to safety risk.*
5. Act on matters arising from committee meetings
6. Consent Agenda
    1. Approve Minutes – August 27, 2026 regular meeting
    2. Capital Budget Authorization - October 2026
    3. Accounts Receivable Update – August 2026
    4. Key Performance Indicators – Q1 FY 2027
    5. RPB Dashboard Report
    6. RPB Land Use Committee Special Topic: RPB Police Update
7. Finance: R. Kowalski
    1. Quarterly Financial Report
    2. DWSRF Resolutions
    3. Type B3 Amendment
8. Consider and act on adoption of Cost Allocation Policy
9. Consider and act on adoption of Conflict of Interest Policy
10. RPB Committee meeting assignments and reports on RPB Committee meetings
11. President's Report: S. Lakshminarayanan
    1. Monthly Business Highlights

*Members of the public may attend the meeting in person or by conference call. To view meeting documents please visit https://tinyurl.com/4bdsdscw. For questions, contact the board office at 203-836-0337 or by email at jslubowski@rwater.com.

**RPB member (S. Mongillo) is scheduled to attend.*

*

SAFETY MOMENT

National Preparedness Month, sponsored by the Federal Emergency Management Agency and held annually in September, is a good reminder that natural and man-made disasters can strike at any time. It's important to have a planned response when you're at work, on vacation or on the road.

The National Safety Council recommends the following general precautions that apply to many disaster situations:

1 Make sure at least one family member knows first aid and CPR.

2. Have a family communication plan in place; all members of the family should review and practice the plan.

3. Have an emergency kit in your car and at least three days of food and water at home.

4. Know how to shut off utilities.

Tap Into Safety

Regional Water Authority

Service – Teamwork – Accountability – Respect – Safety

Safety is a core company value at the Regional Water Authority .
It is our goal to reduce workplace injuries to zero.

Regional Water Authority

South Central Connecticut Regional Water Authority

Audit-Risk Committee

May 28, 2026

Minutes

The regular meeting of the South Central Connecticut Regional Water Authority Audit-Risk Committee took place on Thursday, May 28, 2026, at 90 Sargent Drive, New Haven, Connecticut and via remote access. Chair Cort presided.

Committee Present –Messrs. Cort, Borowy, and Ricozzi, and Mss. LaMarr and Sack
Committee Absent – Mr. Curseaden
Management – Mss. Kowalski, Calo(R), and Schenkle, and Messrs. Lakshminarayanan, Hill(R), and Singh
RPB – Mr. Jaser
Staff – Mrs. Slubowski

4. MEET AS AUDIT-RISK COMMITTEE

The Chair called the meeting to order at 2:55 p.m.

4.1 APPROVE MINUTES – FEBRUARY 26, 2026

On motion made by Mr. Ricozzi seconded by Ms. LaMarr, the Committee voted unanimously to approve the minutes of the meeting held on February 26, 2026, as presented.

Borowy	Aye
Cort	Aye
Curseaden	Absent
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

4.2 RISK MANAGEMENT UPDATE

Chair Cort stated that the Committee would be reviewing details of the RWA's Enterprise Risk Management Program, which utilizes the COSO Enterprise Risk Management (ERM) framework, best practices, processes, and outcomes.

He acknowledged Ms. Schenkle, the RWA's Safety & Risk Manager, who reported that the assessment encompasses a total of 53 identified risks. Her presentation included a high-level overview of associated controls and mitigation actions, risk management standards, and forward planning efforts.

Ms. Schenkle reviewed the top ten risks based on residual risk levels and provided an overview of the controls currently in place. She noted that the ERM program has been benchmarked against industry standards and was found to align with best practices. Management indicated that its fiscal year 2027 focus would include enhancing documentation of the risk review cycle and reassessing risk perspectives using the Plan-Do-Check-Act (PDCA) model.

The Committee discussed re-engaging a third party to review selected standards and key focus areas for FY2027, positive insights, and concerns. The Committee also commented on the increase in board member participation at tabletop exercises.

4.3 FY 2027 COMMITTEE WORK PLAN

The committee reviewed its FY 2027 work plan.

At 3:06 p.m., on motion made by Ms. Sack and seconded by Ms. LaMarr, the Committee voted to adjourn the meeting.

Borowy	Aye
Cort	Aye
Curseaden	Absent
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

Todd Cort, Chair

(R) = Attended remotely.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2026 AND 2025

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of and for the years ended May 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of May 31, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Central Connecticut Regional Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Central Connecticut Regional Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 South Central Connecticut Regional Water Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Connecticut Regional Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and other postemployment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of the South Central Connecticut Regional Water Authority's 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 South Central Connecticut Regional Water Authority's 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 South Central Connecticut Regional Water Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 15, 2026

INTRODUCTION

As noted in the Independent Auditors' Report from CliftonLarsonAllen LLP, Management's Discussion and Analysis (MD&A) provides supplemental information to the audit and should be read in conjunction with it. The purpose of the MD&A is to introduce and highlight the more detailed information provided in the audited financial statements. For example, it will assess improvement to or deterioration of the South Central Connecticut Regional Water Authority's (the Authority's) financial position and will identify factors that, in management's opinion, affected financial performance during the fiscal period under review.

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

The Authority's audited financial statements include the following:

- Statements of net position

  These statements provide information about the Authority's investments in resources (assets) and its obligations to creditors (liabilities), with the difference between them reported as net position.

- Statements of revenues, expenses, and changes in net position

  These statements demonstrate changes in net position from one fiscal period to another by accounting for revenues and expenditures and measuring the financial results of operations. The information may be used to determine how the Authority has funded its costs.

- Statements of cash flows

  These statements provide information concerning the Authority's cash receipts and payments, as well as net changes in cash resulting from operations, capital, and related financing, and investing activities.

- Statements of fiduciary net position

  These statements provide information about net position available for benefits under the Authority's employee benefit plans and changes in net position available for benefits. In accordance with governmental accounting guidelines (GASB Statements No. 68 and No. 75), the Authority's pension plans and other post-employment benefits (OPEB) are included in the financial statements.

- Notes to financial statements

  Notes to the audited financial statements contain information essential to understanding them, such as the Authority's accounting methods and policies.

THE AUTHORITY'S BUSINESS

The primary purpose of the Authority, according to its enabling legislation, is to provide and assure an adequate supply of pure water at a reasonable cost to its water district and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority.

RWA Well Services, LLC is a wholly owned subsidiary of RWA Commercial Enterprises, LLC. RWA Commercial Enterprises, LLC is a wholly owned subsidiary of the Authority. The Authority also established RWA Environmental & Lab Services, LLC and RWA Commercial Services, LLC. However, there are no operations under these two entities. The results of RWA Well Services, LLC are consolidated entities reflected in the Authority's financial statements. The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct or invest in certain "non-core" activities (e.g., related to water, environment, agricultural, and certain renewable energy) as more specifically defined in the legislation. During fiscal 2024, and signed into law on June 5, 2024, "non-core" activities were expanded to include "sustainable manufacturing support." At that time there were also other changes made to Special Act 77-98, as amended. Additionally, in the June 2024 Special Session, Special Act 24-01 was passed and signed into law in July. Special Act 24-01 created the Aquarion Water Authority (AWA) and allowed AWA to own and operate Aquarion Company if AWA was a successful bidder. The transaction closed on June 30, 2026, with the acquisition of Aquarion Company, and its Connecticut operations, by AWA. At closing any and all obligations of the Authority ceased (see also Subsequent Events).

During fiscal 2020, the Watershed Fund was renamed The Claire C. Bennitt Watershed Fund (the Watershed Fund) in honor of its founder and former Board Chair, Claire C. Bennitt. The Watershed Fund was established by the Authority for the purpose of protecting land on the watershed through the acquisition of open space and promotion of environmental education. The Watershed Fund is reflected as a consolidated entity within the audited financial statements.

FINANCIAL HIGHLIGHTS

	(In Thousands of Dollars) May 31, 2026	2025	2024
SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
OPERATING REVENUES			
Water Revenues	$ 144,469	$ 138,830	$ 135,660
Other	21,746	22,588	16,112
Total Operating Revenues	166,215	161,418	151,772
OPERATING EXPENSES			
Operating and Maintenance	68,511	67,107	62,299
Expenses Associated With Water and Other Revenue	14,109	14,861	9,821
Depreciation and Amortization	32,034	28,349	26,397
Payments in Lieu of Taxes (PILOT)	8,865	8,937	8,767
Total Operating Expenses	123,519	119,254	107,284
OPERATING INCOME	42,696	42,164	44,488
NONOPERATING INCOME AND EXPENSES			
Interest Income	9,649	9,697	10,932
Gain (Loss) on Disposal of Assets	(748)	(878)	(859)
Net Increase (Decrease) in the Fair Value of Investments	3	189	412
Interest Expense	(22,298)	(21,747)	(21,981)
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	1,884	1,784	2,222
Intergovernmental Revenue	8,087	2,330	1,941
Other Income (Expense), Net	(81)	55	124
Total Nonoperating Expenses	(3,504)	(8,570)	(7,209)
Income Before Contributions	39,192	33,594	37,279
Capital Contributions	8,436	3,689	4,240
CHANGE IN NET POSITION	$ 47,628	$ 37,283	$ 41,519

Operating revenues

The change in water revenues from fiscal 2025 to fiscal 2026 is primarily due to the full year impact of the January 2025 rate increase. The weather in the summer of fiscal 2026 is also a factor contributing to the increase. The year-over-year increase in water revenues is partially offset by the decline in other revenues. The decline in other revenues is primarily driven by jobbing, certain other proprietary offerings, and Well Services.

The change in water revenues from fiscal 2024 to fiscal 2025 is primarily due to the rate increase that went into effect on January 3, 2025. The primary driver of the increase in other revenues is the Homeowner Safety Valve (HSV) transaction that occurred on July 1, 2024, and the full-year impact of the October 2023 acquisition by RWA Well Services.

Operating expenses

Operating and maintenance expenses from fiscal 2025 to fiscal 2026 increased by approximately $1.4 million. The larger increases are due to payroll expense, chemicals, and insurance, partially offset by a decrease in outside services. Also, partially offsetting the increase is the decrease in pension expense, under GASB 68, from fiscal 2025 to fiscal 2026. There are other net changes across multiple accounts.

Operating and maintenance expenses from fiscal 2024 to fiscal 2025 increased by approximately $4.8 million. The larger increases are due to payroll expense, employee benefits, and electric services. The increase in electric services is primarily due to public benefit charges and the increase in employee benefits is impacted by the implementation of GASB 101, compensated absences. Pension expense, under GASB 68 decreased from fiscal 2024 to fiscal 2025. However, Other Post Employment Benefits (OPEB) expense, under GASB 75, increased. There were other net changes across multiple accounts.

Depreciation and amortization expense increased from fiscal 2025 to fiscal 2026 primarily due to the increase in gross property plant and equipment. Depreciation expense incorporated an acceleration associated with Homeowner Safety Valve (HSV) related to applications being replaced in fiscal 2027. The increase is also due to an increase in the amortization of Subscription-Based Information Technology Arrangements (SBITA) assets.

Depreciation and amortization expense increased from fiscal 2024 to fiscal 2025 primarily due to the increase in gross property plant and equipment. The fiscal 2025 increase in amortization is also attributable to the intangible asset amortization associated with the HSV transaction and SBITA assets.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities decreased slightly from fiscal 2025 to fiscal 2026 and increased between fiscal 2024 and fiscal 2025. The PILOT decrease between fiscal 2026 and 2025 is primarily due to lower mill rates in certain jurisdictions. Increases between 2024 and 2025 are primarily due to changes in pipe and mill rates.

Nonoperating income and expenses

The small decrease in interest income from fiscal 2025 to fiscal 2026 is primarily due to a lower interest rate environment partially offset by an increase in interest in arrears.

Nonoperating income and expenses (Continued)

The decrease in interest income from fiscal 2024 to fiscal 2025 is primarily due to lower interest on arrears as well as a lower interest rate environment.

Due to market conditions and the mix of investments, there was less than a $3 thousand adjustment to market value in fiscal 2026. The adjustment in fiscal 2025 was approximately $.2 million. These amounts exclude the Watershed Fund.

Disposal of assets

In fiscal 2026 and fiscal 2025, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain "plant" assets with a remaining book value. This net loss was partially offset by the proceeds associated with asset dispositions. The net loss in fiscal 2026 was approximately $.1 million less than the loss in 2025.

In fiscal 2025 and fiscal 2024, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain "plant" assets with a remaining book value partially offset by the proceeds associated with asset dispositions. In fiscal 2025, the net loss was partially offset by the proceeds associated with a land disposition. The net loss in fiscal 2025 is comparable to the net loss in 2024.

Amortization

The amortization of bond discount, premium, issuance costs, and deferred refunding losses, as a category, are more favorable in fiscal 2026 than in fiscal 2025. This is primarily due to the lower amortization of deferred refunding losses partially offset by lower premium amortizations and slightly higher amortization of issuance costs.

The amortization of bond discount, premium, issuance costs, and deferred refunding losses are more favorable in fiscal 2025 than in fiscal 2024. This is primarily due to the lower amortization of deferred refunding losses partially offset by lower premium amortizations.

The fiscal 2026 amortization of goodwill is higher than fiscal 2025 due to the full year amortization of the goodwill associated with the July 2024 acquisition of HSV and the increase between fiscal 2025 and fiscal 2024 is also due to the amortization of goodwill due to this acquisition.

Intergovernmental revenues

Intergovernmental revenues in fiscal 2026 increased over fiscal 2025. In fiscal 2026 there was an increase in the reimbursements under Congressional Directed Spending grants, an increase in the Drinking Water State Revolving Fund (DWSRF) grants, a state-funded Open Space grant, and a small reimbursement under a USDA grant.

Intergovernmental revenues in fiscal 2025 increased over fiscal 2024. In fiscal 2025, two reimbursements under a Congressional Directed Spending grant were recorded as well as one Drinking Water State Revolving Fund (DWSRF) grant.

	(In Thousands of Dollars) May 31, 2026	2025	2024
SUMMARY: NET POSITION			
ASSETS			
Depreciable Utility Plant in Service, Net	$ 589,633	$ 574,950	$ 559,524
Lease Assets, Net	385	413	478
SBITA Assets, Net	19,211	22,230	4,460
Land	28,127	28,172	28,086
Construction Work in Progress	28,825	21,491	32,554
Intangible Assets, Net	5,270	6,052	1,657
Nonutility Land	66,558	66,608	66,143
Other Assets:			
Current	1,669,751	75,521	76,716
Long-Term Note Receivable	500	500	500
Long-Term Lease Receivable	1,494	1,202	1,222
Net Pension Asset	2,312	-	-
Restricted Assets	164,462	169,530	172,565
Regulatory Assets	31,516	29,954	9,073
Total Assets	2,608,044	996,623	952,978
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	4,734	5,363	12,178
Deferred Outflows - Goodwill	15,766	16,877	11,914
Deferred Outflows Related to Pensions	287	1,083	1,232
Deferred Outflows Related to OPEB	1,781	1,653	2,328
Total Deferred Outflows of Resources	22,568	24,976	27,652
Total Assets and Deferred Outflows of Resources	$ 2,630,612	$ 1,021,599	$ 980,630
LIABILITIES			
Current Liabilities	$ 1,650,466	$ 57,954	$ 43,422
Payable from Restricted Assets	13,463	13,578	13,577
Long-Term Debt Payable	484,750	509,598	518,615
Net Premiums and Discounts	35,749	39,881	40,637
Net Pension Liability	-	8,795	11,623
Net OPEB Liability	14,626	15,181	16,145
Long-Term SBITA Liability	4,788	5,662	3,221
Long-Term Lease Liability	281	318	402
Other Liability	-	40	163
Total Liabilities	2,204,123	651,007	647,805
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	9,238	1,430	133
Deferred Inflows Related to OPEB	2,508	2,312	3,090
Deferred Inflows Related to Leases	1,602	1,337	1,372
Total Deferred Inflows of Resources	13,348	5,079	4,595
NET POSITION			
Net Investment in Capital Assets	182,720	138,221	110,393
Restricted:	168,727	165,800	165,860
Unrestricted	61,694	61,492	51,977
Total Net Position	413,141	365,513	328,230
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,630,612	$ 1,021,599	$ 980,630

Capital assets

The increase in capital assets from fiscal 2025 to fiscal 2026 is primarily due to the increase in utility property plant and equipment in service and Construction Work in Progress. This increase is partially offset by the amortization of lease, SBITA, and intangible asset amortization.

The increase in capital assets from fiscal 2024 to fiscal 2025 is primarily due to the increase in utility property plant and equipment in service. The reduction in Construction Work in Progress is less than the increase in SBITA assets. The SBITA increase in fiscal 2025 is largely due to a new customer information system (CIS).

The fiscal 2025 increase in intangible assets, net is due to the HSV transaction in July 2024.

Current assets

The following itemizes the change in current assets between May 31, 2025 and 2026, and between May 31, 2024 and 2025, respectively:

	May 31,	
	2026	2025
Increase (Decrease) in Cash and Cash Equivalents	$ 1,594,334,542	$ (4,420,048)
Increase (Decrease) in Accounts Receivable, Net	(538,377)	2,905,660
Increase (Decrease) in Lease Receivable	19,082	(13,933)
Increase (Decrease) in Accrued Water Revenue	(1,037,276)	(961,118)
Increase (Decrease) in Interest Receivable	(40,281)	(15,161)
Increase (Decrease) in Materials and Supplies	13,354	(3,409)
Increase (Decrease) Watershed Fund Investments	(45,911)	97,200
Increase (Decrease) in Prepayments and Other Current Assets	1,525,021	1,213,640
Net Increase (Decrease) in Current Assets	$ 1,594,230,154	$ (1,197,169)

Excluding the cash equivalents associated with the proceeds of the AWA bond anticipation note, cash and cash equivalents increased slightly due to the reduction in the Growth Fund partially offset by an increase in the General Fund and Revenue Fund. During fiscal 2026, the Growth Fund was used to temporarily fund certain expenses associated with the AWA transaction as well as to fund certain expenditures related to HSV. Through the year-end disposition, a deposit of $2.75 million was made to the General Fund and approximately $2.5 million was deposited into the Growth Fund to partially replenish this fund. Also, through the year-end disposition, approximately $22.7 million was transferred to the Construction Fund. In addition, a contribution was made to the Construction Fund from RWA Well Services.

Also included within the cash and cash equivalents balance for 2026 are AWA State and Local Government Series (SLGS) securities in the amount of approximately $1.6 billion related to the acquisition of Aquarion.

Cash and cash equivalents decreased from May 31, 2024, to May 31, 2025 due to the reduction in the Growth Fund partially offset by an increase in the General Fund, and a smaller increase in the Revenue Fund. During fiscal 2025, the Growth Fund was used to partially finance the July 2024 HSV transaction as well as temporarily fund certain expenses including those associated with the potential AWA transaction. Through the year-end disposition, the General Fund was increased by $2.5 million and $1.75 million was deposited into the Growth Fund to partially replenish this fund. Through the year-end disposition, approximately $16.1 million was transferred to the Construction Fund. In addition, a contribution was made to the Construction Fund from RWA Well Services.

The decrease in accounts receivable, net is primarily due to improvement in customer accounts receivable. The allowance reserve is slightly increased from May 31, 2025, to May 31, 2026 based on the mix of aged receivables.

The increase in account receivable, net from May 31, 2024, to May 31, 2025 is primarily due to the disruption (e.g., autopay) with the transition to a new Customer Information System in the last two months of the fiscal year. While total accounts receivable increased, the allowance reserve was reduced due to the reduction in aged receivables from May 31, 2024, to May 31, 2025.

The decrease in accrued revenue from fiscal 2025 to fiscal 2026 is primarily due to the timing of billing. This is also the case between fiscal 2025 and fiscal 2024.

The decrease in interest receivables in fiscal 2026 and fiscal 2025 is primarily due to the lower accrued investment earnings as a result of the lower interest rate environment.

The small decrease in interest receivables in fiscal 2025 is also primarily due to the lower accrued investment earnings because of the lower interest rate environment.

Materials and supplies at the end of fiscal 2026, fiscal 2025 and fiscal 2024 are comparable, with a change for each year of less than $15 thousand.

The increase in other current assets from fiscal 2025 to fiscal 2026 is primarily due to the recognition of receivables related to the PFAS settlement, offset slightly by a decrease in jobbing receivables. The increase from fiscal 2024 to fiscal 2025 was primarily due to an increase in jobbing receivables.

Watershed Fund Investments:

Between May 31, 2025, and May 31, 2026, the Watershed Fund investments reflect a small net decrease in market value of approximately $46 thousand.

Between May 31, 2024, and May 31, 2025, the Watershed Fund investments reflect a small net increase in market value of approximately $97 thousand.

Restricted assets (investments)

The term "restricted assets" refers primarily to certain funds established under the Authority's *General Bond Resolution* whose use is restricted as required by that document, e.g.

- Construction Fund;
- Rate Stabilization Fund;
- Debt Reserve Fund;
- Operating Reserve Fund;
- Debt Service Funds;
- Capital Contingency;
- Payment in Lieu of Taxes (PILOT) Fund

The Authority invests these restricted assets in securities as allowed by the *General Bond Resolution*, e.g., in direct obligations of the federal or state governments (or agencies) or in obligations guaranteed by the federal government.

Restricted assets decreased by approximately $5.1 million between May 31, 2026, and May 31, 2025. This decrease is primarily due to a $6.2 million reduction in the Construction Fund related to capital expenditures funded, partially offset by the transfer into the Construction Fund through the fiscal 2026 year-end disposition. There was also a decrease in restricted accounts receivable. These decreases were partially offset by increases to the PILOT Fund, Debt Reserve, Operating Reserve, and a small increase in the Capital Contingency.

Restricted assets decreased by approximately $3.0 million between May 31, 2025, and May 31, 2024. This reduction is primarily from the Construction Fund that decreased by approximately $4.4 million. This decrease is primarily due to the year-end disposition and the grant reimbursements being a little lower than the internal funds used to support the capital program during fiscal 2025. A decrease in the Debt Service Fund and Restricted Accounts Receivable also contributed to the decrease in Restricted Assets. These decreases were partially offset by the Debt Reserve Fund that increased by approximately $1.6 million due to the 39th Series and DWSRF financing, an increase in the Operating Reserve, as required under the *General Bond Resolution*, an increase in the PILOT Fund, and a small increase in the Capital Contingency through a DWSRF financing.

Other long-term assets

As of May 31, 2026, regulatory assets, excluding the AWA related regulatory assets, totaled approximately $15.3 million, an increase of approximately $.1 million. This increase is primarily due to the increase in the regulatory asset associated with the Lead and Copper Rule Revisions/Improvements and cost of issuance associated with the 40th and 41st Series partially offset by the amortizations. At May 31, 2026, the cost of issuance regulatory assets totaled approximately $4.7 million, and the deferred charges regulatory assets totaled approximately $10.5 million. The AWA related regulatory assets totaled approximately $16.3 million as of May 31, 2026. There is a corresponding due to the Authority from AWA for this amount. Post May 31, 2026, the amounts paid by the Authority as of the end of fiscal 2026 have been reimbursed and amounts accrued, as of May 31, 2026, funded by AWA (see Note 15, Subsequent Events).

As of May 31, 2025, regulatory assets, excluding the AWA related regulatory assets, totaled approximately $15.1 million, an increase of approximately $6.1 million. This increase is primarily due to the $5.8 million regulatory asset associated with the Lead and Copper Rule Revisions/Improvements as well as an increase in cost of issuance associated with the 38th and 39th Series partially offset by amortizations. At May 31, 2025, the cost of issuance regulatory assets totaled approximately $4.8 million, and the deferred charges regulatory assets totaled approximately $10.2 million. The AWA related regulatory assets totaled approximately $14.8 million as of May 31, 2025. There is a corresponding due to the Authority from AWA for this amount.

Deferred Outflows:

Prior to fiscal 2022, goodwill resulted from the Authority's acquisition of Birmingham Utilities on January 16, 2008. Beginning in fiscal 2022, goodwill has been recorded associated with the RWA Well Services, LLC transactions and in fiscal 2025 goodwill was recorded associated with the Authority's HSV transaction. Goodwill is being amortized over the remaining life of assets acquired. Goodwill is assessed at least annually for impairment by applying a fair value-based test. The Authority determined that for the years ended May 31, 2026 and 2025, no impairment of goodwill has occurred.

Between May 31, 2026, and May 31, 2025, deferred outflows associated with refunding decreased by approximately $.6 million primarily due amortizations.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with refunding decreased by approximately $6.8 million primarily due to the 38th Series as well as amortizations.

Between May 31, 2026, and May 31, 2025, the combined deferred outflows associated with Pension and OPEB decreased by approximately $.7 million. This is due to a decrease in the deferred pension outflows and a small increase in deferred OPEB outflows.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with Pension and OPEB decreased by approximately $.8 million. This is due to a decrease in both the pension deferred outflows and the OPEB deferred outflows.

Current liabilities

The Authority's current liabilities, excluding recorded liabilities associated with AWA, increased by approximately $5.2 million between May 31, 2025 and May 31, 2026. This increase is primarily due to the increase in the amount of both the current portion of revenue bonds payable and DWSRF loans and an increase in other payables. Fiscal 2026 current liabilities include approximately $5.5 million associated with AWA. This amount includes primarily professional fees incurred but not yet due or paid.

Also included within current liabilities for 2026 is the AWA Series B Bond Anticipation Note in the amount of $1.6 billion related to the acquisition of Aquarion by AWA.

The Authority's current liabilities, excluding liabilities associated with AWA, increased by approximately $3.2 million between May 31, 2024 and May 31, 2025. This increase is primarily due to the increased deferred revenue due to HSV. The current liabilities also include approximately $11.3 million associated with AWA. This amount includes certain financing related and professional fees incurred but not yet due or paid.

Payables from restricted assets

Between May 31, 2025, and May 31, 2026, payables from restricted assets decreased by approximately $.1 million. There was a decrease in accounts payable for construction, inclusive of retainage, and a decrease in accrued interest payable. These decreases were partially offset by a small increase in customer advances.

Between May 31, 2024, and May 31, 2025, payables from restricted assets are virtually unchanged. There was an increase in accounts payable for construction, inclusive of retainage, however, this was offset by a decrease in customer advances. Accrued interest payable is virtually unchanged.

Other long-term liabilities

The balance in other long-term liabilities associated with the Newhall Street site in Hamden remained zero as of May 31, 2026. The balance was also zero as of May 31, 2025. The May 31, 2025 balance relates to the Watershed Fund.

Long-term debt

Between May 31, 2026, and May 31, 2025, long-term revenue bonds payable, at par, decreased by approximately $25.7 million, excluding the current portion. Net premiums and discounts from revenue bonds payable decreased $4.1 million due to amortizations. There was an approximately $1 million increase in DWSRF loans payable, excluding the current portion due to an additional DWSRF project loan obligation and a DWSRF interim financial obligation in FY 2026. (See also Note 15 Subsequent Events).

Between May 31, 2025, and May 31, 2024, long-term revenue bonds payable, at par, decreased by approximately $9.1 million, excluding the current portion. This is due to the August 2024 payment and the 38th Series refunding partially offset by the 39th Series financing. Net premiums and discounts from revenue bonds payable decreased by approximately $.8 million due to the 38th Series net reduction to premiums and amortizations, partially offset by the 39th Series premium. There was also an increase in the non-current current portion of DWSRF project loan obligations in fiscal 2025. This is due to a DWSRF financing during fiscal 2025 for the Derby Water Storage Tank Project, partially offset by principal payments throughout the fiscal year.

Net pension liability (asset)

Between May 31, 2025, and May 31, 2026, the net pension liability decreased by approximately $11.1 million, resulting in a net pension asset of $2.3 million. In fiscal 2026, contributions were approximately $1.5 million in excess of the actuarial required contribution, and this contributed to the reduction in the liability. The investment earnings in fiscal 2026 were well above the actuarial return.

Between May 31, 2024, and May 31, 2025, the net pension liability decreased by approximately $2.8 million. The plan liability increased by less than the market value increased. In fiscal 2025, contributions were approximately $1.0 million in excess of the actuarial required contribution, and this contributed to the reduction in the liability. Actual versus expected experience was higher for the salaried plan partially offsetting the higher investment earnings.

Net other post-employment benefit liability

Between May 31, 2025 and May 31, 2026, the net other post-employment benefit liability decreased by approximately $.6 million. This decrease is due to the anticipated investment earnings versus the actual experience and returns.

Between May 31, 2024, and May 31, 2025, the net other post-employment benefit liability decreased by approximately $1.0 million. This decrease is due to the anticipated plan assumptions and investment earnings versus the actual experience and returns.

Deferred Inflows

Between May 31, 2025, and May 31, 2026, deferred inflows are higher by approximately $8.2 million due to increases in the pension deferred inflows, as well as small increases in the deferred inflows for OPEB and leases.

Between May 31, 2024, and May 31, 2025, deferred inflows are higher by approximately $.5 million due to the increase in the pension deferred inflows being more than the decrease in the deferred inflows for OPEB.

Net Investment in Capital Assets

The increase in capital net of related debt from fiscal 2026 and fiscal 2025 is primarily due to the increase in net plant and the decrease in capital related debt, inclusive of premiums, deferred refunding, and accounts payable from restricted assets.

Between May 31, 2025, and May 31, 2024, the increase in capital net of related debt is primarily due to the increase in net plant and the decrease in capital related debt, including premiums.

Net position, restricted

Restricted net position decreased excluding the AWA reclassification from regulatory assets net of related liabilities, being considered restricted for financial reporting, from May 31, 2025, to May 31, 2026. This decrease is primarily due to the reduction in the Construction Fund as discussed above. Including the AWA related amount, there is a $2.9 million increase.

Restricted net position decreased, excluding the AWA regulatory assets net of related liabilities, being considered restricted for financial reporting, from May 31, 2024, to May 31, 2025. This small reduction is primarily due to the reduction in the Construction Fund as discussed above. Including the AWA related amount, there is a small decrease.

Unrestricted net position

Unrestricted net position increased from May 31, 2025, to May 31, 2026, due to the increase in current assets and unrestricted deferred outflows, in excess of the increase in current liabilities and the change in deferred inflows.

Unrestricted net position increased from May 31, 2024, to May 31, 2025, due to the increase in current assets and unrestricted deferred outflows being higher than the increase in current liabilities and the change in deferred inflows.

THE AUTHORITY'S CUSTOMER BASE

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 121,800 customers, 117,300 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2025 and May 31, 2026, there has been a small increase in the Authority's customer base.

LIQUIDITY AND CAPITAL RESOURCES

Utilizing the Maintenance Test calculations as prescribed in the *General Bond Resolution*, in fiscal 2026 the Authority received approximately $154.0 million in cash from operations and a combined $5.4 million from earnings on investments and a Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the fiscal 2026 year-end disposition of the Revenue Fund, the Authority had approximately $28.0 million available after funding required reserves. The Authority transferred $2.75 million into the General Fund, approximately $2.5 million into the Growth Fund and transferred approximately $22.7 million to the Construction Fund, including the funding of depreciation. In addition, in fiscal 2026, the Authority contributed to the pension plans approximately $1.5 million in excess of the actuarial requirement. Internally generated funds were also used to fund a portion of the capital improvement program. A transfer was also made from RWA Well Services, LLC into the Construction Fund.

CREDIT RATING

In May 2026, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services in May 2026 affirmed the Authority's credit rating of AA-.

FINANCIAL STATEMENT PRESENTATION

The Authority prepares its financial statements on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

REQUEST FOR INFORMATION

Please note that the Authority's audited financial statements include data from its fiscal years ending May 31, 2026 and 2025. Comparable information for earlier years is available, as noted below.

This report is designed to provide a financial overview of the Authority. Questions concerning the information in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut 06511.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Utility Plant:		
Depreciable Property, Plant, and Equipment in Service	$ 1,058,731,732	$ 1,048,609,093
Accumulated Depreciation	(469,098,507)	(473,658,539)
Depreciable Utility Plant in Service	589,633,225	574,950,554
Lease Assets, Net	384,828	412,600
SBITA Assets, Net	19,211,313	22,230,251
Land	28,127,495	28,172,374
Construction Work in Progress	28,825,279	21,490,974
Intangible Assets, Net	5,270,397	6,052,125
Total Utility Plant, Net	671,452,537	653,308,878
Nonutility Land	66,557,674	66,608,007
Current Assets:		
Cash and Cash Equivalents	39,405,174	38,870,632
Restricted Cash and Cash Equivalents	1,593,800,000	-
Accounts Receivable, Less Allowance for Doubtful Accounts of $3,053,911 in 2026 and $3,016,800 in 2025	12,433,675	12,972,052
Lease Receivable	94,521	75,439
Accrued Water Revenue	11,283,191	12,320,467
Accrued Interest Receivable	262,720	303,001
Materials and Supplies	3,603,958	3,590,604
Watershed Fund - Investment in Community Foundation Portfolio	1,839,080	1,884,991
Prepaid Expenses and Other Assets	7,026,792	5,501,771
Total Current Assets	1,669,749,111	75,518,957
Note Receivable	500,000	500,000
Lease Receivable	1,493,584	1,202,435
Net Pension Asset	2,312,391	-
Restricted Assets	164,462,467	169,529,790
Regulatory Assets	31,515,953	29,954,495
Total Assets	2,608,043,717	996,622,562
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	4,733,744	5,363,437
Deferred Outflows - Goodwill	15,765,912	16,876,594
Deferred Outflows Related to Pensions	286,983	1,083,319
Deferred Outflows Related to OPEB	1,781,260	1,652,734
Total Deferred Outflows of Resources	22,567,899	24,976,084

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
MAY 31, 2026 AND 2025

	2026	2025
LIABILITIES		
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	$ 447,265,000	$ 472,985,000
Drinking Water Loans Payable	37,485,375	36,612,769
Net Premiums and Discounts from Revenue Bonds Payable	35,748,742	39,881,160
Net Pension Liability	-	8,795,429
Net OPEB Liability	14,626,247	15,181,074
SBITA Liability	4,788,077	5,661,670
Lease Liability	281,147	317,800
Other Liability	-	40,000
Total Noncurrent Liabilities	540,194,588	579,474,902
Current Liabilities:		
Current Maturities of Bonds Payable	25,720,000	22,895,000
Current Maturities of Drinking Water Loans Payable	2,348,130	2,193,400
Accounts Payable	13,170,001	17,086,477
Bond Anticipation Notes Payable	1,593,800,000	50,500
Customer Deposits and Advances	1,919,438	1,768,810
Other Accrued Liabilities	12,415,119	12,847,581
Current Maturities of SBITA Liability	994,295	1,027,437
Current Maturities of Lease Liability	98,579	84,316
Total Current Liabilities	1,650,465,562	57,953,521
Payable from Restricted Assets:		
Accounts Payable for Construction	5,294,970	5,350,245
Accrued Interest Payable	6,816,454	6,974,941
Customer Deposits and Advances	1,351,539	1,253,070
Total Liabilities Payable from Restricted Assets	13,462,963	13,578,256
Total Liabilities	2,204,123,113	651,006,679
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	9,237,737	1,429,552
Deferred Inflows Related to OPEB	2,508,001	2,312,063
Deferred Inflows Related to Leases	1,601,728	1,337,115
Total Deferred Inflows of Resources	13,347,466	5,078,730
NET POSITION		
Net Investment in Capital Assets	182,719,640	138,221,025
Restricted		
Construction	70,101,083	76,693,174
Debt	52,091,890	49,125,320
Payments-in-Lieu-of-Taxes (PILOT)	4,787,854	4,109,925
Operating Reserve	12,666,480	12,343,656
Capital Contingency	6,271,409	6,244,220
Rate Stabilization	10,000,000	10,000,000
Other Purposes	375,758	2,032,414
AWA	10,731,254	3,468,412
Watershed Fund	1,701,326	1,782,478
Unrestricted	61,694,343	61,492,613
Total Net Position	$ 413,141,037	$ 365,513,237

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Water Revenues:		
Residential and Commercial	$ 116,846,795	$ 112,635,564
Industrial	3,813,503	2,707,467
Fire Protection	14,404,380	14,059,323
Public Authority	3,996,044	3,379,670
Wholesale	1,180,321	1,099,386
Other Water Revenues	4,228,666	4,947,997
Other Revenue	21,745,709	22,588,382
Total Operating Revenues	166,215,418	161,417,789
OPERATING EXPENSES		
Operating and Maintenance Expense	68,510,951	67,106,825
Depreciation and Amortization	32,034,129	28,349,186
Payments in Lieu of Taxes	8,864,695	8,936,945
Other Water Expenses	1,765,231	2,652,942
Cost of Other Revenue	12,343,599	12,208,439
Total Operating Expenses	123,518,605	119,254,337
OPERATING INCOME	42,696,813	42,163,452
NONOPERATING INCOME (EXPENSE)		
Interest Income	9,648,950	9,696,570
Gain (Loss) on Disposal of Assets	(748,335)	(877,526)
Net Increase (Decrease) in the Fair Value of Investments	2,710	189,070
Interest Expense	(22,297,781)	(21,746,792)
Amortization of Bond Discount, Premium, Issuance Cost, Deferred Losses, and Goodwill	1,883,850	1,783,658
Intergovernmental Revenue	8,087,075	2,329,916
Other Income (Expense), Net	(81,152)	55,118
Total Nonoperating Expense	(3,504,683)	(8,569,986)
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	39,192,130	33,593,466
Capital Contributions	8,435,670	3,689,475
CHANGE IN NET POSITION	47,627,800	37,282,941
Net Position - Beginning of Year	365,513,237	328,230,296
NET POSITION - END OF YEAR	$ 413,141,037	$ 365,513,237

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Sales	$ 141,765,041	$ 137,271,503
Cash Received from Other Services	25,577,779	22,588,382
Cash Paid to Employees	(28,759,603)	(27,496,432)
Cash Paid to Suppliers for Operations	(50,062,042)	(48,210,420)
Cash Paid To Suppliers for Other Services	(11,249,129)	(10,552,989)
Cash Paid for Payments in Lieu of Taxes	(8,873,352)	(8,937,617)
Net Cash Provided by Operating Activities	68,398,694	64,662,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	9,689,231	9,711,732
Sale of Restricted Investments - Watershed Fund	228,943	80,595
Purchase of Restricted Investments	(240,654,080)	(245,670,950)
Sale of Restricted Investments	249,883,502	248,039,986
Other Investing Activities, Net	(3,884,093)	(6,402,333)
Contributions to/from, Net	(650,000)	(800,000)
Net Cash Provided by Investing Activities	14,613,503	4,959,030
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Utility Plant	(51,610,883)	(58,896,629)
Proceeds from Disposition of Assets	366,421	679,368
Proceeds from Issuance of Bond Anticipation Notes	3,187,600,000	3,400,500
Proceeds from Issuance of Drinking Water Loans	3,275,142	2,354,070
Proceeds from Issuance of Revenue Bonds	-	21,900,000
Proceeds from Issuance of Refunding Bonds	-	55,430,000
Premium on Bond Issuances	-	2,311,439
Premium on Refunding Bond Issuances	-	7,688,037
Principal Payments on Revenue Bonds	(22,895,000)	(23,170,000)
Payments on Drinking Water Loans	(2,085,950)	(2,085,950)
Payments on Bond Anticipation Notes	(1,593,850,500)	(3,400,500)
Payments for Retirement of Revenue Bonds	-	(63,580,000)
Interest Paid, Net	(22,437,490)	(21,524,318)
Grant Proceeds	8,087,075	1,754,707
Capital Contributions, Net of Restricted Deposit	6,118,306	4,708,263
Lease Payments Received	145,051	35,377
Payments on SBITAs	(1,295,743)	(1,573,743)
Payments on Leases	(94,084)	(72,126)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,511,322,345	(74,041,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,594,334,542	(4,420,048)
Cash and Cash Equivalents - Beginning of Year	38,870,632	43,290,680
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,633,205,174	$ 38,870,632

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 42,696,813	$ 42,163,452
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	32,034,129	28,349,186
Bad Debt Expense	286,734	(540,229)
Other	(466,151)	186,888
Change in:		
Accounts Receivable and Accrued Water Revenue	1,288,919	(1,399,532)
Materials and Supplies	(13,354)	3,410
Prepaid Expenses and Other Assets	1,274,173	(1,098,173)
Regulatory Assets	(1,778,158)	(15,700,779)
Deferred Outflows of Resources - Pension	796,336	148,557
Deferred Outflows of Resources - OPEB	(128,526)	675,691
Accounts Payable	(3,916,476)	11,493,126
Net Pension Asset	(11,107,820)	(2,827,020)
Net OPEB Liability	(554,827)	(964,358)
Deferred Inflows of Resources - Pension	7,808,185	1,297,151
Deferred Inflows of Resources - OPEB	195,938	(778,216)
Deferred Inflows of Resources - Leases	264,613	(34,971)
Customer Deposits and Advances	150,628	(156,585)
Other Accrued Liabilities	(432,462)	3,844,829
Total Adjustments	25,701,881	22,498,975
Net Cash Provided by Operating Activities	$ 68,398,694	$ 64,662,427

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
PENSION TRUST FUND
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Cash and Cash Equivalents	$ 908,518	$ 1,402,608
Investments:		
U.S. Government Securities	9,933,446	6,746,916
U.S. Government Agencies	1,412,650	2,137,936
Corporate Bonds	8,617,997	8,433,858
Mutual Funds	69,056,104	60,738,437
Total Assets	89,928,715	79,459,755
NET POSITION		
Restricted for Pension Benefits	$ 89,928,715	$ 79,459,755

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –
PENSION TRUST FUND
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
ADDITIONS		
Contributions:		
Employer	$ 3,722,109	$ 3,481,823
Investment Earnings:		
Net Increase in the Fair Value of Investments	10,532,327	4,322,909
Investment Earnings	3,074,995	2,618,057
Net Investment Earnings	13,607,322	6,940,966
Total Additions	17,329,431	10,422,789
DEDUCTIONS		
Benefits	6,505,767	5,989,224
Expenses	353,885	323,649
Other	819	(22,570)
Total Deductions	6,860,471	6,290,303
CHANGE IN NET POSITION	10,468,960	4,132,486
Net Position - Beginning of Year	79,459,755	75,327,269
NET POSITION - END OF YEAR	$ 89,928,715	$ 79,459,755

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Cash and Cash Equivalents	$ 112,151	$ 80,107
Investments:		
Mutual Funds	11,567,505	10,252,228
Total Assets	11,679,656	10,332,335
NET POSITION		
Restricted for Retiree Benefits	$ 11,679,656	$ 10,332,335

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
ADDITIONS		
Contributions:		
Employer	$ 1,570,423	$ 1,694,075
Retirees	324,461	249,526
Total Contributions	1,894,884	1,943,601
Investment Earnings (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,362,089	545,090
Investment Earnings	423,309	368,254
Net Investment Earnings (Loss)	1,785,398	913,344
Total Additions	3,680,282	2,856,945
DEDUCTIONS		
Benefits	2,284,499	2,562,780
Expenses	48,462	46,942
Total Deductions	2,332,961	2,609,722
CHANGE IN NET POSITION	1,347,321	247,223
Net Position - Beginning of Year	10,332,335	10,085,112
NET POSITION - END OF YEAR	$ 11,679,656	$ 10,332,335

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

The South Central Connecticut Regional Water Authority (the Authority) was created, effective July 25, 1977, pursuant to Special Act No. 77-98 (the Act), as amended. Per this enabling legislation, the primary purpose of the Authority is to provide and assure an adequate supply of pure water at a reasonable cost to the South Central Connecticut Regional Water District (the District) and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority. The Authority Board is elected by the 21-member Representative Policy Board (RPB), which consists of a member from each of the 20 municipalities within the District and one member appointed by the Governor of the State of Connecticut.

In 1999, the Authority established the Watershed Fund, a separate legal entity organized for the purpose of protecting watershed land that has a distinctive ecological significance through open space acquisition and environmental education. In November 2019 (fiscal 2020), the Authority approved a name change of the Watershed Fund to The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund). The Watershed Fund is included in the Authority's financial statements as a blended component unit as the Authority Board votes on the Watershed Fund's governing body. Information regarding the Watershed Fund can also be found in Note 7, The Claire C. Bennitt Watershed Fund. Requests for standalone financial statements for the Watershed Fund should be addressed in writing to President, The Claire C. Bennitt Watershed Fund, Inc., 90 Sargent Drive, New Haven, CT 06511.

The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct and invest in certain "non-core" business activities as specifically defined. In 2021, the Authority established RWA Commercial Enterprises, LLC, a wholly-owned subsidiary of the Authority and RWA Well Services, LLC, a wholly-owned subsidiary of RWA Commercial Enterprises, LLC. Two asset purchase transactions were completed in fiscal 2022 and one in fiscal 2024 that, post-transaction, operate under RWA Well Services, LLC. RWA Commercial Enterprises, LLC and RWA Well Services, LLC are considered to be a part of the Authority and as such are included within the Authority's financial statements. These transactions are part of the Authority's efforts to identify additional revenue sources to mitigate rate pressures. The Authority has also established RWA Environmental & Lab Services, LLC and RWA Commercial Services, LLC. There are no operations under these two entities. In addition, in fiscal 2024, enabling legislation amendments were submitted that included "supporting sustainable manufacturing" to the definition of "non-core" business activities and in June 2024, these amendments passed. In addition, in the June Special Session, Special Act 24-01 was passed. This Act created the Aquarion Water Authority (AWA) and allowed for AWA to own and operate Aquarion Company if AWA was the successful bidder. Additionally, in July 2024, the Authority acquired the HSV protection plan offerings.

NOTE 1 ORGANIZATION (CONTINUED)

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing bodies and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. In addition to the entities noted above, this criteria has been considered and has resulted in the inclusion of the fiduciary component units as detailed below. At the closing of the AWA transaction on June 30, 2026, any and all obligations of the Authority ceased and post-closing, AWA will not be included as a component unit under the existing structure.

Fiduciary Component Units

The Authority has established two single-employer Public Retirement Systems (PERS) and one postretirement healthcare benefits (OPEB) plan to provide retirement benefits and postretirement healthcare benefits primary to employees and their beneficiaries. The Authority appoints the members of the Pension and Benefit Committee who govern the Pension and OPEB plans. The Authority contributes, at a minimum, the actuarial determined contribution.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the Authority are maintained in accordance with accounting principles generally accepted in the United States of America. All assets, liabilities, net position, revenues, and expenses are accounted for in a proprietary fund except for employee benefit trusts, which are reported as fiduciary funds. For both proprietary and fiduciary funds, revenues are recognized when earned and expenses are recognized when incurred. The more significant accounting policies are summarized below.

