Sustainable Solutions

ANNUAL REPORT 2017

Regional Water Authority

Our Purpose

To make life better for people by delivering water for life.

Our Mission

To provide customers with high-quality water and services at a reasonable cost while promoting the preservation of watershed lands and aquifers.

Our Vision

An innovative water utility that sustains life, strengthens our communities and protects natural resources for future generations.

Our Values

STARS: Service, Teamwork, Accountability, Respect, Safety

Service: We provide prompt, courteous service to both our customers and our coworkers. We continually strive to make the customer experience better for all.

Teamwork: We build on each other's strengths. Through efficiency and innovation, we work together, operating as a team, in a spirit of mutual trust and openness, to achieve success.

Accountability: We are responsible for our actions. We are honest and ethical. Integrity is at the heart of everything we do.

Respect: We treat with respect everyone with whom we come in contact while doing our jobs. We promote diversity and embrace individuality.

Safety: We are a safe workforce. Safety is owned by each and every employee. We all benefit when safety is part of our daily lives.

Sustainable Solutions

The South Central Connecticut Regional Water Authority (RWA) was born out of a purposeful mission by our founder, Eli Whitney II, to make life better for people.

Today, more than 160 years later, Whitney's ambition consistently drives our nonprofit corporation and our quest to enhance the quality of life for our customers and communities. To do so, we focus on three pillars of sustainability – social, environmental and economic. These pillars form the foundation of our company's sustainable discipline, and they help to guide our business results.

As a utility that has demonstrated its viability as a pioneer of conscious capitalism in the state – a philosophy that recognizes the innate potential of business to make a positive impact on the world – to us, sustainability, like conscious capitalism, adds value for people and creates benefits for the environment and the region.

On the following pages, you will read about the significant progress we made in each of these areas in fiscal year 2017.

Social Sustainability

At the heart of all we do is the well-being of our customers and our communities. We are committed to fostering socially responsible programs and policies that enhance sustainability.

Environmental Sustainability

Our commitment to environmental sustainability is evident in everything we do, and everything we consider is weighed against our impact on the natural world.

Economic Sustainability

To us, sustainability is intertwined with economic growth and the provision of water. We are always working to anticipate the needs and solutions of the region's future.

Social Sustainability

At the heart of all we do is the well-being of our customers and our communities. We are committed to fostering socially responsible programs and policies that enhance sustainability.

Consistent excellence is the hallmark of good customer satisfaction. We are proud to report that we achieve world-class customer satisfaction ratings every year. In 2017, we received an overall customer satisfaction rating of 89.7 percent, a full 14 percentage points above the average for all utilities.

Part of our customer service story is the work we do each day to protect the quality of water we deliver to consumers and communities. In 2017, our state-of-the-art laboratory tested more than 100,000 water samples to ensure that residents and businesses have safe water when they turn on their taps. Our test results continue to demonstrate that our drinking water meets or is better than the water quality standards established by the U.S. Environmental Protection Agency and the Connecticut Department of Public Health.

Each year we prioritize improvements, additions and renovations to our water system for projects that are needed to provide for present and future water supply requirements, to help protect the existing water supply and to meet the water quality standards of the Safe Drinking Water Act.

Our watershed experts work with communities to avoid contamination of surface and groundwater. In 2017, we conducted more than 1,000 watershed inspections, looking for potential chemical or bacterial contamination, sedimentation

and erosion, as well as the illegal dumping of waste materials on water supply watersheds. We responded to 24 violation incidents on watersheds and in aquifer areas that provide our drinking water. In addition, we reviewed nearly 100 site plans and helped local commissions guide development plans away from sensitive natural resources that help protect drinking water quality.

Our commitment to making lives better is evidenced by our support for our communities. We have a long history of contributing time and resources to worthwhile charitable organizations. In 2017, we contributed more than $46,000 to community gardens, United Way and care for veterans in our service areas.

Since 2015, the RWAter to Go wagon has been a driver of our community outreach efforts to promote the quality and value of tap water. In 2017, our mobile water station served over 50,000 people through community events, school and sport functions, and charity walks and runs.

In addition to our ongoing efforts to support our communities, in 2017, we collaborated with Gateway Community College and Southern Connecticut State University to launch first-of-its-kind public utility management degree and certification programs. These landmark initiatives are aimed to help meet the region's workforce needs by providing opportunities for students to pursue careers in the water, electric and natural gas utility industries.

Environmental Sustainability

Our commitment to environmental sustainability is evident in everything we do, and everything we consider is weighed against our impact on the natural world.

We continue to use technology and innovation to fulfill our commitment to be good stewards of the environment. The RWA launched a multi-year Advanced Metering Infrastructure (AMI) program in 2015 that is already deploying the water industry's latest metering technology. This technology lets us read water meters remotely. The advanced meter technology is allowing us to operate more efficiently, cut costs and reduce our carbon footprint. Once the AMI system is in place across our water district, we expect to decrease our fleet-miles driven by 42,000 miles per year and lessen our carbon footprint by 20 metric tons annually; that's the equivalent of carbon dioxide emissions from 2,250 gallons of gasoline.

Despite drought conditions in 2017, we supplied our customers' demand for water without imposing mandatory restrictions on use. The ability to withstand a drought stems from planning in the 1920s to construct the Lake Gaillard Reservoir system, and more recently in the 2000s with the building of the Lake Whitney Water Treatment Plant. Because of this planning, our region will have enough water to meet our customers' needs for the next 50 years and beyond.

We continuously find new and better ways of mitigating negative impacts on the environment. At our state-of-the-art Whitney Water Treatment Plant, a model of sustainable architecture, 12 ground source heat pumps connected to 89 wells allow the plant to be heated and cooled without burning fossil fuels.

In 1989, well before the construction of the Whitney Plant, we teamed up with the South Central Regional Council of Governments to create HazWaste Central, the state's first permanent collection center for household chemicals. It was a landmark solution designed to protect the region's water resources as well as offer a cost-effective municipal service in the region. Today, 17 municipalities participate in the program. Over the last 27 years, HazWaste Central has averaged about 6,000 users per season and has prevented more than 1 million gallons of hazardous waste from being mixed with the regular garbage or washed down sinks or storm drains.

Through our recreation program, we offer area residents a chance to walk, hike, jog and fish on our lands and see how we manage these properties to protect drinking water quality. For many, including children, these lands are hidden treasures waiting to be discovered. Besides providing outdoor time for parents and youngsters to connect, we are helping to create the next generation of environmental stewards.

In 2017, we provided unique opportunities for more than 150 city kids to fish and explore the great outdoors — many for the first time.

Every year, thousands of students learn about science and the environment through our water education program. In 2017, we reached more than 11,000 students at over 175 schools within our district. Our water science educator brings hands-on water experiments aligned to Connecticut's Common Core Standards to local schools. Students learn the basics of water quality so they can make informed decisions on future water policy.

Economic Sustainability

To us, sustainability is intertwined with economic growth and the provision of water. We are always working to anticipate the needs and solutions of the region's future.

Water is a symbol of our region's bounty and plays a key role in economic health. The costs of providing high-quality water and services are increasing for many reasons including the need to continuously invest in water system infrastructure for reliability, and to meet new water quality and environmental standards. We approach the challenge from two angles.

First, we developed our initial strategic plan in 2009 to guide the business as well as continuously identify operating and capital efficiencies. For example, we have reduced our capital improvement program from $40 million in the 2009 fiscal year to $27 million in the present fiscal year. In addition, we have achieved operating efficiencies and savings of about $18 million, including $8.6 million in reduced debt service since 2009, which resulted in mitigating rate increases by 16 percent.

In 2017, we challenged our employees to identify $1 million in savings to improve the way we do business and to benefit our customers. Thanks to their hard work, they not only achieved the goal, but they hit a stretch target for an additional $1 million in annualized savings.

These actions and more resulted in an upgrade by Standard & Poor's Rating Services to AA- from A+, while Moody's Rating Services affirmed its Aa3 rating. These high marks came as we successfully executed a bond issue refinancing that will save the company millions of dollars in debt service.

Second, despite our best efforts to keep rates as low as possible, some customers still have difficulty paying for water service in today's challenging economic climate. In 2017, we launched our Residential Water Assistance Program to help customers who meet certain income guidelines and are struggling to pay their water bill.

We continue to identify new lines of business that generate additional revenue to reduce pressure on our customers. For several years, we worked with local and state elected officials, environmental groups and community organizations to make changes to our enabling legislation that governs what we can do as an organization. In 2017, legislation was passed in Connecticut that permits us to conduct and invest in appropriate non-core business activities, including agriculture and renewable energy projects, to generate income and offset future rate increases. We are pursuing new business opportunities.

The link between economic development of watershed land and degradation of water quality has long guided our company's land acquisition and management policies. In 2017, we invested more than $320,000 to acquire over 43 acres of land. Since

2007, we have preserved more than 800 acres in land acquisitions and easement purchases at a cost of approximately $12 million. These acquisitions not only help protect water quality by providing a buffer, but improve the quality of life in the region by adding more open space.

Our strategic plan includes an economic development program that promotes regional growth. We continue to partner with policymakers, business leaders, economic development organizations and other utilities to position our region's water quality, innovation, highly educated workforce and quality of life as key differentiators for companies looking to expand or relocate in South Central Connecticut.

Looking Ahead

We are proud of all we have achieved in 2017. Our innovations and efficiencies wouldn't be possible without our people. Every single one of our employees plays a part in helping us achieve our purpose: to make life better for people by delivering water for life. We want to thank them for their hard work and for making 2017 such a success.

At the board level, after seven years of service on the Regional Water Authority Board and 18 years representing Branford on the Representative Policy Board (RPB), R. Douglas Marsh stepped down in March 2017. Over the years, Doug's leadership and community outreach helped to advance the organization. Suzanne Sack replaced Doug as a member of the Regional Water Authority Board and we welcomed RPB member David Borowy from Cheshire to the Authority Board in January 2017 when Gail Lieberman retired after five years of committed service. On the RPB, we welcomed Peter Betkoski from Beacon Falls, Brian Eitzer from Bethany and Tim Slocum from Cheshire. We sadly said goodbye to longtime Bethany RPB member Alexandra Breslin who passed away after an illness. Her participation on the Land Use Committee and her environmental perspectives will be deeply missed.

In closing, we look forward to working together in the coming fiscal year to fulfill our purpose and improve the quality of life for people by continuing to focus on sustainable solutions for the future.

Sustainability is important to us – for social, environmental and economic stewardship and for our company's

longevity. Clearly, there are challenges and benefits to being a sustainable, conscious organization; we recognize that there will be more to learn, more to do, more ways to be a leader in our industry and more ways to serve our customers and communities with pride.

We invite you to join us on our journey and, as always, we thank you for your continued support.

Larry L. Bingaman
President and Chief Executive Officer

Anthony DiSalvo
Chairperson, Regional Water Authority

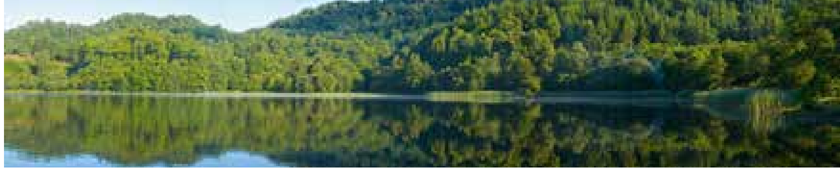
Thomas P. Clifford III
Chairperson, Representative Policy Board

October 16, 2017

RWA BY THE NUMBERS
FY 2017

428,000
consumers served

260
employees



45 million
gallons of water a day delivered

11,000
area students educated about water science

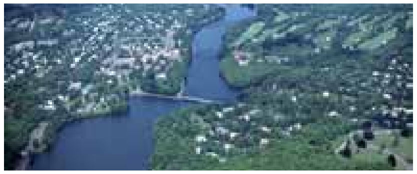
115,784
metered customers within district