Basis of Accounting

The Authority utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Regulatory Accounting Policies

The Authority follows accounting principles generally accepted in the United States of America for regulated public utilities. Under these principles, regulated companies defer certain costs and credits on the statement of net position as regulatory assets and liabilities when it is probable that those costs and credits will be recoverable through the ratemaking process in a period different from when they otherwise would have been reflected in income. These deferred regulatory assets and liabilities are then reflected in revenues or expenses in the period in which the same amounts are reflected in rates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Accounting Policies (Continued)

As of May 31, 2026, regulatory assets include approximately $4.7 million of bond issuance costs and approximately $10.5 million of deferred charges, net of amortization. Included in the $10.5 million is approximately $3.4 million associated with prior environmental remediation costs in the Town of Hamden, $.4 million associated with a deferred repair and remediation costs, and $.3 million of incurred costs associated with an interconnection. There is approximately $6.4 million associated with compliance with the Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI). In addition, there are regulatory assets of approximately $16.3 million for transaction related and costs of issuance associated with the AWA acquisition of Aquarion Company and a corresponding payable to the Authority. The Authority has a corresponding receivable from AWA. Post-closing the Authority has been reimbursed for costs paid as of May 31, 2026 and accrued costs, as of May 31, 2026, not yet paid by the Authority were funded by AWA. The year-over-year regulatory asset increase is primarily due to the cost of issuance associated with the 40th and 41st Series, the costs associated with LCRR and LCRI, and an increase in the AWA related costs, partially offset by amortization.

As of May 31, 2025, regulatory assets include approximately $4.9 million of bond issuance costs and approximately $10.2 million of deferred charges, net of amortization. Included in the $10.2 million is approximately $3.6 million associated with environmental remediation costs in the Town of Hamden, $.5 million associated with a deferred repair and remediation costs, and $.3 million of incurred costs associated with an interconnection. There is approximately $5.8 million associated with compliance with the Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI). In addition, there are regulatory assets of approximately $14.8 million for transaction related costs and costs of issuance associated with the AWA acquisition of Aquarion Company and a corresponding payable to the Authority. The Authority has a corresponding receivable from AWA. The year-over-year regulatory asset increase is primarily due to the AWA related costs and the costs associated with LCRR and LCRI partially offset by amortization.

Utility Plant

Capital assets in utility plant are defined by the Authority as assets with an initial cost of more than $2,000 and an estimated life of more than one year. Such assets are recorded at cost if purchased or constructed, which includes material and direct labor, as well as indirect items, e.g., engineering, payroll taxes, employee benefits, and transportation. The costs of maintenance and repairs are charged to the appropriate operations and maintenance expense accounts as incurred, while the costs of renewal and betterments are capitalized. The book value of depreciable utility plant retired in the ordinary course of business is removed from the asset and accumulated depreciation accounts. Gain or loss realized upon disposal is credited or charged to income.

Donated capital assets are recognized at estimated acquisition value at date of donation. The cost of normal maintenance and repairs that do not add to the value of the related assets or materially extend their lives is charged to operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant (Continued)

Depreciation expense is computed using the straight-line method based on estimated service lives. Half of a year's depreciation is provided for capital assets in the year they are placed in or removed from service.

The estimated service lives of capital assets are as follows:

Asset Description	Useful Life (Years)	Asset Description	Useful Life (Years)
Source of Supply and Supply Mains	100	Meters	15
Wells and springs	30	Hydrants	60
Other Water Source Structures	10	Hydraulic Shovel and Front Loader	8
Power and Pumping Structures	30	Hydraulic Backhoe	6
Pumping Equipment	20	Compressors	10
Water Treatment Plan Structure	43	Computer Equipment	5
Water Treatment Equipment	23	Computer Software	5 to 15
Distribution Tanks	50	General Structures	10 to 32
Distribution Mains	85	Furniture and Fixtures	12
Services	50	Autos and Trucks	5
		Other	3 to 10

Lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription-Based Information Technology Arrangement (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received form the SBITA vendor at the commencement of the SBITA term. Subsequently SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and repurchase agreements that are collateralized by U.S. government securities. The Authority considers all unrestricted investments with an original maturity of three months or less to be cash equivalents.

For purposes of the statement of cash flows, the Authority considers demand deposits and all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. In addition, because the State Short-Term Investment Fund (STIF) is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also considered a cash equivalent.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value.

Watershed Fund - Investment in Community Foundation Portfolio

The Authority, through the Watershed Fund, maintains a fund held by the Community Foundation for Greater New Haven (the Fund) that was established with Watershed Fund funds. The Fund agreement provides that the Watershed Fund receive investment income from the Fund, to be determined by the Community Foundation in its sole discretion in accordance with its spending policy. The Watershed Fund has the ability to access the principal, subject to a 60-day notice period. The Fund is carried at fair value as discussed in Note 3.

Materials and Supplies

Materials and supplies inventories are presented at the lower of cost or market.

Restricted Assets

Pursuant to the Water System Revenue Bond Resolution, General Bond Resolution (the *General Bond Resolution*), the Authority maintains certain restricted assets, consisting principally of investments in U.S. Government and State of Connecticut obligations, which are carried at fair value. See Note 6, Restricted Assets.

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 assets that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The Authority reports a deferred charge on refunding, goodwill, and deferred outflows related to pension and other postemployment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Goodwill is amortized and is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2026 and 2025, no impairment of goodwill has occurred. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, 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 (participating active employees and vested former employees).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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 assets that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions, OPEB, and lease receivable. A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, 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 (participating active employees and vested former employees). The statement of net position also reports a deferred inflow of resources related to leases.

Bonds Premiums and Discounts

The net balances for bond premiums and discounts are reported separately from revenue bonds payable. These balances are amortized using the interest method, meaning amortization is based on interest payments over the terms of the series.

Net Pension Liability (Asset)

The net pension liability (asset) 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 plans' fiduciary net position. The pension plans' 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 (asset) 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.

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 participating active employees and vested former employees that is attributed to 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Deposits and Advances

Cash advances to reimburse the Authority for costs to construct supply mains are contributed to the Authority by customers, real estate developers and builders in order to extend water service to their properties. The Authority makes refunds on these deposits and advances in accordance with the deposit and advance agreements. After making refunds, the Authority records the remaining balance in the customer advance account for which work has been completed as a capital contribution.

Operating Items

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for delivery of goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, payment in lieu of taxes, depreciation on capital assets, and lease, SBITA, and intangible assets amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accrued Water Revenue

The Authority accrues revenue based on an estimate of water service provided to each customer, net of allowance for uncollectible accounts, from the last meter reading date to the statement of net position date. Interest is accrued on unpaid customer accounts after 30 days from the billing date in fiscal year 2024 and through most of fiscal year 2025. However, starting in April of fiscal year 2025, balances after 28 days begin to be subject to interest.

Other Revenue

Other revenue includes revenue from the HSV and PipeSafe suite of offerings, including water, sewer and septic protection plans as well as protection plans with home plumbing, laboratory testing services, fleet repairs, rental income, and miscellaneous charges. Other revenue also includes the operating revenue of RWA Well Services, LLC.

Capital Contributions

Capital contributions include contributions-in-aid-of-construction resulting from direct nonrefundable contributions and the portion of customers' advances for construction that become nonrefundable. Also included are amounts representing nonrefundable contributions for construction purposes from governmental agencies. However, grants from governmental agencies are included in intergovernmental revenues.

Net Position Flow Assumption

The Authority's *General Bond Resolution* prescribes the flow of funds and the manner at which they are expended. The Authority's net position is recorded in accordance with the General Bond Resolution. The flow of funds under the General Bond Resolution for monies remaining in the Revenue Fund after making all required monthly transfers (e.g., to the Debt Service Fund, PILOT Fund, and, if required, to the Debt Reserve Fund) is to the Capital Contingency Fund, Operating Reserve, Rate Stabilization Fund Variable Rate Bonds Sub account, to meet any deficiency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption (Continued)

If there are no deficiencies, remaining monies shall be transferred to the General Fund. Monies in the General funds can be transferred, at the option of the Authority, to the Construction Fund, Rate Stabilization Fund, or other discretionary funds.

Use of 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 certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Adoption of New Accounting Standards

In December 2023, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 102, *Certain Risk Disclosures*. This statement expands disclosure requirements for risks arising from concentrations and constraints that may significantly impact a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The Authority adopted these requirements effective June 1, 2025. The implementation of these standards did not have a material impact on the Authority's financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

The Authority's *General Bond Resolution* Section 404A requires Authority revenue to be deposited promptly.

Section 411A of the Authority's *General Bond Resolution* requires that money held in its various funds by the Authority, or its trustee be invested in investment securities, which are defined as follows:

- Direct obligations of the United States of America;
- Obligations guaranteed by the United States of America;
- Debt issued by federal agencies;
- Debt issued by states or their agencies (with ratings qualifications);
- Repurchase agreements;
- Short-term investment funds administered by a state;
- Any obligation approved in writing by Moody's Investors Service; and
- Standard & Poor's Ratings Group.

The Authority utilizes a variety of these investment options. The Authority's deposits and investments held in the Growth Fund are not governed by the *General Bond Resolution*.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposit will not be returned. To limit custodial credit risk, the Authority utilizes a sweep product, for certain accounts, under which deposits are fully insured.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, $3,435,090 of the Authority's bank balance of $19,649,222 was exposed to custodial credit risk as of May 31, 2026, as follows:

Uninsured and Uncollateralized	$ 2,027,044
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	1,408,046
Total Amount Subject to Custodial Risk	$ 3,435,090

As of May 31, 2025, $6,902,143 of the Authority's bank balance of $15,080,844 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 2,108,221
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	4,793,922
Total Amount Subject to Custodial Risk	$ 6,902,143

Cash Equivalents

As of May 31, 2026 and 2025, the Authority's cash equivalents amounted to $1,785,850,777, and $192,843,468, respectively.

The balance as of May 31, 2026 consisted of $192,050,777 invested in the State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's.

The balance also includes $1,593,800,000 in State and Local Government Series (SLGS) securities related to the acquisition of Aquarion by AWA, with a credit rating of AA+ by Standard & Poor's. The SLGS were issued on May 26, 2026 and were early redeemed on June 30, 2026, 1 day prior to the stated maturity.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of May 31, 2026, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aa1	$ 9,933,445	$ 1,886,176	$ 8,047,269	$ -
U.S. Government Agencies	Aa1	1,412,649	273,161	1,139,488	-
Corporate Bonds	Aaa	356,228	-	356,228	-
Corporate Bonds	A1	939,630	-	939,630	-
Corporate Bonds	A2	1,375,606	149,682	1,225,924	-
Corporate Bonds	A3	1,123,460	-	1,123,460	-
Corporate Bonds	Aa3	1,029,226	-	1,029,226	-
Corporate Bonds	Baa1	842,562	-	842,562	-
Corporate Bonds	Baa2	2,584,804	621,867	1,962,937	-
Corporate Bonds	Baa3	366,483	-	366,483	-
Other Investments:					
Mutual Funds	No Rating	80,623,609			
Investment in Community Foundation Portfolio	No Rating	1,839,080			
Total Investments		$ 102,426,782			

As of May 31, 2025, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 6,746,904	$ 578,339	$ 6,168,565	$ -
U.S. Government Agencies	Aaa	3,385,236	1,517,617	1,867,619	-
Corporate Bonds	Aaa	346,080	-	346,080	-
Corporate Bonds	A1	1,496,549	323,946	1,172,603	-
Corporate Bonds	A2	973,682	-	973,682	-
Corporate Bonds	A3	614,089	-	614,089	-
Corporate Bonds	Aa3	837,578	-	837,578	-
Corporate Bonds	Baa1	1,242,208	298,437	943,771	-
Corporate Bonds	Baa2	2,246,746	137,000	2,109,746	-
Corporate Bonds	Baa3	676,926	324,494	352,432	-
Other Investments:					
Mutual Funds	No Rating	70,990,665			
Investment in Community Foundation Portfolio	No Rating	1,884,991			
Total Investments		$ 91,441,654			

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The Authority typically prefers to limit its investment maturities to five years. Investments with maturities over one year are held within reserve accounts with limited liquidity requirements.

Credit Risk – Investments

As indicated above, the Authority's *General Bond Resolution* limits the investment options of the Authority. For investments governed by the *General Bond Resolution*, the Authority has an investment policy that allows the same types of investments as the *General Bond Resolution*.

Concentration of Credit Risk

The Authority, other than for investments held in the pension and OPEB plans, has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments. The investment policy statement for the pension and OPEB plans governs allowed investment concentration and does include concentration restrictions.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys investments for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. As of May 31, 2026 and 2025, the Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority has the following recurring fair value measurements as of May 31, 2026:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 9,933,446	$ -	$ 9,933,446	$ -
U.S. Government Agencies	1,412,650	-	1,412,650	-
Corporate Bonds	8,617,997	-	8,617,997	-
Mutual Funds	80,623,609	80,623,609	-	-
Investment in Community Foundation Portfolio	1,839,080	-	1,839,080	-
Total Investments by Fair Value Level	$ 102,426,782	$ 80,623,609	$ 21,803,173	$ -

The Authority has the following recurring fair value measurements as of May 31, 2025:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 6,746,904	$ -	$ 6,746,904	$ -
U.S. Government Agencies	3,385,236	-	3,385,236	-
Corporate Bonds	8,433,858	-	8,433,858	-
Mutual Funds	70,990,665	70,990,665	-	-
Investment in Community Foundation Portfolio	1,884,991	-	1,884,991	-
Total Investments by Fair Value Level	$ 91,441,654	$ 70,990,665	$ 20,450,989	$ -

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Investment in Community Foundation Portfolio are investments managed by others and are valued at the quoted fair value of the underlying assets held at year-end.

The Authority did not have any investments measured at net asset value (NAV) as of May 31, 2026 and 2025.

NOTE 4 CAPITAL ASSETS

The following is a summary of utility plant for the year ended May 31, 2026:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/ Amortized:					
Land	$ 28,172,374	$ -	$ -	$ (44,879)	$ 28,127,495
Construction Work in Progress	21,490,974	51,563,563	(43,595,989)	(633,269)	28,825,279
Total Capital Assets Not Being Depreciated	49,663,348	51,563,563	(43,595,989)	(678,148)	56,952,774
Other Capital Assets:					
Source of Supply	64,248,761	-	2,203,943	(1,828)	66,450,876
Pumping Structures and Equipment	45,852,508	-	1,703,865	(2,171,445)	45,384,928
Water Treatment Plant and Equipment	247,527,046	-	17,733,909	(4,526,804)	260,734,151
Transmission and Distribution	573,854,054	-	14,868,166	(1,731,735)	586,990,485
General Plant	117,126,724	47,320	7,086,106	(25,088,858)	99,171,292
Right-to-Use - Lease Asset:					
Leased Equipment	63,673	8,066	-	(11,757)	59,982
Leased Facilities	677,027	63,629	-	(79,720)	660,936
SBITA Asset	24,709,145	787,539	-	(1,136,488)	24,360,196
Intangible Assets	7,010,852	-	-	-	7,010,852
Total Other Capital Assets	1,081,069,790	906,554	43,595,989	(34,748,635)	1,090,823,698
Less: Accumulated Depreciation/Amortization:					
Source of Supply	17,561,349	$688,481	-	(488)	18,249,342
Pumping Structures and Equipment	31,147,972	$1,430,819	-	(2,170,251)	30,408,540
Water Treatment Plant and Equipment	142,873,636	$9,213,649	-	(4,238,707)	147,848,578
Transmission and Distribution	187,578,079	$10,158,260	-	(988,574)	196,747,765
General Plant	94,497,503	$6,469,579	-	(25,122,800)	75,844,282
Right-to-Use - Lease Asset:					
Leased Equipment	26,695	13,777	-	(11,757)	28,715
Leased Facilities	301,405	85,691	-	(79,721)	307,375
SBITA Asset	2,478,894	3,192,145	-	(522,156)	5,148,883
Intangible Assets	958,727	781,728	-	-	1,740,455
Total Accumulated Depreciation/ Amortization	477,424,260	32,034,129	-	(33,134,454)	476,323,935
Total Other Capital Assets - Net	603,645,530	(31,127,575)	43,595,989	(1,614,181)	614,499,763
Utility Plant - Net	$ 653,308,878	$ 20,435,988	$ -	$ (2,292,329)	$ 671,452,537

NOTE 4 CAPITAL ASSETS (CONTINUED)

The following is a summary of utility plant for the year ended May 31, 2025:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/ Amortized:					
Land	$ 28,085,903	$ 86,471	$ -	$ -	$ 28,172,374
Construction Work in Progress	32,554,313	53,567,300	(58,245,993)	(6,384,646)	21,490,974
Total Capital Assets Not Being Depreciated	60,640,216	53,653,771	(58,245,993)	(6,384,646)	49,663,348
Other Capital Assets:					
Source of Supply	62,076,430	-	2,260,535	(88,204)	64,248,761
Pumping Structures and Equipment	44,481,486	-	1,379,522	(8,500)	45,852,508
Water Treatment Plant and Equipment	233,124,546	-	14,402,500	-	247,527,046
Transmission and Distribution	556,040,458	-	19,905,781	(2,092,185)	573,854,054
General Plant	113,045,453	629,981	4,491,871	(1,040,581)	117,126,724
Right-to-Use - Lease Asset:					
Leased Equipment	67,039	-	-	(3,366)	63,673
Leased Facilities	640,901	36,750	-	(624)	677,027
SBITA Asset	7,322,790	3,696,279	15,805,784	(2,115,708)	24,709,145
Intangible Assets	1,887,700	5,123,152	-	-	7,010,852
Total Other Capital Assets	1,018,686,803	9,486,162	58,245,993	(5,349,168)	1,081,069,790
Less: Accumulated Depreciation/Amortization:					
Source of Supply	16,936,769	647,275	-	(22,695)	17,561,349
Pumping Structures and Equipment	29,731,029	1,422,326	-	(5,383)	31,147,972
Water Treatment Plant and Equipment	134,441,004	8,432,632	-	-	142,873,636
Transmission and Distribution	178,297,498	9,920,443	-	(639,862)	187,578,079
General Plant	89,839,090	5,458,382	-	(799,969)	94,497,503
Right-to-Use - Lease Asset:					
Leased Equipment	13,203	16,858	-	(3,366)	26,695
Leased Facilities	216,595	84,810	-	-	301,405
SBITA Asset	2,862,336	1,638,098	-	(2,021,540)	2,478,894
Intangible Assets	230,365	728,362	-	-	958,727
Total Accumulated Depreciation/ Amortization	452,567,889	28,349,186	-	(3,492,815)	477,424,260
Total Other Capital Assets - Net	566,118,914	(18,863,024)	58,245,993	(1,856,353)	603,645,530
Utility Plant - Net	$ 626,759,130	$ 34,790,747	$ -	$ (8,240,999)	$ 653,308,878

During fiscal years 2026 and 2025, the Authority retired assets with accumulated depreciation totaling approximately $32.6 million and $1.5 million, respectively.

NOTE 5 LEASE RECEIVABLES

The Authority, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2082. During the year ended May 31, 2026, the Authority recognized $145,051 and $58,919 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended May 31, 2025, the Authority recognized $96,634 and $30,220 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 5 LEASE RECEIVABLES (CONTINUED)

Principal and interest requirements to maturity under lease agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 94,521	$ 54,258	$ 148,779
2028	98,396	50,361	148,757
2029	51,449	47,342	98,791
2030	57,406	45,166	102,572
2031	61,633	42,754	104,387
Thereafter	1,224,700	883,181	2,107,881
Totals	$ 1,588,105	$ 1,123,062	$ 2,711,167

NOTE 6 RESTRICTED ASSETS

Pursuant to the *General Bond Resolution* of the Authority adopted July 31, 1980, as amended and supplemented, the following funds of restricted assets must be maintained. The Authority may use the assets of these funds only for the following purposes specified in the General Bond Resolution. In April 2025, AWA adopted its own General Bond Resolution. As of May 31, 2026 there was a bond anticipation note issued under this General Bond Resolution. The descriptions below pertain to the Authority's *General Bond Resolution*, adopted July 31, 1980, as amended and supplemented.

Construction

Bond proceeds and other amounts deposited in the Construction Fund may be applied only toward payment of the costs of water system capital projects upon submission of a requisition to the trustee. However, the Construction Fund may be used for debt service if no other funds are available.

Debt Service

The Authority is required to maintain a Debt Service Fund to ensure payment of interest and principal when due. The Authority must make a deposit each month to provide funds for payment of interest and principal becoming due. No such deposits need be made if the fund already contains sufficient dollars to satisfy interest coming due within six months and principal coming due within twelve months. The *General Bond Resolution* provides that, if the balances of the Debt Service Fund and Debt Reserve Fund are insufficient to pay interest, principal or sinking fund payments, the Authority must withdraw the deficiency from any of the other funds maintained by it.

Debt Reserve

The Authority is required to maintain a Debt Reserve Fund in an amount equal to the maximum aggregate of principal and interest payments becoming due in any one year in which bonds are outstanding. Amounts in the Debt Reserve Fund are to be used by the Authority in the event debt service requirements cannot be fully paid from amounts in the Debt Service Fund. To satisfy the requirements of the *General Bond Resolution*, the Authority's Debt Reserve Fund comprises surety bonds, bond proceeds, and drinking water loans.

NOTE 6 RESTRICTED ASSETS (CONTINUED)

Payments-in-Lieu-of-Taxes (PILOT)

The Act requires the Authority to make payments-in-lieu-of-taxes (PILOT) to the municipalities in which the Authority owns property. The Authority is required to make monthly deposits into the PILOT Fund in amounts sufficient to provide funds for PILOT that has become owed in that month.

Operating Reserve

The Authority is required to maintain an Operating Reserve Fund in an amount equal to at least one-sixth of the amount budgeted for operating expenses at the beginning of its fiscal year. Amounts in the Operating Reserve Fund may be used to pay operating expenses to the extent monies are not otherwise available.

Capital Contingency

The Authority must maintain a Capital Contingency Fund in an amount equal to or greater than 1% of outstanding bonds, less principal deposits at the time of calculation, to provide for the cost of capital projects made necessary by emergency or other unforeseen circumstances or events.

Insurance Reserve

The *General Bond Resolution* requires the Authority to keep its property insured and to carry general liability insurance (or maintain an insurance reserve fund). The Authority does not maintain an insurance reserve fund because it carries general liability coverage through a member-owned program of “captive” insurance and carries property insurance. The Authority also has other insurance coverage.

Rate Stabilization

The Authority established its Rate Stabilization Fund in 1996. The Rate Stabilization Fund includes a Variable Rate Bond Sub-account and a Surplus Sub-account. Per the *General Bond Resolution*, before the last day of the first month of each fiscal year, the Authority will deposit in the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount, if any, by which the interest on variable rate bonds assumed for rate-making purposes or, if lower, the maximum amount of interest payable under an interest rate limitation contract, exceeded the amount of interest and related costs paid during the previous fiscal year. As of May 31, 2026 and 2025, there is no outstanding variable rate debt under the *General Bond Resolution*; therefore, no deposits were required.

After the initial funding of the Rate Stabilization Fund Surplus Sub-account as specified in a written certification by the Authority and transferred from the General Fund, the Authority shall transfer monies to the Revenue Fund to the extent required to make up deficiencies in any of the funds established under Section 402 of the *General Bond Resolution*. The Authority may at any time transfer any monies in the Rate Stabilization Fund Surplus Sub-account to the Revenue Fund, but only if each of the other funds are funded at or above their respective requirements.

NOTE 6 RESTRICTED ASSETS (CONTINUED)

The balances in the various funds as of May 31 are as follows:

	2026	2025
Construction	$ 71,452,622	$ 77,946,244
Debt Reserve	24,963,034	24,794,046
Debt Service	33,945,310	31,306,215
Payments-in-Lieu-of-Taxes (PILOT)	4,787,854	4,109,925
Operating Reserve	12,666,480	12,343,656
Capital Contingency	6,271,409	6,244,220
Rate Stabilization	10,000,000	10,000,000
Other Purposes	375,758	2,785,484
Restricted Assets	$ 164,462,467	$ 169,529,790

The level of funds required by the General Bond Resolution was met on May 31, 2026 and 2025.

NOTE 7 THE CLAIRE C. BENNITT WATERSHED FUND

As discussed in Note 1, The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund) is a separate legal entity organized and operated exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, specifically for the purpose of protecting watershed land that has distinctive ecological significance through open space acquisition and environmental education. The Authority is the sole member of the Watershed Fund. The Watershed Fund is governed by a board of directors, which includes certain members of the Authority Board and the Representative Policy Board (RPB), as well as an employee(s) of the Authority. The Authority Board elects the board of directors.

The Authority made an initial donation of $1,234,000 to establish the Watershed Fund. Additional contributions of $452,000 and $7,700 were made by the Authority in 2000 and 2020, respectively. In fiscal 2023, the Watershed Fund provided a $20,000 grant to the Authority towards the purchase of land. The Watershed Fund had total net position of $1,701,326 and $1,782,478 as of May 31, 2026 and 2025, respectively. The Authority donated goods and services to the Watershed Fund totaling $12,595 and $12,631 for the years ended May 31, 2026 and 2025, respectively.

As discussed in Note 1, the Watershed Fund is included as a blended component unit in the Authority's financial statements.

NOTE 8 LONG-TERM LIABILITIES

Long-term liability activity for the year ended May 31 was as follows:

2026	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 495,880,000	$ -	$ (22,895,000)	$ 472,985,000	$ 25,720,000
Net Bond Premiums and Discounts	39,881,160	-	(4,132,418)	35,748,742	-
Total Bonds Payable	535,761,160	-	(27,027,418)	508,733,742	25,720,000
Drinking Water Loans - Direct Borrowing	38,806,169	3,275,142	(2,247,806)	39,833,505	2,348,130
Lease Payable	402,116	71,694	(94,084)	379,726	98,579
SBITA Payable	6,689,107	1,003,339	(1,910,074)	5,782,372	994,295
Net Pension Liability	8,795,429	-	(8,795,429)	-	-
Net OPEB Liability	15,181,074	-	(554,827)	14,626,247	-
Total	$ 605,635,055	$ 4,350,175	$ (40,629,638)	$ 569,355,592	$ 29,161,004

2025	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 505,300,000	$ 77,330,000	$ (86,750,000)	$ 495,880,000	$ 22,895,000
Net Bond Premiums and Discounts	40,636,652	9,999,478	(10,754,970)	39,881,160	-
Total Bonds Payable	545,936,652	87,329,478	(97,504,970)	535,761,160	22,895,000
Drinking Water Loans - Direct Borrowing	38,538,049	2,354,070	(2,085,950)	38,806,169	2,193,400
Lease Payable	498,802	47,397	(144,083)	402,116	84,316
SBITA Payable	4,517,356	5,221,991	(3,050,240)	6,689,107	1,027,437
Net Pension Liability	11,622,449	-	(2,827,020)	8,795,429	-
Net OPEB Liability	16,145,432	-	(964,358)	15,181,074	-
Total	$ 617,258,740	$ 94,952,936	$ (106,576,621)	$ 605,635,055	$ 26,200,153

Revenue Bonds Payable

The Authority issues Water System Revenue Bonds to finance capital projects and to provide certain restricted funds, as required by the *General Bond Resolution*. The Water System Revenue Bonds are secured by a pledge of all revenues and all moneys and securities in all funds established by the *General Bond Resolution*. Revenues include income derived from the payment of rates and charges for water service and from investments of monies in the funds established under the *General Bond Resolution*, other than the Construction Fund. Revenues do not include government grants and contributions for capital improvements.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

Revenue bonds outstanding comprise the following:

2026	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2026
2010 Series A	2010	2040	$ 31,385,000	6.243%-6.393%	$ 28,720,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	3,335,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	13,700,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	80,670,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	9,815,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	21,040,000
Thirty-Third B-2 (Refunding Bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-Fourth A	2019	2039	11,725,000	3.000%-5.000%	9,460,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	74,715,000
Thirty-Fourth C (Green Bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-Fifth Taxable (Refunding Bonds)	2020	2044	54,485,000	1.643%-3.262%	38,435,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	35,820,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	8,575,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,060,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2029	11,110,000	5.00%	9,720,000
Thirty-Eighth (Refunding Bonds)	2025	2043	55,430,000	5.00%	55,430,000
Thirty-Ninth A	2025	2054	18,675,000	5.00%	18,615,000
Thirty-Ninth A (HSV)	2025	2039	3,225,000	5.00%	3,090,000
Total					$ 472,985,000

2025	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2025
2010 Series A	2010	2040	$ 31,385,000	6.243%-6.393%	$ 30,080,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	5,515,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	4,355,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,145,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	88,780,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,485,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	22,100,000
Thirty-Third B-2 (Refunding Bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-Fourth A	2019	2039	11,725,000	3.000%-5.000%	9,960,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	74,795,000
Thirty-Fourth C (Green Bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-Fifth Taxable (Refunding Bonds)	2020	2044	54,485,000	1.643%-3.262%	39,040,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,210,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	9,855,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,335,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2029	11,110,000	5.00%	11,110,000
Thirty-Eighth (Refunding Bonds)	2025	2043	55,430,000	5.00%	55,430,000
Thirty-Ninth A	2025	2054	18,675,000	5.00%	18,675,000
Thirty-Ninth A (HSV)	2025	2039	3,225,000	5.00%	3,225,000
Total					$ 495,880,000

*Dates are based on calendar year

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs – Direct Payment). The General Obligation Bonds, Issue of 2010 were issued as Taxable BABs – Direct Payment on April 6, 2010, for $31,385,000. Pursuant to the Recovery Act, at inception, the Authority received a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. The 35% equates to $348,411 per payment, occurring twice a year. Such subsidy payment represents revenue to the Authority under the *General Bond Resolution*. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the Authority is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Issue of 2010 are subject to extraordinary optional redemption. Due to provisions within the Budget Control Act of 2011 and the implementation of sequestration, the amount of the subsidy has been reduced on payments made to issuers on or after March 1, 2013, resulting in a decrease to the Authority's August 1, 2013, payment, and the twice-annual payments through the current period. Reductions to the subsidy have ranged from a high of 8.7% to a low of 5.7%. A 5.7% reduction was effective for the payments received by the Authority in fiscal year 2025 and fiscal year 2026. The percent is subject to further change. The interest subsidy received totaled approximately $616 thousand dollars for the fiscal year ended May 31, 2026, and $644 thousand dollars for the fiscal year ended ending May 31, 2025, respectively. The fiscal 2025 amount has been adjusted for the over payment received in fiscal year 2024 and trued-up in fiscal year 2025 and any excludes interest associated with payment processing delays. The dollar amount of the subsidy decreases as principal payments are made.

Aggregate maturities of the Authority's water system revenue bonds are as follows:

Year Ending May 31,	Principal	Interest
2027	$ 25,720,000	$ 19,925,145
2028	26,775,000	18,864,313
2029	27,910,000	17,751,250
2030	29,140,000	16,492,822
2031	30,500,000	15,143,583
2032-2036	146,610,000	56,189,241
2037-2041	105,900,000	28,226,655
2042-2046	43,035,000	12,787,204
2047-2051	27,135,000	5,424,325
2052-2056	10,260,000	828,000
Total	$ 472,985,000	$ 191,632,538

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

The following represents the more significant requirements of the Authority's *General Bond Resolution*:

Rate Covenants

The Authority shall have reasonable rates for each class of service and is required to establish rates and charges at levels sufficient to cover annual operating and maintenance expenses, PILOT, all debt service requirements, and any amounts necessary to meet reserve requirements established by the *General Bond Resolution*. In addition, collected revenues, less operating and maintenance expenses incurred, PILOT and depreciation expense must equal 114% of annual debt service for fiscal years 2026 and 2025. Depreciation expense and other terms are as defined in the *General Bond Resolution*. Also, collected revenues, less operating and maintenance expenses incurred, and depreciation expense must equal 125% of annual debt service before PILOT.

The Act provides that the rates and charges proposed by the Authority are subject to approval by the Representative Policy Board (RPB) following a public hearing. However, the Act also provides that the RPB shall approve such rates and charges proposed by the Authority unless it finds that such rates and charges will provide funds insufficient for, or significantly in excess of, the amounts required to meet expenses of the Authority and the requirements of the General Bond Resolution.

As of May 31, 2026 and 2025, the Authority was in compliance with the requirements of the *General Bond Resolution.*

Leases Payable

The Authority leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2049.

Principal and interest requirements to maturity under lease agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 98,579	$ 8,604	$ 107,183
2028	95,704	5,670	101,374
2029	64,034	3,314	67,348
2030	46,181	2,119	48,300
2031	47,208	1,092	48,300
Thereafter	28,020	153	28,173
Totals	$ 379,726	$ 20,952	$ 400,678

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Leases Payable (Continued)

Right-to-use assets acquired through outstanding leases are shown below by underlying asset class.

	2026	2025
Equipment	$ 59,982	$ 63,673
Buildings	660,936	677,027
Less: Accumulated Amortization	(336,090)	(328,100)
Total	$ 384,828	$ 412,600

SBITAs Payable

The Authority has entered into subscription-based information technology arrangements (SBITAs) for software used in the operation of the Authority.

Principal and interest requirements to maturity under SBITA agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 994,295	$ 185,227	$ 1,179,522
2028	979,466	151,031	1,130,497
2029	1,001,596	116,525	1,118,121
2030	1,032,547	81,166	1,113,713
2031	901,707	50,926	952,633
Thereafter	872,761	29,974	902,735
Totals	$ 5,782,372	$ 614,849	$ 6,397,221

Assets acquired through outstanding SBITA agreements are shown below, by underlying asset class.

	2026	2025
Subscription Based Information Technology Arrangements	$ 24,360,196	$ 24,709,145
Less: Accumulated Amortization	(5,148,883)	(2,478,894)
Total	$ 19,211,313	$ 22,230,251

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Maintenance of Funds

The *General Bond Resolution* provides for the maintenance of certain funds as discussed in Note 6, which for financial reporting purposes are subparts of the Authority's overall enterprise fund. All revenues (as defined and governed by the *General Bond Resolution*) collected by the Authority are deposited into the Revenue Fund and applied first to the payment of operating expenses, as defined, and then deposited to restricted funds required to be maintained by the *General Bond Resolution*. Funds remaining in the Revenue Fund at the end of the year, after the above requirements are met, are to be transferred to the General Fund, which is available to the Authority for any lawful purpose of the Authority. In June 2026, the Authority authorized approximately $28.0 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $22.7 million to be transferred from the General Fund to the Construction Fund and approximately $2.5 million to be transferred to the Growth Fund. $2.75 million of the approximately $28.0 million transfer was left in the General Fund. While not governed under the *General Bond Resolution*, a transfer was also made from RWA Well Services, LLC to the Authority's Construction Fund.

On March 13, 2025, the Authority issued $55,430,000 (par value) of Water System Revenue Refunding Bonds, Thirty-eighth Series, to tender refund certain maturities of the Authority's Thirty-second Series B, Thirty-third Series B-1, Thirty-fourth Series B Taxable, and Thirty-fifth Series Taxable Bonds. The tender refunding reduced debt service payments by $5,098,014 and represents an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,122,308. This was a tender refunding with an immediate call.

Drinking Water Loans Payable – Direct Borrowing

The Authority participates in the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects may be financed by interim financing revenue bonds, and/or internally generated funds, until such projects are complete. Proceeds received at the execution of the project loan obligation are used to reimburse Authority funds previously used and/or pay-off interim subordinate financing as well as to fund associated reserve requirements. Alternatively, qualified projects can be funded through DWSRF interim funding obligations and proceeds are provided as the project progresses. As of May 31, 2026, the Authority had one interim funding obligation. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Drinking Water Loans Payable – Direct Borrowing (Continued)

Long-term loan obligations mature as follows:

Year Ending May 31,	Principal	Interest
2027	$ 2,348,130	$ 762,155
2028	2,395,525	714,760
2029	2,443,875	666,407
2030	2,493,204	617,078
2031	2,543,528	566,755
2032-2036	13,508,774	2,042,644
2037-2041	9,932,172	778,207
2042-2046	3,514,868	116,603
Total *	$ 39,180,076	$ 6,264,609

* Does not include Interim Funding Obligation in the amount of $653,429.

The state may terminate the obligation to make the Project Loan, with 60 days written notice, if the state determines that such terminations is in the best interest of the state and the Authority fails to perform its obligations under the agreement. After giving notice, the state has discretion not to terminate the Project Loan if the Authority performs its obligations to the satisfaction of the state.

NOTE 9 BOND ANTICIPATION NOTES PAYABLE

In 2025, $50,500 was drawn for temporary financing to be utilized for capital projects. As of May 31, 2026, there is no outstanding principal balance. Bond anticipation note transactions for the year ended May 31, 2026, excluding AWA, were as follows:

Outstanding, May 31, 2025	$ 50,500
New Borrowings	-
Repayments	(50,500)
Outstanding, May 31, 2026	$ -

In March 2026, Aquarion Water Authority (AWA) issued its Series A bond anticipation note in the amount of $1,593,800,000 to partially finance the acquisition of Aquarion by AWA. The Series A note matured on May 26, 2026, at which time AWA issued its Series B bond anticipation note in the same principal amount. As of May 31, 2026, $1,593,800,000 was outstanding. Bond anticipation note transactions for the year ended May 31, 2026, related to AWA, were as follows:

NOTE 10 HAZWASTE CENTRAL

As an agent for the South Central Connecticut Regional Council of Governments, the Authority owns and operates a regional collection center for household hazardous waste, HazWaste Central, located at its headquarters on Sargent Drive.

Since HazWaste Central receives its revenue after incurring its operating costs, the Authority provides advance funding to the organization. The Authority is reimbursed for its advances when revenue is received by that organization.

NOTE 11 COMMITMENTS AND CONTINGENCIES

In the opinion of the Authority and its legal counsel, various legal matters in which the Authority is currently involved will not materially affect the Authority's financial position.

Litigation

A number of claims and suits are pending against the Authority for alleged damages to persons and properties, and for other alleged liabilities arising out of its operations. The probable outcome of such matters cannot be determined at this time; however, in the opinion of management, any ultimate liability that may arise from these actions is not expected to materially affect the Authority's financial position.

Capital and Other Commitments

As of May 31, 2026, the Authority has an estimated $20.1 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts. In addition, the agreement for the implementation and on-going support of a new Customer Information System has a termination fee of $1.35 million during the second year-post go-live. A second agreement regarding a solar array contains a termination for convenience fee of approximately $1.3 million. The Authority does not intend to terminate these agreements resulting in a payment of a termination fee.

Prior to the closing of the AWA transaction to acquire Aquarion, the Authority had certain responsibilities and obligations under executed agreements. Any and all obligations of the Authority ceased at the closing of the transaction on June 30, 2026.

Risk Management

The Authority is subject to certain business risks common to the utility industry. Most of these risks are mitigated by traditional insurance coverage obtained by the Authority. For risks associated with workers' compensation, automobile and general liability, the Authority elected, as of October 31, 2000, to participate in a program of member-owned "captive" insurance. It is management's belief that the Authority's exposure to losses arising from its participation in a program of "captive" insurance will not materially affect the financial results of the Authority's operations and cash flows.

Letter of Credit

The Authority has available to them a $2,076,608 letter of credit that expires March 1, 2027. There were no borrowings on this letter of credit as of May 31, 2026 and 2025.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance

The Authority administers a program of self-insurance for certain medical and dental claims and provides for losses by charging operating expense as liabilities are incurred. The Authority records a liability, in accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss, and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2026 and 2025, were as follows:

2026	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 564,440	$ (7,616,581)	$ 7,656,883	$ 604,742
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,073,625	(797,706)	857,706	2,133,625
Insurance Reserve (Pre October 1, 2000)	235,134	(199,372)	129,712	165,474
Total Liability	$ 2,873,199	$ (8,613,659)	$ 8,644,301	$ 2,903,841

2025	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 623,359	$ (7,000,571)	$ 6,941,652	$ 564,440
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,109,805	(482,544)	446,364	2,073,625
Insurance Reserve (Pre October 1, 2000)	291,000	(179,937)	124,071	235,134
Total Liability	$ 3,024,164	$ (7,663,052)	$ 7,512,087	$ 2,873,199

NOTE 12 DEFINED BENEFIT PENSION PLANS

Plan Description

The Authority's two retirement plans are single-employer defined benefit pension plans administered under a master trust agreement by the Authority Board. The retirement plans provide retirement and disability benefits to the plans' members and their beneficiaries. Cost-of-living adjustments are not provided to members and beneficiaries but may be made at the discretion of the Authority. The Authority establishes and amends benefit provisions of the plans.

The pension plans are included in the Authority's financial reporting entity and accounted for in the Pension Trust Fund. The Authority does not issue a stand-alone financial report for the plans.

Management of the plan rests with the Pension and Benefit Committee of the Authority Board. The Pension and Benefit Committee consists of all six members of the Authority Board. As of May 31, 2026, two members of senior management are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

At January 1, 2026, which is the date of the latest actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	188	114
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	51	41
Current Active Members	60	49
Total Members	299	204

At January 1, 2025, which is the date of the prior actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	187	114
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	53	38
Current Active Members	64	55
Total Members	304	207

Both plans have been closed to new entrants. The salaried plan was closed to new entrants as of January 1, 2011, and the bargaining unit plan was closed to new entrants as of April 15, 2010.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Pension Trust Fund’s financial statements are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

Valuation of Investments

Investments are reported at fair value as determined by quoted prices in active markets.

Funding Policy

The Authority contributes, at a minimum, the actuarially determined contribution. For the year ended May 31, 2026, the Authority contributed approximately $1.5 million in excess of the actuarial required contribution. In May 31, 2025, the Authority contributed approximately $1.0 million in excess of the required contribution.

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The individual plan net position at May 31, 2026, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 582,341	$ 326,177	$ 908,518
Investments:			
U.S. Government Securities	6,373,199	3,560,247	9,933,446
U.S. Government Agencies	789,989	622,661	1,412,650
Corporate Bonds	5,301,865	3,316,132	8,617,997
Mutual Funds	43,095,795	25,960,309	69,056,104
Total Assets	56,143,189	33,785,526	89,928,715
NET POSITION			
Restricted for Pension Benefits	$ 56,143,189	$ 33,785,526	$ 89,928,715
ADDITIONS			
Contributions:			
Employer	$ 2,744,165	$ 977,944	$ 3,722,109
Investment Earnings:			
Net Increase in the Fair Value of Investments	6,560,171	3,972,156	10,532,327
Investment Earnings	1,923,650	1,151,345	3,074,995
Net Investment Earnings	8,483,821	5,123,501	13,607,322
Total Additions	11,227,986	6,101,445	17,329,431
DEDUCTIONS			
Benefits	4,593,395	1,912,372	6,505,767
Expenses	218,591	135,294	353,885
Other	819	-	819
Total Deductions	4,812,805	2,047,666	6,860,471
CHANGE IN NET POSITION	6,415,181	4,053,779	10,468,960
Net Position - Beginning of Year	49,728,008	29,731,747	79,459,755
NET POSITION - END OF YEAR	$ 56,143,189	$ 33,785,526	$ 89,928,715

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The individual plan net position at May 31, 2025, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 881,856	$ 520,752	$ 1,402,608
Investments:			
U.S. Government Securities	4,403,940	2,342,976	6,746,916
U.S. Government Agencies	1,320,353	817,583	2,137,936
Corporate Bonds	5,411,699	3,022,159	8,433,858
Mutual Funds	37,710,160	23,028,277	60,738,437
Total Assets	49,728,008	29,731,747	79,459,755
NET POSITION			
Restricted for Pension Benefits	$ 49,728,008	$ 29,731,747	$ 79,459,755
ADDITIONS			
Contributions:			
Employer	$ 2,397,959	$ 1,083,864	$ 3,481,823
Investment Earnings:			
Net Increase in the Fair Value of Investments	2,675,127	1,647,782	4,322,909
Investment Earnings	1,638,703	979,354	2,618,057
Net Investment Earnings	4,313,830	2,627,136	6,940,966
Total Additions	6,711,789	3,711,000	10,422,789
DEDUCTIONS			
Benefits	4,099,632	1,889,592	5,989,224
Expenses	217,391	106,258	323,649
Other	(7,380)	(15,190)	(22,570)
Total Deductions	4,309,643	1,980,660	6,290,303
CHANGE IN NET POSITION	2,402,146	1,730,340	4,132,486
Net Position - Beginning of Year	47,325,862	28,001,407	75,327,269
NET POSITION - END OF YEAR	$ 49,728,008	$ 29,731,747	$ 79,459,755

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Investments

Investment Policy

The Authority Board determines the asset allocation ranges and targets, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2026 and 2025, the associated targets were as follows:

	Target Allocation	
Asset Class	2026	2025
Fixed Income	30 %	30 %
U.S. Equity	37	37
Global	4	4
International Equity	14	14
Alternative, Hedge, and Swing	15	15
Total	100 %	100 %

The asset allocation targets and ranges, effective July 18, 2019, were authorized by the Authority Board. The equity target was set in total, with discretion allowed among the category of equities.

Rate of Return

For the year ended May 31, 2026, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.42% for the salaried plan and 17.55% for the bargaining unit plan.

For the year ended May 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.30% for the salaried plan and 9.59% for the bargaining unit plan.

Net Pension Liability (Asset) of the Authority

The components of the net pension liability (asset) of the Authority at May 31, 2026, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 55,873,053	$ 31,743,271
Plan Fiduciary Net Position	56,143,188	33,785,527
Net Pension Liability (Asset)	$ (270,135)	$ (2,042,256)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.48%	106.43%

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability (Asset) of the Authority (Continued)

The components of the net pension liability (asset) of the Authority at May 31, 2025, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 56,204,869	$ 32,050,315
Plan Fiduciary Net Position	49,728,008	29,731,747
Net Pension Liability	$ 6,476,861	$ 2,318,568
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.48%	92.77%

Actuarial Assumptions

The total pension liability as of May 31, 2026 was determined by an actuarial valuation as of January 1, 2026, rolled forward to May 31, 2026, using the following actuarial assumptions applied to all periods included in the measurement:

	Salaried Plan	Bargaining Unit Plan
Inflation	3%	3%
Salary Increase	4%, Average, Including Inflation	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation	6.75%, Net of Pension Plan Investment Expense, Including Inflation

The total pension liability as of May 31, 2025 was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

	Salaried Plan	Bargaining Unit Plan
Inflation	3%	3%
Salary Increase	4%, Average, Including Inflation	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates for the year ended May 31, 2026, for the Salaried Plan were based on the PubG-2016 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2016 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the year ended May 31, 2025, were based on the corresponding PubG-2010 tables with MP-2021 projection scale.