15
South Central Connecticut municipalities in service area

$816 million
in assets

1,714 miles
of main

$2.3 million
in operating efficiencies



16.2 billion
gallons of water treated and pumped

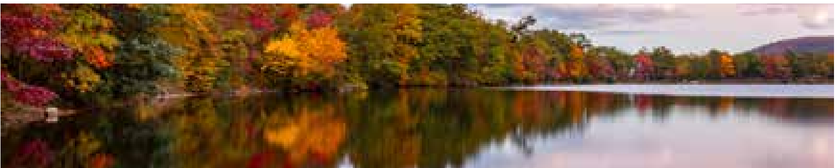
27,700
acres of land owned

58 miles
of recreation trails

$123 million
in operating revenue

17 miles
of fishing areas

110,000
water quality tests conducted



$46,000
in community contributions

1,000
acres of conservation easements

South Central Connecticut Regional Water Authority

Financial Statements as of and on the years ended May 31, 2017 and 2016, and Independent Auditors' Report

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Independent Auditors' Report

To the Members of the South Central Connecticut Regional Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority as of and for the years ended May 31, 2017 and 2016, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority, as of May 31, 2017 and 2016, the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As discussed in Note 3 to the financial statements, during the fiscal year ended May 31, 2017, South Central Connecticut Regional Water Authority adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 18 and the pension and OPEB schedules on pages 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 auditing standards generally accepted in the United States of America, 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 audit 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 August 30, 2017 on our consideration of 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 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.

West Hartford, Connecticut
August 30, 2017

Blum, Shapiro & Company, P.C.

Management's Discussion And Analysis Year Ended May 31, 2017

Introduction

As noted in the Independent Auditors' Report from Blum, Shapiro & Company, P.C., 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 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 Statement No. 68), the Authority's pension plans 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.

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. Financial information regarding the Watershed Fund, previously a blended component of the audited financial statements, can be found in the notes to the audited financial statements.

FINANCIAL HIGHLIGHTS

Summary: Revenues, expenses and changes in fund net position (in thousands of dollars)

May 31,	2017	2016	2015
Operating revenues:			
Water revenues	$ 115,760	$ 108,887	$ 102,885
Other	7,576	6,555	6,277
Total operating revenues	123,336	115,441	109,162
Operating expenses:			
Operating and maintenance	52,156	55,935	48,361
Expenses associated with other revenue	4,038	3,816	4,413
Depreciation	21,249	19,523	18,640
Payments in lieu of taxes (PILOT)	7,802	7,565	7,188
Total operating expenses	85,245	86,839	78,602
Operating income	38,091	28,602	30,560
Nonoperating income and expenses:			
Interest expense–net	(23,816)	(24,575)	(23,701)
Gain (loss) on disposal of assets	549	(716)	(585)
Realized and unrealized gains (losses) on investments	(73)	2	(106)
Amortization of bond discount, premium, issuance costs and deferred refunding losses	2,541	2,211	2,163
Intergovernmental revenue	1,168	732	
Total nonoperating expenses	(19,630)	(22,347)	(22,229)
Gain before contributions	18,460	6,255	8,331
Capital contributions	2,390	1,849	2,474
Special item - PILOT settlement	–	–	1,654
Change in Net Position	$ 20,851	$ 8,104	$ 12,459

Operating revenues

The change in the operating revenues from FY 2016 to FY 2017 is primarily attributable to the increased rates and charges, effective June 29, 2016. Also contributing to the increased water revenues in FY 2017 is higher billed consumption. Other revenue increased between FY 2016 to FY 2017, primarily due to the increase in outside lab services and PipeSafe Sewer revenues.

The change in the operating revenues from FY 2015 to FY 2016 is primarily attributable to the full year impact of the increased rates and charges, effective December 17, 2014, and the higher consumption in the seasonal months.

Operating expenses

Operating and maintenance expenses from FY 2016 to FY 2017 decreased by $3.7 million primarily due to the lower pension expense under GASB 68 and implementing operating efficiencies and savings. This was partially offset by the costs associated with the fund to assist qualified low income customers and increased expense related to information technology and training.

Operating and maintenance expenses from FY 2015 to FY 2016 increased by approximately $7.6 million primarily due to an increase in personnel-related expenses, including salary, wages and benefit costs as well as increased costs associated with maintenance and repairs and strategic initiatives. The increase in benefit costs is primarily related to the pension plans and the implementation of GASB 68. These increases in operating and maintenance expenses are partially offset by lower costs associated with insurance and outside services as well as operating efficiencies.

Depreciation expense increased from FY 2016 to FY 2017 and FY 2015 to FY 2016 primarily due to additions to utility plant.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from FY 2016 to FY 2017 and from FY 2015 to FY 2016 primarily as a result of pipe additions and mill rates.

Nonoperating income and expenses

Net interest expense decreased from FY 2016 to FY 2017 primarily due to the interest expense reduction associated with the Authority's June 2016 issuance of the Thirty-second Series B Revenue Bonds. This issue of $147,115,000 (par value) refunded certain maturities of the Authority's Twentieth A, Twenty-first, Twenty-second, Twenty-third and Twenty-fourth Series Revenue Bonds. This reduction was partially offset by the Authority's issuance of the Thirty-second Series A bonds of $17,270,000 (par value), also in June 2016.

Net interest expense increased from FY 2015 to FY 2016 primarily due to the Authority's interest expense associated with the full year impact of the December 2014 issuance of the Thirtieth Series A Revenue Bonds to finance the capital program. This increase was partially offset by the Authority issuing the Thirtieth Series B Revenue Bonds also in December 2014. This issue refunded the Nineteenth Series and the Twentieth Series maturities after August 2015. Additionally, the June 2015 refunding of Twenty-first Series maturities from August 2017 through August 2028 favorably affected interest expense.

Realized and unrealized investment losses increased by approximately $.1 million from May 31, 2016 to May 31, 2017. This year-over-year change is primarily due to market conditions. Between May 31, 2015 and May 31, 2016, the realized and unrealized gain was approximately $2 thousand.

Disposal of assets

In FY 2017 the Authority had a net gain on the retirement and disposition of certain assets. This net gain was primarily due to a land disposition. In FY 2016 and FY 2015 the Authority retired certain assets producing a net loss.

Amortization

The amortization of bond discount, premium, issuance costs and deferred refunding losses were more favorable in FY 2017 than in FY 2016 primarily due to the amortizations associated with the Thirty-second Series premiums, partially offset by the amortization of the cost of issuance and the deferred losses associated with the Thirty-second Series B.

The amortization of bond discount, premium, issuance costs and deferred refunding charges was higher in FY 2016 than in FY 2015 due to the net impacts of the amortizations associated with the Thirty-first Series, the full-year impact of the Thirtieth Series B refunding, and the issuance costs and premium associated with the Thirtieth Series A.

Intergovernmental revenue

Intergovernmental revenue is higher in FY 2017 than in FY 2016, due to the increase in grants. FY 2017 the intergovernmental revenue relates to Drinking Water State Revolving Fund (DWSRF) grants. FY 2016 revenue relates to open space grants.

Special item

The Special Item, as of May 31, 2015, is the result of a PILOT settlement with a town to which the Authority pays PILOT. There were no Special Items recorded associated with FY 2016 or FY 2017.

Summary: Net Position (in thousands of dollars)

May 31,	2017	2016	2015
Assets:			
Capital assets	$ 616,293	$ 608,885	$ 599,742
Goodwill	14,424	14,424	14,424
Other assets			
Current	56,444	53,761	52,585
Restricted assets	117,940	97,869	112,715
Other long-term assets	11,188	12,369	12,884
Total assets	816,289	787,308	792,350
Deferred outflows of resources:			
Deferred charge on refunding	18,205	7,524	7,452
Deferred pension related charges	3,717	3,776	4,863
Total deferred outflows of resources	21,922	11,300	12,315
Total assets and deferred outflows of resources	$ 838,211	$ 798,608	$ 804,665
Liabilities:			
Current liabilities	$ 36,241	$ 28,114	$ 25,664
Payable from restricted assets	12,592	11,759	11,403
Other long-term liabilities	3,233	2,693	2,811
Long-term debt payable	533,333	543,805	559,650
Net premiums/discounts	56,451	32,090	34,246
Net pension/OPEB liability	19,524	29,351	28,171
Total liabilities	661,373	647,812	661,945
Deferred inflows of resources:			
Deferred pension related inflows	5,274	82	111
Net position:			
Net invested in capital assets	35,558	37,892	29,092
Restricted	104,414	86,110	85,066
Unrestricted	31,592	26,712	28,451
Total net position	171,564	150,713	142,609
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 838,211	$ 798,607	$ 804,665

Capital assets

The increase in capital assets from FY 2016 to FY 2017 and from FY 2015 to FY 2016 is attributable to additions to plant, such as pumping structures and equipment, improvements to existing water treatment plants, upgrades to the distribution and transmission system, including new pipe, and general plant, including information technology related capital investment. (See Note 4, *Capital Assets*, for details.)

Goodwill

Goodwill results from the Authority's acquisition of Birmingham Utilities on January 16, 2008. Goodwill is not amortized, but is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2017 and May 31, 2016, no impairment of goodwill has occurred.

Current assets

The following itemizes the change in current assets between May 31, 2016 and 2017, and between May 31, 2015 and 2016, respectively:

May 31,	2017	2016
Increase in cash and cash equivalents and investments	$ 1,402,156	$ 2,321,783
Increase in accounts receivable, net	411,646	(1,802,305)
Increase in accrued water revenue	984,857	826,059
Increase in interest receivable	64,703	(199,656)
Increase in materials and supplies	35,241	(108,712)
Decrease in prepayments and other current assets	(216,060)	138,111
Net Increase in Current Assets	$ 2,682,543	$ 1,175,280

Increase in current net position from May 31, 2016 to May 31, 2017

The increase in cash and cash equivalents is primarily associated with the FY 2017 year-end disposition increasing the General Fund's cash and cash equivalents.

The change in accounts receivable is primarily due to the increase in receivables due to the rate increase in FY 2017, partially offset by cash collections on aged receivables.

The increase in accrued water revenue is primarily due to the impact of the June 29, 2016 rate increase.

The increase in interest receivables is primarily due to the accrued interest associated with the Authority's debt reserve, capital contingency, and operating reserve funds.

The increase in materials and supplies is primarily due to timing.

The decrease in prepayments and other current assets is primarily due to a decrease in deferred jobbing and deferred land expenses as well as insurance. The reduction in deferred land costs is primarily due to the land dispositions that occurred in FY 2017.

Increase in current net position from May 31, 2015 to May 31, 2016

The increase in cash and cash equivalents is primarily associated with the FY 2016 year-end disposition increasing the General Fund's cash and cash equivalents.

The change in net accounts receivable is primarily due to lower accounts receivables under sixty days, due to billings in the final months of FY 2016, as well as strong cash collections on aged receivables.

The increase in accrued water revenue is primarily due to the timing of billings and the full-year impact of the December 2014 rate increase.

The decrease in interest receivables is primarily due to the accrued interest associated with the Authority's debt reserve, capital contingency, and PILOT reserve funds based on the timing and yield differences between called securities and replacement securities.

The decrease in materials and supplies is primarily due to continued inventory management.

The increase in prepayments and other current assets is primarily due to an increase in insurance and other prepaids as well as deferred land expenses.

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.

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.

The increase of approximately $20.1 million in restricted assets between May 31, 2017 and May 31, 2016 is primarily due to the increase in the Construction Fund (approximately $9.8 million). The increase in this fund is primarily due to the year-end disposition of approximately $13.1 million, approximately $.9 million higher unspent bond proceeds, approximately $.4 million in grant proceeds, approximately $.6 million associated with a land disposition, and other net changes, partially offset by the use of internally generated funds, held within the Construction Fund, to finance approximately $5.3 million of the capital improvement program. Restricted accounts receivable increased by approximately $4.6 million primarily due to a receivable associated with subsequent event proceeds from DWSRF loan and grant financing, a receivable associated with a land disposition, and reduction in other restricted receivables. Other restricted assets increased by approximately $4.5 million due to the increase in proceeds from interim subordinate debt financing, a decrease in PILOT receivables, and $1.2 million in other net changes primarily related to an increase in the debt service fund.