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of May 31, 2026, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.7 %
U.S. Equity	7.2
Global	7.7
International Equity	7.7
Alternatives, Hedge, and Swing	6.4

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of May 31, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
U.S. Equity	8.5
Global	8.1
International Equity	7.4
Alternatives, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2026, for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The discount rate used to measure the total pension liability as of May 31, 2025, for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2026 and 2025, the Authority contributed above the actuarial required contribution. An expected rate of return of 6.75% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Asset)

Changes in the net pension liability (asset) at May 31, 2026 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances - June 1, 2025	$ 56,204,869	$ 49,728,008	$ 6,476,861
Changes for the Year:			
Service Cost	469,544	-	469,544
Interest on Total Pension Liability	3,637,030	-	3,637,030
Differences Between Expected and Actual Experience	155,005	-	155,005
Employer Contributions	-	2,744,165	(2,744,165)
Net Investment Gain	-	8,483,820	(8,483,820)
Benefit Payments, Including Refund to Employee Contributions	(4,593,395)	(4,593,395)	-
Administrative Expenses	-	(218,591)	218,591
Other	-	(819)	819
Net Changes	(331,816)	6,415,180	(6,746,996)
Balances - May 31, 2026	$ 55,873,053	$ 56,143,188	$ (270,135)

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances - June 1, 2025	$ 32,050,315	$ 29,731,747	$ 2,318,568
Changes for the Year:			
Service Cost	83,459	-	83,459
Interest on Total Pension Liability	2,083,588	-	2,083,588
Differences Between Expected and Actual Experience	(561,719)	-	(561,719)
Employer Contributions	-	977,944	(977,944)
Net Investment Gain	-	5,123,502	(5,123,502)
Benefit Payments, Including Refund to Employee Contributions	(1,912,372)	(1,912,372)	-
Administrative Expenses	-	(135,294)	135,294
Net Changes	(307,044)	4,053,780	(4,360,824)
Balances - May 31, 2026	$ 31,743,271	$ 33,785,527	$ (2,042,256)

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Asset) (Continued)

Changes in the net pension liability (asset) at May 31, 2025 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	$ 55,047,939	$ 47,325,862	$ 7,722,077
Changes for the Year:			
Service Cost	490,576	-	490,576
Interest on Total Pension Liability	3,564,304	-	3,564,304
Differences Between Expected and Actual Experience	1,438,047	-	1,438,047
Changes in Assumptions	(236,365)	-	(236,365)
Employer Contributions	-	2,397,959	(2,397,959)
Net Investment Gain	-	4,313,830	(4,313,830)
Benefit Payments, Including Refund to Employee Contributions	(4,099,632)	(4,099,632)	-
Administrative Expenses	-	(217,391)	217,391
Other	-	7,380	(7,380)
Net Changes	1,156,930	2,402,146	(1,245,216)
Balances - May 31, 2025	$ 56,204,869	$ 49,728,008	$ 6,476,861

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	$ 31,901,779	$ 28,001,407	$ 3,900,372
Changes for the Year:			
Service Cost	89,539	-	89,539
Interest on Total Pension Liability	2,076,288	-	2,076,288
Differences Between Expected and Actual Experience	(507,861)	-	(507,861)
Changes in Assumptions	(73,182)	-	(73,182)
Changes in Benefit Terms	453,344	-	453,344
Employer Contributions	-	1,083,864	(1,083,864)
Net Investment Gain	-	2,627,136	(2,627,136)
Benefit Payments, Including Refund to Employee Contributions	(1,889,592)	(1,889,592)	-
Administrative Expenses	-	(106,258)	106,258
Other	-	15,190	(15,190)
Net Changes	148,536	1,730,340	(1,581,804)
Balances - May 31, 2025	$ 32,050,315	$ 29,731,747	$ 2,318,568

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority for the year ended May 31, 2026, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	$ 4,581,335	$ (270,135)	$ (4,485,238)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 931,220	$ (2,042,256)	$ (4,608,315)

The following presents the net pension liability (asset) of the Authority for the year ended May 31, 2025, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	$ 11,403,647	$ 6,476,861	$ 2,194,126

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 5,400,199	$ 2,318,568	$ (336,599)

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the years ended May 31, 2026 and 2025, the Authority recognized pension expense of $1,218,810 and $2,100,511, respectively. At May 31, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2026		
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 286,983	$ -	$ 286,983

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ -	$ 303,533	$ 303,533
Changes of Assumptions	33,127	5,578	38,705
Difference Between Projected and Actual Earning on Pension Plan Investments	5,515,934	3,379,565	8,895,499
Total	$ 5,549,061	$ 3,688,676	$ 9,237,737

	2025		
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 1,001,844	$ 81,475	$ 1,083,319

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ -	$ 273,283	$ 273,283
Changes of Assumptions	134,746	39,380	174,126
Difference Between Projected and Actual Earning on Pension Plan Investments	588,698	393,445	982,143
Total	$ 723,444	$ 706,108	$ 1,429,552

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending May 31,	Amount
2027	$ (2,184,963)
2028	(3,015,987)
2029	(2,075,119)
2030	(1,674,685)
Total	$ (8,950,754)

NOTE 13 VOLUNTARY INVESTMENT PLAN

The Authority maintains a voluntary investment plan (a defined contribution 401(k) plan) covering eligible salaried employees. Salaried employees hired after January 1, 2011, receive an Authority contribution of 4.5% of their pay after six months of service. Salaried employees are not required to contribute to receive this contribution. In addition, beginning on June 1, 2025 (fiscal 2026), for salaried employees hired after January 1, 2011, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution up to 2%. There is no change in the match for salaried employees hired before January 1, 2011. Authority contributions vest immediately. Effective January 1, 1997, eligible bargaining unit employees were allowed to participate in the voluntary investment plan. Bargaining unit employees hired before April 15, 2010, received a 0.5% Authority contribution for plan year 2024 and 1.25% effective June 1, 2024, with no change in the employer match. Bargaining unit employees hired after April 15, 2010, and before April 15, 2014, receive an Authority contribution of 4% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014, receive an Authority contribution of 4% of their pay after six months of employment under the following vesting schedule: 50% after three years of service, 75% after four years of service, and 100% after five years of service. In addition, for bargaining unit employees hired after April 15, 2010, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution, up to a maximum contribution of 2% of the participant's base wages. This contribution is in addition to the non-elective employer contribution. Cash contributions to the plan for the years ended May 31, 2026 and 2025, are below. Fiscal 2026 employer contributions are net of forfeiture amounts applied.

	2026	2025
Employer Contributions	$ 1,909,823	$ 1,468,484
Employee Contributions	2,667,916	2,499,477

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE

Plan Description

The Authority's OPEB plan is a single-employer defined benefit plan that includes health benefits to retirees and qualifying dependents as well as a death benefit that increased to $13,000 in April 2017. Medical coverage for retirees and spouses over 65 is provided by an indemnity plan. Medical and dental coverage for retirees and dependents under 65 is provided by the Authority's self-insurance plan. Eligibility is stated in the funding policy section below.

In September 2008, the Authority established the South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (the Trust). On October 9, 2008, the Authority transferred $724,462 to the Trust as its initial funding. This initial contribution comprises $564,462 from the Birmingham Utilities Retiree Trust and $160,000 as the Authority's initial funding of the Trust.

The retiree health plan is included in the Authority's financial reporting entity and accounted for as a trust fund. The Authority does not issue a stand-alone financial report for the plan.

The Authority opted to fund the Trust by contributing the actuarial recommended cash contribution.

Administration of the plan rests with the Pension and Benefit Committee of the Authority Board. The Pension and Benefit Committee consist of all six members of the Authority Board.

At January 1, 2026 and 2025, plan membership consisted of the following:

	Retiree Health Plan	
	2026	2025
Retired Members and Spouses	265	261
Active Plan Members	97	107
Members Death Benefits Only	201	208
Total Participants	563	576

The plan is closed to new entrants, other than for the death benefit and eligibility to participate in the group health insurance at one's own expense.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

Financial statements for the Trust are prepared using the accrual method of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are reported at fair value as determined by quoted prices in active markets.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy

Requirements for contributions by union plan members are negotiated with the union. Retiree contribution requirements vary depending on retirement date and hire date as described below:

Union Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.

- Employees who retired on or before April 15, 2006, receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.

- Employees who retire after April 15, 2006, and who were hired before January 1, 2006, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2005. Retirees and qualifying dependents are responsible for costs above $158.14 per individual per month for the Medicare Supplemental Plan and $78.00 per individual per month for Medicare Part B.

- Retired employees who were hired on or after January 1, 2006, are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

Nonunion Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.

- Employees who retired on or before January 1, 2006. receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.

- Employees who retire after January 1, 2006, and who were hired before January 1, 2005, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2004. Retirees and qualifying dependents are responsible for costs above $158.14 per individual per month for the Medicare Supplemental Plan and $66.60 per individual per month for Medicare Part B.

- Retired employees who were hired on or after January 1, 2005, are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The Authority's cash contribution to the trust was $1,570,423 for the fiscal year ended May 31, 2026. The Authority's contribution was based on the actuarially calculated recommended cash contribution.

Investments

Investment Policy

The Authority Board determines the asset allocation target and the associated ranges, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2026 and 2025, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30 %
US Equity	37
Global Equities	4
International Equity	14
Alternatives, Hedge, and Swing	15
Total	100 %

The asset allocation targets were approved by the Authority Board on April 19, 2018. Effective July 18, 2019, the Authority Board authorized revised ranges for the asset categories. The equity target was set in total with discretion allowed among the categories of equity.

Rate of Return

As of May 31, 2026 and 2025, the annual money-weighted rate of return on investments, net of investment expense, was 17.65% and 9.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Net OPEB Liability of the Authority

The Authority's net OPEB liability was measured as of May 31, 2026 and 2025. The components of the net OPEB liability of the Authority at May 31, 2026, were as follows:

Total OPEB Liability	$ 26,305,903
Plan Fiduciary Net Position	11,679,656
Net OPEB Liability	$ 14,626,247
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.40%

The components of the net OPEB liability of the Authority at May 31, 2025, were as follows:

Total OPEB Liability	$ 25,513,409
Plan Fiduciary Net Position	10,332,335
Net OPEB Liability	$ 15,181,074
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	40.50%

Actuarial Assumptions

The total OPEB liability for May 31, 2026, was determined by an actuarial valuation as of January 1, 2026, rolled forward to May 31, 2026, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	7.00% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.04% Per Year

The total OPEB liability for May 31, 2025 was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	6.50% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.00% Per Year

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates for the year ended May 31, 2026, were based on the 2016 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

Mortality rates for the year ended May 31, 2025 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset as of May 31, 2026, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.7 %
US Equity	7.2
Global Equities	7.7
International Equity	7.7
Alternative, Hedge, and Swing	6.4

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2025 as summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
US Equity	8.5
Global Equities	8.1
International Equity	7.4
Alternative, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% for the years ended May 31, 2026 and 2025. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Changes in the Net OPEB Liability

	2026		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2025	$ 25,513,409	$ 10,332,335	$ 15,181,074
Changes for the Year:			
Service Cost	232,250	-	232,250
Interest	1,643,463	-	1,643,463
Differences Between Expected and Actual Experience	292,980	-	292,980
Changes in Assumptions	583,839	-	583,839
Benefit Payments, Including Refund to Employee Contributions	(2,284,499)	(2,284,499)	-
Contributions - Employer	-	1,570,423	(1,570,423)
Contributions - Retiree	324,461	324,461	-
Net Investment Income	-	1,785,398	(1,785,398)
Administrative Expense	-	(48,462)	48,462
Net Changes	792,494	1,347,321	(554,827)
Balances - May 31, 2026	$ 26,305,903	$ 11,679,656	$ 14,626,247

	2025		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2024	$ 26,230,544	$ 10,085,112	$ 16,145,432
Changes for the Year:			
Service Cost	210,047	-	210,047
Interest	1,691,038	-	1,691,038
Differences Between Expected and Actual Experience	69,201	-	69,201
Changes in Assumptions	(374,167)	-	(374,167)
Benefit Payments, Including Refund to Employee Contributions	(2,562,780)	(2,562,780)	-
Contributions - Employer	-	1,694,075	(1,694,075)
Contributions - Retiree	249,526	249,526	-
Net Investment Income	-	913,344	(913,344)
Administrative Expense	-	(46,942)	46,942
Net Changes	(717,135)	247,223	(964,358)
Balances - May 31, 2025	$ 25,513,409	$ 10,332,335	$ 15,181,074

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority for the year ended May 31, 2026, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 16,423,034	$ 14,626,247	$ 13,035,587

The following presents the net OPEB liability of the Authority for the year ended May 31, 2025 as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 17,003,022	$ 15,181,074	$ 13,573,327

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority for the year ended May 31, 2026, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (6.00% Decreasing to 3.04%)	Healthcare Cost Trend Rates (7.00% Decreasing to 4.04%)	1% Increase (8.00% Decreasing to 5.04%)
Net OPEB Liability	$ 12,913,953	$ 14,626,247	$ 16,560,563

The following presents the net OPEB liability of the Authority for the year ended May 31, 2025 as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.00%)	1% Increase (7.50% Decreasing to 5.00%)
Net OPEB Liability	$ 13,443,021	$ 15,181,074	$ 17,152,092

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

For the years ended May 31, 2026 and 2025, the Authority recognized OPEB expense of $1,083,008 and $627,192, respectively. At May 31, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,014,371	$ 1,012,881
Changes of Assumptions	766,889	330,778
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	-	1,164,342
Total	$ 1,781,260	$ 2,508,001

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 976,956	$ 1,791,632
Changes of Assumptions	675,778	424,785
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	-	95,646
Total	$ 1,652,734	$ 2,312,063

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

Year Ending May 31,	Amount
2027	$ (421,464)
2028	(481,577)
2029	11,932
2030	(15,132)
2031	87,158
Thereafter	92,342
Total	$ (726,741)

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actuarial results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive requirements and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2026, actuarial valuation, the frozen entry age normal actuarial funding method was used with a healthcare cost trend of 7.00% graded down by the Getzen Model to an ultimate rate of 4.04% annually and a discount rate of 6.75%.

NOTE 15 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2026, the date the financial statements were available to be issued.

On June 3, 2026, the Authority issued $70,455,000 (par value) of Water System Revenue Refunding Fortieth Series to refund $77,965,000 of certain maturities of the Thirty-second Series A and Series B. The refunding reduced total debt service payments by $6,192,561 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $5,413,646. The Authority deposited proceeds of the refunding portion and certain other cash amounts in escrow with the trustee and invested in State and Local Government Series (SLGS) such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the refunded bonds.

On July 2, 2026, the Authority issued $15,900,000 (par value) of Water System Revenue Bonds Forty-first Series. These bonds were used to partially fund the capital improvement plan and cost of issuance.

Prior to the closing of the AWA transaction to acquire Aquarion, the Authority had certain responsibilities and obligations under executed agreements. Any and all obligations of the Authority ceased at the closing of the transaction on June 30, 2026. Post-closing the Authority has been reimbursed for transaction related costs paid as of May 31, 2026, and accrued costs not yet paid by the Authority, as of the end of the fiscal year, were funded by AWA. In addition, at the closing, the AWA Bond Anticipation Note 2026 Series B was paid off with the proceeds from the SLGS. The interest earned paid the interest due.

NOTE 16 BLENDED COMPONENT UNITS

The Watershed Fund and AWA, for fiscal 2026, have been included as part of the financial statements.

Prior to the closing of the AWA transaction to acquire Aquarion, the Authority had certain responsibilities and obligations under executed agreements. At the June 30, 2026 closing, any and all obligations of the Authority ceased. Post-closing, based on the existing structure, AWA will not be a component unit. For fiscal 2025 and 2026, the corresponding inter-entity balances for amounts payable from AWA and receivable for the Authority are eliminated in consolidation.

In accordance with GASB 61, the following summarized information as of May 31, 2026 is required:

	RWA	AWA	The Watershed Fund	Eliminating Activities	Combined Financial Statements
Assets					
Utility Plant	$ 671,452,537	$ -	$ -	$ -	$ 671,452,537
Nonutility Plant	66,557,674	-	-	-	66,557,674
Current Assets	74,051,660	1,593,800,000	1,897,451	-	1,669,749,111
Other Assets	200,284,395	16,256,387	-	(16,256,387)	200,284,395
Total Assets	1,012,346,266	1,610,056,387	1,897,451	(16,256,387)	2,608,043,717
Deferred Outflows of Resources	22,567,899	-	-	-	22,567,899
Liabilities					
Current Liabilities	56,469,437	1,610,056,387	196,125	(16,256,387)	1,650,465,562
Long-Term Liabilities	540,194,588	-	-	-	540,194,588
Liabilities from Restricted Assets	13,462,963	-	-	-	13,462,963
Total Liabilities	610,126,988	1,610,056,387	196,125	(16,256,387)	2,204,123,113
Deferred Inflows of Resources	13,347,466	-	-	-	13,347,466
Net Position					
Net Investment in Capital Assets	182,719,640	-	-	-	182,719,640
Restricted	167,025,728	-	1,701,326	-	168,727,054
Unrestricted	61,694,343	-	-	-	61,694,343
Total Net Position	$ 411,439,711	$ -	$ 1,701,326	$ -	$ 413,141,037

NOTE 16 BLENDED COMPONENT UNITS (CONTINUED)

In accordance with GASB 61, the following summarized information as of May 31, and 2025 is required:

	RWA	AWA	The Watershed Fund	Eliminating Activities	Combined Financial Statements
Assets					
Utility Plant	$ 653,308,878	$ -	$ -	$ -	$ 653,308,878
Nonutility Plant	66,608,007	-	-	-	66,608,007
Current Assets	73,544,359	-	1,974,598	-	75,518,957
Other Assets	201,186,720	14,811,692	-	(14,811,692)	201,186,720
Total Assets	994,647,964	14,811,692	1,974,598	(14,811,692)	996,622,562
Deferred Outflows of Resources	24,976,084	-	-	-	24,976,084
Liabilities					
Current Liabilities	57,801,401	14,811,692	152,120	(14,811,692)	57,953,521
Long-Term Liabilities	579,434,902	-	40,000	-	579,474,902
Liabilities from Restricted Assets	13,578,256	-	-	-	13,578,256
Total Liabilities	650,814,559	14,811,692	192,120	(14,811,692)	651,006,679
Deferred Inflows of Resources	5,078,730	-	-	-	5,078,730
Net Position, As Restated					
Net Investment in Capital Assets	138,221,025	-	-	-	138,221,025
Restricted	164,017,121	-	1,782,478	-	165,799,599
Unrestricted	61,492,613	-	-	-	61,492,613
Total Net Position	$ 363,730,759	$ -	$ 1,782,478	$ -	$ 365,513,237

NOTE 16 BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position May 31, 2026

	RWA	AWA	The Watershed Fund	Combined Financial Statements
Operating Revenues				
Water Revenues:				
Residential and Commercial	$ 116,846,795	$ -	$ -	$ 116,846,795
Industrial	3,813,503	-	-	3,813,503
Fire Protection	14,404,380	-	-	14,404,380
Public Authority	3,996,044	-	-	3,996,044
Wholesale	1,180,321	-	-	1,180,321
Other Water Revenues	4,228,666	-	-	4,228,666
Other Revenues	21,745,709	-	-	21,745,709
Total Operating Revenues	166,215,418	-	-	166,215,418
Operating Expenses				
Operating and Maintenance	68,510,951	-	-	68,510,951
Depreciation and Amortization	32,034,129	-	-	32,034,129
Payments in Lieu of Taxes	8,864,695	-	-	8,864,695
Other Water Expenses	1,765,231	-	-	1,765,231
Cost of Other Revenue	12,343,599	-	-	12,343,599
Total Operating Expenses	123,518,605	-	-	123,518,605
Operating Income	42,696,813	-	-	42,696,813
Nonoperating Expense (Net)	(3,423,531)	-	(81,152)	(3,504,683)
Change in Net Position Before Capital Contributions	39,273,282	-	(81,152)	39,192,130
Capital Contributions	8,435,670	-	-	8,435,670
Change in Net Position	47,708,952	-	(81,152)	47,627,800
Net Position - Beginning of Year	363,730,759	-	1,782,478	365,513,237
Net Position - End of Year	$ 411,439,711	$ -	$ 1,701,326	$ 413,141,037

NOTE 16 BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position May 31, 2025

	RWA	AWA	The Watershed Fund	Combined Financial Statements
Operating Revenues				
Water Revenues:				
Residential and Commercial	$ 112,635,564	$ -	$ -	$ 112,635,564
Industrial	2,707,467	-	-	2,707,467
Fire Protection	14,059,323	-	-	14,059,323
Public Authority	3,379,670	-	-	3,379,670
Wholesale	1,099,386	-	-	1,099,386
Other Water Revenues	4,947,997	-	-	4,947,997
Other Revenues	22,588,382	-	-	22,588,382
Total Operating Revenues	161,417,789	-	-	161,417,789
Operating Expenses				
Operating and Maintenance	67,106,825	-	-	67,106,825
Depreciation and Amortization	28,349,186	-	-	28,349,186
Payments in Lieu of Taxes	8,936,945	-	-	8,936,945
Other Water Expenses	2,652,942	-	-	2,652,942
Cost of Other Revenue	12,208,439	-	-	12,208,439
Total Operating Expenses	119,254,337	-	-	119,254,337
Operating Income	42,163,452	-	-	42,163,452
Nonoperating Expense (Net)	(8,625,104)	-	55,118	(8,569,986)
Change in Net Position Before Capital Contributions	33,538,348	-	55,118	33,593,466
Capital Contributions	3,689,475	-	-	3,689,475
Change in Net Position	37,227,823	-	55,118	37,282,941
Net Position - Beginning of Year	326,502,936	-	1,727,360	328,230,296
Net Position - End of Year	$ 363,730,759	$ -	$ 1,782,478	$ 365,513,237

NOTE 16 BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Cash Flows - May 31, 2026

	RWA	AWA	The Watershed Fund	Combined Financial Statements
Cash Flows from Operating Activities	$ 68,398,694	$ -	$ -	$ 68,398,694
Cash Flows from Investing Activities	14,624,838	-	(11,335)	14,613,503
Cash Flows from Capital and Related Financing Activities	(82,477,655)	1,593,800,000	-	1,511,322,345
Net Increase in Cash and Cash Equivalents	545,877	1,593,800,000	(11,335)	1,594,334,542
Cash and Cash Equivalents - Beginning of Year	38,845,851	-	24,781	38,870,632
Cash and Cash Equivalents - End of Year	$ 39,391,728	$ 1,593,800,000	$ 13,446	$ 1,633,205,174

Condensed Statements of Cash Flows - May 31, 2025

	RWA	AWA	The Watershed Fund	Combined Financial Statements
Cash Flows from Operating Activities	$ 64,662,427	$ -	$ -	$ 64,662,427
Cash Flows from Investing Activities	5,014,922	-	(55,892)	4,959,030
Cash Flows from Capital and Related Financing Activities	(74,041,505)	-	-	(74,041,505)
Net Increase in Cash and Cash Equivalents	(4,364,156)	-	(55,892)	(4,420,048)
Cash and Cash Equivalents - Beginning of Year	43,210,007	-	80,673	43,290,680
Cash and Cash Equivalents - End of Year	$ 38,845,851	$ -	$ 24,781	$ 38,870,632

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SALARIED PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability:										
Service Cost	$ 469,544	$ 490,576	$ 490,070	$ 503,924	$ 519,885	$ 507,879	$ 606,804	$ 729,789	$ 748,940	$ 656,669
Interest	3,637,030	3,564,304	3,473,849	3,469,492	3,356,740	3,311,644	3,178,341	2,997,121	2,925,239	2,930,761
Differences Between Expected and Actual Experience	155,005	1,438,047	1,005,788	(555,409)	1,098,396	808,104	1,090,249	1,923,819	166,471	979,655
Changes in Assumptions	-	(236,365)	-	-	83,789	914,472	279,005	(86,868)	(204,280)	(2,323,594)
Changes in Benefit Terms	-	-	-	-	-	236,540	-	140,281	-	10,131
Benefit Payments, Including Refunds of Member Contributions	(4,593,395)	(4,099,632)	(3,632,795)	(3,188,042)	(3,360,544)	(3,194,284)	(3,056,951)	(2,868,597)	(2,462,467)	(2,992,795)
Other	-	-	-	-	-	-	-	(11,600)	-	-
Net Change in Total Pension Liability	(331,816)	1,156,930	1,336,912	229,965	1,698,266	2,584,355	2,097,448	2,823,945	1,173,903	(739,173)
Total Pension Liability - Beginning	56,204,869	55,047,939	53,711,027	53,481,062	51,782,796	49,198,441	47,100,993	44,277,048	43,103,145	43,842,318
Total Pension Liability - Ending	55,873,053	56,204,869	55,047,939	53,711,027	53,481,062	51,782,796	49,198,441	47,100,993	44,277,048	43,103,145
Plan Fiduciary Net Position:										
Contributions - Employer	2,744,165	2,397,959	3,194,706	3,620,498	3,124,817	3,110,873	3,301,077	3,897,275	4,341,521	5,001,252
Contributions - Member	-	-	-	966	5,721	4,865	5,079	8,287	10,918	10,810
Net Investment Income (Loss)	8,483,820	4,313,830	5,790,716	(70,953)	(2,179,281)	8,657,377	1,679,215	852,590	2,372,221	2,810,914
Benefit Payments, Including Refunds of Member Contributions	(4,593,395)	(4,099,632)	(3,632,795)	(3,188,042)	(3,360,544)	(3,194,284)	(3,056,951)	(2,868,597)	(2,462,467)	(2,992,795)
Administrative Expense	(218,591)	(217,391)	(213,153)	(206,201)	(210,893)	(194,562)	(173,577)	(168,432)	(165,402)	(136,687)
Other	(819)	7,380	(8,356)	(13,668)	25,446	(614)	11,129	(23,335)	11,846	87,206
Net Change in Plan Fiduciary Net Position	6,415,180	2,402,146	5,131,118	142,600	(2,594,734)	8,383,655	1,765,972	1,697,788	4,108,637	4,780,700
Plan Fiduciary Net Position - Beginning	49,728,008	47,325,862	42,194,744	42,052,144	44,646,878	36,263,223	34,497,251	32,799,463	28,690,826	23,910,126
Plan Fiduciary Net Position - Ending	56,143,188	49,728,008	47,325,862	42,194,744	42,052,144	44,646,878	36,263,223	34,497,251	32,799,463	28,690,826
Net Pension Liability (Asset) - Ending	$ (270,135)	$ 6,476,861	$ 7,722,077	$ 11,516,283	$ 11,428,918	$ 7,135,918	$ 12,935,218	$ 12,603,742	$ 11,477,585	$ 14,412,319
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.48%	88.48%	85.97%	78.56%	78.63%	86.22%	73.71%	73.24%	74.08%	66.56%
Covered Payroll	$ 7,125,264	$ 7,521,702	$ 7,310,563	$ 7,574,236	$ 7,236,172	$ 7,388,009	$ 8,465,818	$ 9,160,530	$ 9,475,823	$ 9,290,589
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-3.79%	86.11%	105.63%	152.05%	157.94%	96.59%	152.79%	137.59%	121.12%	155.13%

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BARGAINING UNIT PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability:										
Service Cost	$ 83,459	$ 89,539	$ 102,166	$ 112,296	$ 129,241	$ 125,901	$ 120,416	$ 129,285	$ 143,110	$ 155,949
Interest	2,083,588	2,076,288	2,035,211	1,985,848	1,942,609	1,935,401	1,766,348	1,745,484	1,695,294	1,799,197
Differences Between Expected and Actual Experience	(561,719)	(507,861)	420,249	560,843	131,988	4,344	277,635	(41,862)	520,588	406,966
Changes in Assumptions	-	(73,182)	-	-	61,809	528,267	1,533,894	(50,037)	(242,533)	(2,610,404)
Changes in Benefit Terms	-	453,344	-	-	194,495	187,272	175,513	207,281	-	83,206
Benefit Payments, Including Refunds of Member Contributions	(1,912,372)	(1,889,592)	(1,883,779)	(1,863,195)	(1,726,421)	(1,676,840)	(1,469,406)	(1,611,414)	(1,446,301)	(1,328,633)
Other	-	-	-	-	-	-	-	(9,505)	-	-
Net Change in Total Pension Liability	(307,044)	148,536	673,847	795,792	733,721	1,104,345	2,404,400	369,232	670,158	(1,493,719)
Total Pension Liability - Beginning	32,050,315	31,901,779	31,227,932	30,432,140	29,698,419	28,594,074	26,189,674	25,820,442	25,150,284	26,644,003
Total Pension Liability - Ending	31,743,271	32,050,315	31,901,779	31,227,932	30,432,140	29,698,419	28,594,074	26,189,674	25,820,442	25,150,284
Plan Fiduciary Net Position:										
Contributions - Employer	977,944	1,083,864	1,805,294	1,556,441	1,229,525	1,154,931	1,314,032	1,239,632	1,519,216	2,175,166
Contributions - Member	-	-	-	-	-	450	-	-	-	-
Net Investment Income (Loss)	5,123,502	2,627,136	3,439,211	(30,364)	(1,316,436)	5,370,416	1,042,147	508,851	1,656,511	2,021,684
Benefit Payments, Including Refunds of Member Contributions	(1,912,372)	(1,889,592)	(1,883,779)	(1,863,195)	(1,726,421)	(1,676,840)	(1,469,406)	(1,611,414)	(1,446,301)	(1,328,633)
Administrative Expense	(135,294)	(106,258)	(139,731)	(117,849)	(128,392)	(125,230)	(108,698)	(111,091)	(123,799)	(101,257)
Other	-	15,190	(14,752)	(9,558)	18,815	848	8,727	(19,010)	10,270	46,960
Net Change in Plan Fiduciary Net Position	4,053,780	1,730,340	3,206,243	(464,525)	(1,922,909)	4,724,575	786,802	6,968	1,615,897	2,813,920
Plan Fiduciary Net Position - Beginning	29,731,747	28,001,407	24,795,164	25,259,689	27,182,598	22,458,023	21,671,221	21,664,253	20,048,356	17,234,436
Plan Fiduciary Net Position - Ending	33,785,527	29,731,747	28,001,407	24,795,164	25,259,689	27,182,598	22,458,023	21,671,221	21,664,253	20,048,356
Net Pension Liability (Asset) - Ending	$ (2,042,256)	$ 2,318,568	$ 3,900,372	$ 6,432,768	$ 5,172,451	$ 2,515,821	$ 6,136,051	$ 4,518,453	$ 4,156,189	$ 5,101,928
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.43%	92.77%	87.77%	79.40%	83.00%	91.53%	78.54%	82.75%	83.90%	79.71%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
SALARIED PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 1,621,205	$ 1,709,097	$ 1,858,865	$ 1,924,696	$ 2,142,513	$ 2,089,386	$ 2,390,534	$ 2,379,603	$ 2,648,702	$ 3,356,514
Contributions in Relation to the Actuarially Determined Contribution	2,744,165	2,397,959	3,194,706	3,620,498	3,124,817	3,110,873	3,301,077	3,897,275	4,341,521	5,001,252
Contribution Excess	$ (1,122,960)	$ (688,862)	$ (1,335,841)	$ (1,695,802)	$ (982,304)	$ (1,021,487)	$ (910,543)	$ (1,517,672)	$ (1,692,819)	$ (1,644,738)
Covered Payroll	$ 7,125,264	$ 7,521,702	$ 7,310,563	$ 7,574,236	$ 7,236,172	$ 7,388,009	$ 8,465,818	$ 9,160,530	$ 9,475,823	$ 9,290,589
Contributions as a Percentage of Covered Payroll	38.51%	31.88%	43.70%	47.80%	43.18%	42.11%	38.99%	42.54%	45.82%	53.83%

Notes to Schedule:

Valuation Date: January 1, 2026
Measurement Date: May 31, 2026
Calculated as the normal cost as of January 1, prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Aggregate Actuarial Cost Method

Normal Cost: Determined in the aggregate equal to the actuarial present value of future normal cost divided by a temporary annuity. The actuarial present value of future normal cost equals the actuarial present value of future benefits less the adjusted actuarial value of plan assets. The temporary annuity equals the total actuarial present value of future compensation divided by the total compensation for all participants who have not reached their assumed retirement age.

Asset Valuation Method: An actuarial smoothing method based on market value of assets plus 75% of expected returns.
Inflation: 3.00%
Salary Increases: 4.00%
Investment Rate of Return: 6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age

Age	Rate
55-59	5%
60-64	10%
65-69	20%
70	100%

Rule of 80 Retirement Rates:

55-60	8%
61-70	8%

Mortality: Assumed life expectancies were calculated using the PubG-2016 Above Median Employee / Above Median Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
BARGAINING UNIT PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 600,904	$ 771,946	$ 1,062,438	$ 912,974	$ 1,077,926	$ 1,081,857	$ 840,922	$ 918,295	$ 1,126,333	$ 1,815,386
Contributions in Relation to the Actuarially Determined Contribution	977,944	1,083,864	1,805,294	1,556,441	1,229,525	1,154,931	1,314,032	1,239,632	1,519,216	2,175,166
Contribution Excess	$ (377,040)	$ (311,918)	$ (742,856)	$ (643,467)	$ (151,599)	$ (73,074)	$ (473,110)	$ (321,337)	$ (392,883)	$ (359,780)
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date: January 1, 2026
Measurement Date: May 31, 2026

Calculated as the normal cost as of January 1 prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Aggregate Actuarial Cost Method

Normal Cost: Determined in the aggregate equal to the actuarial present value of future benefits less assets less present value of projected employee contributions less unfunded liability divided by a temporary annuity. The temporary annuity equals the actuarial present value of future service divided by the current number for those active participants who have not reached their assumed retirement age.

Asset Valuation Method: An actuarial smoothing method based on market value of assets plus 75% of expected returns.
Inflation: 3.00%
Salary Increases: N/A
Investment Rate of Return: 6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age:

Age	Rate
55-64	2%
65-69	20%
70	100%

Rule of 80 Retirement Rates:	
55-60	9%
61-70	9%

Mortality: Assumed life expectancies were calculated using the PubG-2016 Total Employee / Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS – PENSION
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
SALARIED PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.42%	9.30%	13.83%	(0.17)%	(4.90)%	23.96%	4.86%	2.59%	8.03%	11.29%
BARGAINING UNIT PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.55%	9.59%	13.93%	(0.12)%	(4.90)%	24.26%	4.84%	2.41%	8.32%	11.47%

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST NINE FISCAL YEARS*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:									
Service Cost	$ 232,250	$ 210,047	$ 159,742	$ 193,996	$ 201,622	$ 221,700	$ 237,267	$ 269,556	$ 248,822
Interest	1,643,463	1,691,038	1,614,801	1,697,088	1,763,676	1,737,439	1,820,624	2,004,070	1,939,224
Differences Between Expected and Actual Experience	292,980	69,201	1,321,755	(2,124,593)	(1,108,387)	(862,322)	(1,439,393)	(4,053,660)	981,536
Changes in Assumptions	583,839	(374,167)	136,564	431,098	(266,012)	1,932,640	(1,813)	620,017	(139,795)
Benefit Payments, Including Refunds of Member Contributions	(2,284,499)	(2,562,780)	(2,213,576)	(1,711,375)	(1,815,778)	(1,818,909)	(1,988,168)	(1,749,662)	(2,060,052)
Contributions - Retiree	324,461	249,526	236,069	220,215	207,483	209,092	213,385	197,813	-
Net Change in Total OPEB Liability	792,494	(717,135)	1,255,355	(1,293,571)	(1,017,396)	1,419,640	(1,158,098)	(2,711,866)	969,735
Total OPEB Liability - Beginning	25,513,409	26,230,544	24,975,189	26,268,760	27,286,156	25,866,516	27,024,614	29,736,480	28,766,745
Total OPEB Liability - Ending	26,305,903	25,513,409	26,230,544	24,975,189	26,268,760	27,286,156	25,866,516	27,024,614	29,736,480
Plan Fiduciary Net Position:									
Contributions - Employer	1,570,423	1,694,075	1,640,907	1,737,894	1,734,198	1,855,418	2,027,798	2,310,104	2,289,292
Contributions - Retiree	324,461	249,526	236,069	220,215	207,483	209,092	213,385	197,813	187,448
Net Investment Income	1,785,398	913,344	1,214,469	(35,715)	(500,640)	1,788,634	310,380	189,085	441,966
Benefit Payments, Including Refunds of Member Contributions	(2,284,499)	(2,562,780)	(2,213,576)	(1,711,375)	(1,815,778)	(1,818,909)	(1,988,168)	(1,749,662)	(2,060,052)
Administrative Expense	(48,462)	(46,942)	(51,078)	(44,553)	(46,975)	(42,645)	(35,761)	(37,451)	(35,081)
Net Change in Plan Fiduciary Net Position	1,347,321	247,223	826,791	166,466	(421,712)	1,991,590	527,634	909,889	823,573
Plan Fiduciary Net Position - Beginning	10,332,335	10,085,112	9,258,321	9,091,855	9,513,567	7,521,977	6,994,343	6,084,454	5,260,881
Plan Fiduciary Net Position - Ending	11,679,656	10,332,335	10,085,112	9,258,321	9,091,855	9,513,567	7,521,977	6,994,343	6,084,454
Net OPEB Liability - Ending	$ 14,626,247	$ 15,181,074	$ 16,145,432	$ 15,716,868	$ 17,176,905	$ 17,772,589	$ 18,344,539	$ 20,030,271	$ 23,652,026
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.40%	40.50%	38.45%	37.07%	34.61%	34.87%	29.08%	25.88%	20.46%
Covered Payroll **	$ 33,126,912	$ 31,277,327	$ 27,208,819	$ 24,864,685	$ 25,767,991	$ 23,405,010	$ 24,118,465	$ 23,941,245	$ 23,217,114
Net OPEB Liability as a Percentage of Covered Payroll	44.15%	48.54%	59.34%	63.21%	66.66%	75.93%	76.06%	83.66%	101.87%

*Note: This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

**See RSI-5 for covered payroll associated with death benefit only participants.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution (1)	$ 1,425,063	$ 1,478,632	$ 1,394,564	$ 1,543,626	$ 1,598,057	$ 1,662,556	$ 1,851,431	$ 2,175,583	$ 2,143,071	$ 2,486,586
Contributions in Relation to the Actuarially Determined Contribution	1,570,423	1,694,075	1,640,907	1,737,894	1,734,198	1,855,418	2,027,798	2,310,104	2,289,292	2,301,583
Contribution Deficiency (Excess)	$ (145,360)	$ (215,443)	$ (246,343)	$ (194,268)	$ (136,141)	$ (192,862)	$ (176,367)	$ (134,521)	$ (146,221)	$ 185,003
Covered Payroll	33,126,912 (10)	$ 31,277,327 (9)	$ 27,208,819 (8)	$ 24,864,685 (7)	$ 25,767,991 (6)	$ 23,405,010 (5)	$ 24,118,465 (4)	$ 23,941,245 (3)	$ 23,217,114 (2)	N/A
Contributions as a Percentage of Covered Payroll	4.74%	5.42%	6.03%	6.99%	6.73%	7.93%	8.41%	9.65%	9.86%	N/A

(1) Actuarially determined contributions prior to fiscal year ended May 31, 2018, are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.
(2) Includes covered payroll of $7,250,466 associated with death benefit only participants.
(3) Includes covered payroll of $8,599,668 associated with death benefit only participants.
(4) Includes covered payroll of $10,883,465 associated with death benefit only participants.
(5) Includes covered payroll of $10,473,676 associated with death benefit only participants.
(6) Includes covered payroll of $12,310,635 associated with death benefit only participants.
(7) Includes covered payroll of $12,247,686 associated with death benefit only participants.
(8) Includes covered payroll of $15,321,269 associated with death benefit only participants.
(9) Includes covered payroll of $19,388,804 associated with death benefit only participants.
(10} Includes covered payroll of $21,589,326 associated with death benefit only participants.

Notes to Schedule:

Valuation Date	January 1, 2026
Measurement Date	May 31, 2026

Calculated as the normal cost as of January 1, prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Fair Value of Assets as of the Measurement Date.
Salary Scale	4.00%
Investment Rate of Return	6.75%, Net of OPEB Plan Investment Expense, Including Inflation
Retirement Age	Retirement eligibility is (a) age 65 with 10 years of service or (b) 80 points (age plus service) with at least 10 years of service. Pre-age 65 retirements based on percentages.
Mortality	Assumed life expectancies were calculated using the 2016 Public Sector Retirement Plans Mortality table for Above average salary general employee populations with MP-2021 mortality improvement scale.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS – OPEB
LAST NINE FISCAL YEARS*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.65%	9.37%	13.40%	-0.39%	-5.24%	23.46%	4.37%	2.93%	8.11%

*Note: This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2026 AND 2025

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of and for the years ended May 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of May 31, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Central Connecticut Regional Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Reporting Entity

As further discussed in Note 15, the financial statements referred to above include only the primary government of the South Central Connecticut Regional Water Authority (the Authority), which consists of all operations that comprise the Authority's legal entity. These primary government financial statements do not include financial data related to the Aquarion Water Authority (AWA) or the Claire C. Bennitt Watershed Fund (Watershed Fund), both legally separate component units as of May 31, 2026 and May 31, 2025, which accounting principles generally accepted in the United States of America (GAAP) require to be reported with the financial data of the Authority to represent the complete reporting entity. As a result, these primary government financial statements do not purport to, and do not reflect the financial position of the entire reporting entity as of May 31, 2026 and 2025 and the changes in its financial position and cash flows thereof for the years then ended in accordance with GAAP. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Reporting Entity (Continued)

We have audited, under separate cover, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity as of and for the years ended May 31, 2026 and 2025, and our report thereon, dated September 15, 2026, expressed unmodified opinions on those financial statements.

Emphasis of Matter – Subsequent Event

As discussed in Note 14, as of June 30, 2026, the Aquarion Water Authority (AWA) is no longer a component unit, and any and all obligations of the South Central Connecticut Regional Water Authority related to the acquisition of Aquarion Company by AWA ceased.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Central Connecticut Regional Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 South Central Connecticut Regional Water Authority's internal control. Accordingly, no such opinion is expressed.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we *(Continued):*

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Connecticut Regional Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and other postemployment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of the South Central Connecticut Regional Water Authority's 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 South Central Connecticut Regional Water Authority's 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 South Central Connecticut Regional Water Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 15, 2026

INTRODUCTION

As noted in the Independent Auditors' Report from CliftonLarsonAllen LLP, Management's Discussion and Analysis (MD&A) provides supplemental information to the audit and should be read in conjunction with it. The purpose of the MD&A is to introduce and highlight the more detailed information provided in the audited financial statements. For example, it will assess improvement to or deterioration of the South Central Connecticut Regional Water Authority's (the Authority's) financial position and will identify factors that, in management's opinion, affected financial performance during the fiscal period under review.

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

The Authority's audited financial statements include the following:

- Statements of net position

  These statements provide information about the Authority's investments in resources (assets) and its obligations to creditors (liabilities), with the difference between them reported as net position.

- Statements of revenues, expenses, and changes in net position

  These statements demonstrate changes in net position from one fiscal period to another by accounting for revenues and expenditures and measuring the financial results of operations. The information may be used to determine how the Authority has funded its costs.

- Statements of cash flows

  These statements provide information concerning the Authority's cash receipts and payments, as well as net changes in cash resulting from operations, capital, and related financing, and investing activities.

- Statements of fiduciary net position

  These statements provide information about net position available for benefits under the Authority's employee benefit plans and changes in net position available for benefits. In accordance with governmental accounting guidelines (GASB Statements No. 68 and No. 75), the Authority's pension plans and other post-employment benefits (OPEB) are included in the financial statements.

- Notes to financial statements

  Notes to the audited financial statements contain information essential to understanding them, such as the Authority's accounting methods and policies.

THE AUTHORITY'S BUSINESS

The primary purpose of the Authority, according to its enabling legislation, is to provide and assure an adequate supply of pure water at a reasonable cost to its water district and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority.

RWA Well Services, LLC is a wholly owned subsidiary of RWA Commercial Enterprises, LLC. RWA Commercial Enterprises, LLC is a wholly owned subsidiary of the Authority. The Authority also established RWA Environmental & Lab Services, LLC and RWA Commercial Services, LLC. However, there are no operations under these two entities. The results of RWA Well Services, LLC are consolidated entities reflected in the Authority's financial statements. The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct or invest in certain "non-core" activities (e.g., related to water, environment, agricultural, and certain renewable energy) as more specifically defined in the legislation. During fiscal 2024, and signed into law on June 5, 2024, "non-core" activities were expanded to include "sustainable manufacturing support." At that time there were also other changes made to Special Act 77-98, as amended.

FINANCIAL HIGHLIGHTS

	(In Thousands of Dollars) May 31, 2026	2025	2024
SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
OPERATING REVENUES			
Water Revenues	$ 144,469	$ 138,830	$ 135,660
Other	21,746	22,588	16,112
Total Operating Revenues	166,215	161,418	151,772
OPERATING EXPENSES			
Operating and Maintenance	68,511	67,107	62,299
Expenses Associated With Water and Other Revenue	14,109	14,861	9,821
Depreciation and Amortization	32,034	28,349	26,397
Payments in Lieu of Taxes (PILOT)	8,865	8,937	8,767
Total Operating Expenses	123,519	119,254	107,284
OPERATING INCOME	42,696	42,164	44,488
NONOPERATING INCOME AND EXPENSES			
Interest Income	8,843	9,697	10,932
Gain (Loss) on Disposal of Assets	(748)	(878)	(859)
Net Increase (Decrease) in the Fair Value of Investments	3	189	412
Interest Expense	(21,492)	(21,747)	(21,981)
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	1,884	1,784	2,222
Intergovernmental Revenue	8,087	2,330	1,941
Total Nonoperating Expenses	(3,423)	(8,625)	(7,333)
Income Before Contributions	39,273	33,539	37,155
Capital Contributions	8,436	3,689	4,240
CHANGE IN NET POSITION	$ 47,709	$ 37,228	$ 41,395

Operating revenues

The change in water revenues from fiscal 2025 to fiscal 2026 is primarily due to the full year impact of the January 2025 rate increase. The weather in the summer of fiscal 2026 is also a factor contributing to the increase. The year-over-year increase in water revenues is partially offset by the decline in other revenues. The decline in other revenues is primarily driven by jobbing, certain other proprietary offerings, and Well Services.

The change in water revenues from fiscal 2024 to fiscal 2025 is primarily due to the rate increase that went into effect on January 3, 2025. The primary driver of the increase in other revenues is the Homeowner Safety Valve (HSV) transaction that occurred on July 1, 2024, and the full-year impact of the October 2023 acquisition by RWA Well Services.

Operating expenses

Operating and maintenance expenses from fiscal 2025 to fiscal 2026 increased by approximately $1.4 million. The larger increases are due to payroll expense, chemicals, and insurance, partially offset by a decrease in outside services. Also, partially offsetting the increase is the decrease in pension expense, under GASB 68, from fiscal 2025 to fiscal 2026. There are other net changes across multiple accounts.

Operating and maintenance expenses from fiscal 2024 to fiscal 2025 increased by approximately $4.8 million. The larger increases are due to payroll expense, employee benefits, and electric services. The increase in electric services is primarily due to public benefit charges and the increase in employee benefits is impacted by the implementation of GASB 101, compensated absences. Pension expense, under GASB 68 decreased from fiscal 2024 to fiscal 2025. However, Other Post Employment Benefits (OPEB) expense, under GASB 75, increased. There were other net changes across multiple accounts.

Depreciation and amortization expense increased from fiscal 2025 to fiscal 2026 primarily due to the increase in gross property plant and equipment. Depreciation expense incorporated an acceleration associated with Homeowner Safety Valve (HSV) related to applications being replaced in fiscal 2027. The increase is also due to an increase in the amortization of Subscription-Based Information Technology Arrangements (SBITA) assets.

Depreciation and amortization expense increased from fiscal 2024 to fiscal 2025 primarily due to the increase in gross property plant and equipment. The fiscal 2025 increase in amortization is also attributable to the intangible asset amortization associated with the HSV transaction and SBITA assets.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities decreased slightly from fiscal 2025 to fiscal 2026 and increased between fiscal 2024 and fiscal 2025. The PILOT decrease between fiscal 2026 and 2025 is primarily due to lower mill rates in certain jurisdictions. Increases between 2024 and 2025 are primarily due to changes in pipe and mill rates.

Nonoperating income and expenses

The small decrease in interest income from fiscal 2025 to fiscal 2026 is primarily due to a lower interest rate environment partially offset by an increase in interest in arrears.