The decrease of approximately $14.8 million in restricted assets between May 31, 2015 and May 31, 2016 is primarily due to the decrease in the Construction Fund (approximately $15.2 million). The decrease in this fund is due to the use of the remaining bond proceeds from the Thirtieth Series A Revenue Bonds and the use of approximately $8.3 million of internally generated funds, held within the Construction Fund, to finance the capital improvement program partially off-set by the transfer of approximately $9.5 million into the Construction Fund as part of the year-end disposition. In addition, between May 2015 and May 2016 there are decreases in restricted accounts receivable and the debt service fund. These decreases were partially offset by an increase in the Operating Reserve Fund by approximately $.5 million as required under the *General Bond Resolution.*

Other long-term assets

As of May 31, 2017, regulatory assets, totaled $11.2 million, net of amortizations. This includes $4.9 million of bond issuance costs, $5.2 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 15, *Pollution Remediation Obligation*), $.2 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, and $.7 million associated with deferred repair at a site in New Haven, Connecticut, and $.2 million in other remediation costs.

As of May 31, 2016, regulatory assets, net of amortization, include $7.8 million of bond issuance costs, $4.2 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 15, *Pollution Remediation Obligation*), $.3 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, and $.1 million deferred repair costs at a site in New Haven, Connecticut.

As of May 31, 2017 and May 31, 2016, there is no other post-employment (OPEB) asset.

Current liabilities

The Authority's current liabilities increased by approximately $8.1 million between May 31, 2016 and May 31, 2017, primarily due to the increase in a short-term subordinate note payable and an increase in current maturities of revenue bonds payable as well as other net changes.

The Authority's current liabilities increased by approximately $2.5 million between May 31, 2015 and May 31, 2016, primarily due to an increase in accounts payable due to vendors, current maturities of Revenue Bonds payable, a short-term Note Payable, and other accrued liabilities, primarily related to accrued payroll and deferred revenue.

Payables from restricted assets

Between May 31, 2016 and May 31, 2017, payables from restricted assets increased by approximately $.8 million. This increase is primarily due to the increase in accounts payable for construction partially offset by a reduction in accrued interest payable.

Between May 31, 2015 and May 31, 2016, payables from restricted assets increased by approximately $.4 million. This increase is primarily due to the increase in accounts payable for construction.

Other long-term liabilities

Between May 31, 2016 and May 31, 2017, other long-term liabilities increased by approximately by $.5 million. This increase is due to the a revised estimate for the total remediation costs associated with the Newhall Road site in Hamden, Connecticut, less the costs incurred during FY 2017.

Between May 31, 2015 and May 31, 2016, other long-term liabilities decreased by approximately $.1 million due to costs incurred associated with the environmental remediation for the Newhall Road site in Hamden, Connecticut, reducing the liability as of May 31, 2016. The total cost estimate for the remediation was unchanged between May 31, 2016 and May 31, 2015.

As of May 31, 2017 the OPEB liability balance was approximately $10 thousand due to the change in the actuarial calculation of the implicit rate subsidy. As of May 31, 2016, the OPEB liability balance was approximately $9 thousand.

Long-term debt

Long-term bonds payable decreased by $10.5 million due to the June 2016 issuance of the Thirty-second Series B (refunding) and the August 2016 principal payment partially offset by the issuance of the Thirty-second Series A bond issuance and Drinking Water State Revolving Fund (DWSRF) project loan obligations. Net premiums/discounts increased by approximately $24.4 million primarily due to the issuance of the Thirty-second Series A and B.

Long-term debt, including net premiums/discounts, decreased by approximately $18.0 million between May 31, 2015 and May 31, 2016, due to the August 2015 principal payments and the refunding associated with the Thirty-first Series Revenue Bonds.

Net pension liability

Between May 31, 2016 and May 31, 2017, the net pension liability decreased by approximately $9.8 million primarily due to strong pension contributions, approximately $2 million in excess of the actuarial required contribution, higher net investment returns, and change in assumptions (e.g., mortality table and retirement rates), partially offset by benefits earned by plan participants and other factors.

Between May 31, 2015 and May 31, 2016, the net pension liability increased by $1.2 million primarily due to lowering the discount rate from 7.25 to 7%, changes in expected versus actual experience, and projected versus actual market performance of plan investments as well as benefits earned by plan participants in the current period. The Authority contributing approximately $2.1 million in excess of the actuarial required contribution favorably affected the net pension liability.

Invested in capital, net of related debt

Between May 31, 2016 and May 31, 2017, the amount invested in capital, net of related debt, decreased by $2.3 million primarily due to the increases in DWSRF loans, bond anticipation note payable, and increase in premiums on revenue bonds payable, partially offset by an increase in utility plant and deferred charge on refunding and reduction in revenue bonds payable at par.

Between May 31, 2015 and May 31, 2016, the amount invested in capital, net of related debt, increased by $8.8 million primarily due to the net impact of the increase in utility plant and the decrease in long-term debt.

Net position, restricted

Restricted net position increased by approximately $18.3 million from May 31, 2016 to May 31, 2017, primarily due to the increase in restricted assets, as described above, partially offset by approximately $.9 million in unspent bond proceeds as of May 31, 2017 and $.8 million increase liabilities payable from restricted assets.

Restricted net position increased by approximately $1 million from May 31, 2015 to May 31, 2016, primarily due to the reduction in unspent bond proceeds being greater than the increase restricted payables and the decrease in restricted assets.

Unrestricted net position

Unrestricted net position increased by $4.9 million due to the increase in current assets by more than the increase in unrestricted liabilities.

Unrestricted net position decreased $.7 million due to the increase in current assets by less than the increase in unrestricted liabilities.

The Authority's Customer Base

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 119,000 customers, 115,100 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale and fire service. Between May 31, 2016 and May 31, 2017, there has been minimal growth in the Authority's customer base.

Liquidity and Capital Resources

Utilizing the Maintenance Test calculations as prescribed in the *General Bond Resolution*, in FY 2017 the Authority received approximately $120 million in cash from operations and $1.1 million from earnings on investment 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 FY 2017 year-end disposition of the Revenue Fund, the Authority had approximately $14.6 million available after funding required reserves. The Authority increased the General Fund by approximately $1.5 million, including a $1.0 million increase in the General Fund – Corporate Development. The Authority also transferred approximately $13.1 million to the Construction Fund including the funding of depreciation. In addition, in FY2017 the Authority contributed to the pension plans approximately $2.0 million in excess of the actuarial requirement and funded approximately twenty percent of the capital improvement program with internally generated funds.