The decrease in interest income from fiscal 2024 to fiscal 2025 is primarily due to lower interest on arrears as well as a lower interest rate environment.

Due to market conditions and the mix of investments, there was less than a $3 thousand adjustment to market value in fiscal 2026. The adjustment in fiscal 2025 was approximately $.2 million.

Disposal of assets

In fiscal 2026 and fiscal 2025, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain "plant" assets with a remaining book value. This net loss was partially offset by the proceeds associated with asset dispositions. The net loss in fiscal 2026 was approximately $.1 million less than the loss in 2025.

In fiscal 2025 and fiscal 2024, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain "plant" assets with a remaining book value partially offset by the proceeds associated with asset dispositions. In fiscal 2025, the net loss was partially offset by the proceeds associated with a land disposition. The net loss in fiscal 2025 is comparable to the net loss in 2024.

Amortization

The amortization of bond discount, premium, issuance costs, and deferred refunding losses, as a category, are more favorable in fiscal 2026 than in fiscal 2025. This is primarily due to the lower amortization of deferred refunding losses partially offset by lower premium amortizations and slightly higher amortization of issuance costs.

The amortization of bond discount, premium, issuance costs, and deferred refunding losses are more favorable in fiscal 2025 than in fiscal 2024. This is primarily due to the lower amortization of deferred refunding losses partially offset by lower premium amortizations.

The fiscal 2026 amortization of goodwill is higher than fiscal 2025 due to the full year amortization of the goodwill associated with the July 2024 acquisition of HSV and the increase between fiscal 2025 and fiscal 2024 is also due to the amortization of goodwill due to this acquisition.

Intergovernmental revenues

Intergovernmental revenues in fiscal 2026 increased over fiscal 2025. In fiscal 2026 there was an increase in the reimbursements under Congressional Directed Spending grants, an increase in the Drinking Water State Revolving Fund (DWSRF) grants, a state-funded Open Space grant, and a small reimbursement under a USDA grant.

Intergovernmental revenues in fiscal 2025 increased over fiscal 2024. In fiscal 2025, two reimbursements under a Congressional Directed Spending grant were recorded as well as one Drinking Water State Revolving Fund (DWSRF) grant.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2026 AND 2025

	(In Thousands of Dollars) May 31, 2026	2025	2024
SUMMARY: NET POSITION			
ASSETS			
Depreciable Utility Plant in Service, Net	$ 589,633	$ 574,950	$ 559,524
Lease Assets, Net	385	413	478
SBITA Assets, Net	19,211	22,230	4,460
Land	28,127	28,172	28,086
Construction Work in Progress	28,825	21,491	32,554
Intangible Assets, Net	5,270	6,052	1,657
Nonutility Land	66,558	66,608	66,143
Other Assets:			
Current	74,053	73,545	74,786
Long-Term Note Receivable	500	500	500
Long-Term Lease Receivable	1,494	1,202	1,222
Net Pension Asset	2,312	-	-
Restricted Assets	164,462	169,530	172,565
Due From Related Party	16,256	14,812	-
Regulatory Assets	15,260	15,143	9,073
Total Assets	1,012,346	994,648	951,048
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	4,734	5,363	12,178
Deferred Outflows - Goodwill	15,766	16,877	11,914
Deferred Outflows Related to Pensions	287	1,083	1,232
Deferred Outflows Related to OPEB	1,781	1,653	2,328
Total Deferred Outflows of Resources	22,568	24,976	27,652
Total Assets and Deferred Outflows of Resources	$ 1,034,914	$ 1,019,624	$ 978,700
LIABILITIES			
Current Liabilities	$ 56,469	$ 57,801	$ 43,219
Payable from Restricted Assets	13,463	13,578	13,577
Long-Term Debt Payable	484,750	509,598	518,615
Net Premiums and Discounts	35,749	39,881	40,637
Net Pension Liability	-	8,795	11,623
Net OPEB Liability	14,626	15,181	16,145
Long-Term SBITA Liability	4,788	5,662	3,221
Long-Term Lease Liability	281	318	402
Other Liability	-	-	163
Total Liabilities	610,126	650,814	647,602
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	9,238	1,430	133
Deferred Inflows Related to OPEB	2,508	2,312	3,090
Deferred Inflows Related to Leases	1,602	1,337	1,372
Total Deferred Inflows of Resources	13,348	5,079	4,595
NET POSITION			
Net Investment in Capital Assets	182,720	138,221	110,393
Restricted:	167,026	164,017	164,133
Unrestricted	61,694	61,493	51,977
Total Net Position	411,440	363,731	326,503
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,034,914	$ 1,019,624	$ 978,700

Capital assets

The increase in capital assets from fiscal 2025 to fiscal 2026 is primarily due to the increase in utility property plant and equipment in service and Construction Work in Progress. This increase is partially offset by the amortization of lease, SBITA, and intangible asset amortization.

The increase in capital assets from fiscal 2024 to fiscal 2025 is primarily due to the increase in utility property plant and equipment in service. The reduction in Construction Work in Progress is less than the increase in SBITA assets. The SBITA increase in fiscal 2025 is largely due to a new customer information system (CIS).

The fiscal 2025 increase in intangible assets, net is due to the HSV transaction in July 2024.

Current assets

The following itemizes the change in current assets between May 31, 2025 and 2026, and between May 31, 2024 and 2025, respectively:

	May 31, 2026	May 31, 2025
Increase (Decrease) in Cash and Cash Equivalents	$ 545,872	$ (4,364,156)
Increase (Decrease) in Accounts Receivable, Net	(520,341)	2,900,878
Increase (Decrease) in Lease Receivable	19,082	(13,933)
Increase (Decrease) in Accrued Water Revenue	(1,037,276)	(961,118)
Increase (Decrease) in Interest Receivable	(40,281)	(15,161)
Increase (Decrease) in Materials and Supplies	13,354	(3,409)
Increase (Decrease) in Prepayments and Other Current Assets	1,526,891	1,215,496
Net Increase (Decrease) in Current Assets	$ 507,301	$ (1,241,403)

Cash and cash equivalents increased slightly due to the reduction in the Growth Fund partially offset by an increase in the General Fund and Revenue Fund. During fiscal 2026, the Growth Fund was used to temporarily fund certain expenses associated with the AWA transaction as well as to fund certain expenditures related to HSV. Through the year-end disposition, the General Fund was increased by $2.75 million and approximately $2.5 million was deposited into the Growth Fund to partially replenish this fund. Also, through the year-end disposition, approximately $22.7 million was transferred to the Construction Fund. In addition, a contribution was made to the Construction Fund from RWA Well Services.

Cash and cash equivalents decreased from May 31, 2024, to May 31, 2025 due to the reduction in the Growth Fund partially offset by an increase in the General Fund, and a smaller increase in the Revenue Fund. During fiscal 2025, the Growth Fund was used to partially finance the July 2024 HSV transaction as well as temporarily fund certain expenses including those associated with the potential AWA transaction. Through the year-end disposition, the General Fund was increased by $2.5 million and $1.75 million was deposited into the Growth Fund to partially replenish this fund. Through the year-end disposition, approximately $16.1 million was transferred to the Construction Fund. In addition, a contribution was made to the Construction Fund from RWA Well Services.

Current assets (Continued)

The decrease in accounts receivable, net is primarily due to improvement in customer accounts receivable. The allowance reserve is slightly increased from May 31, 2025, to May 31, 2026 based on the mix of aged receivables.

The increase in account receivable, net from May 31, 2024, to May 31, 2025 is primarily due to the disruption (e.g., autopay) with the transition to a new Customer Information System in the last two months of the fiscal year. While total accounts receivable increased, the allowance reserve was reduced due to the reduction in aged receivables from May 31, 2024, to May 31, 2025.

The decrease in accrued revenue from fiscal 2025 to fiscal 2026 is primarily due to the timing of billing. This is also the case between fiscal 2025 and fiscal 2024.

The decrease in interest receivables in fiscal 2026 and fiscal 2025 is primarily due to the lower accrued investment earnings as a result of the lower interest rate environment.

The small decrease in interest receivables in fiscal 2025 is also primarily due to the lower accrued investment earnings because of the lower interest rate environment.

Materials and supplies at the end of fiscal 2026, fiscal 2025 and fiscal 2024 are comparable, with a change for each year of less than $15 thousand.

The increase in other current assets from fiscal 2025 to fiscal 2026 is primarily due to the recognition of receivables related to the PFAS settlement, offset slightly by a decrease in jobbing receivables. The increase from fiscal 2024 to fiscal 2025 was primarily due to an increase in jobbing receivables.

Restricted assets (investments)

The term "restricted assets" refers primarily to certain funds established under the Authority's *General Bond Resolution* whose use is restricted as required by that document, e.g.:

- Construction Fund;
- Rate Stabilization Fund;
- Debt Reserve Fund;
- Operating Reserve Fund;
- Debt Service Funds;
- Capital Contingency;
- Payment in Lieu of Taxes (PILOT) Fund

The Authority invests these restricted assets in securities as allowed by the *General Bond Resolution*, e.g., in direct obligations of the federal or state governments (or agencies) or in obligations guaranteed by the federal government.

Restricted assets (investments) (Continued)

Restricted assets decreased by approximately $5.1 million between May 31, 2026, and May 31, 2025. This decrease is primarily due to a $6.2 million reduction in the Construction Fund related to capital expenditures funded, partially offset by the transfer into the Construction Fund through the fiscal 2026 year-end disposition. There was also a decrease in restricted accounts receivable. These decreases were partially offset by increases to the PILOT Fund, Debt Reserve, Operating Reserve, and a small increase in the Capital Contingency.

Restricted assets decreased by approximately $3.0 million between May 31, 2025, and May 31, 2024. This reduction is primarily from the Construction Fund that decreased by approximately $4.4 million. This decrease is primarily due to the year-end disposition and the grant reimbursements being a little lower than the internal funds used to support the capital program during fiscal 2025. A decrease in the Debt Service Fund and Restricted Accounts Receivable also contributed to the decrease in Restricted Assets. These decreases were partially offset by the Debt Reserve Fund that increased by approximately $1.6 million due to the 39th Series and DWSRF financing, an increase in the Operating Reserve, as required under the *General Bond Resolution*, an increase in the PILOT Fund, and a small increase in the Capital Contingency through a DWSRF financing.

Other long-term assets

As of May 31, 2026, regulatory assets totaled approximately $15.3 million, an increase of approximately $.1 million. This increase is primarily due to the increase in the regulatory asset associated with the Lead and Copper Rule Revisions/Improvements and cost of issuance associated with the 40th and 41st Series partially offset by the amortizations. At May 31, 2026, the cost of issuance regulatory assets totaled approximately $4.7 million, and the deferred charges regulatory assets totaled approximately $10.5 million.

As of May 31, 2026, due from related parties totaled approximately $16.3 million, which represents AWA related regulatory assets paid for by RWA. There is a corresponding payable to the Authority from AWA for this amount. Post May 31, 2026, the amounts paid by the Authority as of the end of fiscal 2026 have been reimbursed and amounts accrued funded by AWA.

As of May 31, 2025, regulatory assets totaled approximately $15.1 million, an increase of approximately $6.1 million. This increase is primarily due to the $5.8 million regulatory asset associated with the Lead and Copper Rule Revisions/Improvements as well as an increase in cost of issuance associated with the 38th and 39th Series partially offset by amortizations. At May 31, 2025, the cost of issuance regulatory assets totaled approximately $4.8 million, and the deferred charges regulatory assets totaled approximately $10.2 million.

As of May 31, 2025, due from related parties totaled approximately $14.8 million which represents AWA related regulatory assets paid for by RWA. There is a corresponding payable to the Authority from AWA for this amount.

Deferred Outflows

Prior to fiscal 2022, goodwill resulted from the Authority's acquisition of Birmingham Utilities on January 16, 2008. Beginning in fiscal 2022, goodwill has been recorded associated with the RWA Well Services, LLC transactions and in fiscal 2025 goodwill was recorded associated with the Authority's HSV transaction. Goodwill is being amortized over the remaining life of assets acquired. Goodwill is assessed at least annually for impairment by applying a fair value-based test. The Authority determined that for the years ended May 31, 2026 and 2025, no impairment of goodwill has occurred.

Between May 31, 2026, and May 31, 2025, deferred outflows associated with refunding decreased by approximately $.6 million primarily due amortizations.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with refunding decreased by approximately $6.8 million primarily due to the 38th Series as well as amortizations.

Between May 31, 2026, and May 31, 2025, the combined deferred outflows associated with Pension and OPEB decreased by approximately $.7 million. This is due to a decrease in the deferred pension outflows and a small increase in the deferred OPEB outflows.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with Pension and OPEB decreased by approximately $.8 million. This is due to a decrease in both the pension deferred outflows and OPEB deferred outflows.

Current liabilities

The Authority's current liabilities increased by approximately $5.2 million between May 31, 2025 and May 31, 2026, excluding payables related to the AWA transaction. This increase is primarily due to the increase in the amount of both the current portion of revenue bonds payable and DWSRF loans and an increase in other payables.

The Authority's current liabilities increased by approximately $3.2 million between May 31, 2024 and May 31, 2025, excluding payables related to the AWA transaction. This increase is primarily due to the increased deferred revenue due to HSV.

Fiscal 2026 and Fiscal 2025 current liabilities include approximately $5.5 million and $11.3 million, respectively, in payables related to the AWA transaction. These amounts include primarily professional fees incurred but not yet due or paid.

Payables from restricted assets

Between May 31, 2025, and May 31, 2026, payables from restricted assets decreased by approximately $.1 million. There was a decrease in accounts payable for construction, inclusive of retainage, and a decrease in accrued interest payable. These decreases were partially offset by a small increase in customer advances.

Between May 31, 2024, and May 31, 2025, payables from restricted assets are virtually unchanged. There was an increase in accounts payable for construction, inclusive of retainage, however, this was offset by a decrease in customer advances. Accrued interest payable is virtually unchanged.

Long-term debt

Between May 31, 2026, and May 31, 2025, long-term revenue bonds payable, at par, decreased by approximately $25.7 million, excluding the current portion. Net premiums and discounts from revenue bonds payable decreased $4.1 million due to amortizations. There was an approximately $1 million increase in DWSRF loans payable, excluding the current portion due to an additional DWSRF project loan obligation and a DWSRF interim financial obligation in FY 2026 (see Note 14, Subsequent Events).

Between May 31, 2025, and May 31, 2024, long-term revenue bonds payable, at par, decreased by approximately $9.1 million, excluding the current portion. This is due to the August 2024 payment and the 38th Series refunding partially offset by the 39th Series financing. Net premiums and discounts from revenue bonds payable decreased by approximately $.8 million due to the 38th Series net reduction to premiums and amortizations, partially offset by the 39th Series premium. There was also an increase in the non-current current portion of DWSRF project loan obligations in fiscal 2025. This is due to a DWSRF financing during fiscal 2025 for the Derby Water Storage Tank Project, partially offset by principal payments throughout the fiscal year.

Net pension liability (asset)

Between May 31, 2025, and May 31, 2026, the net pension liability decreased by approximately $11.1 million, resulting in a net pension asset of $2.3 million. In fiscal 2026, contributions were approximately $1.5 million in excess of the actuarial required contribution, and this contributed to the reduction in the liability. The investment earnings in fiscal 2026 were well above the actuarial return.

Between May 31, 2024, and May 31, 2025, the net pension liability decreased by approximately $2.8 million. The plan liability increased by less than the market value increased. In fiscal 2025, contributions were approximately $1.0 million in excess of the actuarial required contribution, and this contributed to the reduction in the liability. Actual versus expected experience was higher for the salaried plan partially offsetting the higher investment earnings.

Net other post-employment benefit liability

Between May 31, 2025 and May 31, 2026, the net other post-employment benefit liability decreased by approximately $.6 million. This decrease is due to the anticipated investment earnings versus the actual experience and returns.

Between May 31, 2024, and May 31, 2025, the net other post-employment benefit liability decreased by approximately $1.0 million. This decrease is due to the anticipated plan assumptions and investment earnings versus the actual experience and returns.

Deferred Inflows

Between May 31, 2025, and May 31, 2026, deferred inflows are higher by approximately $8.2 million due to increases in the pension deferred inflows, as well as small increases in the deferred inflows for OPEB and leases.

Between May 31, 2024, and May 31, 2025, deferred inflows are higher by approximately $.5 million due to the increase in the pension deferred inflows being more than the decrease in the deferred inflows for OPEB.

Net Investment in Capital Assets

The increase in capital net of related debt from fiscal 2026 and fiscal 2025 is primarily due to the increase in net plant and the decrease in capital related debt, inclusive of premiums, deferred refunding, and accounts payable from restricted assets.

Between May 31, 2025, and May 31, 2024, the increase in capital net of related debt is primarily due to the increase in net plant and the decrease in capital related debt, including premiums.

Net position, restricted

Restricted net position decreased, excluding the receivable from AWA net of related liabilities being considered restricted for financial reporting, from May 31, 2025 to May 31, 2026. This decrease is primarily due to the reduction in the Construction Fund as discussed above. Including the AWA related amount, there is an approximately $3.0 million increase.

Restricted net position decreased, excluding the receivable from AWA net of related liabilities being considered restricted for financial reporting, from May 31, 2024 to May 31, 2025. This small reduction is primarily due to the reduction in the Construction Fund as discussed above. Including the AWA related amount, there is a small decrease.

Unrestricted net position

Unrestricted net position increased from May 31, 2025, to May 31, 2026, due to the increase in current assets and unrestricted deferred outflows being higher than the decrease in current liabilities and the change in deferred inflows.

Unrestricted net position increased from May 31, 2024, to May 31, 2025, due to the increase in current assets and unrestricted deferred outflows being higher than the increase in current liabilities and the change in deferred inflows.

THE AUTHORITY'S CUSTOMER BASE

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 121,800 customers, 117,300 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2025 and May 31, 2026, there has been a small increase in the Authority's customer base.

LIQUIDITY AND CAPITAL RESOURCES

Utilizing the Maintenance Test calculations as prescribed in the *General Bond Resolution*, in fiscal 2026 the Authority received approximately $154.0 million in cash from operations and a combined $5.4 million from earnings on investments and a Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the fiscal 2026 year-end disposition of the Revenue Fund, the Authority had approximately $28.0 million available after funding required reserves. The Authority transferred $2.75 million into the General Fund, approximately $2.5 million into the Growth Fund and transferred approximately $22.7 million to the Construction Fund, including the funding of depreciation. In addition, in fiscal 2026, the Authority contributed to the pension plans approximately $1.5 million in excess of the actuarial requirement. Internally generated funds were also used to fund a portion of the capital improvement program. A transfer was also made from RWA Well Services, LLC into the Construction Fund.

CREDIT RATING

In May 2026, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services in May 2026 affirmed the Authority's credit rating of AA-.

FINANCIAL STATEMENT PRESENTATION

The Authority prepares its financial statements on an accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

REQUEST FOR INFORMATION

Please note that the Authority's audited financial statements include data from its fiscal years ending May 31, 2026 and 2025. Comparable information for earlier years is available, as noted below.

This report is designed to provide a financial overview of the Authority. Questions concerning the information in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut 06511.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Utility Plant:		
Depreciable Property, Plant, and Equipment in Service	$ 1,058,731,732	$ 1,048,609,093
Accumulated Depreciation	(469,098,507)	(473,658,539)
Depreciable Utility Plant in Service	589,633,225	574,950,554
Lease Assets, Net	384,828	412,600
SBITA Assets, Net	19,211,313	22,230,251
Land	28,127,495	28,172,374
Construction Work in Progress	28,825,279	21,490,974
Intangible Assets, Net	5,270,397	6,052,125
Total Utility Plant, Net	671,452,537	653,308,878
Nonutility Land	66,557,674	66,608,007
Current Assets:		
Cash and Cash Equivalents	39,391,724	38,845,852
Accounts Receivable, Less Allowance for Doubtful Accounts of $3,053,911 in 2026 and $3,016,800 in 2025	12,392,184	12,912,525
Lease Receivable	94,521	75,439
Accrued Water Revenue	11,283,191	12,320,467
Accrued Interest Receivable	262,720	303,001
Materials and Supplies	3,603,958	3,590,604
Prepaid Expenses and Other Assets	7,023,362	5,496,471
Total Current Assets	74,051,660	73,544,359
Note Receivable	500,000	500,000
Due From Related Party	16,256,387	14,811,692
Lease Receivable	1,493,584	1,202,435
Net Pension Asset	2,312,391	-
Restricted Assets	164,462,467	169,529,790
Regulatory Assets	15,259,566	15,142,803
Total Assets	1,012,346,266	994,647,964
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	4,733,744	5,363,437
Deferred Outflows - Goodwill	15,765,912	16,876,594
Deferred Outflows Related to Pensions	286,983	1,083,319
Deferred Outflows Related to OPEB	1,781,260	1,652,734
Total Deferred Outflows of Resources	22,567,899	24,976,084

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
MAY 31, 2026 AND 2025

	2026	2025
LIABILITIES		
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	$ 447,265,000	$ 472,985,000
Drinking Water Loans Payable	37,485,375	36,612,769
Net Premiums and Discounts from Revenue Bonds Payable	35,748,742	39,881,160
Net Pension Liability	-	8,795,429
Net OPEB Liability	14,626,247	15,181,074
SBITA Liability	4,788,077	5,661,670
Lease Liability	281,147	317,800
Total Noncurrent Liabilities	540,194,588	579,434,902
Current Liabilities:		
Current Maturities of Bonds Payable	25,720,000	22,895,000
Current Maturities of Drinking Water Loans Payable	2,348,130	2,193,400
Accounts Payable	13,170,001	17,086,477
Bond Anticipation Notes Payable	-	50,500
Customer Deposits and Advances	1,919,438	1,768,810
Other Accrued Liabilities	12,218,994	12,695,461
Current Maturities of SBITA Liability	994,295	1,027,437
Current Maturities of Lease Liability	98,579	84,316
Total Current Liabilities	56,469,437	57,801,401
Payable from Restricted Assets:		
Accounts Payable for Construction	5,294,970	5,350,245
Accrued Interest Payable	6,816,454	6,974,941
Customer Deposits and Advances	1,351,539	1,253,070
Total Liabilities Payable from Restricted Assets	13,462,963	13,578,256
Total Liabilities	610,126,988	650,814,559
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	9,237,737	1,429,552
Deferred Inflows Related to OPEB	2,508,001	2,312,063
Deferred Inflows Related to Leases	1,601,728	1,337,115
Total Deferred Inflows of Resources	13,347,466	5,078,730
NET POSITION		
Net Investment in Capital Assets	182,719,640	138,221,025
Restricted		
Construction	70,101,083	76,693,174
Debt	52,091,890	49,125,320
Payments-in-Lieu-of-Taxes (PILOT)	4,787,854	4,109,925
Operating Reserve	12,666,480	12,343,656
Capital Contingency	6,271,409	6,244,220
Rate Stabilization	10,000,000	10,000,000
Other Purposes	375,758	2,032,414
AWA	10,731,254	3,468,412
Unrestricted	61,694,343	61,492,613
Total Net Position	$ 411,439,711	$ 363,730,759

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Water Revenues:		
Residential and Commercial	$ 116,846,795	$ 112,635,564
Industrial	3,813,503	2,707,467
Fire Protection	14,404,380	14,059,323
Public Authority	3,996,044	3,379,670
Wholesale	1,180,321	1,099,386
Other Water Revenues	4,228,666	4,947,997
Other Revenue	21,745,709	22,588,382
Total Operating Revenues	166,215,418	161,417,789
OPERATING EXPENSES		
Operating and Maintenance Expense	68,510,951	67,106,825
Depreciation and Amortization	32,034,129	28,349,186
Payments in Lieu of Taxes	8,864,695	8,936,945
Other Water Expenses	1,765,231	2,652,942
Cost of Other Revenue	12,343,599	12,208,439
Total Operating Expenses	123,518,605	119,254,337
OPERATING INCOME	42,696,813	42,163,452
NONOPERATING INCOME (EXPENSE)		
Interest Income	8,843,196	9,696,570
Gain (Loss) on Disposal of Assets	(748,335)	(877,526)
Net Increase (Decrease) in the Fair Value of Investments	2,710	189,070
Interest Expense	(21,492,027)	(21,746,792)
Amortization of Bond Discount, Premium, Issuance Cost, Deferred Losses, and Goodwill	1,883,850	1,783,658
Intergovernmental Revenue	8,087,075	2,329,916
Total Nonoperating Expense	(3,423,531)	(8,625,104)
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	39,273,282	33,538,348
Capital Contributions	8,435,670	3,689,475
CHANGE IN NET POSITION	47,708,952	37,227,823
Net Position - Beginning of Year	363,730,759	326,502,936
NET POSITION - END OF YEAR	$ 411,439,711	$ 363,730,759

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Sales	$ 141,765,041	$ 137,271,503
Cash Received from Other Services	25,704,633	22,588,382
Cash Paid to Employees	(28,759,603)	(27,496,432)
Cash Paid to Suppliers for Operations	(49,853,579)	(48,210,420)
Cash Paid To Suppliers for Other Services	(10,890,413)	(10,552,989)
Cash Paid for Payments in Lieu of Taxes	(8,873,352)	(8,937,617)
Net Cash Provided by Operating Activities	69,092,727	64,662,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	8,883,476	9,711,732
Purchase of Restricted Investments	(240,654,080)	(245,670,950)
Sale of Restricted Investments	249,883,502	248,039,986
Other Investing Activities, Net	(4,109,091)	(6,265,845)
Contributions to/from, Net	(650,000)	(800,000)
Net Cash Provided by Investing Activities	13,353,807	5,014,923
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Utility Plant	(51,836,315)	(58,896,629)
Proceeds from Disposition of Assets	366,421	679,368
Proceeds from Issuance of Bond Anticipation Notes	-	3,400,500
Proceeds from Issuance of Drinking Water Loans	3,275,142	2,354,070
Proceeds from Issuance of Revenue Bonds	-	21,900,000
Proceeds from Issuance of Refunding Bonds	-	55,430,000
Premium on Bond Issuances	-	2,311,439
Premium on Refunding Bond Issuances	-	7,688,037
Principal Payments on Revenue Bonds	(22,895,000)	(23,170,000)
Payments on Drinking Water Loans	(2,247,806)	(2,085,950)
Payments on Bond Anticipation Notes	(50,500)	(3,400,500)
Payments for Retirement of Revenue Bonds	-	(63,580,000)
Interest Paid, Net	(21,473,209)	(21,524,318)
Grant Proceeds	8,087,075	1,754,707
Capital Contributions, Net of Restricted Deposit	6,118,306	4,708,263
Lease Payments Received	145,051	35,377
Payments on SBITAs	(1,295,743)	(1,573,743)
Payments on Leases	(94,084)	(72,126)
Net Cash Provided (Used) by Capital and Related Financing Activities	(81,900,662)	(74,041,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	545,872	(4,364,155)
Cash and Cash Equivalents - Beginning of Year	38,845,852	43,210,007
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 39,391,724	$ 38,845,852

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 42,696,813	$ 42,163,452
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	32,034,129	28,349,186
Bad Debt Expense	286,734	(540,229)
Other	(214,609)	186,888
Change in:		
Accounts Receivable and Accrued Water Revenue	1,279,545	(1,399,532)
Materials and Supplies	(13,355)	3,410
Prepaid Expenses and Other Assets	1,244,865	(1,098,173)
Regulatory Assets / Due From Related Party	(1,477,979)	(15,700,779)
Deferred Outflows of Resources - Pension	796,318	148,557
Deferred Outflows of Resources - OPEB	(128,526)	675,691
Accounts Payable	(4,175,843)	11,493,126
Net Pension Asset	(11,107,802)	(2,827,020)
Net OPEB Liability	(554,827)	(964,358)
Deferred Inflows of Resources - Pension	7,808,185	1,297,151
Deferred Inflows of Resources - OPEB	195,938	(778,216)
Deferred Inflows of Resources - Leases	264,613	(34,971)
Customer Deposits and Advances	150,628	(156,585)
Other Accrued Liabilities	7,900	3,844,829
Total Adjustments	26,395,914	22,498,975
Net Cash Provided by Operating Activities	$ 69,092,727	$ 64,662,427

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
PENSION TRUST FUND
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Cash and Cash Equivalents	$ 908,518	$ 1,402,608
Investments:		
U.S. Government Securities	9,933,446	6,746,916
U.S. Government Agencies	1,412,650	2,137,936
Corporate Bonds	8,617,997	8,433,858
Mutual Funds	69,056,104	60,738,437
Total Assets	89,928,715	79,459,755
NET POSITION		
Restricted for Pension Benefits	$ 89,928,715	$ 79,459,755

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –
PENSION TRUST FUND
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
ADDITIONS		
Contributions:		
Employer	$ 3,722,109	$ 3,481,823
Employees	-	-
Total Contributions	3,722,109	3,481,823
Investment Earnings:		
Net Increase in the Fair Value of Investments	10,532,327	4,322,909
Investment Earnings	3,074,995	2,618,057
Net Investment Earnings	13,607,322	6,940,966
Total Additions	17,329,431	10,422,789
DEDUCTIONS		
Benefits	6,505,767	5,989,224
Expenses	353,885	323,649
Other	819	(22,570)
Total Deductions	6,860,471	6,290,303
CHANGE IN NET POSITION	10,468,960	4,132,486
Net Position - Beginning of Year	79,459,755	75,327,269
NET POSITION - END OF YEAR	$ 89,928,715	$ 79,459,755

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
MAY 31, 2026 AND 2025

	2026	2025
ASSETS		
Cash and Cash Equivalents	$ 112,151	$ 80,107
Investments:		
Mutual Funds	11,567,505	10,252,228
Total Assets	11,679,656	10,332,335
NET POSITION		
Restricted for Retiree Benefits	$ 11,679,656	$ 10,332,335

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
YEARS ENDED MAY 31, 2026 AND 2025

	2026	2025
ADDITIONS		
Contributions:		
Employer	$ 1,570,423	$ 1,694,075
Retirees	324,461	249,526
Total Contributions	1,894,884	1,943,601
Investment Earnings (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,362,089	545,090
Investment Earnings	423,309	368,254
Net Investment Earnings (Loss)	1,785,398	913,344
Total Additions	3,680,282	2,856,945
DEDUCTIONS		
Benefits	2,284,499	2,562,780
Expenses	48,462	46,942
Total Deductions	2,332,961	2,609,722
CHANGE IN NET POSITION	1,347,321	247,223
Net Position - Beginning of Year	10,332,335	10,085,112
NET POSITION - END OF YEAR	$ 11,679,656	$ 10,332,335

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

The South Central Connecticut Regional Water Authority (the Authority) was created, effective July 25, 1977, pursuant to Special Act No. 77-98 (the Act), as amended. Per this enabling legislation, the primary purpose of the Authority is to provide and assure an adequate supply of pure water at a reasonable cost to the South Central Connecticut Regional Water District (the District) and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority. The Authority Board is elected by the 21-member Representative Policy Board (RPB), which consists of a member from each of the 20 municipalities within the District and one member appointed by the Governor of the State of Connecticut.

The Authority’s enabling legislation was modified in June 2017, allowing the Authority to conduct and invest in certain “non-core” business activities as specifically defined. In 2021, the Authority established RWA Commercial Enterprises, LLC, a wholly-owned subsidiary of the Authority and RWA Well Services, LLC, a wholly-owned subsidiary of RWA Commercial Enterprises, LLC. Two asset purchase transactions were completed in fiscal 2022 and one in fiscal 2024 that, post-transaction, operate under RWA Well Services, LLC. RWA Commercial Enterprises, LLC and RWA Well Services, LLC are considered to be a part of the Authority and as such are included within the Authority’s financial statements. These transactions are part of the Authority’s efforts to identify additional revenue sources to mitigate rate pressures. The Authority has also established RWA Environmental & Lab Services, LLC and RWA Commercial Services, LLC. There are no operations under these two entities. In addition, in fiscal 2024, enabling legislation amendments were submitted that included “supporting sustainable manufacturing” to the definition of “non-core” business activities and in June 2024, these amendments passed. In July 2024, the Authority acquired the HSV protection plan offerings.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization’s governing bodies and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. In addition to the entities noted above, this criteria has been considered and has resulted in the inclusion of the fiduciary component units as detailed below. At the closing of the AWA transaction on June 30, 2026, any and all obligations to the Authority ceased and post-closing AWA is not a component unit under the existing structure.

For further information on the reporting entity, refer to Note 15.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiduciary Component Units

The Authority has established two single-employer Public Retirement Systems (PERS) and one postretirement healthcare benefits (OPEB) plan to provide retirement benefits and postretirement healthcare benefits primary to employees and their beneficiaries. The Authority appoints the members of the Pension and Benefit Committee who govern the Pension and OPEB plans. The Authority contributes, at a minimum, the actuarial determined contribution.

The accounting records of the Authority are maintained in accordance with accounting principles generally accepted in the United States of America. All assets, liabilities, net position, revenues, and expenses are accounted for in a proprietary fund except for employee benefit trusts, which are reported as fiduciary funds. For both proprietary and fiduciary funds, revenues are recognized when earned and expenses are recognized when incurred. The more significant accounting policies are summarized below.

Basis of Accounting

The Authority utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Regulatory Accounting Policies

The Authority follows accounting principles generally accepted in the United States of America for regulated public utilities. Under these principles, regulated companies defer certain costs and credits on the statement of net position as regulatory assets and liabilities when it is probable that those costs and credits will be recoverable through the ratemaking process in a period different from when they otherwise would have been reflected in income. These deferred regulatory assets and liabilities are then reflected in revenues or expenses in the period in which the same amounts are reflected in rates.

As of May 31, 2026, regulatory assets include approximately $4.7 million of bond issuance costs and approximately $10.5 million of deferred charges, net of amortization. Included in the $10.5 million is approximately $3.4 million associated with prior environmental remediation costs in the Town of Hamden, $.4 million associated with a deferred repair and remediation costs, and $.3 million of incurred costs associated with an interconnection. There is approximately $6.4 million associated with compliance with the Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI). The year-over-year regulatory asset increase is primarily due to the cost of issuance associated with the 40th and 41st Series and the costs associated with LCRR and LCRI, partially offset by amortization.

In addition, there are amounts due from a related party of approximately $16.3 million for transaction related and costs of issuance associated with the AWA acquisition of Aquarion Company, excluding certain subsidiary entities. The Authority has been reimbursed for these costs subsequent to fiscal year end (see Note 14, Subsequent Events).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Accounting Policies (Continued)

As of May 31, 2025, regulatory assets include approximately $4.9 million of bond issuance costs and approximately $10.2 million of deferred charges, net of amortization. Included in the $10.2 million is approximately $3.6 million associated with environmental remediation costs in the Town of Hamden, $.5 million associated with a deferred repair and remediation costs, and $.3 million of incurred costs associated with an interconnection. There is approximately $5.8 million associated with compliance with the Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI). The year-over-year regulatory asset increase is primarily due to the costs associated with LCRR and LCRI, partially offset by amortization.

In addition, there were amounts due from a related party of approximately $14.8 million for transaction related and costs of issuance associated with the AWA acquisition of Aquarion Company, excluding certain subsidiary entities.

Utility Plant

Capital assets in utility plant are defined by the Authority as assets with an initial cost of more than $2,000 and an estimated life of more than one year. Such assets are recorded at cost if purchased or constructed, which includes material and direct labor, as well as indirect items, e.g., engineering, payroll taxes, employee benefits, and transportation. The costs of maintenance and repairs are charged to the appropriate operations and maintenance expense accounts as incurred, while the costs of renewal and betterments are capitalized. The book value of depreciable utility plant retired in the ordinary course of business is removed from the asset and accumulated depreciation accounts. Gain or loss realized upon disposal is credited or charged to income.

Donated capital assets are recognized at estimated acquisition value at date of donation. The cost of normal maintenance and repairs that do not add to the value of the related assets or materially extend their lives is charged to operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation expense is computed using the straight-line method based on estimated service lives. Half of a year’s depreciation is provided for capital assets in the year they are placed in or removed from service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant (Continued)

The estimated service lives of capital assets are as follows:

Asset Description	Useful Life (Years)	Asset Description	Useful Life (Years)
Source of Supply and Supply Mains	100	Meters	15
Wells and springs	30	Hydrants	60
Other Water Source Structures	10	Hydraulic Shovel and Front Loader	8
Power and Pumping Structures	30	Hydraulic Backhoe	6
Pumping Equipment	20	Compressors	10
Water Treatment Plan Structure	43	Computer Equipment	5
Water Treatment Equipment	23	Computer Software	5 to 15
Distribution Tanks	50	General Structures	10 to 32
Distribution Mains	85	Furniture and Fixtures	12
Services	50	Autos and Trucks	5
		Other	3 to 10

Lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription-Based Information Technology Arrangement (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received form the SBITA vendor at the commencement of the SBITA term. Subsequently SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and repurchase agreements that are collateralized by U.S. government securities. The Authority considers all unrestricted investments with an original maturity of three months or less to be cash equivalents.

For purposes of the statement of cash flows, the Authority considers demand deposits and all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. In addition, because the State Short-Term Investment Fund (STIF) is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also considered a cash equivalent.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value.

Materials and Supplies

Materials and supplies inventories are presented at the lower of cost or market.

Restricted Assets

Pursuant to the Water System Revenue Bond Resolution, General Bond Resolution (the *General Bond Resolution*), the Authority maintains certain restricted assets, consisting principally of investments in U.S. Government and State of Connecticut obligations, which are carried at fair value. See Note 6, Restricted Assets.

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 assets that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The Authority reports a deferred charge on refunding, goodwill, and deferred outflows related to pension and other postemployment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Goodwill is amortized and is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2026 and 2025, no impairment of goodwill has occurred. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, 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 (participating active employees and vested former employees).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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 assets that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions, OPEB, and lease receivable. A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, 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 (participating active employees and vested former employees). The statement of net position also reports a deferred inflow of resources related to leases.

Bonds Premiums and Discounts

The net balances for bond premiums and discounts are reported separately from revenue bonds payable. These balances are amortized using the interest method, meaning amortization is based on interest payments over the terms of the series.

Net Pension Liability (Asset)

The net pension liability (asset) 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 plans' fiduciary net position. The pension plans' 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 (asset) 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.

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 participating active employees and vested former employees that is attributed to 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Deposits and Advances

Cash advances to reimburse the Authority for costs to construct supply mains are contributed to the Authority by customers, real estate developers and builders in order to extend water service to their properties. The Authority makes refunds on these deposits and advances in accordance with the deposit and advance agreements. After making refunds, the Authority records the remaining balance in the customer advance account for which work has been completed as a capital contribution.

Operating Items

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a fund’s principal ongoing operations. The principal operating revenues of the funds are charges to customers for delivery of goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, payment in lieu of taxes, depreciation on capital assets, and lease, SBITA, and intangible assets amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accrued Water Revenue

The Authority accrues revenue based on an estimate of water service provided to each customer, net of allowance for uncollectible accounts, from the last meter reading date to the statement of net position date. Interest is accrued on unpaid customer accounts after 30 days from the billing date in fiscal year 2024 and through most of fiscal year 2025. However, starting in April of fiscal year 2025, balances after 28 days begin to be subject to interest.

Other Revenue

Other revenue includes revenue from the HSV and PipeSafe suite of offerings, including water, sewer and septic protection plans as well as protection plans with home plumbing, laboratory testing services, fleet repairs, rental income, and miscellaneous charges. Other revenue also includes the operating revenue of RWA Well Services, LLC.

Capital Contributions

Capital contributions include contributions-in-aid-of-construction resulting from direct nonrefundable contributions and the portion of customers’ advances for construction that become nonrefundable. Also included are amounts representing nonrefundable contributions for construction purposes from governmental agencies. However, grants from governmental agencies are included in intergovernmental revenues.

Net Position Flow Assumption

The Authority’s *General Bond Resolution* prescribes the flow of funds and the manner at which they are expended. The Authority’s net position is recorded in accordance with the General Bond Resolution. The flow of funds under the General Bond Resolution for monies remaining in the Revenue Fund after making all required monthly transfers (e.g., to the Debt Service Fund, PILOT Fund, and, if required, to the Debt Reserve Fund) is to the Capital Contingency Fund, Operating Reserve, Rate Stabilization Fund Variable Rate Bonds Sub account, to meet any deficiency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption (Continued)

If there are no deficiencies, remaining monies shall be transferred to the General Fund. Monies in the General funds can be transferred, at the option of the Authority, to the Construction Fund, Rate Stabilization Fund, or other discretionary funds.

Use of 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 certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Adoption of New Accounting Standards:

In December 2023, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 102, *Certain Risk Disclosures*. This statement expands disclosure requirements for risks arising from concentrations and constraints that may significantly impact a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The Authority adopted these requirements effective June 1, 2025. The implementation of this standard did not have any impact on the Authority's financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

The Authority's *General Bond Resolution* Section 404A requires Authority revenue to be deposited promptly.

Section 411A of the Authority's *General Bond Resolution* requires that money held in its various funds by the Authority, or its trustee be invested in investment securities, which are defined as follows:

- Direct obligations of the United States of America;
- Obligations guaranteed by the United States of America;
- Debt issued by federal agencies;
- Debt issued by states or their agencies (with ratings qualifications);
- Repurchase agreements;
- Short-term investment funds administered by a state;
- Any obligation approved in writing by Moody's Investors Service; and
- Standard & Poor's Ratings Group.

The Authority utilizes a variety of these investment options. The Authority's deposits and investments held in the Growth Fund are not governed by the *General Bond Resolution*.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposit will not be returned. To limit custodial credit risk, the Authority utilizes a sweep product, for certain accounts, under which deposits are fully insured.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, $3,435,090 of the Authority's bank balance of $19,635,776 was exposed to custodial credit risk as of May 31, 2026, as follows:

Uninsured and Uncollateralized	$ 2,027,044
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	1,408,046
Total Amount Subject to Custodial Risk	$ 3,435,090

As of May 31, 2025, $6,902,143 of the Authority's bank balance of $15,056,063 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 2,108,221
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	4,793,922
Total Amount Subject to Custodial Risk	$ 6,902,143

Cash Equivalents

As of May 31, 2026 and 2025, the Authority's cash equivalents amounted to $192,050,777 and $192,843,468, respectively. The balance consisted of State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of May 31, 2026, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aa1	$ 9,933,445	$ 1,886,176	$ 8,047,269	$ -
U.S. Government Agencies	Aa1	1,412,649	273,161	1,139,488	-
Corporate Bonds	Aaa	356,228	-	356,228	-
Corporate Bonds	A1	939,630	-	939,630	-
Corporate Bonds	A2	1,375,606	149,682	1,225,924	-
Corporate Bonds	A3	1,123,460	-	1,123,460	-
Corporate Bonds	Aa3	1,029,226	-	1,029,226	-
Corporate Bonds	Baa1	842,562	-	842,562	-
Corporate Bonds	Baa2	2,584,804	621,867	1,962,937	-
Corporate Bonds	Baa3	366,483	-	366,483	-
Other Investments:					
Mutual Funds	No Rating	80,623,609			
Total Investments		$ 100,587,702			

As of May 31, 2025, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 6,746,904	$ 578,339	$ 6,168,565	$ -
U.S. Government Agencies	Aaa	3,385,236	1,517,617	1,867,619	-
Corporate Bonds	Aaa	346,080	-	346,080	-
Corporate Bonds	A1	1,496,549	323,946	1,172,603	-
Corporate Bonds	A2	973,682	-	973,682	-
Corporate Bonds	A3	614,089	-	614,089	-
Corporate Bonds	Aa3	837,578	-	837,578	-
Corporate Bonds	Baa1	1,242,208	298,437	943,771	-
Corporate Bonds	Baa2	2,246,746	137,000	2,109,746	-
Corporate Bonds	Baa3	676,926	324,494	352,432	-
Other Investments:					
Mutual Funds	No Rating	70,990,665			
Total Investments		$ 89,556,663			

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The Authority typically prefers to limit its investment maturities to five years. Investments with maturities over one year are held within reserve accounts with limited liquidity requirements.

Credit Risk – Investments

As indicated above, the Authority's *General Bond Resolution* limits the investment options of the Authority. For investments governed by the *General Bond Resolution*, the Authority has an investment policy that allows the same types of investments as the *General Bond Resolution*.

Concentration of Credit Risk

The Authority, other than for investments held in the pension and OPEB plans, has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments. The investment policy statement for the pension and OPEB plans governs allowed investment concentration and does include concentration restrictions.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys investments for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. As of May 31, 2026 and 2025, the Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority has the following recurring fair value measurements as of May 31, 2026:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 9,933,446	$ -	$ 9,933,446	$ -
U.S. Government Agencies	1,412,650	-	1,412,650	-
Corporate Bonds	8,617,997	-	8,617,997	-
Mutual Funds	80,623,609	80,623,609	-	-
Total Investments by Fair Value Level	$ 100,587,702	$ 80,623,609	$ 19,964,093	$ -

The Authority has the following recurring fair value measurements as of May 31, 2025:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 6,746,904	$ -	$ 6,746,904	$ -
U.S. Government Agencies	3,385,236	-	3,385,236	-
Corporate Bonds	8,433,858	-	8,433,858	-
Mutual Funds	70,990,665	70,990,665	-	-
Total Investments by Fair Value Level	$ 89,556,663	$ 70,990,665	$ 18,565,998	$ -

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Investment in Community Foundation Portfolio are investments managed by others and are valued at the quoted fair value of the underlying assets held at year-end.

The Authority did not have any investments measured at net asset value (NAV) as of May 31, 2026 and 2025.