In June of 2016, the Authority issued the Thirty-second Series A and B Revenue Bonds and in January 2017 the Authority entered into a Drinking Water State Revolving Fund (DWSRF) project loan obligation. Additionally, in July 2017, the Authority entered into two additional DWSRF project loan obligations.

Credit Rating

In June 2016, Standard & Poor's Rating Services upgraded the Authority's credit rating to AA- from A+ and Moody's Investor Service affirmed the Aa3 rating on outstanding debt.

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 ended May 31, 2017 and 2016. Comparable information for earlier years is available, as noted below.

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

STATEMENTS OF NET POSITION

May 31,	2017	2016
Assets:		
Utility plant		
Depreciable property, plant and equipment in service	$ 808,765,534	$ 783,757,244
Accumulated depreciation	(302,753,355)	(283,770,620)
Depreciable utility plant in service	506,012,179	499,986,624
Land	27,766,264	27,993,947
Construction work in progress	17,702,273	16,410,056
Total utility plant, net	551,480,716	544,390,627
Nonutility land	64,812,464	64,494,066
Goodwill	14,423,704	14,423,704
Current assets:		
Cash and cash equivalents	22,225,244	20,731,665
Investments	218,183	309,606
Accounts receivable, less allowance for doubtful accounts of $3,255,135 in 2017 and $3,330,166 in 2016	12,106,051	11,694,405
Accrued water revenue	17,768,879	16,784,022
Accrued interest receivable	100,912	36,209
Materials and supplies	1,477,399	1,442,158
Prepaid expenses and other assets	2,546,855	2,762,915
Total current assets	56,443,523	53,760,980
Restricted assets	117,940,102	97,869,010
Regulatory assets	11,188,448	12,369,067
Total assets	816,288,957	787,307,454
Deferred Outflows of Resources:		
Deferred charge on refunding	18,204,918	7,523,805
Deferred outflows related to pensions	3,717,174	3,775,812
Total deferred outflows of resources	$ 21,922,092	$ 11,299,617

Statements of Net Positions continued on next page

STATEMENTS OF NET POSITION (continued)

May 31,	2017	2016
Liabilities:		
Noncurrent liabilities:		
Revenue bonds payable, less current portion	$ 528,095,000	$ 543,805,000
Drinking water loans payable	5,237,627	–
Net premiums and discounts from revenue bonds payable	56,451,133	32,089,977
Net pension liability	19,514,247	29,341,759
Net OPEB obligation	9,753	8,558
Total noncurrent liabilities	609,307,760	605,245,294
Current liabilities:		
Current maturities of bonds payable	15,900,000	15,445,000
Current maturities of drinking water loans payable	214,736	–
Accounts payable	3,321,076	3,019,369
Bond anticipation notes payable	8,400,000	1,600,000
Customer deposits and advances	1,115,297	865,070
Other accrued liabilities	7,289,924	7,184,343
Total current liabilities	36,241,033	28,113,782
Payable from restricted assets:		
Accounts payable for construction	2,955,577	1,645,022
Accrued interest payable	8,590,612	8,939,860
Customer deposits and advances	1,045,317	1,174,408
Total liabilities payable from restricted assets	12,591,506	11,759,290
Pollution remediation obligation	3,232,743	2,693,423
Total liabilities	661,373,042	647,811,789
Deferred Inflows of Resources:		
Deferred inflows related to pensions	5,273,773	81,797
Net Position:		
Net investment in capital assets	35,557,806	37,892,225
Restricted	104,414,096	86,109,720
Unrestricted	31,592,332	26,711,540
Total Net Position	$ 171,564,234	$ 150,713,485

The accompanying notes are an integral part of these financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

May 31,	2017	2016
Operating revenues:		
Water revenues:		
Residential and commercial	$ 94,662,898	$ 88,891,767
Industrial	2,204,516	1,996,694
Fire protection	10,779,284	10,180,086
Public authority	3,349,863	3,094,293
Wholesale	927,498	924,999
Other water revenues	3,835,795	3,798,732
Other revenue	7,576,390	6,554,671
Total operating revenues	123,336,244	115,441,242
Operating expenses:		
Operating and maintenance expense	52,156,459	55,934,911
Depreciation	21,249,019	19,523,126
Payments in lieu of taxes	7,801,958	7,564,713
Other water expenses	1,754,100	1,756,258
Cost of other revenue	2,284,038	2,059,917
Total operating expenses	85,245,574	86,838,925
Operating income	38,090,670	28,602,317
Nonoperating income (expense):		
Interest income	2,568,203	2,212,321
Gain (loss) on disposal of assets	548,667	(716,109)
Realized and unrealized gains (losses) on investments	(72,566)	1,806
Interest expense	(26,383,760)	(26,787,595)
Amortization of bond discount, premium, issuance cost and deferred losses	2,541,389	2,210,756
Intergovernmental revenue	1,167,850	731,500
Total nonoperating expense	(19,630,217)	(22,347,321)
Change in net position before capital contributions	18,460,453	6,254,996
Capital Contributions	2,390,296	1,848,860
Change in Net Position	20,850,749	8,103,856
Net Position – Beginning of Year	150,713,485	142,609,629
Net Position – End of Year	$ 171,564,234	$ 150,713,485