NOTE 4 CAPITAL ASSETS

The following is a summary of utility plant for the year ended May 31, 2026:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/ Amortized:					
Land	$ 28,172,374	$ -	$ -	$ (44,879)	$ 28,127,495
Construction Work in Progress	21,490,974	51,563,563	(43,595,989)	(633,269)	28,825,279
Total Capital Assets Not Being Depreciated	49,663,348	51,563,563	(43,595,989)	- (678,148)	56,952,774
Other Capital Assets:					
Source of Supply	64,248,761	-	2,203,943	(1,828)	66,450,876
Pumping Structures and Equipment	45,852,508	-	1,703,865	(2,171,445)	45,384,928
Water Treatment Plant and Equipment	247,527,046	-	17,733,909	(4,526,804)	260,734,151
Transmission and Distribution	573,854,054	-	14,868,166	(1,731,735)	586,990,485
General Plant	117,126,724	47,320	7,086,106	(25,088,858)	99,171,292
Right-to-Use - Lease Asset:					
Leased Equipment	63,673	8,066	-	(11,757)	59,982
Leased Facilities	677,027	63,629	-	(79,720)	660,936
SBITA Asset	24,709,145	787,539	-	(1,136,488)	24,360,196
Intangible Assets	7,010,852	-	-	-	7,010,852
Total Other Capital Assets	1,081,069,790	906,554	43,595,989	(34,748,635)	1,090,823,698
Less: Accumulated Depreciation/Amortization:					
Source of Supply	17,561,349	$688,481	-	(488)	18,249,342
Pumping Structures and Equipment	31,147,972	$1,430,819	-	(2,170,251)	30,408,540
Water Treatment Plant and Equipment	142,873,636	$9,213,649	-	(4,238,707)	147,848,578
Transmission and Distribution	187,578,079	$10,158,260	-	(988,574)	196,747,765
General Plant	94,497,503	$6,469,579	-	(25,122,800)	75,844,282
Right-to-Use - Lease Asset:					
Leased Equipment	26,695	13,777	-	(11,757)	28,715
Leased Facilities	301,405	85,691	-	(79,721)	307,375
SBITA Asset	2,478,894	3,192,145	-	(522,156)	5,148,883
Intangible Assets	958,727	781,728	-	-	1,740,455
Total Accumulated Depreciation/ Amortization	477,424,260	32,034,129	-	(33,134,454)	476,323,935
Total Other Capital Assets - Net	603,645,530	(31,127,575)	43,595,989	(1,614,181)	614,499,763
Utility Plant - Net	$ 653,308,878	$ 20,435,988	$ -	$ (2,292,329)	$ 671,452,537

NOTE 4 CAPITAL ASSETS (CONTINUED)

The following is a summary of utility plant for the year ended May 31, 2025:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/ Amortized:					
Land	$ 28,085,903	$ 86,471	$ -	$ -	$ 28,172,374
Construction Work in Progress	32,554,313	53,567,300	(58,245,993)	(6,384,646)	21,490,974
Total Capital Assets Not Being Depreciated	60,640,216	53,653,771	(58,245,993)	(6,384,646)	49,663,348
Other Capital Assets:					
Source of Supply	62,076,430	-	2,260,535	(88,204)	64,248,761
Pumping Structures and Equipment	44,481,486	-	1,379,522	(8,500)	45,852,508
Water Treatment Plant and Equipment	233,124,546	-	14,402,500	-	247,527,046
Transmission and Distribution	556,040,458	-	19,905,781	(2,092,185)	573,854,054
General Plant	113,045,453	629,981	4,491,871	(1,040,581)	117,126,724
Right-to-Use - Lease Asset:					
Leased Equipment	67,039	-	-	(3,366)	63,673
Leased Facilities	640,901	36,750	-	(624)	677,027
SBITA Asset	7,322,790	3,696,279	15,805,784	(2,115,708)	24,709,145
Intangible Assets	1,887,700	5,123,152	-	-	7,010,852
Total Other Capital Assets	1,018,686,803	9,486,162	58,245,993	(5,349,168)	1,081,069,790
Less: Accumulated Depreciation/Amortization:					
Source of Supply	16,936,769	647,275	-	(22,695)	17,561,349
Pumping Structures and Equipment	29,731,029	1,422,326	-	(5,383)	31,147,972
Water Treatment Plant and Equipment	134,441,004	8,432,632	-	-	142,873,636
Transmission and Distribution	178,297,498	9,920,443	-	(639,862)	187,578,079
General Plant	89,839,090	5,458,382	-	(799,969)	94,497,503
Right-to-Use - Lease Asset:					
Leased Equipment	13,203	16,858	-	(3,366)	26,695
Leased Facilities	216,595	84,810	-	-	301,405
SBITA Asset	2,862,336	1,638,098	-	(2,021,540)	2,478,894
Intangible Assets	230,365	728,362	-	-	958,727
Total Accumulated Depreciation/ Amortization	452,567,889	28,349,186	-	(3,492,815)	477,424,260
Total Other Capital Assets - Net	566,118,914	(18,863,024)	58,245,993	(1,856,353)	603,645,530
Utility Plant - Net	$ 626,759,130	$ 34,790,747	$ -	$ (8,240,999)	$ 653,308,878

During fiscal years 2026 and 2025, the Authority retired assets with accumulated depreciation totaling approximately $32.6 million and $1.5 million, respectively.

NOTE 5 LEASE RECEIVABLES

The Authority, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2082. During the year ended May 31, 2026, the Authority recognized $145,051 and $58,919 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended May 31, 2025, the Authority recognized $96,634 and $30,220 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 5 LEASE RECEIVABLES (CONTINUED)

Principal and interest requirements to maturity under lease agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 94,521	$ 54,258	$ 148,779
2028	98,396	50,361	148,757
2029	51,449	47,342	98,791
2030	57,406	45,166	102,572
2031	61,633	42,754	104,387
Thereafter	1,224,700	883,181	2,107,881
Totals	$ 1,588,105	$ 1,123,062	$ 2,711,167

NOTE 6 RESTRICTED ASSETS

Pursuant to the *General Bond Resolution* of the Authority adopted July 31, 1980, as amended and supplemented, the following funds of restricted assets must be maintained. The Authority may use the assets of these funds only for the following purposes specified in the General Bond Resolution. The descriptions below pertain to the Authority's *General Bond Resolution*, adopted July 31, 1980, as amended and supplemented.

Construction

Bond proceeds and other amounts deposited in the Construction Fund may be applied only toward payment of the costs of water system capital projects upon submission of a requisition to the trustee. However, the Construction Fund may be used for debt service if no other funds are available.

Debt Service

The Authority is required to maintain a Debt Service Fund to ensure payment of interest and principal when due. The Authority must make a deposit each month to provide funds for payment of interest and principal becoming due. No such deposits need be made if the fund already contains sufficient dollars to satisfy interest coming due within six months and principal coming due within twelve months. The *General Bond Resolution* provides that, if the balances of the Debt Service Fund and Debt Reserve Fund are insufficient to pay interest, principal or sinking fund payments, the Authority must withdraw the deficiency from any of the other funds maintained by it.

Debt Reserve

The Authority is required to maintain a Debt Reserve Fund in an amount equal to the maximum aggregate of principal and interest payments becoming due in any one year in which bonds are outstanding. Amounts in the Debt Reserve Fund are to be used by the Authority in the event debt service requirements cannot be fully paid from amounts in the Debt Service Fund. To satisfy the requirements of the *General Bond Resolution*, the Authority's Debt Reserve Fund comprises surety bonds, bond proceeds, and drinking water loans.

NOTE 6 RESTRICTED ASSETS (CONTINUED)

Payments-in-Lieu-of-Taxes (PILOT)

The Act requires the Authority to make payments-in-lieu-of-taxes (PILOT) to the municipalities in which the Authority owns property. The Authority is required to make monthly deposits into the PILOT Fund in amounts sufficient to provide funds for PILOT that has become owed in that month.

Operating Reserve

The Authority is required to maintain an Operating Reserve Fund in an amount equal to at least one-sixth of the amount budgeted for operating expenses at the beginning of its fiscal year. Amounts in the Operating Reserve Fund may be used to pay operating expenses to the extent monies are not otherwise available.

Capital Contingency

The Authority must maintain a Capital Contingency Fund in an amount equal to or greater than 1% of outstanding bonds, less principal deposits at the time of calculation, to provide for the cost of capital projects made necessary by emergency or other unforeseen circumstances or events.

Insurance Reserve

The *General Bond Resolution* requires the Authority to keep its property insured and to carry general liability insurance (or maintain an insurance reserve fund). The Authority does not maintain an insurance reserve fund because it carries general liability coverage through a member-owned program of “captive” insurance and carries property insurance. The Authority also has other insurance coverage.

Rate Stabilization

The Authority established its Rate Stabilization Fund in 1996. The Rate Stabilization Fund includes a Variable Rate Bond Sub-account and a Surplus Sub-account. Per the *General Bond Resolution*, before the last day of the first month of each fiscal year, the Authority will deposit in the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount, if any, by which the interest on variable rate bonds assumed for rate-making purposes or, if lower, the maximum amount of interest payable under an interest rate limitation contract, exceeded the amount of interest and related costs paid during the previous fiscal year. As of May 31, 2026 and 2025, there is no outstanding variable rate debt under the *General Bond Resolution*; therefore, no deposits were required.

After the initial funding of the Rate Stabilization Fund Surplus Sub-account as specified in a written certification by the Authority and transferred from the General Fund, the Authority shall transfer monies to the Revenue Fund to the extent required to make up deficiencies in any of the funds established under Section 402 of the *General Bond Resolution*. The Authority may at any time transfer any monies in the Rate Stabilization Fund Surplus Sub-account to the Revenue Fund, but only if each of the other funds are funded at or above their respective requirements.

NOTE 6 RESTRICTED ASSETS (CONTINUED)

The balances in the various funds as of May 31 are as follows:

	2026	2025
Construction	$ 71,452,622	$ 77,946,244
Debt Reserve	24,963,034	24,794,046
Debt Service	33,945,310	31,306,215
Payments-in-Lieu-of-Taxes (PILOT)	4,787,854	4,109,925
Operating Reserve	12,666,480	12,343,656
Capital Contingency	6,271,409	6,244,220
Rate Stabilization	10,000,000	10,000,000
Other Purposes	375,758	2,785,484
Restricted Assets	$ 164,462,467	$ 169,529,790

The level of funds required by the General Bond Resolution was met on May 31, 2026 and 2025.

NOTE 7 LONG-TERM LIABILITIES

Long-term liability activity for the year ended May 31 was as follows:

2026	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 495,880,000	$ -	$ (22,895,000)	$ 472,985,000	$ 25,720,000
Net Bond Premiums and Discounts	39,881,160	-	(4,132,418)	35,748,742	-
Total Bonds Payable	535,761,160	-	(27,027,418)	508,733,742	25,720,000
Drinking Water Loans - Direct Borrowing	38,806,169	3,275,142	(2,247,806)	39,833,505	2,348,130
Lease Payable	402,116	71,694	(94,084)	379,726	98,579
SBITA Payable	6,689,107	1,003,339	(1,910,074)	5,782,372	994,295
Net Pension Liability	8,795,429	-	(8,795,429)	-	-
Net OPEB Liability	15,181,074	-	(554,827)	14,626,247	-
Total	$ 605,635,055	$ 4,350,175	$ (40,629,638)	$ 569,355,592	$ 29,161,004

2025	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 505,300,000	$ 77,330,000	$ (86,750,000)	$ 495,880,000	$ 22,895,000
Net Bond Premiums and Discounts	40,636,652	9,999,478	(10,754,970)	39,881,160	-
Total Bonds Payable	545,936,652	87,329,478	(97,504,970)	535,761,160	22,895,000
Drinking Water Loans - Direct Borrowing	38,538,049	2,354,070	(2,085,950)	38,806,169	2,193,400
Lease Payable	498,802	47,397	(144,083)	402,116	84,316
SBITA Payable	4,517,356	5,221,991	(3,050,240)	6,689,107	1,027,437
Net Pension Liability	11,622,449	-	(2,827,020)	8,795,429	-
Net OPEB Liability	16,145,432	-	(964,358)	15,181,074	-
Total	$ 617,258,740	$ 94,952,936	$ (106,576,621)	$ 605,635,055	$ 26,200,153

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable

The Authority issues Water System Revenue Bonds to finance capital projects and to provide certain restricted funds, as required by the *General Bond Resolution*. The Water System Revenue Bonds are secured by a pledge of all revenues and all moneys and securities in all funds established by the *General Bond Resolution*. Revenues include income derived from the payment of rates and charges for water service and from investments of monies in the funds established under the *General Bond Resolution*, other than the Construction Fund. Revenues do not include government grants and contributions for capital improvements.

Revenue bonds outstanding comprise the following:

2026	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2026
2010 Series A	2010	2040	$ 31,385,000	6.243%-6.393%	$ 28,720,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	3,335,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	13,700,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	80,670,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	9,815,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	21,040,000
Thirty-Third B-2 (Refunding Bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-Fourth A	2019	2039	11,725,000	3.000%-5.000%	9,460,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	74,715,000
Thirty-Fourth C (Green Bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-Fifth Taxable (Refunding Bonds)	2020	2044	54,485,000	1.643%-3.262%	38,435,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	35,820,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	8,575,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,060,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2029	11,110,000	5.00%	9,720,000
Thirty-Eighth (Refunding Bonds)	2025	2043	55,430,000	5.00%	55,430,000
Thirty-Ninth A	2025	2054	18,675,000	5.00%	18,615,000
Thirty-Ninth A (HSV)	2025	2039	3,225,000	5.00%	3,090,000
Total					$ 472,985,000

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

2025	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2025
2010 Series A	2010	2040	$ 31,385,000	6.243%-6.393%	$ 30,080,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	5,515,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	4,355,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,145,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	88,780,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,485,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	22,100,000
Thirty-Third B-2 (Refunding Bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-Fourth A	2019	2039	11,725,000	3.000%-5.000%	9,960,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	74,795,000
Thirty-Fourth C (Green Bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-Fifth Taxable (Refunding Bonds)	2020	2044	54,485,000	1.643%-3.262%	39,040,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,210,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	9,855,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,335,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2029	11,110,000	5.00%	11,110,000
Thirty-Eighth (Refunding Bonds)	2025	2043	55,430,000	5.00%	55,430,000
Thirty-Ninth A	2025	2054	18,675,000	5.00%	18,675,000
Thirty-Ninth A (HSV)	2025	2039	3,225,000	5.00%	3,225,000
Total					$ 495,880,000

*Dates are based on calendar year

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs – Direct Payment). The General Obligation Bonds, Issue of 2010 were issued as Taxable BABs – Direct Payment on April 6, 2010, for $31,385,000. Pursuant to the Recovery Act, at inception, the Authority received a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. The 35% equates to $348,411 per payment, occurring twice a year. Such subsidy payment represents revenue to the Authority under the *General Bond Resolution*. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the Authority is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Issue of 2010 are subject to extraordinary optional redemption. Due to provisions within the Budget Control Act of 2011 and the implementation of sequestration, the amount of the subsidy has been reduced on payments made to issuers on or after March 1, 2013, resulting in a decrease to the Authority’s August 1, 2013, payment, and the twice-annual payments through the current period. Reductions to the subsidy have ranged from a high of 8.7% to a low of 5.7%. A 5.7% reduction was effective for the payments received by the Authority in fiscal year 2025 and fiscal year 2026. The percent is subject to further change.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

The interest subsidy received totaled approximately $616 thousand dollars for the fiscal year ended May 31, 2026, and $644 thousand dollars for the fiscal year ended ending May 31, 2025, respectively. The fiscal 2025 amount has been adjusted for the over payment received in fiscal year 2024 and trued-up in fiscal year 2025 and excludes any interest associated with payment processing delays. The dollar amount of the subsidy decreases as principal payments are made.

Aggregate maturities of the Authority's water system revenue bonds are as follows:

Year Ending May 31,	Principal	Interest
2027	$ 25,720,000	$ 19,925,145
2028	26,775,000	18,864,313
2029	27,910,000	17,751,250
2030	29,140,000	16,492,822
2031	30,500,000	15,143,583
2032-2036	146,610,000	56,189,241
2037-2041	105,900,000	28,226,655
2042-2046	43,035,000	12,787,204
2047-2051	27,135,000	5,424,325
2052-2056	10,260,000	828,000
Total	$ 472,985,000	$ 191,632,538

The following represents the more significant requirements of the Authority's *General Bond Resolution*:

Rate Covenants

The Authority shall have reasonable rates for each class of service and is required to establish rates and charges at levels sufficient to cover annual operating and maintenance expenses, PILOT, all debt service requirements, and any amounts necessary to meet reserve requirements established by the *General Bond Resolution*. In addition, collected revenues, less operating and maintenance expenses incurred, PILOT and depreciation expense must equal 114% of annual debt service for fiscal years 2026 and 2025. Depreciation expense and other terms are as defined in the *General Bond Resolution*. Also, collected revenues, less operating and maintenance expenses incurred, and depreciation expense must equal 125% of annual debt service before PILOT.

The Act provides that the rates and charges proposed by the Authority are subject to approval by the Representative Policy Board (RPB) following a public hearing. However, the Act also provides that the RPB shall approve such rates and charges proposed by the Authority unless it finds that such rates and charges will provide funds insufficient for, or significantly in excess of, the amounts required to meet expenses of the Authority and the requirements of the General Bond Resolution.

As of May 31, 2026 and 2025, the Authority was in compliance with the requirements of the *General Bond Resolution.*

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Leases Payable

The Authority leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2049.

Principal and interest requirements to maturity under lease agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 98,579	$ 8,604	$ 107,183
2028	95,704	5,670	101,374
2029	64,034	3,314	67,348
2030	46,181	2,119	48,300
2031	47,208	1,092	48,300
Thereafter	28,020	153	28,173
Totals	$ 379,726	$ 20,952	$ 400,678

Right-to-use assets acquired through outstanding leases are shown below by underlying asset class.

	2026	2025
Equipment	$ 59,982	$ 63,673
Buildings	660,936	677,027
Less: Accumulated Amortization	(336,090)	(328,100)
Total	$ 384,828	$ 412,600

SBITAs Payable

The Authority has entered into subscription-based information technology arrangements (SBITAs) for software used in the operation of the Authority.

Principal and interest requirements to maturity under SBITA agreements are as follows:

Year Ending May 31,	Principal	Interest	Total
2027	$ 994,295	$ 185,227	$ 1,179,522
2028	979,466	151,031	1,130,497
2029	1,001,596	116,525	1,118,121
2030	1,032,547	81,166	1,113,713
2031	901,707	50,926	952,633
Thereafter	872,761	29,974	902,735
Totals	$ 5,782,372	$ 614,849	$ 6,397,221

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

SBITAs Payable (Continued)

Assets acquired through outstanding SBITA agreements are shown below, by underlying asset class.

	2026	2025
Subscription Based Information Technology Arrangements	$ 24,360,196	$ 24,709,145
Less: Accumulated Amortization	(5,148,883)	(2,478,894)
Total	$ 19,211,313	$ 22,230,251

Maintenance of Funds

The *General Bond Resolution* provides for the maintenance of certain funds as discussed in Note 6, which for financial reporting purposes are subparts of the Authority's overall enterprise fund. All revenues (as defined and governed by the *General Bond Resolution*) collected by the Authority are deposited into the Revenue Fund and applied first to the payment of operating expenses, as defined, and then deposited to restricted funds required to be maintained by the *General Bond Resolution*. Funds remaining in the Revenue Fund at the end of the year, after the above requirements are met, are to be transferred to the General Fund, which is available to the Authority for any lawful purpose of the Authority. In June 2026, the Authority authorized approximately $28.0 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $22.7 million to be transferred from the General Fund to the Construction Fund and approximately $2.5 million to be transferred to the Growth Fund. $2.75 million of the approximately $28.0 million transfer was left in the General Fund. While not governed under the *General Bond Resolution*, a transfer was also made from RWA Well Services, LLC to the Authority's Construction Fund.

On March 13, 2025, the Authority issued $55,430,000 (par value) of Water System Revenue Refunding Bonds, Thirty-eighth Series, to tender refund certain maturities of the Authority's Thirty-second Series B, Thirty-third Series B-1, Thirty-fourth Series B Taxable, and Thirty-fifth Series Taxable Bonds. The tender refunding reduced debt service payments by $5,098,014 and represents an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,122,308. This was a tender refunding with an immediate call.

Drinking Water Loans Payable – Direct Borrowing

The Authority participates in the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects may be financed by interim financing revenue bonds, and/or internally generated funds, until such projects are complete. Proceeds received at the execution of the project loan obligation are used to reimburse Authority funds previously used and/or pay-off interim subordinate financing as well as to fund associated reserve requirements. Alternatively, qualified projects can be funded through DWSRF interim funding obligations and proceeds are provided as the project progresses. As of May 31, 2026, the Authority had one interim funding obligation. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Drinking Water Loans Payable – Direct Borrowing (Continued)

Long-term loan obligations mature as follows:

Year Ending May 31,	Principal	Interest
2027	$ 2,348,130	$ 762,155
2028	2,395,525	714,760
2029	2,443,875	666,407
2030	2,493,204	617,078
2031	2,543,528	566,755
2032-2036	13,508,774	2,042,644
2037-2041	9,932,172	778,207
2042-2046	3,514,868	116,603
Total *	$ 39,180,076	$ 6,264,609

* Does not include Interim Funding Obligation in the amount of $653,429.

The state may terminate the obligation to make the Project Loan, with 60 days written notice, if the state determines that such terminations is in the best interest of the state and the Authority fails to perform its obligations under the agreement. After giving notice, the state has discretion not to terminate the Project Loan if the Authority performs its obligations to the satisfaction of the state.

NOTE 8 BOND ANTICIPATION NOTES PAYABLE

In 2025, $50,500 was drawn for temporary financing to be utilized for capital projects. As of May 31, 2026, there is no outstanding principal balance. Bond anticipation note transactions for the year ended May 31, 2026 were as follows:

Outstanding, May 31, 2025	$ 50,500
New Borrowings	-
Repayments	(50,500)
Outstanding, May 31, 2026	$ -

NOTE 9 HAZWASTE CENTRAL

As an agent for the South Central Connecticut Regional Council of Governments, the Authority owns and operates a regional collection center for household hazardous waste, HazWaste Central, located at its headquarters on Sargent Drive.

Since HazWaste Central receives its revenue after incurring its operating costs, the Authority provides advance funding to the organization. The Authority is reimbursed for its advances when revenue is received by that organization.

NOTE 10 COMMITMENTS AND CONTINGENCIES

In the opinion of the Authority and its legal counsel, various legal matters in which the Authority is currently involved will not materially affect the Authority's financial position.

Litigation

A number of claims and suits are pending against the Authority for alleged damages to persons and properties, and for other alleged liabilities arising out of its operations. The probable outcome of such matters cannot be determined at this time; however, in the opinion of management, any ultimate liability that may arise from these actions is not expected to materially affect the Authority's financial position.

Capital and Other Commitments

As of May 31, 2026, the Authority has an estimated $20.1 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts. In addition, the agreement for the implementation and on-going support of a new Customer Information System has a termination fee of $1.35 million during the second year-post go-live. A second agreement regarding a solar array contains a termination for convenience fee of approximately $1.3 million. The Authority does not intend to terminate these agreements resulting in a payment of a termination fee.

Prior to the closing of the AWA transaction to acquire Aquarion, the Authority had certain responsibilities and obligations under executed agreements. Any and all obligations of the Authority ceased at the closing of the transaction on June 30, 2026.

Risk Management

The Authority is subject to certain business risks common to the utility industry. Most of these risks are mitigated by traditional insurance coverage obtained by the Authority. For risks associated with workers' compensation, automobile and general liability, the Authority elected, as of October 31, 2000, to participate in a program of member-owned "captive" insurance. It is management's belief that the Authority's exposure to losses arising from its participation in a program of "captive" insurance will not materially affect the financial results of the Authority's operations and cash flows.

Letter of Credit

The Authority has available to them a $2,076,608 letter of credit that expires March 1, 2027. There were no borrowings on this letter of credit as of May 31, 2026 and 2025.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance

The Authority administers a program of self-insurance for certain medical and dental claims and provides for losses by charging operating expense as liabilities are incurred. The Authority records a liability, in accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss, and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2026 and 2025, were as follows:

2026	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 564,440	$ (7,616,581)	$ 7,656,883	$ 604,742
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,073,625	(797,706)	857,706	2,133,625
Insurance Reserve (Pre October 1, 2000)	235,134	(199,372)	129,712	165,474
Total Liability	$ 2,873,199	$ (8,613,659)	$ 8,644,301	$ 2,903,841

2025	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 623,359	$ (7,000,571)	$ 6,941,652	$ 564,440
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,109,805	(482,544)	446,364	2,073,625
Insurance Reserve (Pre October 1, 2000)	291,000	(179,937)	124,071	235,134
Total Liability	$ 3,024,164	$ (7,663,052)	$ 7,512,087	$ 2,873,199

NOTE 11 DEFINED BENEFIT PENSION PLANS

Plan Description

The Authority's two retirement plans are single-employer defined benefit pension plans administered under a master trust agreement by the Authority Board. The retirement plans provide retirement and disability benefits to the plans' members and their beneficiaries. Cost-of-living adjustments are not provided to members and beneficiaries but may be made at the discretion of the Authority. The Authority establishes and amends benefit provisions of the plans.

The pension plans are included in the Authority's financial reporting entity and accounted for in the Pension Trust Fund. The Authority does not issue a stand-alone financial report for the plans.

Management of the plan rests with the Pension and Benefit Committee of the Authority Board. The Pension and Benefit Committee consists of all six members of the Authority Board. As of May 31, 2026, two members of senior management are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

At January 1, 2026, which is the date of the latest actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	188	114
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	51	41
Current Active Members	60	49
Total Members	299	204

At January 1, 2025, which is the date of the prior actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	187	114
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	53	38
Current Active Members	64	55
Total Members	304	207

Both plans have been closed to new entrants. The salaried plan was closed to new entrants as of January 1, 2011, and the bargaining unit plan was closed to new entrants as of April 15, 2010.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

Valuation of Investments

Investments are reported at fair value as determined by quoted prices in active markets.

Funding Policy

The Authority contributes, at a minimum, the actuarially determined contribution. For the year ended May 31, 2026, the Authority contributed approximately $1.5 million in excess of the actuarial required contribution. In May 31, 2025, the Authority contributed approximately $1.0 million in excess of the required contribution.

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The individual plan net position at May 31, 2026, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 582,341	$ 326,177	$ 908,518
Investments:			
U.S. Government Securities	6,373,199	3,560,247	9,933,446
U.S. Government Agencies	789,989	622,661	1,412,650
Corporate Bonds	5,301,865	3,316,132	8,617,997
Mutual Funds	43,095,795	25,960,309	69,056,104
Total Assets	56,143,189	33,785,526	89,928,715
NET POSITION			
Restricted for Pension Benefits	$ 56,143,189	$ 33,785,526	$ 89,928,715
ADDITIONS			
Contributions:			
Employer	$ 2,744,165	$ 977,944	$ 3,722,109
Investment Earnings:			
Net Increase in the Fair Value of Investments	6,560,171	3,972,156	10,532,327
Investment Earnings	1,923,650	1,151,345	3,074,995
Net Investment Earnings	8,483,821	5,123,501	13,607,322
Total Additions	11,227,986	6,101,445	17,329,431
DEDUCTIONS			
Benefits	4,593,395	1,912,372	6,505,767
Expenses	218,591	135,294	353,885
Other	819	-	819
Total Deductions	4,812,805	2,047,666	6,860,471
CHANGE IN NET POSITION	6,415,181	4,053,779	10,468,960
Net Position - Beginning of Year	49,728,008	29,731,747	79,459,755
NET POSITION - END OF YEAR	$ 56,143,189	$ 33,785,526	$ 89,928,715

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The individual plan net position at May 31, 2025, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 881,856	$ 520,752	$ 1,402,608
Investments:			
U.S. Government Securities	4,403,940	2,342,976	6,746,916
U.S. Government Agencies	1,320,353	817,583	2,137,936
Corporate Bonds	5,411,699	3,022,159	8,433,858
Mutual Funds	37,710,160	23,028,277	60,738,437
Total Assets	49,728,008	29,731,747	79,459,755
NET POSITION			
Restricted for Pension Benefits	$ 49,728,008	$ 29,731,747	$ 79,459,755
ADDITIONS			
Contributions:			
Employer	$ 2,397,959	$ 1,083,864	$ 3,481,823
Investment Earnings:			
Net Increase in the Fair Value of Investments	2,675,127	1,647,782	4,322,909
Investment Earnings	1,638,703	979,354	2,618,057
Net Investment Earnings	4,313,830	2,627,136	6,940,966
Total Additions	6,711,789	3,711,000	10,422,789
DEDUCTIONS			
Benefits	4,099,632	1,889,592	5,989,224
Expenses	217,391	106,258	323,649
Other	(7,380)	(15,190)	(22,570)
Total Deductions	4,309,643	1,980,660	6,290,303
CHANGE IN NET POSITION	2,402,146	1,730,340	4,132,486
Net Position - Beginning of Year	47,325,862	28,001,407	75,327,269
NET POSITION - END OF YEAR	$ 49,728,008	$ 29,731,747	$ 79,459,755

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Investments

Investment Policy

The Authority Board determines the asset allocation ranges and targets, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2026 and 2025, the associated targets were as follows:

	Target Allocation	
Asset Class	2026	2025
Fixed Income	30 %	30 %
U.S. Equity	37	37
Global	4	4
International Equity	14	14
Alternative, Hedge, and Swing	15	15
Total	100 %	100 %

The asset allocation targets and ranges, effective July 18, 2019, were authorized by the Authority Board. The equity target was set in total, with discretion allowed among the category of equities.

Rate of Return

For the year ended May 31, 2026, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.42% for the salaried plan and 17.55% for the bargaining unit plan.

For the year ended May 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.30% for the salaried plan and 9.59% for the bargaining unit plan.

Net Pension Liability (Asset) of the Authority

The components of the net pension liability (asset) of the Authority at May 31, 2026, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 55,873,053	$ 31,743,271
Plan Fiduciary Net Position	56,143,188	33,785,527
Net Pension Liability (Asset)	$ (270,135)	$ (2,042,256)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.48%	106.43%

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability (Asset) of the Authority (Continued)

The components of the net pension liability (asset) of the Authority at May 31, 2025, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 56,204,869	$ 32,050,315
Plan Fiduciary Net Position	49,728,008	29,731,747
Net Pension Liability	$ 6,476,861	$ 2,318,568
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.48%	92.77%

Actuarial Assumptions

The total pension liability as of May 31, 2026 was determined by an actuarial valuation as of January 1, 2026, rolled forward to May 31, 2026, using the following actuarial assumptions applied to all periods included in the measurement:

	Salaried Plan	Bargaining Unit Plan
Inflation	3%	3%
Salary Increase	4%, Average, Including Inflation	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation	6.75%, Net of Pension Plan Investment Expense, Including Inflation

The total pension liability as of **May 31, 2025** was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

	Salaried Plan	Bargaining Unit Plan
Inflation	3%	3%
Salary Increase	4%, Average, Including Inflation	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates for the year ended May 31, 2026, for the Salaried Plan were based on the PubG-2016 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2016 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the year ended May 31, 2025, were based on the corresponding PubG-2010 tables with MP-2021 projection scale.

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of May 31, 2026, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.7 %
U.S. Equity	7.2
Global	7.7
International Equity	7.7
Alternatives, Hedge, and Swing	6.4

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of May 31, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
U.S. Equity	8.5
Global	8.1
International Equity	7.4
Alternatives, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2026, for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The discount rate used to measure the total pension liability as of May 31, 2025, for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2026 and 2025, the Authority contributed above the actuarial required contribution. An expected rate of return of 6.75% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Asset)

Changes in the net pension liability (asset) at May 31, 2026 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances - June 1, 2025	$ 56,204,869	$ 49,728,008	$ 6,476,861
Changes for the Year:			
Service Cost	469,544	-	469,544
Interest on Total Pension Liability	3,637,030	-	3,637,030
Differences Between Expected and Actual Experience	155,005	-	155,005
Employer Contributions	-	2,744,165	(2,744,165)
Net Investment Gain	-	8,483,820	(8,483,820)
Benefit Payments, Including Refund to Employee Contributions	(4,593,395)	(4,593,395)	-
Administrative Expenses	-	(218,591)	218,591
Other	-	(819)	819
Net Changes	(331,816)	6,415,180	(6,746,996)
Balances - May 31, 2026	$ 55,873,053	$ 56,143,188	$ (270,135)

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances - June 1, 2025	$ 32,050,315	$ 29,731,747	$ 2,318,568
Changes for the Year:			
Service Cost	83,459	-	83,459
Interest on Total Pension Liability	2,083,588	-	2,083,588
Differences Between Expected and Actual Experience	(561,719)	-	(561,719)
Employer Contributions	-	977,944	(977,944)
Net Investment Gain	-	5,123,502	(5,123,502)
Benefit Payments, Including Refund to Employee Contributions	(1,912,372)	(1,912,372)	-
Administrative Expenses	-	(135,294)	135,294
Net Changes	(307,044)	4,053,780	(4,360,824)
Balances - May 31, 2026	$ 31,743,271	$ 33,785,527	$ (2,042,256)

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Asset) (Continued)

Changes in the net pension liability (asset) at May 31, 2025 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	$ 55,047,939	$ 47,325,862	$ 7,722,077
Changes for the Year:			
Service Cost	490,576	-	490,576
Interest on Total Pension Liability	3,564,304	-	3,564,304
Differences Between Expected and Actual Experience	1,438,047	-	1,438,047
Changes in Assumptions	(236,365)	-	(236,365)
Employer Contributions	-	2,397,959	(2,397,959)
Net Investment Gain	-	4,313,830	(4,313,830)
Benefit Payments, Including Refund to Employee Contributions	(4,099,632)	(4,099,632)	-
Administrative Expenses	-	(217,391)	217,391
Other	-	7,380	(7,380)
Net Changes	1,156,930	2,402,146	(1,245,216)
Balances - May 31, 2025	$ 56,204,869	$ 49,728,008	$ 6,476,861

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	$ 31,901,779	$ 28,001,407	$ 3,900,372
Changes for the Year:			
Service Cost	89,539	-	89,539
Interest on Total Pension Liability	2,076,288	-	2,076,288
Differences Between Expected and Actual Experience	(507,861)	-	(507,861)
Changes in Assumptions	(73,182)	-	(73,182)
Changes in Benefit Terms	453,344	-	453,344
Employer Contributions	-	1,083,864	(1,083,864)
Net Investment Gain	-	2,627,136	(2,627,136)
Benefit Payments, Including Refund to Employee Contributions	(1,889,592)	(1,889,592)	-
Administrative Expenses	-	(106,258)	106,258
Other	-	15,190	(15,190)
Net Changes	148,536	1,730,340	(1,581,804)
Balances - May 31, 2025	$ 32,050,315	$ 29,731,747	$ 2,318,568

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority for the year ended May 31, 2026, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	$ 4,581,335	$ (270,135)	$ (4,485,238)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 931,220	$ (2,042,256)	$ (4,608,315)

The following presents the net pension liability (asset) of the Authority for the year ended May 31, 2025, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	$ 11,403,647	$ 6,476,861	$ 2,194,126

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 5,400,199	$ 2,318,568	$ (336,599)

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the years ended May 31, 2026 and 2025, the Authority recognized pension expense of $1,218,810 and $2,100,511, respectively. At May 31, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2026		
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 286,983	$ -	$ 286,983

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ -	$ 303,533	$ 303,533
Changes of Assumptions	33,127	5,578	38,705
Difference Between Projected and Actual Earning on Pension Plan Investments	5,515,934	3,379,565	8,895,499
Total	$ 5,549,061	$ 3,688,676	$ 9,237,737

	2025		
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 1,001,844	$ 81,475	$ 1,083,319

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ -	$ 273,283	$ 273,283
Changes of Assumptions	134,746	39,380	174,126
Difference Between Projected and Actual Earning on Pension Plan Investments	588,698	393,445	982,143
Total	$ 723,444	$ 706,108	$ 1,429,552

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending May 31,	Amount
2027	$ (2,184,963)
2028	(3,015,987)
2029	(2,075,119)
2030	(1,674,685)
Total	$ (8,950,754)

NOTE 12 VOLUNTARY INVESTMENT PLAN

The Authority maintains a voluntary investment plan (a defined contribution 401(k) plan) covering eligible salaried employees. Salaried employees hired after January 1, 2011, receive an Authority contribution of 4.5% of their pay after six months of service. Salaried employees are not required to contribute to receive this contribution. In addition, beginning on June 1, 2025 (fiscal 2026), for salaried employees hired after January 1, 2011, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution up to 2%. There is no change in the match for salaried employees hired before January 1, 2011. Authority contributions vest immediately. Effective January 1, 1997, eligible bargaining unit employees were allowed to participate in the voluntary investment plan. Bargaining unit employees hired before April 15, 2010, received a 0.5% Authority contribution for plan year 2024 and 1.25% effective June 1, 2024, with no change in the employer match. Bargaining unit employees hired after April 15, 2010, and before April 15, 2014, receive an Authority contribution of 4% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014, receive an Authority contribution of 4% of their pay after six months of employment under the following vesting schedule: 50% after three years of service, 75% after four years of service, and 100% after five years of service. In addition, for bargaining unit employees hired after April 15, 2010, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution, up to a maximum contribution of 2% of the participant's base wages. This contribution is in addition to the non-elective employer contribution. Cash contributions to the plan for the years ended May 31, 2026 and 2025, are below. Fiscal 2026 employer contributions are net of forfeiture amounts applied.

	2026	2025
Employer Contributions	$ 1,909,823	$ 1,468,484
Employee Contributions	2,667,916	2,499,477

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE

Plan Description

The Authority's OPEB plan is a single-employer defined benefit plan that includes health benefits to retirees and qualifying dependents as well as a death benefit that increased to $13,000 in April 2017. Medical coverage for retirees and spouses over 65 is provided by an indemnity plan. Medical and dental coverage for retirees and dependents under 65 is provided by the Authority's self-insurance plan. Eligibility is stated in the funding policy section below.

In September 2008, the Authority established the South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (the Trust). On October 9, 2008, the Authority transferred $724,462 to the Trust as its initial funding. This initial contribution comprises $564,462 from the Birmingham Utilities Retiree Trust and $160,000 as the Authority's initial funding of the Trust.

The retiree health plan is included in the Authority's financial reporting entity and accounted for as a trust fund. The Authority does not issue a stand-alone financial report for the plan.

The Authority opted to fund the Trust by contributing the actuarial recommended cash contribution.

Administration of the plan rests with the Pension and Benefit Committee of the Authority Board. The Pension and Benefit Committee consist of all six members of the Authority Board.

At January 1, 2026 and 2025, plan membership consisted of the following:

	Retiree Health Plan	
	2026	2025
Retired Members and Spouses	265	261
Active Plan Members	97	107
Members Death Benefits Only	201	208
Total Participants	563	576

The plan is closed to new entrants, other than for the death benefit and eligibility to participate in the group health insurance at one's own expense.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

Financial statements for the Trust are prepared using the accrual method of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are reported at fair value as determined by quoted prices in active markets.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy

Requirements for contributions by union plan members are negotiated with the union. Retiree contribution requirements vary depending on retirement date and hire date as described below:

Union Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.

- Employees who retired on or before April 15, 2006, receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.

- Employees who retire after April 15, 2006, and who were hired before January 1, 2006, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2005. Retirees and qualifying dependents are responsible for costs above $158.14 per individual per month for the Medicare Supplemental Plan and $78.00 per individual per month for Medicare Part B.

- Retired employees who were hired on or after January 1, 2006, are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

Nonunion Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.

- Employees who retired on or before January 1, 2006. receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.

- Employees who retire after January 1, 2006, and who were hired before January 1, 2005, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2004. Retirees and qualifying dependents are responsible for costs above $158.14 per individual per month for the Medicare Supplemental Plan and $66.60 per individual per month for Medicare Part B.

- Retired employees who were hired on or after January 1, 2005, are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Funding Policy (Continued)

The Authority's cash contribution to the trust was $1,570,423 for the fiscal year ended May 31, 2026. The Authority's contribution was based on the actuarially calculated recommended cash contribution.

Investments

Investment Policy

The Authority Board determines the asset allocation target and the associated ranges, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2026 and 2025, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30 %
US Equity	37
Global Equities	4
International Equity	14
Alternatives, Hedge, and Swing	15
Total	100 %

The asset allocation targets were approved by the Authority Board on April 19, 2018. Effective July 18, 2019, the Authority Board authorized revised ranges for the asset categories. The equity target was set in total with discretion allowed among the categories of equity.

Rate of Return

As of May 31, 2026 and 2025, the annual money-weighted rate of return on investments, net of investment expense, was 17.65% and 9.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Net OPEB Liability of the Authority

The Authority's net OPEB liability was measured as of May 31, 2026 and 2025. The components of the net OPEB liability of the Authority at May 31, 2026, were as follows:

Total OPEB Liability	$ 26,305,903
Plan Fiduciary Net Position	11,679,656
Net OPEB Liability	$ 14,626,247
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.40%

The components of the net OPEB liability of the Authority at May 31, 2025, were as follows:

Total OPEB Liability	$ 25,513,409
Plan Fiduciary Net Position	10,332,335
Net OPEB Liability	$ 15,181,074
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	40.50%

Actuarial Assumptions

The total OPEB liability for May 31, 2026, was determined by an actuarial valuation as of January 1, 2026, rolled forward to May 31, 2026, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	7.00% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.04% Per Year

The total OPEB liability for May 31, 2025 was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	6.50% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.00% Per Year

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates for the year ended May 31, 2026, were based on the 2016 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

Mortality rates for the year ended May 31, 2025 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset as of May 31, 2026, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.7 %
US Equity	7.2
Global Equities	7.7
International Equity	7.7
Alternative, Hedge, and Swing	6.4

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2025 as summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
US Equity	8.5
Global Equities	8.1
International Equity	7.4
Alternative, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% for the years ended May 31, 2026 and 2025. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Changes in the Net OPEB Liability

	2026		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2025	$ 25,513,409	$ 10,332,335	$ 15,181,074
Changes for the Year:			
Service Cost	232,250	-	232,250
Interest	1,643,463	-	1,643,463
Differences Between Expected and Actual Experience	292,980	-	292,980
Changes in Assumptions	583,839	-	583,839
Benefit Payments, Including Refund to Employee Contributions	(2,284,499)	(2,284,499)	-
Contributions - Employer	-	1,570,423	(1,570,423)
Contributions - Retiree	324,461	324,461	-
Net Investment Income	-	1,785,398	(1,785,398)
Administrative Expense	-	(48,462)	48,462
Net Changes	792,494	1,347,321	(554,827)
Balances - May 31, 2026	$ 26,305,903	$ 11,679,656	$ 14,626,247

	2025		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2024	$ 26,230,544	$ 10,085,112	$ 16,145,432
Changes for the Year:			
Service Cost	210,047	-	210,047
Interest	1,691,038	-	1,691,038
Differences Between Expected and Actual Experience	69,201	-	69,201
Changes in Assumptions	(374,167)	-	(374,167)
Benefit Payments, Including Refund to Employee Contributions	(2,562,780)	(2,562,780)	-
Contributions - Employer	-	1,694,075	(1,694,075)
Contributions - Retiree	249,526	249,526	-
Net Investment Income	-	913,344	(913,344)
Administrative Expense	-	(46,942)	46,942
Net Changes	(717,135)	247,223	(964,358)
Balances - May 31, 2025	$ 25,513,409	$ 10,332,335	$ 15,181,074

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority for the year ended May 31, 2026, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 16,423,034	$ 14,626,247	$ 13,035,587

The following presents the net OPEB liability of the Authority for the year ended May 31, 2025 as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 17,003,022	$ 15,181,074	$ 13,573,327

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority for the year ended May 31, 2026, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (6.00% Decreasing to 3.04%)	Healthcare Cost Trend Rates (7.00% Decreasing to 4.04%)	1% Increase (8.00% Decreasing to 5.04%)
Net OPEB Liability	$ 12,913,953	$ 14,626,247	$ 16,560,563

The following presents the net OPEB liability of the Authority for the year ended May 31, 2025 as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.00%)	1% Increase (7.50% Decreasing to 5.00%)
Net OPEB Liability	$ 13,443,021	$ 15,181,074	$ 17,152,092

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

For the years ended May 31, 2026 and 2025, the Authority recognized OPEB expense of $1,083,008 and $627,192, respectively. At May 31, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,014,371	$ 1,012,881
Changes of Assumptions	766,889	330,778
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	-	1,164,342
Total	$ 1,781,260	$ 2,508,001

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 976,956	$ 1,791,632
Changes of Assumptions	675,778	424,785
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	-	95,646
Total	$ 1,652,734	$ 2,312,063

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

Year Ending May 31,	Amount
2027	$ (421,464)
2028	(481,577)
2029	11,932
2030	(15,132)
2031	87,158
Thereafter	92,342
Total	$ (726,741)

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actuarial results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive requirements and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2026, actuarial valuation, the frozen entry age normal actuarial funding method was used with a healthcare cost trend of 7.00% graded down by the Getzen Model to an ultimate rate of 4.04% annually and a discount rate of 6.75%.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2026, the date the financial statements were available to be issued.

On June 3, 2026, the Authority issued $70,455,000 (par value) of Water System Revenue Refunding Fortieth Series to refund $77,965,000 of certain maturities of the Thirty-second Series A and Series B. The refunding reduced total debt service payments by $6,192,561 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $5,413,646. The Authority deposited proceeds of the refunding portion and certain other cash amounts in escrow with the trustee and invested in State and Local Government Series (SLGS) such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the refunded bonds.

On July 2, 2026, the Authority issued $15,900,000 (par value) of Water System Revenue Bonds Forty-first Series. These bonds were used to partially fund the capital improvement plan and cost of issuance.

Prior to the closing of the AWA transaction to acquire Aquarion, the Authority had certain responsibilities and obligations under executed agreements. Any and all obligations of the Authority ceased at the closing of the transaction on June 30, 2026. Post-closing the Authority has been reimbursed for transaction related costs, shown as Due From Related Party on the accompanying Statements of Net Position, paid as of May 31, 2026, and accrued costs not yet paid by the Authority, as of the end of the fiscal year, were funded by AWA.

NOTE 15 REPORTING ENTITY

In 1999, the Authority established the Watershed Fund for the purpose of protecting watershed land that has a distinctive ecological significance through open space acquisition and environmental education. In November 2019 (fiscal 2020), the Authority approved a name change of the Watershed Fund to The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund).

In addition, in the Connecticut General Assembly's June 2024 Special Session, Special Act 24-01 was passed. This Act created the Aquarion Water Authority (AWA) and allowed for AWA to own and operate Aquarion Water Company if AWA was the successful bidder.

As of May 31, 2026, the Watershed Fund and AWA, legally separate entities, met the criteria for inclusion as blended component units of the Authority in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended.

The accompanying financial statements do not include the financial activity of the Watershed Fund and AWA. Accordingly, the reporting entity presented in these financial statements is not consistent with generally accepted accounting principles applicable to governmental entities regarding the inclusion of component units.

AWA reported total assets and liabilities of approximately $1.61 billion, respectively, for the year ended May 31, 2026. AWA reported total assets and liabilities of approximately $14.8 million, respectively, for the year ended May 31, 2025.

The Watershed Fund reported total assets of approximately $1.9 million, liabilities of $.2 million, and net position of $1.7 million for the year ended May 31, 2026. The Watershed Fund reported total assets of approximately $2.0 million, liabilities of $.2 million, and net position of $1.8 million for the year ended May 31, 2025. The change in net position for the Watershed Fund was $(81) thousand and $55 thousand for fiscal years 2026 and 2025, respectively.

These amounts have not been incorporated into the accompanying financial statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SALARIED PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability:										
Service Cost	$ 469,544	$ 490,576	$ 490,070	$ 503,924	$ 519,885	$ 507,879	$ 606,804	$ 729,789	$ 748,940	$ 656,669
Interest	3,637,030	3,564,304	3,473,849	3,469,492	3,356,740	3,311,644	3,178,341	2,997,121	2,925,239	2,930,761
Differences Between Expected and Actual Experience	155,005	1,438,047	1,005,788	(555,409)	1,098,396	808,104	1,090,249	1,923,819	166,471	979,655
Changes in Assumptions	-	(236,365)	-	-	83,789	914,472	279,005	(86,868)	(204,280)	(2,323,594)
Changes in Benefit Terms	-	-	-	-	-	236,540	-	140,281	-	10,131
Benefit Payments, Including Refunds of Member Contributions	(4,593,395)	(4,099,632)	(3,632,795)	(3,188,042)	(3,360,544)	(3,194,284)	(3,056,951)	(2,868,597)	(2,462,467)	(2,992,795)
Other	-	-	-	-	-	-	-	(11,600)	-	-
Net Change in Total Pension Liability	(331,816)	1,156,930	1,336,912	229,965	1,698,266	2,584,355	2,097,448	2,823,945	1,173,903	(739,173)
Total Pension Liability - Beginning	56,204,869	55,047,939	53,711,027	53,481,062	51,782,796	49,198,441	47,100,993	44,277,048	43,103,145	43,842,318
Total Pension Liability - Ending	55,873,053	56,204,869	55,047,939	53,711,027	53,481,062	51,782,796	49,198,441	47,100,993	44,277,048	43,103,145
Plan Fiduciary Net Position:										
Contributions - Employer	2,744,165	2,397,959	3,194,706	3,620,498	3,124,817	3,110,873	3,301,077	3,897,275	4,341,521	5,001,252
Contributions - Member	-	-	-	966	5,721	4,865	5,079	8,287	10,918	10,810
Net Investment Income (Loss)	8,483,820	4,313,830	5,790,716	(70,953)	(2,179,281)	8,657,377	1,679,215	852,590	2,372,221	2,810,914
Benefit Payments, Including Refunds of Member Contributions	(4,593,395)	(4,099,632)	(3,632,795)	(3,188,042)	(3,360,544)	(3,194,284)	(3,056,951)	(2,868,597)	(2,462,467)	(2,992,795)
Administrative Expense	(218,591)	(217,391)	(213,153)	(206,201)	(210,893)	(194,562)	(173,577)	(168,432)	(165,402)	(136,687)
Other	(819)	7,380	(8,356)	(13,668)	25,446	(614)	11,129	(23,335)	11,846	87,206
Net Change in Plan Fiduciary Net Position	6,415,180	2,402,146	5,131,118	142,600	(2,594,734)	8,383,655	1,765,972	1,697,788	4,108,637	4,780,700
Plan Fiduciary Net Position - Beginning	49,728,008	47,325,862	42,194,744	42,052,144	44,646,878	36,263,223	34,497,251	32,799,463	28,690,826	23,910,126
Plan Fiduciary Net Position - Ending	56,143,188	49,728,008	47,325,862	42,194,744	42,052,144	44,646,878	36,263,223	34,497,251	32,799,463	28,690,826
Net Pension Liability (Asset) - Ending	$ (270,135)	$ 6,476,861	$ 7,722,077	$ 11,516,283	$ 11,428,918	$ 7,135,918	$ 12,935,218	$ 12,603,742	$ 11,477,585	$ 14,412,319
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.48%	88.48%	85.97%	78.56%	78.63%	86.22%	73.71%	73.24%	74.08%	66.56%
Covered Payroll	$ 7,125,264	$ 7,521,702	$ 7,310,563	$ 7,574,236	$ 7,236,172	$ 7,388,009	$ 8,465,818	$ 9,160,530	$ 9,475,823	$ 9,290,589
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-3.79%	86.11%	105.63%	152.05%	157.94%	96.59%	152.79%	137.59%	121.12%	155.13%

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BARGAINING UNIT PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability:										
Service Cost	$ 83,459	$ 89,539	$ 102,166	$ 112,296	$ 129,241	$ 125,901	$ 120,416	$ 129,285	$ 143,110	$ 155,949
Interest	2,083,588	2,076,288	2,035,211	1,985,848	1,942,609	1,935,401	1,766,348	1,745,484	1,695,294	1,799,197
Differences Between Expected and Actual Experience	(561,719)	(507,861)	420,249	560,843	131,988	4,344	277,635	(41,862)	520,588	406,966
Changes in Assumptions	-	(73,182)	-	-	61,809	528,267	1,533,894	(50,037)	(242,533)	(2,610,404)
Changes in Benefit Terms	-	453,344	-	-	194,495	187,272	175,513	207,281	-	83,206
Benefit Payments, Including Refunds of Member Contributions	(1,912,372)	(1,889,592)	(1,883,779)	(1,863,195)	(1,726,421)	(1,676,840)	(1,469,406)	(1,611,414)	(1,446,301)	(1,328,633)
Other	-	-	-	-	-	-	-	(9,505)	-	-
Net Change in Total Pension Liability	(307,044)	148,536	673,847	795,792	733,721	1,104,345	2,404,400	369,232	670,158	(1,493,719)
Total Pension Liability - Beginning	32,050,315	31,901,779	31,227,932	30,432,140	29,698,419	28,594,074	26,189,674	25,820,442	25,150,284	26,644,003
Total Pension Liability - Ending	31,743,271	32,050,315	31,901,779	31,227,932	30,432,140	29,698,419	28,594,074	26,189,674	25,820,442	25,150,284
Plan Fiduciary Net Position:										
Contributions - Employer	977,944	1,083,864	1,805,294	1,556,441	1,229,525	1,154,931	1,314,032	1,239,632	1,519,216	2,175,166
Contributions - Member	-	-	-	-	-	450	-	-	-	-
Net Investment Income (Loss)	5,123,502	2,627,136	3,439,211	(30,364)	(1,316,436)	5,370,416	1,042,147	508,851	1,656,511	2,021,684
Benefit Payments, Including Refunds of Member Contributions	(1,912,372)	(1,889,592)	(1,883,779)	(1,863,195)	(1,726,421)	(1,676,840)	(1,469,406)	(1,611,414)	(1,446,301)	(1,328,633)
Administrative Expense	(135,294)	(106,258)	(139,731)	(117,849)	(128,392)	(125,230)	(108,698)	(111,091)	(123,799)	(101,257)
Other	-	15,190	(14,752)	(9,558)	18,815	848	8,727	(19,010)	10,270	46,960
Net Change in Plan Fiduciary Net Position	4,053,780	1,730,340	3,206,243	(464,525)	(1,922,909)	4,724,575	786,802	6,968	1,615,897	2,813,920
Plan Fiduciary Net Position - Beginning	29,731,747	28,001,407	24,795,164	25,259,689	27,182,598	22,458,023	21,671,221	21,664,253	20,048,356	17,234,436
Plan Fiduciary Net Position - Ending	33,785,527	29,731,747	28,001,407	24,795,164	25,259,689	27,182,598	22,458,023	21,671,221	21,664,253	20,048,356
Net Pension Liability (Asset) - Ending	$ (2,042,256)	$ 2,318,568	$ 3,900,372	$ 6,432,768	$ 5,172,451	$ 2,515,821	$ 6,136,051	$ 4,518,453	$ 4,156,189	$ 5,101,928
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.43%	92.77%	87.77%	79.40%	83.00%	91.53%	78.54%	82.75%	83.90%	79.71%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
SALARIED PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 1,621,205	$ 1,709,097	$ 1,858,865	$ 1,924,696	$ 2,142,513	$ 2,089,386	$ 2,390,534	$ 2,379,603	$ 2,648,702	$ 3,356,514
Contributions in Relation to the Actuarially Determined Contribution	2,744,165	2,397,959	3,194,706	3,620,498	3,124,817	3,110,873	3,301,077	3,897,275	4,341,521	5,001,252
Contribution Excess	$ (1,122,960)	$ (688,862)	$ (1,335,841)	$ (1,695,802)	$ (982,304)	$ (1,021,487)	$ (910,543)	$ (1,517,672)	$ (1,692,819)	$ (1,644,738)
Covered Payroll	$ 7,125,264	$ 7,521,702	$ 7,310,563	$ 7,574,236	$ 7,236,172	$ 7,388,009	$ 8,465,818	$ 9,160,530	$ 9,475,823	$ 9,290,589
Contributions as a Percentage of Covered Payroll	38.51%	31.88%	43.70%	47.80%	43.18%	42.11%	38.99%	42.54%	45.82%	53.83%

Notes to Schedule:

Valuation Date: January 1, 2026
Measurement Date: May 31, 2026
Calculated as the normal cost as of January 1, prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:
Actuarial Cost Method: Aggregate Actuarial Cost Method
Normal Cost: Determined in the aggregate equal to the actuarial present value of future normal cost divided by a temporary annuity. The actuarial present value of future normal cost equals the actuarial present value of future benefits less the adjusted actuarial value of plan assets. The temporary annuity equals the total actuarial present value of future compensation divided by the total compensation for all participants who have not reached their assumed retirement age.

Asset Valuation Method: An actuarial smoothing method based on market value of assets plus 75% of expected returns.
Inflation: 3.00%
Salary Increases: 4.00%
Investment Rate of Return: 6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age

Age	Rate
55-59	5%
60-64	10%
65-69	20%
70	100%

Rule of 80 Retirement Rates:

55-60	8%
61-70	8%

Mortality: Assumed life expectancies were calculated using the PubG-2016 Above Median Employee / Above Median Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
BARGAINING UNIT PLAN
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 600,904	$ 771,946	$ 1,062,438	$ 912,974	$ 1,077,926	$ 1,081,857	$ 840,922	$ 918,295	$ 1,126,333	$ 1,815,386
Contributions in Relation to the Actuarially Determined Contribution	977,944	1,083,864	1,805,294	1,556,441	1,229,525	1,154,931	1,314,032	1,239,632	1,519,216	2,175,166
Contribution Excess	$ (377,040)	$ (311,918)	$ (742,856)	$ (643,467)	$ (151,599)	$ (73,074)	$ (473,110)	$ (321,337)	$ (392,883)	$ (359,780)
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date	January 1, 2026
Measurement Date	May 31, 2026

Calculated as the normal cost as of January 1 prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate Actuarial Cost Method
Normal Cost	Determined in the aggregate equal to the actuarial present value of future benefits less assets less present value of projected employee contributions less unfunded liability divided by a temporary annuity. The temporary annuity equals the actuarial present value of future service divided by the current number for those active participants who have not reached their assumed retirement age.
Asset Valuation Method	An actuarial smoothing method based on market value of assets plus 75% of expected returns.
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age

Age	Rate
55-64	2%
65-69	20%
70	100%

Rule of 80 Retirement Rates:	
55-60	9%
61-70	9%

Mortality: Assumed life expectancies were calculated using the PubG-2016 Total Employee / Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS – PENSION
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
SALARIED PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.42%	9.30%	13.83%	(0.17)%	(4.90)%	23.96%	4.86%	2.59%	8.03%	11.29%
BARGAINING UNIT PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.55%	9.59%	13.93%	(0.12)%	(4.90)%	24.26%	4.84%	2.41%	8.32%	11.47%

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST NINE FISCAL YEARS*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:									
Service Cost	$ 232,250	$ 210,047	$ 159,742	$ 193,996	$ 201,622	$ 221,700	$ 237,267	$ 269,556	$ 248,822
Interest	1,643,463	1,691,038	1,614,801	1,697,088	1,763,676	1,737,439	1,820,624	2,004,070	1,939,224
Differences Between Expected and Actual Experience	292,980	69,201	1,321,755	(2,124,593)	(1,108,387)	(862,322)	(1,439,393)	(4,053,660)	981,536
Changes in Assumptions	583,839	(374,167)	136,564	431,098	(266,012)	1,932,640	(1,813)	620,017	(139,795)
Benefit Payments, Including Refunds of Member Contributions	(2,284,499)	(2,562,780)	(2,213,576)	(1,711,375)	(1,815,778)	(1,818,909)	(1,988,168)	(1,749,662)	(2,060,052)
Contributions - Retiree	324,461	249,526	236,069	220,215	207,483	209,092	213,385	197,813	-
Net Change in Total OPEB Liability	792,494	(717,135)	1,255,355	(1,293,571)	(1,017,396)	1,419,640	(1,158,098)	(2,711,866)	969,735
Total OPEB Liability - Beginning	25,513,409	26,230,544	24,975,189	26,268,760	27,286,156	25,866,516	27,024,614	29,736,480	28,766,745
Total OPEB Liability - Ending	26,305,903	25,513,409	26,230,544	24,975,189	26,268,760	27,286,156	25,866,516	27,024,614	29,736,480
Plan Fiduciary Net Position:									
Contributions - Employer	1,570,423	1,694,075	1,640,907	1,737,894	1,734,198	1,855,418	2,027,798	2,310,104	2,289,292
Contributions - Retiree	324,461	249,526	236,069	220,215	207,483	209,092	213,385	197,813	187,448
Net Investment Income	1,785,398	913,344	1,214,469	(35,715)	(500,640)	1,788,634	310,380	189,085	441,966
Benefit Payments, Including Refunds of Member Contributions	(2,284,499)	(2,562,780)	(2,213,576)	(1,711,375)	(1,815,778)	(1,818,909)	(1,988,168)	(1,749,662)	(2,060,052)
Administrative Expense	(48,462)	(46,942)	(51,078)	(44,553)	(46,975)	(42,645)	(35,761)	(37,451)	(35,081)
Net Change in Plan Fiduciary Net Position	1,347,321	247,223	826,791	166,466	(421,712)	1,991,590	527,634	909,889	823,573
Plan Fiduciary Net Position - Beginning	10,332,335	10,085,112	9,258,321	9,091,855	9,513,567	7,521,977	6,994,343	6,084,454	5,260,881
Plan Fiduciary Net Position - Ending	11,679,656	10,332,335	10,085,112	9,258,321	9,091,855	9,513,567	7,521,977	6,994,343	6,084,454
Net OPEB Liability - Ending	$ 14,626,247	$ 15,181,074	$ 16,145,432	$ 15,716,868	$ 17,176,905	$ 17,772,589	$ 18,344,539	$ 20,030,271	$ 23,652,026
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.40%	40.50%	38.45%	37.07%	34.61%	34.87%	29.08%	25.88%	20.46%
Covered Payroll **	$ 33,126,912	$ 31,277,327	$ 27,208,819	$ 24,864,685	$ 25,767,991	$ 23,405,010	$ 24,118,465	$ 23,941,245	$ 23,217,114
Net OPEB Liability as a Percentage of Covered Payroll	44.15%	48.54%	59.34%	63.21%	66.66%	75.93%	76.06%	83.66%	101.87%

*Note: This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

**See RSI-5 for covered payroll associated with death benefit only participants.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS

	2026		2025		2024		2023		2022		2021		2020		2019		2018		2017
Actuarially Determined Contribution (1)	$ 1,425,063		$ 1,478,632		$ 1,394,564		$ 1,543,626		$ 1,598,057		$ 1,662,556		$ 1,851,431		$ 2,175,583		$ 2,143,071		$ 2,486,586
Contributions in Relation to the Actuarially Determined Contribution	1,570,423		1,694,075		1,640,907		1,737,894		1,734,198		1,855,418		2,027,798		2,310,104		2,289,292		2,301,583
Contribution Deficiency (Excess)	$ (145,360)		$ (215,443)		$ (246,343)		$ (194,268)		$ (136,141)		$ (192,862)		$ (176,367)		$ (134,521)		$ (146,221)		$ 185,003
Covered Payroll	33,126,912	(10)	$ 31,277,327	(9)	$ 27,208,819	(8)	$ 24,864,685	(7)	$ 25,767,991	(6)	$ 23,405,010	(5)	$ 24,118,465	(4)	$ 23,941,245	(3)	$ 23,217,114	(2)	N/A
Contributions as a Percentage of Covered Payroll	4.74%		5.42%		6.03%		6.99%		6.73%		7.93%		8.41%		9.65%		9.86%		N/A

(1) Actuarially determined contributions prior to fiscal year ended May 31, 2018, are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.
(2) Includes covered payroll of $7,250,466 associated with death benefit only participants.
(3) Includes covered payroll of $8,599,668 associated with death benefit only participants.
(4) Includes covered payroll of $10,883,465 associated with death benefit only participants.
(5) Includes covered payroll of $10,473,676 associated with death benefit only participants.
(6) Includes covered payroll of $12,310,635 associated with death benefit only participants.
(7) Includes covered payroll of $12,247,686 associated with death benefit only participants.
(8) Includes covered payroll of $15,321,269 associated with death benefit only participants.
(9) Includes covered payroll of $19,388,804 associated with death benefit only participants.
(10} Includes covered payroll of $21,589,326 associated with death benefit only participants.

Notes to Schedule:

Valuation Date: January 1, 2026
Measurement Date: May 31, 2026
Calculated as the normal cost as of January 1, prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Fair Value of Assets as of the Measurement Date.
Salary Scale	4.00%
Investment Rate of Return	6.75%, Net of OPEB Plan Investment Expense, Including Inflation
Retirement Age	Retirement eligibility is (a) age 65 with 10 years of service or (b) 80 points (age plus service) with at least 10 years of service. Pre-age 65 retirements based on percentages.
Mortality	Assumed life expectancies were calculated using the 2016 Public Sector Retirement Plans Mortality table for Above average salary general employee populations with MP-2021 mortality improvement scale.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS – OPEB
LAST NINE FISCAL YEARS*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Annual Money-Weighted Rate of Return, Net of Investment Expense	17.65%	9.37%	13.40%	-0.39%	-5.24%	23.46%	4.37%	2.93%	8.11%

*Note: This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

FEDERAL SINGLE AUDIT REPORT

YEAR ENDED MAY 31, 2026

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Connecticut Regional Water Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on South Central Connecticut Regional Water Authority's major federal programs for the year ended May 31, 2026. South Central Connecticut Regional Water Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Connecticut Regional Water Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements*, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Connecticut Regional Water Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Central Connecticut Regional Water Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to South Central Connecticut Regional Water Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Central Connecticut Regional Water Authority 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Central Connecticut Regional Water Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Central Connecticut Regional Water Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of South Central Connecticut Regional Water Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and fiduciary activities of South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2026, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements. We have issued our report thereon dated September 15, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 15, 2026

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2026

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Project Name	Pass-Through Entity Identifying Number	Total Federal Expenditures
Environmental Protection Agency				
Passed Through the State of Connecticut Department of Public Health:				
Capitalization Grants for Drinking Water State Revolving Funds:				
	66.468	Lake Gaillard WTP Clarifier Project - Subsidy	2025-7135	$ 1,500,000
	66.468	Lake Gaillard WTP Clarifier Project - Loan	2025-7135	2,621,713
	66.468	Lead Service Line Project - Subsidy	2025-5011 (IFO)	5,000,000
	66.468	Lead Service Line Project - Loan	2025-5011 (IFO)	653,429
Total Capitalization Grants for Drinking Water State Revolving Funds:				9,775,142
Direct:				
Congressionally Mandated Projects:				
	66.202	Lake Gaillard HVAC and Electrical Improvements Project	N/A	1,378,675
Total Environmental Protection Agency:				11,153,817
Department of Agriculture				
Direct:				
Cooperative Forestry Assistance:	10.664	Landscape Scale Restoration for Bat Hibernaculum	N/A	19,900
Total Expenditures of Federal Awards				$ 11,173,717

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of South Central Connecticut Regional Water Authority, under programs of the federal government for the year ended May 31, 2026. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of South Central Connecticut Regional Water Authority, it is not intended to, and does not, present the financial position, changes in net position or cash flows of South Central Connecticut Regional Water Authority.

Basis of Accounting

Expenditures reported on the Schedule are reported using the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RECOVERY

The South Central Connecticut Regional Water Authority has elected not to use the de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

The South Central Connecticut Regional Water Authority did not provide any federal funds to subrecipients for the year ended May 31, 2026.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

We have audited, in accordance with the 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, the financial statements of the business-type activities and fiduciary activities of South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2026, and the related notes to the financial statements, which collectively comprise the South Central Connecticut Regional Water Authority's basic financial statements, and have issued our report thereon dated September 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Connecticut Regional Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Connecticut Regional Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 15, 2026

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2026

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported
3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported
2. Type of auditors' report issued on compliance for federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? __x__ yes ______ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

South Central Connecticut Regional Water Authority

Environmental, Health & Safety Committee

May 28, 2026

Minutes

The regular meeting of the Environmental, Health & Safety Committee of the South Central Connecticut Regional Water Authority ("RWA") took place on Thursday, May 28, 2026, at 90 Sargent Drive, New Haven, Connecticut and via remote access. Chair Ricozzi presided.

Committee Present – Messrs. Ricozzi, Borowy, Cort, and Mss. LaMarr and Sack
Committee Absent – Mr. Curseaden
Management – Mss. Kowalski, and Calo(R), and Messrs. Lakshminarayanan, Hill(R), and Singh
RPB – Mr. Jaser
Staff – Mrs. Slubowski

5. MEET AS ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE

The Chair called the meeting to order at 3:06 p.m.

5.1 APPROVE MINUTES – MARCH 26, 2026 MEETING

On motion made by Ms. LaMarr and seconded by Ms. Sack, the Committee voted to approve the minutes of its meeting held on March 26, 2026.

Borowy	Aye
Cort	Aye
Curseaden	Absent
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

5.2 INTERIM LEGISLATIVE SESSION UPDATE

Chair Ricozzi noted that a legislative update memorandum was distributed to Authority members. He reported that House Bill 5249, which proposed restructuring the Authority Board to provide majority control to the Aquarion Water Authority, did not advance and died in the House without a vote.

He also stated that new legislation requires the Department of Energy and Environmental Protection ("DEEP") to provide training for inland wetlands commissions on riparian areas protection, reflecting the work of the Riparian Buffers Working Group, on which RWA serves.

5.3 WATER QUALITY ISSUES UPATE

Committee members received a PFAS update, which included:

- Monitoring
- Pilot at South Cheshire Well Field
- Class actions
- Certification and regulation
- Water quality emerging issues

Committee members discussed source protection, contamination regulations, high hazard applications, notifications, prevention, and town controls.

5.4 FY 2027 COMMITTEE WORK PLAN

The committee reviewed its FY2027 work plan and discussed moving the invasive species update to the post-season period for FY 2028.

At 3:18 p.m., on motion made by Ms. Sack and seconded by Ms. LaMarr, the Committee voted to adjourn.

Borowy	Aye
Cort	Aye
Curseaden	Absent
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

____
Mario Ricozzi, Chair

(R) = Attended remotely.

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203-562-4020
http://www.rwater.com

To: Authority Environmental, Health & Safety Committee
David J. Borowy
Kevin J. Curseaden
Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack
Todd Cort

Cc: Michael Freda, CEO
Sunder Lakshminarayanan, President
Victor Benni, Director – Engineering/Environmental Services

From: Josh Tracy, Forester II & Drone Manager,
William Henley, Sr. Aquatic Resource Scientist

Date: September 10, 2026

Subject: Terrestrial and Aquatic Invasive Plant Update

Terrestrial Invasive Plant Species

Background
Since 2018, RWA has managed invasive species across its 28,000-acre watershed to protect water quality and wildlife habitats, using tailored mechanical, chemical, and steam treatments. To date, the priority program has documented over 5,800 infested acres and treated nearly 750 acres total–with 11 acres documented and 21 acres treated since the start of 2026 targeting destructive widespread species like Japanese barberry, stilt grass, and oriental bittersweet.

Year (Calendar)	Acres Documented	Acres treated
2026	19	20.3
2018-Current	5,845	741

Special projects
RWA is testing three eco-friendly methods to clear destructive invasive plants without relying heavily on standard chemical sprays. First, a contractor uses a mini excavator to pull mature Japanese barberry bushes straight out of the ground, successfully clearing six acres at Lake Gaillard with minimal regrowth. Second, using a grant-funded steam weeder, we are searing invasive grasses with 255°F heat along the Lake Gaillard roadway leading to our protected bat habitat. Finally, for stubborn weeds on the Saltonstall Ridge that cannot be mowed or pulled, we are testing ultra-low doses of herbicides to stop herbaceous invasive plants from spreading their seeds in the wind.

Aquatic Invasive Plant Species

Background
RWA manages various waterbodies containing native aquatic vegetation (macrophytes) that is vital for maintaining ecological balance. These diverse plant communities support fish and wildlife while actively improving water quality through oxygen production and nutrient uptake.

Invasive Aquatic Plant Management

In 2017, the RWA found an aggressive floating weed called water chestnut in Lake Saltonstall's Furnace Pond. These plant typically grow into thick mats choking out oxygen, heating up the water, and trap muck, which degrades water quality and harms aquatic life. To stop it from spreading into the main reservoir, RWA has been using a mechanical harvester every year since 2020 to scoop the weeds out of the water. This consistent cleanup is working, and a visible drop in the amount of water chestnut in the pond has been observed.

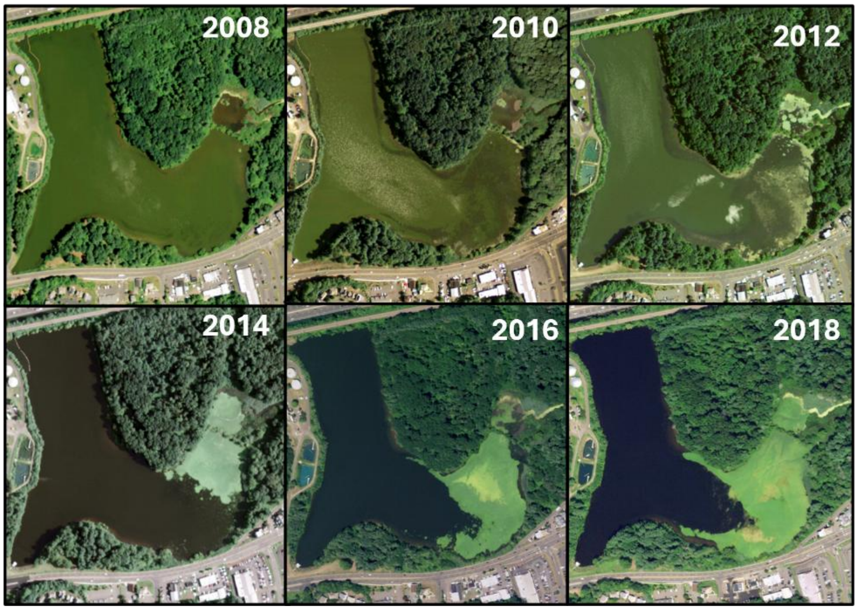

Figure 1: Historic aerial imagery showing plant invasion

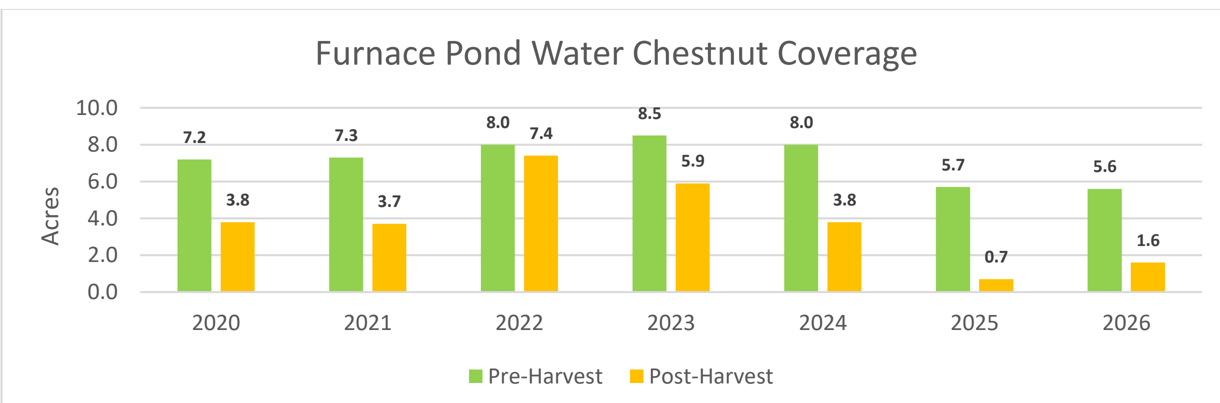

Figure 2: Plant coverage before/after annual management efforts

RWA recently found water chestnut in the Lake Whitney reservoir. Because the weed is tangled up with our helpful native plants, RWA exercises extra caution during cleanups. Creating a full, careful plan to protect the lake from this invasion has been a top priority.

Mitigating Actions

To arrest new invasive species before they start, RWA closely watches and cleans all boats and gear entering our waters. Contractors, researchers, and state workers must sterilize their equipment and sign a form with proof. RWA limits public access to our waterbodies to prevent accidental introductions. Finally, RWA regularly works with state experts and scientists to survey aquatic plants, track new threats, and make sure best practices and protection methods are deployed.

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http://www.rwater.com

To: Authority Environmental, Health & Safety Committee
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Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack
Todd Cort

Cc: Michael Freda, CEO
Sunder Lakshminarayanan, President
Victor Benni, Director – Engineering/Environmental Services

From: Casey Cordes, Forester II
Joshua Tracy, Forester II & Drone Manager

Date: September 10, 2026

Subject: Regional Water Authority Forestry Update

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1. Forest Management and Tax Strategy
Active forest management has been a core priority since 1904, when a partnership with the Yale School of Forestry began reclaiming agricultural land. Today, with the watershed fully forested, the program maintains ecosystem health through selective harvesting and aggressive invasive species removal—ensuring a thriving forest that naturally protects clean drinking water for RWA customers.

   To manage these properties cost-effectively, RWA utilizes Connecticut Public Act 490, which lowers property taxes by assessing land based on its environmental use rather than its peak development value. RWA foresters maintain the required certifications to manage this program. Consequently, as our *Land We Need for the Water We Use* initiative looks to acquire an additional 3,000 acres of private watershed land, we are prioritizing properties that qualify for PA-490 to keep payment-in-lieu-of-taxes (PILOT) costs to a minimum.

2. Firewood Program
RWA leases small woodlots to residents and commercial harvesters, generating community goodwill and specialty product sales. While operators harvest unique items like sugar maple sap, sassafras branches, and witch hazel stems, most participants are residents who collectively harvest about 300 cords of personal firewood annually. To boost participation, RWA recently created a promotional brochure for distribution at upcoming community events.

3. Tree Planting
RWA continues its strategic tree-planting programs, focusing on land restoration, infrastructure project follow-ups, and introducing climate-resilient tree species. To maximize efficiency during the spring planting window, RWA engages recreation permit holders as volunteers, fostering community stewardship. In FY26, volunteers successfully planted over 2,000 trees across four distinct sites, including the annual planting at Lake Gaillard's Christmas tree farm.

4. <u>Slash wall Harvests</u>
   Slash walls are a cost-effective, low-maintenance alternative to deer fencing. Built from low-value logging debris, these barriers exclude deer for a decade or more, allowing young trees to safely grow past the browse line before the wood naturally degrades. Our newest slash wall will be constructed at Lake Saltonstall. It will protect approximately 40 acres and host an environmental soil study conducted by a Yale graduate student.

Slash wall, Seymour CT

5. Grants
   A federally funded Landscape Scale Restoration grant focuses on the 7,000-acre forest around Lake Gaillard, a critical habitat for three protected bat species. The project utilizes a three-pronged approach: controlling invasive plants, conducting state-funded bat surveys, and designing timber treatments to improve bat foraging grounds. Recently, grant funds were used to hire technicians to mark a timber harvest at Lake Saltonstall and operate a steam weeder for invasive plant management.

Example of steam weeder trailer

Saturated steam head in action

The Advancing Markets for Producers (AMP) grant, funded by the USDA through the New England Forestry Foundation (NEFF), supports commercial landowners in improving forest health and timber productivity. This project covers comprehensive management practices. Funded partially by the grant on a reimbursement basis for completed work, the remaining costs will cover forester, technician, and contractor time. The goal is to enhance forest ecosystem health, increase timber productivity, and protect water quality. Work is anticipated to begin in winter.

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To: Authority Environmental, Health & Safety Committee
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Todd Cort

Cc: Michael Freda, CEO
Sunny Lakshminarayanan, President
Victor Benni, Director – Engineering/Environmental Services

From: Steve Vitko, Environmental Planning Manager
William Henley, Sr. Aquatic Resource Scientist

Date: September 1, 2026

Subject: Connecticut Stream Flow Standards & Compliance Update

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Regulated Release Requirement History

Connecticut established its first streamflow standards in 1979 to ensure dams released enough water to protect stocked fish populations. To modernize these rules, the Connecticut General Assembly passed Public Act 05-142 in 2005. This law required the Department of Environmental Protection to update its regulations using modern science and to protect all rivers and streams, not just those stocked with fish. The resulting Stream Flow Standards and Regulations were officially adopted in December 2011. Following a multi-year, phased implementation period, our mandatory water releases at RWA officially went into effect on September 6, 2026.

Release Purpose

Water releases from our dams are essential to keeping downstream ecosystems healthy, especially during high-demand periods when the reservoir doesn't naturally overflow. These managed releases supply vital oxygen to the water, protect wildlife habitats, and mimic natural river flows.

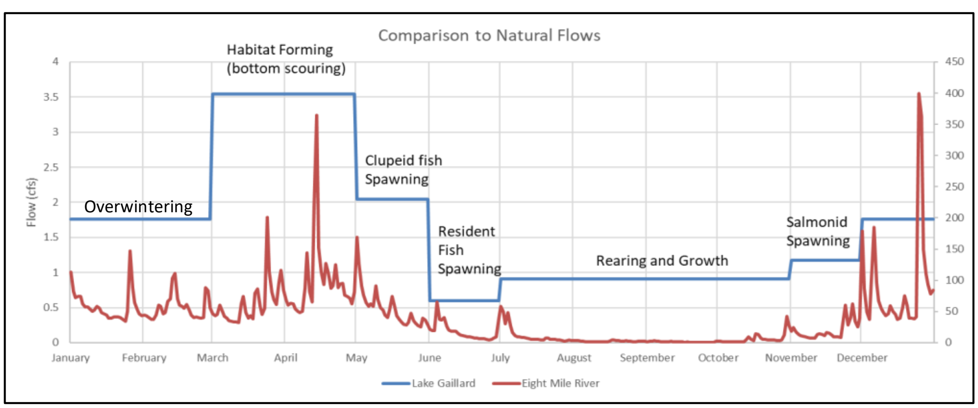

Figure 1: Graph showing how variable release from the Gaillard reservoir (Blue) mimics natural streamflow (Red).

RWA Required Releases

Releases are determined in part by watershed size, local water consumption, and distance between waterbodies. Within this framework, RWA operates nine regulated release sites. Four sites require multi-level releases and five require single-level releases. The multi-level sites require active management, meaning staff must periodically adjust water flows to navigate seasonal changes, wet or dry periods, or drought conditions using pre-approved offramps. In contrast, the single-level sites require minimal manual intervention and simply maintain a continuous, steady low-flow release year-round.

Single Level Release Sites	Variable Release Sites
Lake Bethany (Bethany)	Lake Dawson (Woodbridge)
Lake Watrous (Woodbridge)	Lake Gaillard (North Branford)
Farm River Diversion (East Haven)	Lake Hammonasset (Killingworth)
Farm River Diversion (North Branford)	Menunketuc Reservoir (Guilford)
Iron Works Stream Diversion (Madison)	

Figure 2: Table of release sites by dam.

Pathway to Compliance

- In 2019, system modeling was completed to evaluate the impacts of the new streamflow release requirements and confirm that adequate safe yield would be maintained to meet current and future customer demand.
  - Accounting for the new streamflow release requirements, system safe yield is projected to decrease by 5.8 million gallons per day (8.5%) from the 2019 safe yield estimate.
  - Reduced impact to safe yield is anticipated with proper system operation, specifically, optimized use of the Lake Whitney Water Treatment Plant.
- Between 2023 and 2024, RWA created streamflow release plans for all regulated sites. To support these plans there were options discussed to upgrade infrastructure at four locations. These improvements included modifying dam structures and installing weirs, which were essential for measuring water flow accurately and ensuring full compliance with state regulations.
- In 2024, RWA's release plan was submitted to our regulators, the Connecticut Department of Energy and Environmental Protection (DEEP)
- In 2025, a pilot streamflow program was launched to evaluate staffing needs, operational impacts, and potential compliance hurdles. This proactive testing provided crucial insights into long-term resource requirements. State regulators highly commended the initiative, noting we were the only organization in Connecticut to test these new requirements before they became mandatory.
- In 2026, CT DEEP began approving RWA's streamflow release plans on a site-specific basis. As of August, approximately 90% of required plans had received regulatory approval, reflecting substantial progress toward full compliance with the new streamflow standards.

RWA remains confident that our current framework and operations will meet all regulatory streamflow requirements. We are managing these required releases carefully to ensure no extra water is lost. Moving forward, we will evaluate and deploy new technologies—such as remote cameras and water level sensors—to automate operations, lower labor requirements, and prevent accidental over-releases.

South Central Connecticut Regional Water Authority

August 27, 2026

Meeting Minutes

The regular meeting of the South Central Connecticut Regional Water Authority ("RWA" or "Authority") took place on Thursday, August 27, 2026, at the South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut, and via remote access. Chair Borowy presided.

Present: **Authority** – Messrs. Borowy, Cort, Curseaden and Ricozzi(R), and Ms. LaMarr and Sack(R)
RWA Management – Messrs. Lakshminarayanan, Singh(R), and Hill(R) and Mss. Kowalski and Calo(R)
Aquarion Water Authority – Ms. Teixeira
JASSA Professional Services, LLC – Dr. Whiskeyman
RPB – Mr. Havrda
Staff – Ms. Slubowski(R)

1. CALL TO ORDER

Chair Borowy called the meeting to order at 1:28 p.m.

1.1 SAFETY MOMENT

He reviewed the Safety Moment distributed to members. He reported 100% attendance.

2. PUBLIC COMMENT

Chair Borowy offered the opportunity for members of the public to comment. There were no members of the public present.

3. MEET AS SOLE MEMBER OF THE CLAIRE C. BENNITT WATERSHED FUND (WSF)

Chair Borowy reported that Mr. Stone, President of the Claire C. Bennitt Watershed Fund ("WSF"), was unable to attend the meeting. In his absence, Ms. LaMarr, WSF Director, reported on the WSF annual golf tournament and commented on the opportunity to meet with the FY2026 scholarship recipients.

Ms. LaMarr further reported that five WSF Directors were eligible for reappointment: Messrs. Geballe and Mutonji, Rev. Scott, and Mses. LaMarr and Simeone. Each has expressed a willingness to continue serving on the Board. Authority members received copies of their biographies, along with the WSF Annual Report, as part of the meeting package.

Mr. Ricozzi, moved for approval of the following resolution:

> **RESOLVED**, that the following persons be, and hereby are, reappointed as Directors of the Claire C. Bennitt Watershed Fund, Inc. to serve in such capacity until the annual meeting of the sole Member in 2029, or until they otherwise lawfully cease to hold such office: Gordon Geballe, Catherine E. LaMarr, Marco Mutonji, Rev. Prof. John Henry Scott, and Rebecca Simeone.

Ms. Sack stated for the record that the board appreciates the work of the WSF and its directors. She seconded the motion and the board approved the appointments unanimously.

Borowy	Aye
Cort	Aye
Curseaden	Aye
LaMarr	Abstain
Ricozzi	Aye
Sack	Aye

4. CONSENT AGENDA

On motion made by Ms. LaMarr and seconded by Mr. Curseaden, the Authority voted to approve, adopt, or receive, as appropriate, the following items:

4.1 Minutes of the July 23, 2026 regular meeting.

4.2 Capital budget authorization for September 2026.

RESOLVED, that the Chief Financial Officer for the Regional Water Authority & Aquarion Water Authority is authorized to submit to the Trustee one or more requisitions in an aggregate amount not to exceed $5,600,000 for the month of September 2026 for transfer from the Construction Fund for capital expenditures. Each such requisition shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate amount budgeted for Fiscal Year 2027 for all Capital Improvement Projects to be exceeded. In the absence of the Chief Financial Officer for the Regional Water Authority & Aquarion Water Authority, is authorized to sign in her place.

4.3 Capital Budget Transfer Notifications for September 2026.

4.4 Monthly Financial Report for July 2026.

4.5 Accounts Receivable Update for July 2026.

4.6 RPB Land Use Committee Special Topic: Sugar Loaf Recreation Area Update

Borowy	Aye
Cort	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

Ms. LaMarr stated her appreciation for the trending down of accounts receivables.

5. RPB COMMITTEE MEETING REPORTS

Authority members reported on recent Representative Policy Board committee meetings.

6. PRESIDENT'S REPORT

6.1 MONTHLY BUSINESS HIGHLIGHTS

Mr. Lakshminarayanan, RWA President, reported the following:

1. The FY2026 year-end audit is currently underway. A draft of the annual report letter has been forwarded to the Authority Chair and Representative Policy Board Chair for review.
2. The week of August 10th was recognized as OSHA's Safe + Sound Week, to raise awareness of workplace safety and promote safe work practices.
3. Unaccounted-for water is currently at approaching the target of 10%.

7. MEET AS STRATEGIC PLANNING COMMITTEE

At 1:41 p.m., on motion made by Mr. Curseaden and seconded by Mr. Cort, the Authority voted to recess the regular meeting to meet as the Strategic Planning Committee.

Borowy	Aye
Cort	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

At 2:09 p.m., the Authority reconvened.

8. ACT ON MATTERS ARISING FROM COMMITTEE MEETING

Chair Borowy stated it would be appropriate to move Item #9, *Act on matters arising from committee meetings*, to Item #8.

Following the Strategic Planning Committee, Ms. Sack stated that the Committee met with Dr. Whiskeyman, to review the Authority's Strategic Plan. After discussion, the Committee recommended the adoption of the Strategic Plan by the Authority. On motion made by Ms. Sack and seconded by Ms. LaMarr, the Authority voted unanimously to adopt the Authority's Strategic Plan, as presented, for the reasons discussed at the Strategic Planning Committee meeting.

Borowy	Aye
Cort	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

9. MEET AS COMMERCIAL BUSINESS COMMITTEE

At 2:10 p.m., on motion made by Mr. Curseaden and seconded by Mr. Cort, the Authority voted to recess the regular meeting to meet as the Commercial Business Committee.

Borowy	Aye
Cort	Aye

Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

At 2:51 p.m., the Authority reconvened, and on motion made by Ms. LaMarr and seconded by Mr. Curseaden, the Authority voted unanimously to adjourn the meeting.

Borowy	Aye
Cort	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

Respectfully submitted,

____
Catherine E. LaMarr, Secretary

(R) = Attended Remotely.

Regional Water Authority

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203.562.4020
http://www.rwater.com

MEMORANDUM

TO: David J. Borowy
Todd Cort
Kevin J. Curseaden
Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack

FROM: Rochelle Kowalski
Chief Financial Officer for Regional Water Authority & Aquarion Water Authority

DATE: September 18, 2026

SUBJECT: Capital budget authorization request for October 2026

Attached for your meeting on September 24, 2026, is a copy of the resolution authorizing expenditures against the capital improvement budget for October 2026. The amount of the requested funds held by the trustee is $4,200,000.

In addition, approximately $1,000 is expected to be used for the HSV Enhancements & CMS Upgrade project from the Growth Fund.

This would result in projected expenditure through October 2026 of $22,974,763 or approximately 38.5% of the total 2027 fiscal year budget, including State and Redevelopment.

Attachment

RESOLVED That the Chief Financial Officer for Regional Water Authority & Aquarion Water Authority is authorized to submit to the Trustee one or more requisitions in an aggregate amount not to exceed $4,200,000 for the month of October 2026 for transfer from the Construction Fund for capital expenditures. Each such requisition shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate amount budgeted for fiscal year 2027 for all Capital Improvement Projects to be exceeded. In the absence of the Chief Financial Officer for the Regional Water Authority & Aquarion Water Authority, the Controller is authorized to sign in her place.

South Central Regional Water Authority

Analysis of Accounts Receivable ("A/R")
($000 omitted)

Total Accounts Receivable Aging (in days)

	Aug 2026	July 2026	June 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026	Dec 2025	Nov 2025	Oct 2025	Sept 2025	Aug 2025
Under 30	8,568	9,587	7,435	7,127	6,811	7,331	8,099	6,847	7,107	8,314	7,898	7,627	9,126
31-60	1,599	1,492	1,360	1,366	1,464	1,701	1,471	1,339	1,615	1,778	1,737	1,664	1,685
61-90	799	666	732	833	754	729	703	761	793	884	981	729	1,030
91-180	1,240	1,168	1,219	1,101	1,075	1,141	1,281	1,272	1,359	1,053	1,458	1,357	1,423
181-360	1,052	952	1,006	1,060	1,124	1,240	1,159	1,182	1,189	1,169	1,155	1,061	1,211
More than 1 year	2,642	2,636	2,645	2,759	2,842	3,006	2,815	2,860	2,836	2,937	2,898	2,782	2,859
Sub Total	15,900	16,501	14,397	14,246	14,070	15,148	15,528	14,261	14,899	16,135	16,127	15,220	17,334
Interest due	1,536	1,522	1,498	1,492	1,500	1,512	1,572	1,451	1,471	1,468	1,166	1,414	1,385
Total Gross A/R plus interest *****	$ 17,436	$ 18,023	$ 15,895	$ 15,738	$ 15,570	$ 16,660	$ 17,100	$ 15,712	$ 16,370	$ 17,603	$ 17,293	$ 16,634	$ 18,719

Aged Accounts Receivable Focus of Collection Efforts

Greater than 60 days:	Aug 2026	July 2026	June 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026	Dec 2025	Nov 2025	Oct 2025	Sept 2025	Aug 2025
A/R	$ 7,108	$ 6,750	$ 6,817	$ 7,049	$ 7,116	$ 7,442	$ 7,333	$ 7,354	$ 7,487	$ 7,325	$ 7,651	$ 7,156	$ 7,190
Less: Multi-Tenants	(1,885)	(1,704)	(1,754)	(1,867)	(1,792)	(1,855)	(2,169)	(1,947)	(2,429)	(1,993)	(1,941)	(1,931)	(1,854)
Receiverships****	(1,774)	(1,708)	(1,764)	(1,581)	(1,588)	(1,391)	(1,437)	(1,433)	(1,430)	(1,400)	(1,407)	(1,420)	(1,390)
Liens	(1,022)	(1,105)	(1,204)	(1,318)	(1,389)	(1,616)	(1,680)	(1,649)	(1,192)	(1,269)	(1,261)	(1,104)	(1,154)
Sub Total	$ 2,427	$ 2,233	$ 2,095	$ 2,283	$ 2,347	$ 2,580	$ 2,047	$ 2,325	$ 2,436	$ 2,663	$ 3,042	$ 2,701	$ 2,792
	34%	33%	31%	32%	33%	35%	28%	32%	33%	36%	40%	38%	39%
Sub Total	$ 2,427	$ 2,233	$ 2,095	$ 2,283	$ 2,347	$ 2,580	$ 2,047	$ 2,325	$ 2,436	$ 2,663	$ 3,042	$ 2,701	$ 2,792
AR on Payment Plan Enrollments GT 60, no Multi, no Legal	(294)	(304)	(300)					-	-	-	-	-	-
Total	2,133	1,929	1,795	2,283	2,347	2,580	2,047	2,325	2,436	2,663	3,042	2,701	2,792
	30%	29%	26%	32%	33%	35%	28%	32%	33%	36%	40%	38%	39%

Collection Efforts

	Aug 2026	July 2026	June 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026	Dec 2025	Nov 2025	Oct 2025	Sept 2025	Aug 2025
Shuts *	$ 24	$ 4	$ 33	$ 48	$ 66	$ 46	$ 13	$ 63	$ 14	$ 31	$ 28	$ 76	$ 67
Red Tags **	23	9	11	10	64	25	59	36	4	2	7	-	-
Receivers	111	44	188	85	101	23	1	12	14	3	12	5	14
Top 100 Collection Calls	309	393	493	515	452	534	628	632	127	178	137	-	-
Other [(1)]	1,133	955	533	-	-	-	-	-	-	-	-	-	-
Sub Total	$ 1,600	$ 1,405	$ 1,258	$ 1,374	$ 1,722	$ 1,501	$ 1,404	$ 1,645	$ 1,899	$ 1,676	$ 1,901	$ 1,795	$ 1,966
Sub Total	$ 1,600	$ 1,405	$ 1,258										
Payment Plan Payments GT 60, no Multi, no Legal***	48	48	46	-	-	-	-	-	-	-	-	-	-
Total	**$ 1,648**	**$ 1,453**	**$ 1,304**	-	-	-	-	-	-	-	-	-	-
* Number of shuts	98	70	124	174	224	134	45	198	195	233	248	237	123
** Number of Red tags	112	71	37	61	129	89	234	100	51	32	45	-	-
***Number of Payment Plan Enrollments, GT 60, no Multi, no Legal	677	686	734										

****Receivership, Stipulated & Bankruptcy

*****Results from prior months April 2025 to October 2025 were based on newly developed reports that have since been refined.