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

May 31,	2017	2016
Cash Flows from Operating Activities:		
Cash received from water sales	$ 110,355,458	$ 105,330,272
Cash received from other services	11,412,185	10,353,403
Cash paid to employees	(20,367,732)	(19,992,174)
Cash paid to suppliers for operations	(36,487,707)	(34,143,243)
Cash paid to suppliers for other services	(2,844,718)	(2,059,917)
Payments in lieu of taxes	(7,498,772)	(7,261,527)
Net cash provided by operating activities	54,568,714	52,226,814
Cash Flows from Investing Activities:		
Interest received	2,503,500	2,411,977
Sale of unrestricted investments	18,857	389,272
Purchase of restricted investments	(284,245,510)	(196,556,849)
Sale of restricted investments	268,812,729	211,101,325
Net cash provided by (used in) investing activities	(12,910,424)	17,345,725
Cash Flows from Capital and Related Financing Activities:		
Payments for utility plant	(29,401,536)	(28,517,484)
Proceeds from disposition of assets	1,025,960	245,182
Proceeds from issuance of bond anticipation notes	11,300,000	1,600,000
Proceeds from issuance of drinking water loans	1,878,486	–
Proceeds from issuance of revenue bonds	164,006,986	11,801,101
Premium on bond issuance	30,735,602	–
Principal payments on revenue bonds	(190,884,597)	(27,029,080)
Payments on drinking water loans	(26,078)	–
Payments on bond anticipation notes	(4,500,000)	–
Interest paid	(26,953,014)	(27,366,245)
Grant proceeds	735,959	–
Capital contributions, net of restricted deposit	1,917,521	2,294,532
Net cash used in capital and related financing activities	(40,164,711)	(66,971,994)
Net Increase in Cash and Cash Equivalents	1,493,579	2,600,545
Cash and Cash Equivalents – Beginning of Year	20,731,665	18,131,120
Cash and Cash Equivalents – End of Year	$ 22,225,244	$ 20,731,665

Statements of Cash Flows continued on next page

STATEMENTS OF CASH FLOWS (continued)

May 31,	2017	2016
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	$ 38,090,670	$ 28,602,317
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	21,249,019	19,523,126
Bad debt expense	409,305	723,197
Other	1,636,243	121,663
PILOT settlement	303,186	303,186
Change in:		
Accounts receivable and accrued water revenue	(1,818,828)	234,330
Materials and supplies	(35,241)	108,712
Prepaid expenses and other assets	23,456	(119,392)
OPEB asset	1,195	21,409
Regulatory assets	(810,228)	199,288
Deferred outflows of resources	58,638	1,087,560
Accounts payable	301,707	98,074
Pension liability	(9,827,512)	1,171,065
Deferred inflows of resources	5,191,976	(29,193)
Customer deposits and advances	250,227	8,103
Other accrued liabilities	(455,099)	173,369
Total adjustments	16,478,044	23,624,497
Net Cash Provided by Operating Activities	$ 54,568,714	$ 52,226,814

The accompanying notes are an integral part of these financial statements

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2017	2016
Assets:		
Cash and cash equivalents	$ 1,622,071	$ 1,836,856
Investments:		
Mutual funds	46,283,346	38,533,222
Hedge fund	833,765	774,484
Total assets	48,739,182	41,144,562
Net Position:		
Restricted for Pension Benefits	$ 48,739,182	$ 41,144,562

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2017	2016
Additions:		
Contributions:		
Employer	$ 7,176,418	$ 6,598,000
Retirees	10,810	14,693
Other	134,166	–
Total contributions	7,321,394	6,612,693
Investment earnings:		
Net change in fair value of investments	3,585,284	(877,525)
Realized loss on sale of investments	(79,319)	(901,089)
Investment earnings and other income	1,326,633	1,292,801
Net investment earnings (loss)	4,832,598	(485,813)
Total additions	12,153,992	6,126,880
Deductions:		
Benefits	4,321,428	3,919,846
Expenses	237,944	231,685
Other	–	86,341
Total deductions	4,559,372	4,237,872
Change in Net Position	7,594,620	1,889,008
Net Position – Beginning of Year	41,144,562	39,255,554
Net Position – End of Year	$ 48,739,182	$ 41,144,562

The accompanying notes are an integral part of these financial statements

STATEMENTS OF FIDUCIARY NET POSITION – RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND

May 31,	2017	2016
Assets:		
Cash and cash equivalents	$ 156,668	$ 31,394
Investments:		
Mutual funds	5,104,213	3,932,357
Total assets	5,260,881	3,963,751
Liabilities:		
Accounts payable	–	136,101
Net Position:		
Restricted for Retiree Benefits	$ 5,260,881	$ 3,827,650

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND

May 31,	2017	2016
Additions:		
Contributions:		
Employer	$ 2,301,583	$ 2,290,882
Retirees	167,152	172,490
Total contributions	2,468,735	2,463,372
Investment earnings:		
Net change in fair value of investments	362,061	(42,572)
Realized gain (loss) on sale of investments	2,611	(57,189)
Investment earnings and other income	136,933	101,225
Net investment earnings	501,605	1,464
Total additions	2,970,340	2,464,836
Deductions:		
Benefits	1,508,413	1,361,326
Expenses	28,696	21,889
Total deductions	1,537,109	1,383,215
Change in Net Position	1,433,231	1,081,621
Net Position – Beginning of Year	3,827,650	2,746,029
Net Position – End of Year	$ 5,260,881	$ 3,827,650

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

As of and for the Years Ended May 31, 2017 and 2016

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 five-member Authority is elected by the twenty-one-member Representative Policy Board (RPB), which consists of a member from each of the twenty 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. The Watershed Fund is a separate legal entity from the Authority. It has been excluded from the Authority's financial statements due to the insignificance of its balances as compared with those of the Authority. Information regarding the Watershed Fund can be found in Note 6, *Watershed Fund*. Requests for complete financial statements for the Watershed Fund should be addressed in writing to President, The Watershed Fund, 90 Sargent Drive, New Haven, CT 06511.

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.

As of May 31, 2017, regulatory assets include $4.9 million of bond issuance costs and $6.3 million of deferred charges, net of amortization. Included in the $6.3 million is $5.2 million associated with estimated environmental remediation costs in the town of Hamden and $1.1 million associated with a required system-wide leak study and deferred repair and remediation costs.