(1) Includes: Notices and letters and legal initiatives.

Note 1: Aging buckets are estimates

Global Metrics Key Performance Indicators FY27 Q1 Update | September 24, 2026

KPI Name	Description	FY27 Target	Status	FY27 Q1 Commentary
Customer Sentiment	Achieve positive customer sentiment score of 60% or higher to drive customer trust and service excellence.	> 60%		We are projecting to meet this target.
Water Quality Compliance	Ensure 100% regulatory compliance with all disinfection byproducts samples.	100%		We are projecting to meet this target.
Safety	Maintain a Total Recordable Incident Rate (TRIR) of 2.3 or lower to ensure a high standard of workplace safety.	< 2.3		We are projecting to meet this target.
Coverage	Maintain a net revenue that is at least 1.18 times the amount of annual debt service, ensuring all financial commitments are fully met without a deficit.	> 1.18%		We are projecting to meet this target.
Operating Savings	Implement efficiency and productivity initiatives to realize a $535,000 reduction in annual operating expenses.	$535,000		We are projecting to meet this target.
Capital Efficiency	Ensure 96% of capital expenditures drive efficiency and tangible value for our customers.	96%		We are projecting to meet this target.

Representative Policy Board
Dashboard Metric - 1Q FY27

Metrics	Quarter ended 08/31/25 (1Q FY 2026)	Quarter ended 2/28/26 (3Q FY 2026)	Quarter ended 5/31/26 (4Q FY 2026)	Quarter ended 8/31/26 (1Q FY 2027)
Financial Metrics				
Coverage	Budget: 1.14 w/o draw	Budget: 1.14 w/o draw	Budget: 1.14 w/o draw	Budget: 1.14 w/o draw
	Projected: 1.19 w/o draw	Projected: 1.30 w/o draw	Projected: 1.45 w/o draw	Projected: 1.17 w/o draw
Draw Requirement	Budget: $0 million	Budget: $0 million	Budget: $0 million	Budget: $0 million
	Projected: $0 million	Projected: $0 million	Projected: $0 million	Projected: $0 million
Capital Expenditures to Budget (Note 1)	Budget: $61.700 million	Budget: $56.090 million	Budget: $50.884 million	Budget: $54.992 million
	Result: **$11.007 million/17.8% of total fiscal year budget**	Result: **$29.465 million/52.3% of total fiscal year budget**	Result: **$49.821 million/97.9% of total fiscal year budget**	Result: **$13.780 million/25.1% of total fiscal year budget**
Aged Account Receivables - Total Water (Note 2)	Feb 2020: $6,659,551	Feb 2020: $6,659,551	Feb 2020: $6,659,551	Feb 2020: $6,659,551
	Aug 2025 : $5,413,163 (-18.7%)	Feb 2026 : $5,147,871 (-22.7%)	May 2026 : $4,571,424 (-31.4%)	Aug 2026 : $4,112,086 (-38.3%)
Aged Account Receivables - Residential (Note 2)	Feb 2020: $5,833,160	Feb 2020: $5,833,160	Feb 2020: $5,833,160	Feb 2020: $5,833,160
	Aug 2025 : $4,950,885 (-15.1%)	Feb 2026 : $4,654,858 (-20.2%)	May 2026 : $4,181,506 (-28.3%)	Aug 2026 : $4,576,277 (-21.5%)
Pension Market Values (Note 3)	Aug 2025 Mkt. Value $83,369,359	Feb 2026 Mkt. Value $88,523,055	May 2026 Mkt. Value $90,084,016	Aug 2026 Mkt. Value $90,752,444
	June 2025 Mkt. Value $81,486,887	Dec 2025 Mkt. Value $85,553,973	March 2026 Mkt. Value $84,342,489	June 2026 Mkt. Value $90,080,734
	June Return: **6.82% Cal / 9.15% Fiscal**	Dec Return: **14.44% Cal/10.32% Fiscal**	May Return: **17.47% Fiscal 2026**	June Return: **6.50% Cal / 2.57% Fiscal 2027**
	Actuarial Return Assumption: 6.75%	Actuarial Return Assumption: 6.75%	Actuarial Return Assumption: 6.75%	Actuarial Return Assumption: 6.75%
System Metrics				
Average Daily Production (Draft) to Budget (MGD)/Prior Year (MGD)	Prior Year: 50.477 MGD	Prior Year: 45.342 MGD	Prior Year: 44.414 MGD	Prior Year: 56.856 MGD
	Result: **56.856 MGD**	Result: **48.671 MGD**	Result: **47.150 MGD**	Result: **54.749 MGD**
Disinfection By-products	Target: 100%	Target: 100%	Target: 100%	Target: 100% *
	Result: 100%	Result: 100%	Result: 100%	Result: 92.6% *
	* As of June 30, 2025, updated	* As of Dec, 2025, updated	* As of March 31, 2026, updated	* As of June 30, 2026, updated
Net Unaccounted For Water	Target: 10.0%	Target: 10.0%	Target: 10.0%	Target: 10.0%
(annualized)	Result: **10.62% net for the annualized**	Result: **10.66% net for the annualized**	Result: **8.46% net for the annualized**	Result: **9.41% net for the annualized**
	period of June 2024 to May 2025	**period of Dec 2024 to Nov 2025**	**period of March 2025 to February 2026**	**period of June 2025 to May 2026**
Service Disruptions (Notes 4 and 5): Due to Main Breaks				
Number of Disruptions	Result : 5	Result : 42	Result : 3	Result : 3
Number of Customers Impacted	Result : 63	Result : 483	Result : 354	Result : 95
Avg. Period Customers are w/o Water (hrs.)	Target: 6	Target: 6	Target: 6	Target: 6
	Result: 5.5	Result: 5.3	Result: 3.5	Result: 3
Water Quality (Note 5): Discolored Water - System/Hydraulics				
Number of Complaints	Result : 348	Result : 124	Result : 129	Result : 388

Notes:
Note 1: Excludes State and Redevelopment, Growth Fund, and contingency/reserve. Percentage is of fiscal year budget
Note 2: Reflects aged receivables over 90 days - total water and total residential. Comparison is to pre-pandemic level
Note 3: Fiscal year-end based on audited financials. Other quarters based on latest available reports and net returns
Note 4: This metric may be later expanded to other types of service disruptions with the same statistics
Note 5: This metric may be later expanded to include time to resolve and time to respond w/associated targets
* Target is 10% below EPA requirement. Result is in compliance.

Regional Water Authority

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966
http://www.rwater.com

To: Authority Board
David J. Borowy
Kevin J. Curseaden
Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack
Todd Cort

Cc: Sunny Lakshminarayanan
Elizabeth Calo

From: Captain Paul Ruggiero

Date: September 15, 2026

Subject: RPB Land Use Committee

At the October 14, 2026, Land Use Committee meeting, I will introduce the two newest Regional Water Authority Police Officers.

Damien Csech retired from the Bridgeport Police Department as a Detective after 25 years of police service and joined the Regional Water Authority Police Department in January 2026.

Brett Ferrara retired from the Hamden Police Department as a Sergeant after 25 years of police service and joined the Regional Water Authority Police Department in July 2026.

Regional**Water**Authority

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203.562.4020
http://www.rwater.com

TO: David J. Borowy
Todd Cort
Kevin J. Curseaden
Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack

FROM: Rochelle Kowalski
Chief Financial Officer for Regional Water Authority and Aquarion Water Authority

DATE: September 18, 2026

SUBJECT: Quarterly financial statements for fiscal year 2027 (ending May 31, 2027)

Attached are the following financial reports regarding the first quarter of fiscal year 2027. i.e., the quarter ended August 31, 2026:

- Statements of net position as of August 31, 2026 and August 31, 2025;
- Schedules A-1 & A-2: Statements of revenues, expenses and changes in net position as of August 31, 2026, maintenance test, and commentary;
- Schedule B: Operating and maintenance expenses;
- Schedule C: Capital budget report;
- Schedule D: Investment earnings report - comparison of investment rates of return

The reports bulleted above incorporate the Authority's experience from June 2026 through August 2026. For the remainder of fiscal year 2027, the reports include the projections shown on schedules A-2 and B which use the assumptions explained below.

Schedule A-2: Statements of Revenues, Expenses and Changes in Net Position

Section of page entitled "Three Months Ended August 31"

The figures shown present June through August 2026 as well as comparative budget vs. actual results for the three months ended August 31, 2026.

Section of page entitled 'Year Ending May 31, 2027"

The "budget" column is the budget for fiscal year 2027, as approved by the Authority board.

Assumption 1

The column labeled *Assumption 1* presents earned metered water revenues that reflect three months (June through Aug 2026) of consumption and nine months of budgeted consumption for (September 2026 through May 2027).

Other revenues and expenses shown in this column reflect three months of results and nine months, as projected.

Assumption 2

The column labeled *Assumption 2* projects consumption for the months of September 2026 through May 2027 at 4% below budget. Operating expense for "pump power" and chemicals for these same months is adjusted to reflect the 4% decrease.

Assumption 3

The column labeled *Assumption 3* projects consumption for the months of September 2026 through May 2027 at 2% above budget. Operating expense for "pump power" and chemicals for these same months is adjusted to reflect the 2% increase.

Section of page entitled "Maintenance Test"

The maintenance test reflects the same three assumptions described above except that water sales are not accrued revenue, but cash collections from June through August 2026, plus projected cash collections for September 2026 through May 2027. Management assumes that the billings are collected over the course of twelve months.

Schedule B: Operating and Maintenance Expense

This schedule provides details of the operating and maintenance expense through the first quarter of fiscal year 2027, as well as projections for September 2026 through May 2027 under the three assumptions presented above.

Schedule C: Capital Budget Report

This schedule shows capital expenditures for June through August 2026, as well as projections for the full fiscal year 2027.

Schedule D: Interest Earned

Compared here are "budgeted" versus "actual" interest rates earned on the Authority's invested funds.

Attachments

REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
AS OF AUG 31, 2026 AND 2025

Assets	FY 2027	FY 2026	Y/Y Variance
Utility plant			
Property, plant and equipment in servi	1,057,965,733	1,050,642,618	7,323,115
Accumulated depreciation	(475,537,170)	(479,621,998)	4,084,828
Utility plant in service	582,428,563	571,020,620	11,407,943
Land	28,127,494	28,172,373	(44,879)
Construction work in progress	42,858,856	27,784,112	15,074,744
RTU and SBITA, net	19,317,193	22,364,784	(3,047,591)
Intangible Assets, Net	3,895,730	4,536,124	(640,394)
Total utility plant, net	676,627,836	653,878,014	22,749,822
Nonutility land, at cost	66,063,004	66,063,004	-
Current assets			
Cash and cash equivalents	66,549,102	52,470,502	14,078,600
Investments	-		-
Accounts receivable, less allowance for doubtful accounts	12,793,720	14,760,792	(1,967,071)
Accrued revenue	12,022,420	11,871,659	150,761
Accrued interest receivable	148,777	172,638	(23,862)
Materials and supplies	3,704,493	3,686,239	18,253
Prepaid expenses and other assets	5,117,175	6,643,521	(1,526,346)
Total current assets	100,335,686	89,605,351	10,730,335
Note Receivable	500,000	500,000	-
Lease Receivable	1,588,105	1,277,874	310,231
Net Pension asset	2,312,373	-	2,312,373.00
Restricted assets	138,649,493	131,660,382	6,989,111
Regulatory assets	15,483,796	31,811,899	(16,328,103)
Total assets	1,001,560,293	974,796,524	26,763,769
Deferred Outflows of Resources			
Deferred charge on refunding	-	5,206,304.53	(5,206,305)
Deferred Outflows - Goodwill	14,269,445	15,269,484.90	(1,000,040)
Deferred charge on pension plans	115,046	783,442.36	(668,396)
Deferred charge on OPEB plans	1,620,358	1,498,309.74	122,048
Total	1,017,565,141	997,554,065.84	20,011,075

Liabilities and Net Assets	FY 2027	FY 2026	Y/Y Variance
Liabilities			
Revenue bonds payable, less current portion	429,685,000	447,265,000	(17,580,000)
Net premiums and discounts from revenue bonds pay	35,688,318	38,885,004	(3,196,686)
DWSRF loans payable, less current portion	37,216,393	36,057,535	1,158,858
Net pension liability	-	8,795,429	(8,795,429)
Net OPEB obligation	14,626,247	15,181,074	(554,827)
Lease Liability	35,097	67,439	(32,342)
SBITA Liability	4,788,077	5,661,670	(873,593)
Total noncurrent liabilities	522,039,132	551,913,151.29	(29,874,020)
Current liabilities			
Current portion of revenue bonds payable	25,970,000	25,720,000	250,000
Current portion of DWSRF loans payable	2,359,888	2,204,386	155,503
Accounts payable	5,474,872	17,778,397	(12,303,525)
Notes payable	-	50,500	(50,500)
Customer deposits and advances	1,804,601	2,587,303	(782,702)
Current Lease Liability	38,721	38,646	75
Current SBITA Liability	994,295	1,027,437	(33,142)
Other accrued liabilities	10,882,882	11,642,044	(759,162)
Total current liabilities	47,525,259	61,048,712	(13,523,453)
Liabilities payable from restricted assets			
Accounts payable for construction	6,155,874	3,550,368	2,605,506
Accrued interest payable	2,323,109	1,704,113	618,995
Customer deposits and advances	1,351,539	1,328,594	22,945
Total liabilities payable from restricted assets	9,830,521	6,583,075	3,247,446
Other liabilities	-	-	-
Total liabilities	579,394,912	619,544,938	(40,150,027)
Deferred inflows of resources			
Deferred charge on refunding	2,869,606	-	2,869,606
Deferred inflows related to pensions	8,572,934	1,640,704	6,932,230
Deferred inflows related to OPEB	2,272,126	2,121,368	150,757
Deferred inflows related to Leases	1,601,728	1,337,115	264,613
Net Position			
Invested in capital assets, net of related debt	204,667,506	164,632,137	40,035,368
Restricted assets	127,196,910	133,176,864	(5,979,954)
Unrestricted assets	90,989,420	75,100,939	15,888,481
Total net assets	422,853,836	372,909,941	49,943,896
Total liabilities and net assets	1,017,565,141	997,554,065.84	20,011,075

REGIONAL WATER AUTHORITY | **SCHEDULE A-1 - COMMENTARY**

REVIEW OF FINANCIAL DATA
Aug 31, 2026 (FY 2026)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating Revenues

FY27 revenue for water, including wholesale and fire service, is over budget by $3,089k (approx. 7.8%). Metered water revenue is over budget by $3,142k (approx. 8.8%)

Total net other revenue is $128k under budget primarily due to other water and other proprietary revenue being lower than budget.

Operating Expenses

Operating and Maintenance Expenses are currently under budget due to the following:		Aug-26
Payroll is under budget primarily due to lower than budgeted headcount.	$	(340,000)
Employee Benefits are under budget primarily related to year-to-date medical expense.		(380,000)
Administrative Building is under budget primarily due to timing.		(58,000)
General & Admin is over budget primarily due to timing.		84,000
Transportation is under budget primarily due to timing.		(116,000)
Utilities & Fuel is under budget primarily due to year-to-date electric service.		(158,000)
Pump Power is under budget due to year-to-date electric service.		(301,000)
Chemicals Expense is over budget due to various factors including timing.		345,000
Public/Customer Information is under budget primarily due to timing.		(82,000)
Outside Services is under budget primarily due to timing.		(310,000)
Environmental Affairs is under budget primarily due to timing.		(67,000)
All Other		(106,000)
		(1,489,000)

Interest Income

Interest Income is above budget primarily due to higher investment earnings.

PROJECTED MAINTENANCE TEST

The projected coverage is 1.17 with no shortfall.

REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTHS ENDING AUG 31, 2026

Schedule A-1

Operating revenues	**FY 2026 Actual**	**FY 2027 Budget**	**FY 2027 Actual**	**(Under)Over Budget**
Metered water revenues	$ 36,296	$ 35,711	$ 38,852	$ 3,142
Fire service	3,582	3,672	3,611	(61)
Wholesale	285	242	250	8
Other revenue - water	1,113	1,140	1,093	(47)
Other revenue - proprietary	4,226	4,252	4,010	(242)
Total operating revenues	45,503	45,016	47,816	2,800
Operating expenses				
Operating and maintenance expense	17,733	19,127	17,638	(1,489)
Expense associated with other revenue - water	504	607	511	(96)
Expense associated with other revenue - proprietary	1,946	1,984	1,920	(64)
Provision for uncollectible accounts	363	125	(30)	(155)
Depreciation and amortization	6,688	7,220	7,219	(0)
Payment in lieu of taxes	2,447	2,394	2,394	(0)
Amortization Pension Outflows/Inflows	511	(493)	(493)	0
Amortization OPEB Outflows/Inflows	(36)	(75)	(75)	0
Total operating expenses	30,155	30,889	29,085	(1,805)
Operating income	15,347	14,127	18,731	4,606
Nonoperating income and (expense)				
Interest income	2,371	1,717	2,114	396
(Loss) Gain on disposal of assets			-	-
Realized and unrealized (losses) gains on investments			-	-
Interest expense	(5,420)	(5,411)	(5,302)	109
Amortization of bond discount, premium, issuance cost and deferred losses	717	805	963	157
Amortization of Goodwill	-	-	-	-
Intergovernmental revenue	-	-	-	-
Contributions to related entities	-	-	-	-
Total nonoperating income and (expense) before captial contributions	(2,332)	(2,888)	(2,225)	663
Income (expense) before contributions	13,015	$ 11,238	16,506	$ 5,269
Capital contributions	150		256	
Change in net assets	13,166		16,762	
Total net assets - beginning of fiscal year	359,744		406,092	
Total net assets - end of reporting month	372,910		$ 422,854	

FY 2027 MAINTENANCE TEST **(Budget vs. Projected)**	**Budget** FY 2027 @114%	**Projected** FY 2027 @114%	**(Under)Over** FY 2027 @114%
Revenue Collected:			
Water sales	141,137	140,387	(750)
Interest Income	3,466	3,945	479
BABs Subsidy	588	588	-
Other Net	9,886	9,736	(150)
Common Non-Core	(200)	(150)	50
Total	154,877	154,506	(371)
Less:			
Operating and maintenance expenses	(75,999)	(75,999)	-
Depreciation	(11,850)	(11,850)	-
PILOT (A)	(9,388)	(9,388)	-
Net Avail for Debt Service (B)	$ 57,640	$ 57,269	$ (371)
Debt Service Payments (C)	$ 50,499	$ 49,123	$ (1,376)
Debt Service @ 114% (D)	$ 57,569	$ 56,000	$ (1,569)
Difference (B-D)	$ 71	$ 1,269	
RSF, Growth and/or General Fund (D)	-	-	
Coverage	114%	117%	

REGIONAL WATER AUTHORITY SCHEDULE A-2

Fiscal Year 2027

($000 Omitted)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Three Months Ending August 31				Twelve Months Ending May 31			
	FY 2026 Actual	FY 2027 Budget	FY 2027 Actual	(Under)Over Budget	Budget	Projection Assumption 1	Projection - Consumption 4% Below Assumption 2	Projection - Consumption 2% Above Assumption 3
Operating Revenues								
Metered Water Revenues	$ 36,296	$ 35,711	$ 38,852	$ 3,142	$ 126,166	$ 127,666	$ 125,188	$ 128,905
Fire Service	3,582	3,672	3,611	(61)	14,772	14,711	14,711	14,711
Wholesale Water	285	242	250	8	941	949	949	949
Other revenue - water	1,113	1,140	1,093	(47)	4,243	4,243	4,243	4,243
Other revenue - proprietary	4,226	4,252	4,010	(242)	16,945	16,795	16,795	16,795
Total Operating Revenues	45,503	45,016	47,816	2,800	163,067	164,364	161,886	165,603
Operating Expenses								
Operating and Maintenance	17,733	19,127	17,638	(1,489)	75,999	75,999	75,777	76,110
Expenses associated with other revenue-water	504	607	511	(96)	2,466	2,466	2,466	2,466
Expenses associated with other revenue-proprietary	1,946	1,984	1,920	(64)	8,258	8,208	8,208	8,208
Provision for uncollectible accounts	363	125	(30)	(155)	500	500	500	500
Depreciation & Amortization	6,688	7,220	7,219	(0)	31,850	31,850	31,850	31,850
Payment in lieu of taxes	2,447	2,394	2,394	(0)	9,388	9,388	9388	9,388
Amortization Pension Outflows/Inflows	511	(493)	(493)	0	(2,185)	(2,185)	(2,185)	(2,185)
Amortization OPEB Outflows/Inflows	(36)	(75)	(75)	0	(389)	(389)	(389)	(389)
Total Operating Expenses	30,155	30,889	29,085	(1,805)	125,887	125,837	125,615	125,948
Operating Income	15,347	14,127	18,731	4,606	37,181	38,527	36,271	39,655
Nonoperating income and (expense)							-	-
Interest Income	2,371	1,717	2,114	396	6,394	6,873	6,873	6,873
(Loss)/Gain on disposal of assets	-	-	-	-	(1,500)	(1,500)	(1,500)	(1,500)
Interest Expense	(5,420)	(5,411)	(5,302)	109	(21,487)	(21,369)	(21,369)	(21,369)
Amortization of bond discount, premium issuance cost and deferred losses	717	805	963	157	3,170	3,746	3,746	3,746
Amortization of Goodwill					(1,000)	(1,000)	(1,000)	(1,000)
Intergovernmental revenue	-	-	-	-	2,839	2,839	2,839	2,839
Contributions to/from related entities	-	-	-	-	-	-	-	-
Total nonoperating income & (expense)	(2,332)	(2,888)	(2,225)	663	$ (11,584)	$ (10,411)	$ (10,411)	$ (10,411)
(Expense) income before contributions	13,015	$ 11,238	16,506	$ 5,269	$ 25,597	$ 28,116	$ 25,860	29,244
Capital contributions	150		256					
Change in net assets	13,166		16,762					
Total net assets - beginning of fiscal year	359,744		406,092					
Total net assets - end of reporting month	$ 372,910		$ 422,854					

MAINTENANCE TEST

	Twelve Months Ending May 31			
	Budget	Projection Assumption 1	Projection - Consumption 4% Below Assumption 2	Projection - Consumption 2% Above Assumption 3
Revenue Collected:				
Water Sales	$ 141,137	$ 140,387	$ 138,195	$ 141,483
Interest Income	3,466	3,945	3,945	3,945
BABs Subsidy	588	616	616	616
Other Net	9,886	9,736	9,736	9,736
Common Non-Core	(200)	(150)	(150)	(150)
Total	154,877	154,534	152,342	155,630
Less:				
Operating and Maintenance Expenses	(75,999)	(75,999)	(75,777)	(76,110)
Common Non-Core				
Depreciation	(11,850)	(11,850)	(11,850)	(11,850)
PILOT (A)	(9,388)	(9,388)	(9,388)	(9,388)
Net Avail for Debt Service (B)	57,640	57,297	55,327	58,282
Debt service payments (C)	$ 50,499	$ 49,123	$ 49,123	$ 49,123
Debt Service @ 114% (D)	$ 57,569	$ 56,000	$ 56,000	$ 56,000
Difference (B-D)	$ 71	$ 1,297	$ (673)	$ 2,282
RSF, Growth and/or General Fund (D)	$ -	$ -	$ 673	
Coverage	114%	117%	114%	119%
Required Coverage	114%	114%	114%	114%

REGIONAL WATER AUTHORITY
OPERATING AND MAINTENANCE EXPENSES
Fiscal Year 2026
($000 Omitted)

SCHEDULE B

		THREE MONTHS ENDING AUGUST 31				YEAR ENDED MAY 31, 2027			
		FY 2026 Actual	FY 2027 Budget	FY 2027 Actual	(Under) Over	Budget	Assump 1	Assump 2	Assump 3
1	Payroll	$ 6,896	$ 7,368	$ 7,028	$ (340)	29,361	29,286	29,286	29,286
2	Employee Benefits Allocation	6,896	2,778	2,398	(380)	11,046	11,046	11,046	11,046
	Pension	661	558	558	-	2,234	2,234	2,234	2,234
3	Administrative Building Space Allo	306	372	315	(58)	1,240	1,240	1,240	1,240
4	General & Administrative	294	311	395	84	1,322	1,322	1,322	1,322
5	Transportation Allocation	176	266	150	(116)	1,066	1,066	1,066	1,066
6	Tools & Stores Allocation	86	105	82	(22)	441	441	441	441
7	Utilities & Fuel	521	652	493	(158)	2,459	2,424	2,424	2,424
8	Material From Inventory	176	95	70	(25)	387	387	387	387
9	Pump Power Purchased	1,243	1,342	1,041	(301)	4,573	4,498	4,368	4,563
10	Chemicals	927	997	1,342	345	3,244	3,519	3,427	3,565
11	Road Repairs	89	80	55	(25)	320	320	320	320
14	Postage	168	170	143	(27)	680	680	680	680
15	Printing & Forms	8	16	4	(12)	69	69	69	69
17	Collection Expense	268	349	371	22	1,395	1,395	1,395	1,395
18	Business Improvement	63	87	62	(25)	426	426	426	426
19	Public/Customer Information	45	107	25	(82)	339	339	339	339
20	Outside Services	673	815	505	(310)	3,465	3,375	3,375	3,375
21	Insurance Premiums	636	611	587	(24)	2,450	2,450	2,450	2,450
22	Worker's Compensation, pre-Churc	(102)	9	10	1	38	38	38	38
23	Damages	11	21	9	(12)	85	85	85	85
24	Training & Cont. Education	43	87	78	(8)	434	434	434	434
25	Authority Fees	36	54	67	13	200	200	200	200
26	Consumer Counsel	14	15	5	(10)	60	60	60	60
27	RPB Fees	80	87	71	(16)	350	350	350	350
28	Organizational Dues	14	9	21	12	64	64	64	64
29	Donations	4	10	5	(5)	44	44	44	44
34	Central Lab/Water Quality	22	109	100	(9)	400	400	400	400
40	Environmental Affairs	67	147	79	(67)	302	302	302	302
44	Info. Technology Licensing & Maintenance Fees	1,126	683	726	43	3,166	3,166	3,166	3,166
45	Maintenance and Repairs	690	737	764	27	4,019	4,019	4,019	4,019
46	Regulatory Asset Amortization	58	80	77	(2)	318	318	318	318
		$ 22,197	$ 19,127	$ 17,638	$ (1,489)	$ 75,999	$ 75,999	$ 75,777	$ 76,110

South Central Connecticut Regional Water Authority
2027 Fiscal Year Capital Budget Report
(000s omitted)

SCHEDULE C
QTR 1

	Period Ending August 31, 2026			Period Ending May 31, 2027		
	Budget	**Expenditures**	**(Under)/Over**	**Budget**	**Projected**	**(Under)/Over**
I. NATURAL RESOURCES						
Watershed Protection	26	7	(19)	100	100	-
Land Management	6	0	(6)	25	25	-
Lake Whitney Dam & Spillway Improvements	33	22	(11)	3,500	3,500	-
Peat Swamp Dam Modifications	93	85	(8)	100	100	-
Lake Chamberlain Dam Improvements	34	31	(3)	50	50	-
Lake Watrous & Lake Glen Aeration System Improvements	150	217	67	150	250	100
Tunnel Diversion Raw Water Main Rehabilitation Program	-	55	55	25	100	75
Bridge Refurbishments	22	13	(9)	150	150	-
Rose's Brook Water Quality Improvements	25	1	(24)	75	75	-
Furnace Pond Water Quality Improvements	10	-	(10)	100	100	-
Miscellaneous Natural Resources	39	31	(8)	245	245	-
Prior Year	-	-	-	-	-	-
TOTAL	**437**	**463**	**26**	**4,520**	**4,695**	**175**
II. TREATMENT						
LGWTP-HVAC Upgrades	240	381	141	240	450	210
Filter Media Replacement	450	457	7	450	457	7
LGWTP Local Control Console Upgrade	60	32	(28)	1,260	1,260	-
LGWTP Chemical Feed Improvements	16	15	(1)	1,325	1,325	-
LGWTP Improvements	-	9	9	200	175	(25)
LSWTP Electrical Upgrades	850	479	(371)	875	1,450	575
LGWTP Electrical Upgrades	5	52	47	875	300	(575)
LSWTP Improvements (Miscellaneous)	-	87	87	200	200	-
LWWTP Chemical Feed Improvements	305	115	(190)	630	630	-
LWWTP Geothermal Systems & HVAC	52	41	(11)	250	250	-
LWWTP Improvements	40	-	(40)	250	200	(50)
West River Drying Bed Improvements	1,790	1,562	(228)	2,610	2,610	-
WRWTP Rooftop HVAC Air Handling Unit	485	404	(81)	1,300	1,300	-
WRWTP Improvements (Miscellaneous)	10	9	(1)	250	200	(50)
Wellfield Facility Improvements - North Cheshire Wellfield	785	562	(223)	1,750	1,750	-
Wellfield Facility Improvements -South Cheshire Wellfield	116	49	(67)	240	240	-
Wellfield Facility Improvements - Mount Carmel Wellfield	50	42	(8)	230	230	-
Well Rehabilitation Program	10	8	(2)	275	275	-
LGWTP Hydroturbine Bldg Pipe Failure	-	-	-	-	-	-
Water Treatment Plant Valve Replacement Program	20	67	47	390	390	-
Treatment Facility Roof Replacements	20	3	(18)	250	250	-
Miscellaneous Treatment	266	322	56	601	442	(159)
Prior Year	-	36	36	-	36	36
TOTAL	**5,570**	**4,734**	**(836)**	**14,451**	**14,421**	**(30)**
III. TRANSMISSION AND DISTRIBUTION						
Pipe	2,820	3,558	738	8,990	8,990	-
Valve Replacements	123	198	74	400	400	-
Service Connections	475	393	(82)	1,900	1,900	-
Capital Pipe Service Connections	130	57	(73)	500	500	-
Meters	113	173	60	450	450	-
Hydrants and Connections	33	27	(5)	125	125	-

(000s omitted)

SCHEDULE C
QTR 1

	Period Ending August 31, 2026			Period Ending May 31, 2027		
	Budget	**Expenditures**	**(Under)/Over**	**Budget**	**Projected**	**(Under)/Over**
Lead Service Line Replacements	400	216	(184)	2,500	2,500	-
Foxon Road (Route 80) Transmission Main, North Branford	720	869	149	1,200	1,200	-
Brook Lane/Sunset Road, North Branford	150	103	(47)	150	103	(47)
Raw Water/Transmission Main Replacement & Redundancy	43	33	(10)	400	400	-
Cleaning & Cement Lining - Hamden	1,623	1,690	67	3,000	3,000	-
Service Area Improvements-East/West Transmission Main	-	30	30	65	65	-
Pipe Bridge Rehabilitation Program-Middletown Avenue Pipe Bridge	70	114	44	180	180	-
North Branford Tank Replacement	4	13	9	2,150	2,150	-
Ford Street Tank #2 Painting and Stairs	-	1	1	2,000	2,000	-
Shingle Hill Tank #2 Painting & Stairs	-	-	-	80	80	-
Route 80 Throttling Valve Relocation	28	32	4	1,500	1,500	-
Variable Frequency Drive Replacement Program	25	(5)	(30)	150	150	-
Critical Pump Station & Transmission Facilities Upgrades	-	115	115	185	185	-
Lake Gaillard Pump Station Improvements	20	186	166	250	250	-
Spring Street Pump Station Replacement	-	-	-	50	50	-
Raynham Hill Pump Station Improvements	2	5	3	100	100	-
Armory Pump Station Chimney Rehabilitation	-	0	0	510	300	(210)
Devonwood Drive Booster Pump Station	17	3	(14)	155	155	-
Pump Station Generator Replacement	15	37	22	650	650	-
Pump Station Bypass Improvements	100	-	(100)	100	100	-
MCC Replacements - North Sleeping Giant Wellfield	-	19	19	100	100	-
Water Quality Improvements Program	52	73	21	100	100	-
Miscellaneous Transmission & Pumping	10	91	81	3,358	3,356	(2)
Prior Year	-	2	2	-	2	2
TOTAL	**6,973**	**8,033**	**1,060**	**31,298**	**31,041**	**(256)**
IV. GENERAL PLANT						
HRIS Replacement (Human Resources Information Systems)	150	17	(133)	250	250	-
Great Plains Replacement	-	-	-	250	250	-
Leapworks Automation	-	-	-	150	75	(75)
UMAX/Omnichannel Enhancements	-	-	-	100	100	-
Cyber Security Enhancements	40	-	(40)	135	135	-
SCADA	20	12	(8)	120	120	-
Technology Infrastructure Life Cycle Replacements	15	7	(8)	595	595	-
GIS Aerial Mapping/System Upgrades	26	2	(24)	104	104	-
Miscellaneous Information Systems	92	14	(78)	415	385	(30)
Equipment	255	157	(98)	1,750	1,750	-
Miscellaneous Equipment	154	110	(44)	348	348	-
90 Sargent Drive	250	14	(236)	367	367	-
Miscellaneous 90 Sargent Drive	10	19	9	70	70	-
Prior Year	-	199	199	-	199	199
TOTAL	**1,012**	**550**	**(462)**	**4,654**	**4,748**	**94**
SUB-TOTAL	**13,992**	**13,780**	**(212)**	**54,922**	**54,905**	**(17)**
V. CONTINGENCY	-	-	-	**453**	**453**	-

South Central Connecticut Regional Water Authority
2027 Fiscal Year Capital Budget Report
(000s omitted)

SCHEDULE C
QTR 1

	Period Ending August 31, 2026			Period Ending May 31, 2027		
	Budget	**Expenditures**	**(Under)/Over**	**Budget**	**Projected**	**(Under)/Over**
V. PROJECT RESERVE	-	-	-	1,218	1,218	-
SUB-TOTAL	-	-	-	1,671	1,671	-
VI. STATE & REDEVELOPMENT PIPE	300	30	(270)	3,000	150	(2,850)
VII. COMMERCIAL						
HSV Enhancements & CMS Upgrade	84	-	(84)	137	137	-
TOTAL	14,376	13,810	(566)	59,730	56,863	(2,867)

Investment Earnings Report
Comparison of Investment Rates of Return

Fund Type	Balance @ August 31, 2026	Budgeted Return	Rate of Return August 31, 2026	Rate of Return Fiscal Year to Date
Less than Six Months				
Revenue Investment **(A)**	$ 22,996,072	3.25%	3.74%	3.73%
Revenue **(B)**	8,366,619	0.00%	0.35%	0.39%
Rate Stabilization **(A)**	10,000,000	3.25%	3.74%	3.73%
Operating Reserve **(A)**	12,666,480	3.25%	3.74%	3.73%
Capital Contingency **(A)**	6,271,409	3.25%	3.74%	3.73%
Debt Reserve **(A)**	26,058,300	3.25%	3.74%	3.73%
Debt Service **(A)**	5,094,636	3.25%	3.74%	3.73%
PILOT (A)	4,016,536	3.25%	3.74%	3.73%
General Fund **(A)**	20,220,058	3.25%	3.74%	3.73%
Sub-Total	**$ 115,690,109**			
Other				
Construction **(A)**	$ 73,863,246	3.25%	3.74%	3.73%
Construction **(C)**	18,415	0.00%	3.13%	3.12%
Construction **(D)**	86,069	0.00%	0.00%	0.00%
Growth Fund **(E)**	12,512,958	0.00%	1.53%	1.53%
Interim Financing	976	0.00%	1.50%	1.50%
Sub-Total	**$ 86,481,664**			
Total	**$ 202,171,773**			

(A) Investments are in the Connecticut Short Term Investment Fund (STIF). The budgeted and actual rate of returns are based on a straight average for the first quarter.

(B) Reflects sweep product with balances fully insured. Balances earn credits to offset bank fees. Percentage based on month-end book balance.

(C) Invested in the First American Government Fund.

(D) Cash Balance as of August 31, 2026.

(E) Balance includes interest earnings.

Fund	Budgeted Interest (Cash Basis) as of August 31, 2026	Interest Received (Cash Basis) as of August 31, 2026	(Under)/ Over
Debt Reserve	158,491	237,332	78,841
Operating Reserve	76,891	116,914	40,023
Capital Contingency	52,088	58,812	6,724
PILOT	38,319	46,056	7,737
Debt Service	287,648	309,092	21,444
Revenue	99,847	188,568	88,721
Rate Stabilization	83,056	94,060	11,004
General	107,972	147,015	39,043
Sub Total	904,312	1,197,849	293,537
Construction	540,290	579,080	38,790
Growth Fund	-	27,862	27,862
Interim Financing	-	4	4
Total	1,444,602	1,804,795	360,194

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY RESOLUTION REGARDING INTERIM FUNDING OBLIGATIONS AND PROJECT LOAN OBLIGATIONS FOR LAKE WHITNEY WATER TREATMENT PLANT CHEMICAL FEED PROJECT

WHEREAS, on November 20, 2025, the Authority adopted (the "Authority Resolution") and on December 18, 2025, the Representative Policy Board (the "RPB") approved the resolutions which established the general terms and provisions of the Authority's bonds, which may be issued as project loan obligations in one or more series delivered to the State of Connecticut, in the aggregate principal amount not to exceed $3,325,000 (I) to finance or refinance the cost of replacement of the potassium permanganate and sodium hydroxide systems at the Lake Whitney Water Treatment Plant; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance (the "Project"); and

WHEREAS, the Authority Resolution also provided that temporary notes of the Authority, which may be issued as Interim Funding Obligations delivered to the State of Connecticut, may be issued by the Authority in the amount of $3,325,000 in anticipation of the receipt of the proceeds from the sale of such bonds or project loan obligations; and

WHEREAS*,* the Authority wishes to provide for the issuance, sale and delivery of the Authority's one or more interim funding obligations (the "IFO") and project loan obligations for the Project (the "PLO") in one or more series and approve the Project Loan and Subsidy Agreement by and between the State of Connecticut and the Authority related to the Project (the "Loan Agreement").

NOW THEREFORE,

BE IT RESOLVED, that the Chief Executive Officer, President or Chief Financial Officer or any one of them may apply to the State Department of Public Health for eligibility and funding of the Project and sign such applications and any other documents which may be necessary or desirable to apply for eligibility of and to apply for and obtain financial assistance for the Project from the State's Drinking Water Fund Program and that any such action taken prior hereto is hereby ratified and confirmed.

BE IT FURTHER RESOLVED, that the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer be authorized (i) to issue, sell and deliver the IFO and the PLO in a total amount not to exceed $3,325,000, and (ii) to determine the principal amount, date, date of maturity, interest rate, form and other details of the IFO and PLO, pursuant to the Act and the Water System Revenue Bond Resolution, General Bond Resolution as amended and supplemented (the "General Bond Resolution") or any other provisions of law thereto enabling.

BE IT FURTHER RESOLVED, that the Authority hereby approves the supplemental resolution authorizing the issuance of the IFO (the “IFO Supplemental Resolution”) in one or more series substantially in the form attached hereto as Exhibit A, with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall deem advisable and which shall be as set forth in one or more Certificates of Determination attached thereto.

BE IT FURTHER RESOLVED, that the Authority hereby approves the Supplemental Resolution authorizing the issuance of the PLO (the “PLO Supplemental Resolution”) in one or more series substantially in the form attached hereto as Exhibit B, with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall deem advisable and which shall be as set forth in one or more Certificates of Determination attached thereto.

BE IT FURTHER RESOLVED, that for the purposes of providing to the Authority the loan and grant from the State, the Authority hereby approves the Loan Agreement substantially in the form as the Chief Executive Officer, President or Chief Financial Officer shall deem advisable and the approval of the Authority shall conclusively be determined from any of their signatures thereon.

BE IT FURTHER RESOLVED, that the Chairperson, Vice Chairperson, Chief Executive Officer, President and Chief Financial Officer, or any one of them, are hereby authorized to execute and deliver such documents as may be necessary or desirable to issue and deliver the IFO or the PLO, as the case may be, including but not limited to, the Loan Agreement, and to take such actions or to designate other officials or employees of the Authority to take such actions and execute such documents in connection with the issuance, sale and delivery of the IFO or the PLO, as the case may be, as are determined necessary or advisable and in the best interests of the Authority and that the execution of such documents shall be conclusive evidence of such determination.

BE IT FURTHER RESOLVED, that the Chairperson, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer or any one of them are hereby authorized to accept such grants from the State for the Project as set forth in the Loan Agreement and to apply the proceeds of the grant to the Project, as applicable.

EXHIBIT A

IFO SUPPLEMENTAL RESOLUTION

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

WATER SYSTEM REVENUE BOND RESOLUTION
GENERAL BOND RESOLUTION

INTERIM FUNDING OBLIGATION
SUPPLEMENTAL RESOLUTION

Authorizing the Issuance of

$3,325,000 WATER SYSTEM REVENUE INTERIM FUNDING OBLIGATIONS

FOR THE LAKE WHITNEY WATER TREATMENT PLANT CHEMICAL FEED PROJECT

Approved ___________________

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RECITALS:

WHEREAS, the South Central Connecticut Regional Water Authority (the "Authority") is authorized pursuant to Connecticut Special Act No. 77-98, as amended (the "Act"), and the Water System Revenue Bond Resolution, General Bond Resolution, adopted July 31, 1980 as amended and supplemented (the "Resolution"), to borrow money and to issue bonds of the Authority from time to time; and

WHEREAS, under the Resolution bonds are defined to mean, inter alia, any bond or bonds, notes or other obligations, including but not limited to, project loan obligations delivered to evidence the Authority's obligation to repay the financing of a loan from the State of Connecticut under its Drinking Water State Revolving Fund Program, authenticated and delivered under and pursuant to the Resolution; and

WHEREAS, the Authority and the Representative Policy Board have approved the issuance of an amount not to exceed $3,325,000 of its general obligation bonds (the "Bonds") which may be issued as project loan obligations delivered to the State of Connecticut (the "State") (I) to finance or refinance the cost of replacement of the potassium permanganate and sodium hydroxide systems at the Lake Whitney Water Treatment Plant; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance (the "Project"); and

WHEREAS, the Authority also approved the issuance of temporary notes of the Authority, which may be issued as interim funding obligations (the "IFO") delivered to the State of Connecticut by the Authority in the amount of $3,325,000 in anticipation of the receipt of the proceeds from the sale of such bonds or project loan obligations; and

WHEREAS, the Authority has determined that it is in its best interest to temporarily finance a portion of the Project through the issuance of one or more IFOs;

NOW, THEREFORE, BE IT RESOLVED by the South Central Connecticut Regional Water Authority as follows:

ARTICLE I
AUTHORITY AND DEFINITIONS

Section 1.01. Short Title.

This resolution may be hereafter cited and is sometimes herein referred to as the "IFO Resolution."

Section 1.02. Definitions.

Unless a different meaning applies from the context or as set forth in this Section 1.02, capitalized terms used in this IFO Resolution shall have the same meaning as used in the General Bond Resolution.

"Certificate of Determination" means a certificate or certificates of determination signed by the Chairperson or the Vice Chairperson and the Chief Executive Officer, President or Chief Financial Officer of the Authority required by Section 5.01 hereof, setting forth the terms of the IFO, and attached hereto as **Exhibit A** and made a part hereof.

"IFO" mean the Interim Funding Obligation of the Authority authorized to be issued herein in anticipation of the project loan obligations.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF THE IFO

Section 2.01. Authority for this IFO Resolution.

This IFO Resolution in substantially the form presented at this meeting with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall deem advisable and as set forth in the Certificate or Certificates of Determination is adopted in accordance with the provisions of the Resolution and pursuant to the authority contained in the Act.

Section 2.02. Principal Amount, Designation and Series.

One or more series of IFOs entitled to the benefit, protection and security of the Resolution are hereby authorized in the maximum amount not to exceed $3,325,000. Each such series of IFOs shall be designated as, and shall be distinguished from, the obligations of all other series by the title of Interim Funding Obligation with the number assigned to it by the State. The principal amount of the IFO shall be as set forth in the Certificate of Determination.

Section 2.03. Purpose.

The purposes for which the IFOs are being issued are to temporarily finance or refinance (I) the cost of replacement of the potassium permanganate and sodium hydroxide systems at the Lake Whitney Water Treatment Plant; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance related to the IFO.

Section 2.04. Date, Maturity and Interest Rates.

The IFO shall be dated the Date of Delivery as set forth in the Certificate of Determination.

The IFO shall be issued as a draw down bond and term bond which shall automatically be refunded by a PLO and mature in the maximum aggregate principal amount of such PLO as established by the Certificate of Determination. The IFO shall bear interest at a rate of 2% per year on the unpaid principal balance calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 2.05. Interest Payment Dates.

The IFO shall bear interest on the draw down amount from the date of such draw down.

Section 2.06 Reserved.

Section 2.07 Method of Payments.

The principal of, premium, if any, and interest on the IFO shall be payable by check, draft or wire transfer payable to the Treasurer, State of Connecticut at: State of Connecticut, Office of the Treasurer, 165 Capitol Avenue, Hartford, CT 06106, Attn: DWSRF Financial Administrator, or to such other place as the State shall designate in writing to the Authority. Such payments to the Treasurer are in lieu of payments to the Trustee required by Section 404 C1 and Section 404 C2 of the Resolution for the principal and interest payments due on the IFO.

Section 2.08 Redemption.

A. The IFO shall be subject to optional redemption as set forth in the Certificate of Determination.

B. The IFO shall be subject to mandatory sinking fund redemption at 100% of the principal amount thereof plus accrued interest to the date of redemption, from sinking fund payments in the amounts as established by the Certificate of Determination.

C. The IFO is subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest to the date of redemption if all or substantially all of the Water System is taken by the State or any municipality in the State with general governmental powers and duties as more particularly described in Section 507 of the Resolution.

Section 2.09. Delivery of IFO.

The IFO shall be delivered to the State to evidence the Authority's obligation to repay the financing of a loan from the State's DWSRF.

Section 2.10 IFO Resolution to Constitute a Contract.

In consideration of the purchase and acceptance of the IFO by those who shall hold (the "Holders") the same from time to time, the IFO Resolution shall constitute a contract between the Authority and the Holders from time to time of the IFO, and the pledge made in this IFO Resolution and the covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the IFO, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the IFO over any other IFO, PLO or bonds issued pursuant to the General Bond Resolution.

ARTICLE III
DISPOSITION OF PROCEEDS OF IFO

Section 3.01. Construction Fund

The IFO proceeds shall be deposited in the Construction Fund as set forth in the Certificate of Determination.

Section 3.02. Other Funds

The IFO proceeds shall be deposited in such other funds held by the Trustee as set forth in the Certificate of Determination.

Section 3.03. Other Corporate Purposes.

No proceeds of the IFO shall be used for Other Corporate Purposes.

ARTICLE IV
FORM AND EXECUTION OF IFO

Section 4.01. Form of IFO and Trustee's Certificate of Authentication.

Subject to the provisions of the Resolution, the IFO and the Trustee's certificate of authentication shall be in substantially the form as set forth in **Exhibit B** to this supplemental resolution, with such insertions or omissions, endorsements and variations as may be required or permitted by the Resolution.

Section 4.02. Execution of IFO.

The Chairperson, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, is hereby authorized and directed to execute the IFO and the Secretary, Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, is hereby authorized to sign and attest the Authority's seal on the IFO, each by their manual or facsimile signatures.

Section 4.03. Continued Exemption from Federal Income Taxation.

The Authority hereby agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law or in order to ensure that interest or amounts treated as interest, as applicable, paid on the IFO shall not be includable in the gross income of the owners thereof for Federal income tax purposes under the Code. Further, the Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them are hereby authorized to execute all instruments and documents necessary to take such action.

Section 4.04. No Recourse on IFO.

No recourse shall be had for the payment of the principal or Redemption Price, if any, of or interest or amounts treated as interest, as applicable, on the IFO or for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the IFO and neither any member or officer of the Authority nor any person executing the IFO shall be liable personally on the IFO by reason of the issuance thereof.

ARTICLE V
MISCELLANEOUS

Section 5.01. Delegation of Authority to Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer.

The Chairperson or the Vice Chairperson and the Chief Executive Officer, President or Chief Financial Officer of the Authority are hereby delegated the authority to (i) determine with respect to the IFO the amount, series, issue date, date of maturity, denominations, redemption provisions, interest rate and mode, and other details of the IFO, (ii) determine whether the IFO shall be sold by competitive or negotiated sale or by direct placement and if such sale is negotiated or sold by direct placement, the purchaser of the IFO, and (iii) accept and incorporate into this IFO Resolution any terms or provisions required by the State or the purchaser of the IFO which they deem necessary or appropriate, all in accordance with the Act, the Resolution and any other provision of law applicable thereto. The Chairperson or the Vice Chairperson and the Chief Executive Officer, President or Chief Financial Officer shall prepare a Certificate of Determination prior to the date of delivery of each series of the IFO to be attached hereto and incorporated in this IFO Resolution setting forth such details and particulars of the IFO and provisions, if any, as determined in accordance with this delegation.

Section 5.02. Effective Date.

This IFO Resolution shall take effect immediately upon its adoption.

Exhibit A

Certificate of Determination

EXHIBIT B

Form of Interim Funding Obligation

UNITED STATES OF AMERICA
STATE OF CONNECTICUT
****
Interim Funding Obligation

The ************, Connecticut, (the "Municipality"), for value received, hereby unconditionally promises to pay to the State of Connecticut (the "State"), pursuant to the terms and conditions of a Project Loan and Subsidy Agreement dated _________________ between the Municipality and the State (the "Agreement") up to the principal sum of $_________________, or the aggregate unpaid principal amount of all Project Loan Advances made by the State to the Municipality pursuant to the Agreement, whichever is less, together with interest on the aggregate unpaid principal balance thereof. Unless otherwise required by law, the aggregate unpaid principal amount of all Project Loan Advances and the interest thereon shall be payable on or before _______________ at which time the obligation to pay such principal and interest shall be transferred to the Project Loan Obligation attached hereto. At the option of the Municipality, the Municipality may pay the principal and interest on the Interim Funding Obligation on _____________. Interest on the aggregate unpaid principal amount of all Project Loan Advances shall be payable at the rate of two percent **(2.0%)** per annum from the date of each Project Loan Advance. Interest on this Interim Funding Obligation shall be computed on the basis of a year of three hundred sixty (360) days and the actual number of days elapsed.

The State will endorse on Schedule 1 to this Interim Funding Obligation an appropriate notation evidencing each Project Loan Advance, the date of such Project Loan Advance, the amount of principal prepaid as of the date of such Project Loan Advance, if any, and the principal balance remaining unpaid as of the date of such Project Loan Advance on account of the principal thereof and the Municipality agrees that the amount of the principal balance remaining unpaid as shown on said Schedule 1 from time to time shall constitute the principal amount owing to the State pursuant to this Interim Funding Obligation, absent manifest error.

The Municipality agrees to make all payments in lawful money of the United States, to pay interest at the rate specified above and to pay all costs including reasonable attorneys' fees, incurred by the State in the collection of this Interim Funding Obligation. Both the principal of and interest on this Interim Funding Obligation shall be payable in lawful money of the United States of America to the Treasurer, State of Connecticut, at: State of Connecticut, Office of the Treasurer, 165 Capitol Avenue, 2nd Floor, Hartford, Connecticut 06106, Attn: CWF/DWF Financial Administrator or to such other place as the State shall designate in writing to the Municipality.

This Interim Funding Obligation has been executed and delivered subject to the terms and conditions of the Agreement to which reference is hereby made for the terms and conditions upon which it shall be and may be prepaid in whole or in part without premium or penalty and generally as to the rights and duties of the State and as to the rights and duties of the Municipality.

Any capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Interim Funding Obligation is within every debt and other limit prescribed by law or by the Municipality. This Interim Funding Obligation is a special, limited obligation of the Municipality and the Revenues, as defined in the Agreement, are pledged to the payment of the principal of and interest on this Interim Funding Obligation as the same may become due.

IN WITNESS WHEREOF, the ________ of _________, Connecticut, has caused its seal to be affixed hereto and this Interim Funding Obligation to be signed in its name by the manual signatures of its _________________ and ____________, all as of the _____ day of ____________, _____.

(SEAL)

By: ____
Its:

CERTIFICATION OF BANK

This is to certify that the within Interim Funding Obligation is one of the particular issue described therein; that the signatures and seal thereto affixed are genuine; and that an opinion approving the legality of this issue has been rendered by __________________, Attorney-at-Law, of _____________________, Connecticut.

By_______________________________________
(Bank Officer)

SCHEDULE 1

Date	Amount of Project Loan Advance Made This Date	Amount of Principal Repaid This Date	Principal Balance Remaining Unpaid	Notation Made by

Advances and payments of Principal pursuant to an Interim Funding Obligation dated as of __________, between the State of Connecticut and the __________________.

EXHIBIT B

PLO SUPPLEMENTAL RESOLUTION

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

WATER SYSTEM REVENUE BOND RESOLUTION
GENERAL BOND RESOLUTION

PROJECT LOAN OBLIGATION
SUPPLEMENTAL RESOLUTION

Authorizing the Issuance of

$3,325,000 PROJECT LOAN OBLIGATIONS
FOR THE LAKE WHITNEY WATER TREATMENT PLANT CHEMICAL FEED PROJECT

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

PROJECT LOAN OBLIGATIONS FOR THE LAKE WHITNEY WATER TREATMENT PLANT CHEMICAL FEED PROJECT

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SUPPLEMENTAL RESOLUTION

Authorizing the Issuance of the
Project Loan Obligations for the Lake Whitney Water Treatment Plant Chemical Feed Project

RECITALS

WHEREAS, the South Central Connecticut Regional Water Authority (the "Authority") is authorized pursuant to Connecticut Special Act No. 77-98, as amended (the "Act"), and the Water System Revenue Bond Resolution, General Bond Resolution, adopted July 31, 1980 as amended and supplemented (the "Resolution"), to borrow money and to issue bonds of the Authority from time to time; and

WHEREAS, the Resolution provides that bonds shall be issued subject to the terms, conditions and limitations established by the Resolution and one or more supplemental resolutions authorizing each series of bonds; and

WHEREAS, under the Resolution bonds are defined to mean, inter alia, project loan obligations delivered to evidence the Authority's obligation to repay the financing of a loan from the State of Connecticut (the "State") under its Drinking Water State Revolving Fund Program ("DWSRF"); and

WHEREAS, the Representative Policy Board of the South Central Connecticut Regional Water District (the "RPB") approved the issuance of bonds or project loan obligations on December 18, 2025 in the maximum principal amount of $3,325,000 (I) to finance or refinance the cost of replacement of the potassium permanganate and sodium hydroxide systems at the Lake Whitney Water Treatment Plant; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance (the "Project"); and

WHEREAS, the Authority hereby determines that it is necessary and desirable that the Authority issue one or more Project Loan Obligations (the "PLO") to permanently finance the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY AS FOLLOWS:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 101. Authority for Supplemental Resolution.

This supplemental resolution (the "Supplemental Resolution") to the Resolution in substantially the form presented at this meeting with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief

Financial Officer shall deem advisable and as set forth in the Certificate or Certificates of Determination (as hereinafter defined) is adopted in accordance with the provisions of Article II and Article IX of the Resolution and pursuant to the authority contained in the Act.

Section 102. Definitions.

A. All terms defined in Section 102 of the Resolution shall have the same meanings, respectively, in this Supplemental Resolution.

B. In addition, as used in this Supplemental Resolution, unless the context otherwise requires, the following term shall have the following meaning:

"Certificate of Determination" means one or more certificates of determination required by Section 501 hereof, signed by the Chairperson or Vice Chairperson and the Chief Executive Officer, President or Chief Financial Officer setting forth the terms of the PLO and attached hereto as **Exhibit A** and made a part hereof.

C. Unless the context otherwise requires, in this Supplemental Resolution words of the masculine gender shall mean and include correlative words of the feminine and neuter genders; words importing the singular number shall mean and include the plural number and vice versa; words importing persons shall include firms, associations and corporations; and the terms, "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms refer to this Supplemental Resolution.

ARTICLE II

AUTHORIZATION OF PLO

Section 201. Principal Amount, Designation and Series.

One or more series of bonds entitled to the benefit, protection and security of the Resolution is hereby authorized in the maximum amount not to exceed $3,325,000. Each such series of bonds shall be designated as, and shall be distinguished from, the bonds of all other series by the title of Project Loan Obligation with the number assigned to it by the State. The principal amount of the PLO shall be as set forth in the Certificate of Determination or as attached to the PLO.

Section 202. Purpose.

The purposes for which the PLO are being issued are to permanently finance or refinance (I) the cost of replacement of the potassium permanganate and sodium hydroxide systems at the Lake Whitney Water Treatment Plant; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance related to the PLO.

Section 203. Date, Maturity and Interest Rates.

The PLO shall be dated the Date of Delivery as set forth in the Certificate of Determination.

The PLO shall be issued as a term bond which shall mature in the aggregate principal amount as established by the Certificate of Determination or as attached to the PLO. The PLO shall bear interest at a rate of 2% per year on the unpaid principal balance calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 204. Interest Payment Dates.

The PLO shall bear interest from its dated date, payable monthly as set forth in the Certificate of Determination.

Section 205. Reserved.

Section 206. Method of Payments.

The principal of, premium, if any, and interest on the PLO shall be payable by check, draft or wire transfer payable to the Treasurer, State of Connecticut at: State of Connecticut, Office of the Treasurer, 165 Capitol Avenue, Hartford, CT 06106, Attn: DWSRF Financial Administrator, or to such other place as the State shall designate in writing to the Authority. Such payments to the Treasurer are in lieu of payments to the Trustee required by Section 404 C1 and Section 404 C2 of the Resolution for the principal and interest payments due on the PLO.

Section 207. Redemption.

A. The PLO shall be subject to optional redemption as set forth in the Certificate of Determination.

B. The PLO shall be subject to mandatory sinking fund redemption at 100% of the principal amount thereof plus accrued interest to the date of redemption, from sinking fund payments in the amounts as established by the Certificate of Determination or as attached to the PLO.

C. The PLO is subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest to the date of redemption if all or substantially all of the Water System is taken by the State or any municipality in the State with general governmental powers and duties as more particularly described in Section 507 of the Resolution.

Section 208. Delivery of PLO.

The PLO shall be delivered to the State to evidence the Authority's obligation to repay the financing of a loan from the State's DWSRF.

ARTICLE III

DISPOSITION OF PROCEEDS OF PLO

Section 301. Refunding.

Upon delivery of the PLO and receipt of payment therefor, the Authority shall pay from the net proceeds thereof, after the payment of certain Costs of Issuance, the amounts necessary to reimburse the Construction Fund for moneys used to pay the costs of the Project or any Interim Funding Obligations issued in anticipation of the PLO as established by the Certificate of Determination.

Section 302. Other Funds.

The Trustee or the Authority shall deposit such other proceeds in such other funds as set forth in the Certificate of Determination.

ARTICLE IV

FORM AND EXECUTION OF PLO

Section 401. Form of PLO and Trustee's Certificate of Authentication.

Subject to the provisions of the Resolution, the PLO and the Trustee's certificate of authentication shall be, respectively, in substantially the form as set forth in **Exhibit B** to this supplemental resolution, with such insertions or omissions, endorsements and variations as may be required or permitted by the Resolution.

Section 402. Execution of PLO.

The Chairperson, Vice Chairperson, Chief Executive Officer, President and Chief Financial Officer, or any one of them, is hereby authorized and directed to execute the PLO and the Secretary, Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, is hereby authorized to sign and attest the Authority's seal on the PLO, each by their manual or facsimile signatures.

Section 403. Continued Exemption from Federal Income Taxation.

The Authority hereby agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law or in order to ensure that interest or amounts treated as interest, as applicable, paid on the PLO shall not be includable in the gross income of the owners thereof for Federal income tax purposes under the Code. Further, the Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, are hereby authorized to execute all instruments and documents necessary to take such action.

Section 404. No Recourse on PLO.

No recourse shall be had for the payment of the principal or Redemption Price, if any, of or interest or amounts treated as interest, as applicable, on the PLO or for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the PLO and neither any member or officer of the Authority nor any person executing the PLO shall be liable personally on the PLO by reason of the issuance thereof.

ARTICLE V

MISCELLANEOUS

Section 501. Delegation of Authority to Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer

The Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer are hereby delegated the authority to (i) determine with respect to the PLO the amount, issue date, date of maturity, denominations, redemption provisions, interest rate and mode, and other details of the PLO, (ii) determine whether the PLO shall be sold by competitive or negotiated sale and if such sale is negotiated, the purchaser of the PLO, and (iii) accept and incorporate into the Supplemental Resolution any terms or provisions which they deem necessary or appropriate, all in accordance with the Act, the Resolution and any other provision of law applicable thereto. The Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall prepare a Certificate of Determination for each such PLO prior to the date of delivery of the PLO to be attached hereto as **Exhibit A** and incorporated in this Supplemental Resolution setting forth such details and particulars of each PLO as determined in accordance with this delegation. Should the details and particulars of a PLO conflict with such details and particulars set forth in this Supplemental Resolution, the Certificate of Determination shall control.

Section 502. Effective Date.

This Supplemental Resolution shall take effect immediately.

EXHIBIT A

CERTIFICATE OF DETERMINATION

EXHIBIT B

FORM OF PROJECT LOAN OBLIGATION

U.S. $__________ **________, 20_____**

UNITED STATES OF AMERICA
STATE OF CONNECTICUT
SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

Project Loan Obligation

The South Central Connecticut Regional Water Authority, New Haven, Connecticut (the "Municipality"), for value received, hereby unconditionally promises to pay to the STATE OF CONNECTICUT (the "State") pursuant to the terms and conditions of a __________ and Project Loan and Subsidy Agreement dated _, 20____ between the Municipality and the State, (the "Agreement"), the principal sum of:

____
($________________)

together with interest on the aggregate unpaid principal balance thereof. Unless otherwise required by law, the aggregate unpaid principal amount of this Project Loan Obligation and the interest thereon shall be payable in the amount of ______________________________________ ____, with final payment due and owing on ________________. Such installments shall be comprised of principal and interest as shown on the Schedule of Payments attached hereto, subject to the Municipality's rights to prepay this Project Loan Obligation in whole or in part without premium or penalty as set forth in the Agreement. If the Municipality should exercise such right of prepayment, the schedule of remaining principal and interest payments, if any, shall be adjusted accordingly by the State.

Interest on the aggregate unpaid principal amount of this Project Loan Obligation shall be payable at the rate of two percent (2%) per annum. Interest on this Project Loan Obligation shall be computed on the basis of a year of three hundred sixty (360) days and twelve 30-day months.

The Municipality agrees to make all payments in lawful money of the United States, to pay interest at the rate specified above and to pay all costs including reasonable attorneys' fees incurred by the State in the collection of this Project Loan Obligation. Both the principal of and interest on this Project Loan Obligation shall be payable in lawful money of the United States of

America to the Treasurer, State of Connecticut, at: State of Connecticut, Office of the Treasurer 165 Capitol Avenue, Hartford, Connecticut 06106, Attn: Clean Water Fund Financial Administrator or to such other place as the State shall designate in writing to the Municipality.

This Project Loan Obligation has been executed and delivered subject to the terms and conditions of the Agreement to which reference is hereby made for the terms and conditions upon which it shall be and may be prepaid in whole or in part without premium or penalty and generally as to the rights and duties of the State and as to the rights and duties of the Municipality.

Any capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Project Loan Obligation is within every debt and other limit prescribed by law or by the Municipality. **This Project Loan Obligation is a special obligation of the Municipality issued pursuant to and secured by its Water System Revenue Bond Resolution, General Bond Resolution adopted on July 31, 1980 as amended and supplemented to date including as supplemented by its ____________ Supplemental Resolution (collectively, the "General Bond Resolution") and payable solely from the revenues derived from the Water System as that term is defined in the General Bond Resolution, and the full faith and credit of the Municipality is pledged to the payment of the principal of and interest on this Project Loan Obligation as the same may become due.**

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the ___________________________, Connecticut, has caused the seal of the _______ to be affixed hereto and this Project Loan Obligation to be signed in its name by the manual or facsimile signature of the ________________ of ________________ _______and the seal of the Authority to be attested by the manual or facsimile signature of the _______ of the Authority as of the _____ day of _________, 20__.

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY

By: _________________________________

Its

(SEAL)

Attested

By:______________________________

CERTIFICATION OF BANK

This is to certify that the within Project Loan Obligation is one of the particular issues described therein; that the signatures and seal thereto affixed are genuine; and that an opinion approving the legality of this issue has been rendered by __________________Attorney-at-Law, of ________________________, Connecticut.

By: ________________________

(Bank Officer)

SCHEDULE OF PAYMENTS

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

WATER SYSTEM REVENUE BOND RESOLUTION
GENERAL BOND RESOLUTION

PROJECT LOAN OBLIGATION
SUPPLEMENTAL RESOLUTION

Authorizing the Issue of

$2,400,000 PROJECT LOAN OBLIGATIONS
FOR THE LAKE SALTONSTALL WATER TREATMENT PLANT GRAVITY THICKENER PROJECT

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

PROJECT LOAN OBLIGATION FOR THE LAKE SALTONSTALL WATER TREATMENT PLANT GRAVITY THICKENER PROJECT

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SUPPLEMENTAL RESOLUTION

Authorizing the Issuance of
Project Loan Obligation for the Lake Saltonstall Water Treatment Plant Gravity Thickener Project

RECITALS

WHEREAS, the South Central Connecticut Regional Water Authority (the "Authority") is authorized pursuant to Connecticut Special Act No. 77-98, as amended (the "Act"), and the Water System Revenue Bond Resolution, General Bond Resolution, adopted July 31, 1980 as amended and supplemented (the "Resolution"), to issue bonds of the Authority from time to time; and

WHEREAS, the Resolution provides that such bonds shall be issued subject to the terms, conditions and limitations established by the Resolution and one or more supplemental resolutions authorizing each series of bonds; and

WHEREAS, under the Resolution bonds are defined to mean, inter alia, project loan obligations delivered to evidence the Authority's obligation to repay the financing of a loan from the State of Connecticut (the "State") under its Drinking Water State Revolving Fund Program ("DWSRF") and;

WHEREAS, the Representative Policy Board of the South Central Connecticut Regional Water District (the "RPB") approved the issuance of the bonds or project loan obligations on December 18, 2025 in the maximum principal amount of $2,400,000 to finance or refinance (I) the cost of improvements to various gravity thickener components at the Lake Saltonstall Water Treatment Plant as well as the replacement of platform beams, walkway grating and handrails; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance (the "Project"); and

WHEREAS, the Authority hereby determines that it is necessary and desirable that the Authority issue one or more Project Loan Obligations (the "PLO") to permanently finance the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY AS FOLLOWS:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 101. Authority for Supplemental Resolution.

This supplemental resolution (the "Supplemental Resolution") to the Resolution in substantially the form presented at this meeting with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall deem advisable and as set forth in the Certificate of Determination (as hereinafter defined) is adopted in accordance with the provisions of Article II and Article IX of the Resolution and pursuant to the authority contained in the Act.

Section 102. Definitions.

A. All terms defined in Section 102 of the Resolution shall have the same meanings, respectively, in this Supplemental Resolution.

B. In addition, as used in this Supplemental Resolution, unless the context otherwise requires, the following term shall have the following meaning:

"Certificate of Determination" means a certificate of determination required by Section 701 hereof, signed by the Chairperson or Vice Chairperson and the Chief Executive Officer, President or Chief Financial Officer setting forth the terms of the PLO and attached hereto as **Exhibit A** and made a part hereof.

C. Unless the context otherwise requires, in this Supplemental Resolution words of the masculine gender shall mean and include correlative words of the feminine and neuter genders; words importing the singular number shall mean and include the plural number and vice versa; words importing persons shall include firms, associations and corporations; and the terms, "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms refer to this Supplemental Resolution.

ARTICLE II

AUTHORIZATION OF PLO

Section 201. Principal Amount, Designation and Series.

One or more series of bonds entitled to the benefit, protection and security of the Resolution is hereby authorized in the maximum amount not to exceed $2,400,000. Such series of bonds shall be designated as, and shall be distinguished from, the Bonds of all other series by the title of Project Loan Obligation with the number assigned to it by the State. The principal amount of the PLO shall be as set forth in the Certificate of Determination.

Section 202. Purpose.

The purposes for which the PLO are being issued are to finance or refinance (I) the cost of improvements to various gravity thickener components at the Lake Saltonstall Water Treatment Plant as well as the replacement of platform beams, walkway grating and handrails; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance related to the PLO.

Section 203. Date, Maturity and Interest Rates.

The PLO shall be dated the Date of Delivery.

The PLO shall be issued as a term bond which shall mature in the aggregate principal amount as established by the Certificate of Determination. The PLO shall bear interest at a rate of 2% per year on the unpaid principal balance calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 204. Interest Payment Dates.

The PLO shall bear interest from their dated date, payable monthly as set forth in the Certificate of Determination or as attached to the PLO.

Section 205. Reserved.

Section 206. Method of Payments.

The principal of, premium, if any, and interest on the PLO shall be payable by check, draft or wire transfer payable to the Treasurer, State of Connecticut at: State of Connecticut, Office of the Treasurer, 165 Capitol Avenue, Hartford, CT 06106, Attn: DWSRF Financial Administrator, or to such other place as the State shall designate in writing to the Authority. Such payments to the Treasurer are in lieu of payments to the Trustee required by Section 404 C1 and Section 404 C2 of the Resolution for the principal and interest payments due on the PLO.

Section 207. Redemption.

A. The PLO shall be subject to optional redemption as set forth in the Certificate of Determination.

B. The PLO shall be subject to mandatory sinking fund redemption at 100% of the principal amount thereof plus accrued interest to the date of redemption, from sinking fund payments in the amounts as established by the Certificate of Determination or as attached to the PLO.

C. The PLO are subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest to the date of redemption if all or substantially all of the Water System is taken by the State or any municipality in the State with general governmental powers and duties as more particularly described in Section 507 of the Resolution.

Section 208. Delivery of PLO.

The PLO shall be delivered to the State to evidence the Authority's obligation to repay the financing of a loan from the State's DWSRF.

ARTICLE III

DISPOSITION OF PROCEEDS OF PLO

Section 301. Construction Fund.

Upon delivery of the PLO and receipt of payment therefor, the Authority shall pay from the net proceeds thereof, after the payment of certain Costs of Issuance, to the Trustee for deposit in the Construction Fund the amount established by the Certificate of Determination.

Section 302. Other Funds.

The Trustee or the Authority shall deposit such other proceeds in such other funds as set forth in the Certificate of Determination.

ARTICLE IV

FORM AND EXECUTION OF PLO

Section 401. Form of PLO and Trustee's Certificate of Authentication.

Subject to the provisions of the Resolution, the PLO and the Trustee's certificate of authentication shall be, respectively, in substantially the form as set forth in **Exhibit B** to this supplemental resolution, with such insertions or omissions, endorsements and variations as may be required or permitted by the Resolution.

Section 402. Execution of PLO.

The Chairperson, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, is hereby authorized and directed to execute the PLO and the Secretary, Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, is hereby authorized to sign and attest the Authority's seal on the PLO, each by their manual or facsimile signatures.

Section 403. Continued Exemption from Federal Income Taxation.

The Authority hereby agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law or in order to ensure that interest or amounts treated as interest, as applicable, paid on the PLO shall not be includable in the gross income of the owners thereof for Federal income tax purposes under the Code. Further, the Chairman, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, are hereby authorized to execute all instruments and documents necessary to take such action.

Section 404. No Recourse on PLO.

No recourse shall be had for the payment of the principal or Redemption Price, if any, of or interest or amounts treated as interest, as applicable, on the PLO or for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the PLO and neither any member or officer of the Authority nor any person executing the PLO shall be liable personally on the PLO by reason of the issuance thereof.

ARTICLE V

MISCELLANEOUS

Section 501. Delegation of Authority to Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer

Section 502. The Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial are hereby delegated the authority to (i) determine with respect to the PLO the amount, issue date, date of maturity, denominations, redemption provisions, interest rate and mode, and other details of the PLO, (ii) determine whether the PLO shall be sold by competitive or negotiated sale and if such sale is negotiated, the purchaser of the PLO, and (iii) accept and incorporate into the PLO Supplemental Resolution any terms or provisions which they deem necessary or appropriate, all in accordance with the Act, the Resolution and any other provision of law applicable thereto. The Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall prepare a Certificate of Determination prior to the date of delivery of the PLO to be attached hereto as **Exhibit A** and incorporated in this PLO Supplemental Resolution setting forth such details and particulars of the PLO as determined in accordance with this delegation. Should the details and particulars of the PLO conflict with such details and particulars set forth in this PLO Supplemental Resolution, the Certificate of Determination shall control.

Section 503. Effective Date.

This PLO Supplemental Resolution shall take effect immediately.

EXHIBIT A

CERTIFICATE OF DETERMINATION

EXHIBIT B

FORM OF PROJECT LOAN OBLIGATION

U.S. $__________ **________, 20_____**

UNITED STATES OF AMERICA
STATE OF CONNECTICUT
SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

Project Loan Obligation

The South Central Connecticut Regional Water Authority, New Haven, Connecticut (the "Municipality"), for value received, hereby unconditionally promises to pay to the STATE OF CONNECTICUT (the "State") pursuant to the terms and conditions of a __________ and Project Loan and Subsidy Agreement dated _, 20_____ between the Municipality and the State, (the "Agreement"), the principal sum of:

____
($________________)

together with interest on the aggregate unpaid principal balance thereof. Unless otherwise required by law, the aggregate unpaid principal amount of this Project Loan Obligation and the interest thereon shall be payable in the amount of ____ ____, with final payment due and owing on __________________. Such installments shall be comprised of principal and interest as shown on the Schedule of Payments attached hereto, subject to the Municipality's rights to prepay this Project Loan Obligation in whole or in part without premium or penalty as set forth in the Agreement. If the Municipality should exercise such right of prepayment, the schedule of remaining principal and interest payments, if any, shall be adjusted accordingly by the State.

Interest on the aggregate unpaid principal amount of this Project Loan Obligation shall be payable at the rate of two percent (2%) per annum. Interest on this Project Loan Obligation shall be computed on the basis of a year of three hundred sixty (360) days and twelve 30-day months.

The Municipality agrees to make all payments in lawful money of the United States, to pay interest at the rate specified above and to pay all costs including reasonable attorneys' fees incurred by the State in the collection of this Project Loan Obligation. Both the principal of and interest on this Project Loan Obligation shall be payable in lawful money of the United States of America to the Treasurer, State of Connecticut, at: State of Connecticut, Office of the Treasurer, 165 Capitol Ave., Hartford, Connecticut 06106, Attn: Clean Water Fund Financial Administrator or to such other place as the State shall designate in writing to the Municipality.

This Project Loan Obligation has been executed and delivered subject to the terms and conditions of the Agreement to which reference is hereby made for the terms and conditions upon which it shall be and may be prepaid in whole or in part without premium or penalty and generally as to the rights and duties of the State and as to the rights and duties of the Municipality.

Any capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Project Loan Obligation is within every debt and other limit prescribed by law or by the Municipality. **This Project Loan Obligation is a special obligation of the Municipality issued pursuant to and secured by its Water System Revenue Bond Resolution, General Bond Resolution adopted on July 31, 1980 as amended and supplemented to date including as supplemented by its ____________ Supplemental Resolution (collectively, the "General Bond Resolution") and payable solely from the revenues derived from the Water System as that term is defined in the General Bond Resolution, and the full faith and credit of the Municipality is pledged to the payment of the principal of and interest on this Project Loan Obligation as the same may become due.**

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the ___________________________, Connecticut, has caused the seal of the ______ to be affixed hereto and this Project Loan Obligation to be signed in their names by the manual or facsimile signature of the _______________ of _______________ and the _______________ of the Authority as of the ____ day of _______, 20__.

SOUTH CENTRAL CONNECTICUT
REGIONAL WATER AUTHORITY

By: _________________________________

Its

By: _________________________________

Its

(SEAL)

CERTIFICATION OF BANK

This is to certify that the within Project Loan Obligation is one of the particular issues described therein; that the signatures and seal thereto affixed are genuine; and that an opinion approving the legality of this issue has been rendered by Pullman & Comley, LLC, of ___________ _____________, Connecticut.

By: ___________________________

(Bank Officer)

SCHEDULE OF PAYMENTS

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY RESOLUTION REGARDING PROJECT LOAN OBLIGATION FOR LAKE SALTONSTALL WATER TREATMENT PLANT GRAVITY THICKENER PROJECT

WHEREAS, on November 20, 2025, the South Central Connecticut Regional Water Authority (the "Authority") adopted and on December 18, 2025, the Representative Policy Board (the "RPB") approved the resolutions to approve the Lake Saltonstall Water Treatment Plant Gravity Thickener Project and established the general terms and provisions of the Authority's bonds which may be issued as project loan obligations in one or more series delivered to the State of Connecticut (the "State") in the aggregate principal amount not to exceed $2,400,000 (the "Bonds") to finance or refinance (I) the cost of improvements to various gravity thickener components at the Lake Saltonstall Water Treatment Plant as well as the replacement of platform beams, walkway grating and handrails; (II) to provide funds for deposit to the Capital Contingency Fund and the Debt Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Internal Revenue Code of 1986, as amended and (III) to pay costs of issuance (the "Project"); and

WHEREAS, the Authority wishes to provide for the issuance, sale and delivery of the Authority's Bonds issued as a project loan obligation (the "PLO") to be delivered to the State for the Project and approve the Project Loan and Subsidy Agreement by and between the State and the Authority related to the Project (the "Loan Agreement").

NOW THEREFORE,

BE IT RESOLVED, that the Chief Executive Officer, President and the Chief Financial Officer and any one of them may apply to the State Department of Public Health for eligibility and funding of the Project and sign such applications and any other documents which may be necessary or desirable to apply for eligibility of and to apply for and obtain financial assistance for the Project from the State's Drinking Water Fund Program, including, but not limited to, the Loan Agreement and that any such action taken prior hereto is hereby ratified and confirmed.

BE IT FURTHER RESOLVED, that the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer be authorized (i) to issue, sell and deliver the PLO in a total amount not to exceed $2,400,000, and (ii) to determine the principal amount, date, date of maturity, interest rate, form and other details of the PLO, pursuant to the Act and the General Bond Resolution or any other provisions of law thereto enabling.

BE IT FURTHER RESOLVED, that the Authority hereby approves the Supplemental Resolution authorizing the issuance of the PLO substantially in the form attached hereto as Exhibit A, with such changes, omissions, insertions and revisions as the Chairperson or Vice Chairperson and Chief Executive Officer, President or Chief Financial Officer shall deem advisable and which shall be as set forth in one or more Certificates of Determination attached thereto.

BE IT FURTHER RESOLVED, that for the purposes of providing to the Authority the loan and grant from the State, the Authority hereby approves the Loan Agreement substantially in the form as the Chief Executive Officer, President or Chief Financial Officer shall deem advisable and the approval of the Authority shall conclusively be determined from any of their signatures thereon.

BE IT FURTHER RESOLVED, that the Chairperson, Vice Chairperson, Chief Executive Officer, the President and Chief Financial Officer, or any one of them, are hereby authorized to execute and deliver such documents as may be necessary or desirable to issue and deliver the PLO, including but not limited to, the Loan Agreement, and to take such actions or to designate other officials or employees of the Authority to take such actions and execute such documents in connection with the issuance, sale and delivery of the PLO as are determined necessary or advisable and in the best interests of the Authority and that the execution of such documents shall be conclusive evidence of such determination.

BE IT FURTHER RESOLVED, that the Chairperson, Vice Chairperson, Chief Executive Officer, President or Chief Financial Officer, or any one of them, are hereby authorized to accept such grants from the State for the Project as set forth in the Loan Agreement and to apply the proceeds of the grant to the Project, as applicable.

EXHIBIT A

SUPPLEMENTAL RESOLUTION

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203.562.4020
http://www.rwater.com

TO: David J. Borowy
Todd Cort
Kevin J. Curseaden
Catherine E. LaMarr
Mario Ricozzi
Suzanne C. Sack

FROM: Rochelle Kowalski

DATE: September 18, 2026

SUBJECT: Capital Budget Transfer - Type B3 Amendment

As prescribed in the Capital Budget Manual, Exhibit 12, Capital Budget Amendment Procedure, Part 1, Type B Amendment, Item 3, Authority approval is required for a transfer of funds from an existing capital account to either another capital account or a newly created capital account if the value is greater than $500,000.

Ford Street Tank No. 1 Painting & Stairs: As a result of external circumstances that emerged in spring of 2026, the contract for this FY 2026 project was terminated and the project deferred to FY 2027. The project was rebid in late summer, and an additional funding is required to award the contract. Amendment No. 27-03 will transfer $1,121,000 from the Ford Street Tank No. 2 Painting & Stairs project account into the Ford Street Tank No. 1 Painting & Stairs capital budget account.

The following resolution will be necessary to carry out the foregoing:

Resolved: that the Authority approves the transfer of $1,121,000 from the Ford Street Tank No. 2 Painting & Stairs capital budget account to the Ford Street Tank No. I Painting & Stairs capital budget account.

CAPITAL BUDGET AMENDMENT REQUEST

Request Date:	9/15/2026	Type	Log	Mo/Yr
Requesting Division:	Engineering & Environmental Services	B3	27-03	9/26
Requested By:	Orville Kelly			

Transfer From:

Account Number:	001-000-107142-090032		
Project Description:	Ford Street Tank No. 2 Painting & Stairs		
A) Original Budget		$	2,000,000
B) Total Previous Transfers (In or Out)		$	-
C) This Transfer		$	1,122,000
D) Revised Budget (A+/-B-C)		$	878,000
E) Estimated Project Costs		$	-
F) Remaining Funds Available for Transfer, if any (D-E)		$	878,000

Explanation why funds are available:
Work on the project cannot commence until the completion of the work on Ford Street Tank No. 1.

Transfer To:

Account Number:	001-000-107142-090031		
Project Description:	Ford Street Tank No. 1 Painting & Stairs		
A) Original Budget		$	32,000
B) Previous Transfers (In or Out)		$	1,871,000
C) Revised Budget (A+/-B)		$	1,903,000
D) Amount to be Transferred		$	1,122,000
E) Proposed Revised Budget (C+D)		$	3,025,000

Explanation why funds are needed:
This amendment will provide the necessary funding required to award the contract for painting and installation of stairs at Ford Street Tank No. 1. The project was originally bid and planned for completion in FY 2026, but as a result of external circumstances that emerged in the spring of 2026, the contract was terminated, and the project deferred until FY 2027. The total FY 2027 cost of the project is estimated at $3,025,000.

Approvals As Required By Type	Signature	Date
1) Requesting Vice President/Director	Approved at CMC	9/15/2026
2) Donor Vice President/Director	Approved at CMC	9/15/2026
3) CFO	Approved at CMC	9/15/2026
5) President	Approved at CMC	9/15/2026
6) Authority Members	Copy of minutes attached if required	

Rev 6/02

Cost Allocation Framework for RWA and AWA

The allocation of corporate, administrative, and shared service costs between **Regional Water Authority (RWA)** and **Aquarion Water Authority (AWA)** is governed by this Cost Allocation Framework.

Core Allocation Factors

The Cost Allocation Framework mandates that expenses must be directly assigned whenever possible. When costs cannot be directly charged, the allocation factor can be applied using one of three primary formulas:

- **The Customer Factor:** Used for billing, customer service center operations, and communications, governmental affairs, insurance and risk management, IT, Engineering, regulatory oversight expenses, or other similar expenses. Costs are distributed based on the percentage of active customer accounts a service company holds relative to the total joint public entity system.
- **The Employee Factor:** Applied to Human Resources, safety management, payroll, benefits, internal training, or other similar expenses. Costs are allocated based on a service company's share of total full-time equivalent employees.
- **The Two-Factor Formula:** Used for broad corporate governance and shared executive (CEO, CFO) expenses between the two sister utilities. This formula averages two metrics: number of customers and revenues. The allocation percentages should be calculated during the fiscal year budget preparation cycle using the previous fiscal year's financial and operational data. The accounting departments at RWA and AWA will maintain detailed records documenting the annual calculation, including customer and employee counts.

Cost-Charging Categories

To prevent utility customers from subsidizing market-based or non-regulated segments, cost allocations fall into three tiers:

1. **Direct Charging:** Direct labor hours, dedicated equipment, and specific regulatory legal filings are billed straight to each authority. Appropriate overheads will also follow the direct charges (payroll and general overhead allocation).
2. **Indirect Shared Allocations:** Shared corporate enterprise software licenses, and engineering services are pooled and distributed based on the Customer allocation factors above.
3. **Non-Allowable Costs:** Costs related to joint public authority business development are tracked in isolated accounts (New Development Account/Growth Fund) and cannot be allocated to the service companies.

Auditing & Oversight

Because transactions occur between RWA and AWA, cost allocation policies are subject to scrutiny. An external legal or audit firm will conduct annual review audits of the Cost Allocation Framework to ensure ongoing compliance. These audits verify that the service company does not cross-subsidize lines of business and that all shared charges are passed through at a strict at-cost basis with zero profit markup.

The allocation percentages should be calculated during the fiscal year budget preparation cycle using the previous fiscal year's financial and operational data. The accounting departments at RWA and AWA will maintain detailed records documenting the annual calculation, including customer and employee count.

Allocable costs and expenses shall be charged to a specific account at each authority and billed at least quarterly. The billing statement shall include a detailed accounting of the costs to support auditing and transparency in compliance with this policy.

Wholesale Water & Lab Services
Structuring wholesale water and lab services contracts between RWA and AWA requires a formal document called an Intercompany Service Contract. An Intercompany Service Contract governs wholesale water and lab services between the sister utilities. It also establishes a legal firewall to protect customer interests, satisfy regulatory requirements, and mandate adherence to competitive procurement guidelines that ensure lowest-cost benefits.

The wholesale water arrangement will continue as a price based arrangement and will be subject to the cost of service development and associated updates, consistent with other wholesale customers. This is due to the cost and the revenues already being reflected in AWA's and RWA's cost and revenue structures, as applicable.

The current lab agreement remains in effect until its expiration date. Prior to it expiring, a determination will be made on the forward-looking approach (e.g. cost-based and/or price-based options). This does not preclude AWA from competitively bidding lab services.

Example Applications
1. Direct Charging

- **The Scenario:** RWA tests water samples or provides wholesale water to AWA.
- **Cost Policy:** Staff hours and direct equipment use required for the project with staff time being logged via specific labor codes and billed to AWA or RWA, as applicable. Applicable overheads are applied to staff time; however, there is no profit margin applied. Direct equipment used will be charged based either on the already developed usage costs factors or as part of the overheads.

2. Indirect Shared Allocations

- **The Scenario:** A new system software system being used by both RWA and AWA.
- **Cost Policy:** Because the software cannot be traced to one specific entity, the cost is pooled and allocated to RWA and AWA using the applicable referenced above.

3. Non-Allowable Costs

- **The Scenario:** Executives/staff attend conferences, pursue public entity business development opportunities, and potential new wholesale or laboratory clients.
- **Cost Policy:** Business development expenses are segregated into isolated accounts (New Development Account/Growth Fund). They cannot be allocated to RWA or AWA service companies.

CONFLICT OF INTEREST POLICY OF THE AUTHORITY BOARD OF THE AQUARION WATER AUTHORITY AND THE SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

Effective: _____________

Article I: Purpose

The Aquarion Water Authority ("**AWA**") and the South Central Connecticut Regional Water Authority ("**RWA**") (each, also referred to as the "**Water Authority**" and collectively, as the "**Water Authorities**") are committed to lawful and ethical behavior in their operations and affairs. The purpose of this Conflict of Interest Policy ("**Policy**") is to protect the integrity and independence of the decision-making processes of the eleven-member Authority Board ("**Authority Board**"), and to promote fairness, transparency and confidence in the actions of the Authority Board where actual or potential conflicts of interest may arise and thereby safeguard the interests of the Water Authorities and preserve public trust. The proper operation of the AWA and the RWA requires that all members of the Authority Board (each a "**Member**") strive to act in the best interests of each Water Authority, and without favoring one Water Authority over the other. More specifically, this Policy informs the Members about what constitutes a conflict of interest, assists the Authority Board identify actual and potential conflicts, and provides a mechanism for addressing conflicts of interest where applicable.

All Members should be provided with this Policy upon appointment and be required to annually acknowledge that they have read, understand and are in compliance with the terms of this Policy.

This Policy is intended to supplement but not replace or supersede any applicable State of Connecticut and federal laws governing conflicts of interest applicable to a public corporation and political subdivision of the State of Connecticut. This Policy shall only apply to matters or transactions that are considered and voted on by the Authority Board. This Policy does not apply to potential conflicts arising from an individual Member's personal or pecuniary interests, but conflicts resulting from instances where Members' fiduciary duties to the Water Authorities may be or appear to be compromised due to the nature of the transaction or circumstances. Lastly, this Policy does not apply to matters or transactions independently and separately considered by each Representative Policy Board ("**RPB**") of the Water Authorities.

Article II: Definitions

1. "**Conflict of Interest**" is defined as a situation in which Members' duty to act in the best interests of one of the Water Authorities may be, or may reasonably appear to be, compromised or influenced by the Members' obligations to the other Water Authority due to the nature of the transaction or situation. Circumstances that might present a Conflict of Interest include but are not limited to Divergent Interests

Transactions and transactions involving an entity for which one of the Water Authorities has a Financial Interest.

2. "**Divergent Interests Transactions**" mean transactions where the Water Authorities have divergent, competing or potentially adversarial interests or transactions where the Water Authorities have different economic or operational interests.

3. A "**Financial Interest**" means a direct or indirect, through business, investment, or other circumstances, ownership, compensation or other pecuniary interest in any entity in which the Water Authority has or is negotiating a transaction or arrangement or is a competitor or potential competitor of the Water Authority.

Article III: Fiduciary Duties to the Water Authorities

1. Fiduciary Duty. The Members shall support and advance the best interests of the Water Authorities, recognizing that the Authority Board has a fiduciary duty to both Water Authorities. In their capacity as Members, each Member shall avoid taking any action on any matter or transaction involving a Conflict of Interest except as stipulated in this Policy.

Article IV: Identifying Divergent Interests Transactions

For each transaction involving, directly or indirectly, both Water Authorities, the Authority Board shall:

1. Transaction Terms. Identify all the parties, the nature of the transaction, the economic terms and any known ownership, management, contractual, or financial relationships between the parties.

2. Divergent Interests Indicators. Based on the transaction terms, evaluate whether the terms present one or more of the following indicators:

A. The transaction may cause one Water Authority to favor its own interests over the interests of the other Water Authority, including its customers.

B. The transaction is only between the Water Authorities, including their affiliated business entities, and it is an opposite-side transactions, including but not limited to buyer-seller and customer-service provider type transactions.

C. The transaction terms differ materially from market, competitive, customary or arm's-length terms.

D. The transaction involves shared vendors, joint ventures, management agreements, lease agreements or use of the assets of one of the Water Authorities by the other.

E. The transaction is of the nature where the Water Authorities are competing against each other, *e.g.*, for contracts, business opportunities, strategic opportunities, etc.

F. The transaction may allocate benefits, excluding profits, disproportionately between the Water Authorities.

G. The transaction creates obligations for one Water Authority that may not align with the interests of the other Water Authority.

3. Determination and Disclosure. If during a meeting of the Authority Board, the Authority Board determines by a majority of vote that the transaction presents one or more of the indicators listed in Article IV, Section 2, then the transaction shall be deemed a Divergent Interests Transaction.

4. Rebuttable Presumption of Conflict of Interest. For purposes of this Policy, there is a rebuttable presumption that when the Water Authorities engage in a Divergent Interests Transaction that materially impacts one or both Water Authorities, a Conflict of Interest will be created. Notwithstanding the foregoing, transactions that will be unequally funded by both Water Authorities (*e.g.*, one Water Authority pays more than 50% of the costs) or where profits or costs will be unequally divided or prorated among the Water Authorities, are not presumed to be Conflict of Interests and are managed by means of the Cost Allocation Policy.

Article V: Addressing a Conflict of Interest

1. Procedures in Event of a Conflict of Interest. If the business matter is of the type listed under Article V, Section 2, the following procedures shall be followed:

A. The Authority Board shall convene two separate sessions for deliberations and voting on the business matter to protect fairness - one for Members appointed by the RWA RPB only and the other for Members appointed by the AWA RPB only. For purposes of these separate sessions, Members appointed by the RWA RPB shall recuse from participating in discussions or voting at the session held for Members appointed by the AWA RPB, and vice-versa.

B. During each session, Members shall deliberate and decide for each Water Authority by a majority vote whether, notwithstanding the Conflict of Interest, the transaction, arrangement or business matter is in their respective Water Authority's best interest and whether the transaction, arrangement or business matter is fair and reasonable to their Water Authority such that it would constitute an "arms-length" transaction.

C. Upon an affirmative vote held at each session, the business matter shall be scheduled for consideration and voting by the full Authority Board at the next Authority Board meeting. The Authority Board may convene additional subsequent and separate sessions for deliberations and voting until the requisite affirmative vote has been obtained.

Article VI: Recordkeeping

The minutes of any meeting of the Authority Board, the AWA RPB and the RWA RPB, during which a potential conflict or Conflict of Interest was discussed, including the evaluation of potential Divergent Interests Transactions, shall be maintained. These records shall contain the nature of the conflict or transaction discussed, a summary of the discussion evaluating the Potential Conflict, Conflict of Interest, or the potential Divergent Interests Transaction, the names of the persons who were present for discussions and votes, as applicable, a summary of the decision and actions taken, if any, by the, Authority Board, the AWA RPB and the RWA RPB, as applicable, and a record of any votes taken in connection with these proceedings.