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, supervision, payroll taxes, employee benefits, transportation and capitalized interest on significant construction projects. 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 over 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)
Source of supply and supply mains	100
Wells and springs	30
Other water source structures	10
Power and pumping structures	30
Pumping equipment	20
Water treatment plant structure	43
Water treatment equipment	23
Distribution tanks	50
Distribution mains	85
Services	50
Meters	15
Hydrants	60
Hydraulic shovel and front loader	8
Hydraulic backhoe	6
Compressors	10
Computer equipment	5
Computer software	5-15
General structures	10-32
Furniture and fixtures	12
Autos and trucks	5
Other	3-10

Goodwill

Goodwill is not amortized, but is reviewed for impairment at least annually by applying a fair valuebased test. The Authority determined that for the years ended May 31, 2017 and 2016, no impairment of goodwill has occurred.

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.

Investments

Investments are reported at fair value.

Materials and Supplies

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 and deferred outflows related to pension 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. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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 5, *Restricted Assets*.)

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

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

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 services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. 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.

Other Revenue

Other revenue includes revenue from the PipeSafe water and PipeSafe sewer protection plans, laboratory testing services, fleet repairs, rental income and miscellaneous charges.

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.

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.

Reclassifications

Certain items relating to the prior year have been reclassified to conform to the current year's financial statement presentation.

3. Deposits and Investments

The Authority's *General Bond Resolution* Section 404A requires Authority revenue to be processed daily and 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.

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 overnight repurchase agreements and a treasury obligation sweep account for this purpose.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, $8,734,277 of the Authority's bank balance of $9,262,662 (of which $5,229,156 is associated with subordinate interim financing proceeds) was exposed to custodial credit risk as of May 31, 2017 as follows:

May 31,	2017
Uninsured and uncollateralized	$ 6,656,527
Uninsured and collateral held by the pledging bank's trust department, not in the Authority's name	2,077,750
Total Amount Subject to Custodial Risk	$ 8,734,277

Cash Equivalents

As of May 31, 2017 and 2016, the Authority's cash equivalents amounted to $90,634,707 and $85,187,238, respectively, and consisted of the State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's, United States Treasuries, cash portions of fiduciary funds held at custodial institutions and repurchase agreements.

Investments

As of May 31, 2017, the Authority had the following investments:

Investment Type	Credit Rating	Fair Market Value	Investment Maturities (Years)		
			Less Than 1	1-10	More Than 10
Interest-bearing investments:					
U.S. Government agencies	Aaa	$ 31,437,132	$ 3,180,607	$ 28,178,344	$ 78,181
Other investments:					
Mutual funds		51,387,559			
Hedge funds		833,765			
Total Investments		$ 83,658,456			

As of May 31, 2016, the Authority had the following investments:

Investment Type	Credit Rating	Fair Market Value	Investment Maturities (Years)		
			Less Than 1	1-10	More Than 10
Interest-bearing investments:					
U.S. Government agencies	Aaa	$ 24,412,970	$ 9,819,892	$ 14,413,509	$ 179,569
Other investments:					
Mutual funds		42,465,581			
Hedge funds		774,484			
Total Investments		$ 67,653,035			

Interest Rate Risk

The Authority typically limits its investment maturities to ten 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. The Authority has an investment policy that allows the same types of investments as the *General Bond Resolution.*

Concentration of Credit Risk

The Authority has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments.

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, 2017, 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.

Fair Value

The Authority adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application.* The new disclosure is presented below:

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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 or 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, 2017:

		Fair Value Measurements Using		
	May 31, 2017	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Government agencies	$ 31,437,132	$ –	$ 31,437,132	$ –
Mutual funds	51,387,559	51,387,559	–	–
Total investments by fair value level	$ 82,824,691	$ 51,387,559	$ 31,437,132	$ –
Investments measured at the net asset value (NAV)				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	833,765			
Total Investments	$ 83,658,456			

The Authority has the following recurring fair value measurements as of May 31, 2016:

		Fair Value Measurements Using		
	May 31, 2017	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Government agencies	$ 24,412,970	$ –	$ 24,412,970	$ –
Mutual funds	42,465,581	42,465,581	–	–
Total investments by fair value level	$ 66,878,551	$ 42,465,581	$ 24,412,970	$ –
Investments measured at the net asset value (NAV)				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	774,484			
Total Investments	$ 67,653,035			

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.

Hedge funds, associated with the Authority's pension plans, are valued as described in the following schedule.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2017 is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$ 833,765	$ 2,395	Quarterly	65 days
Total Investments Measured at NAV	$ 833,765	$ 2,395		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2016 is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$ 774,484	$ 2,569	Quarterly	65 days
Total Investments Measured at NAV	$ 774.484	$ 2,569		

4. Capital Assets

The following is a summary of utility plant:

2017	June 1, 2016	Additions	Transfers	Adjustments and Retirements	May 31, 2017
Capital assets not being depreciated:					
Land	$ 27,993,947	$ –	$ –	$ (227,683)	$ 27,766,264
Construction work in progress	16,410,056	30,213,963	(27,099,307)	(1,822,439)	17,702,273
Total capital assets not being depreciated	44,404,003	30,213,963	(27,099,307)	(2,050,122)	45,468,537
Other capital assets:					
Source of supply	41,507,193	–	3,548,893	(159,334)	44,896,752
Pumping structures and equipment	37,996,866	–	541,148	–	38,538,014
Water treatment plant and equipment	186,898,179	–	2,584,586	(204,431)	189,278,334
Transmission and distribution	442,739,270	–	14,892,707	(1,300,852)	456,331,125
General plant	74,615,736	749,667	5,531,973	(1,176,067)	79,721,309
Total other capital assets	783,757,244	749,667	27,099,307	(2,840,684)	808,765,534
Less accumulated depreciation:					
Source of supply	12,246,625	697,716	–	(82,181)	12,862,160
Pumping structures and equipment	19,987,821	1,361,609	–		21,349,430
Water treatment plant and equipment	87,467,059	5,954,936	–	(146,323)	93,275,672
Transmission and distribution	116,595,646	7,476,118	–	(994,137)	123,077,627
General plant	47,473,469	5,758,642	–	(1,043,645)	52,188,466
Total accumulated depreciation	283,770,620	21,249,021	–	(2,266,286)	302,753,355
Total other capital assets – net	499,986,624	(20,499,354)	27,099,307	(574,398)	506,012,179
Utility Plant – Net	$ 544,390,627	$ 9,714,609	–	$ (2,624,520)	$ 551,480,716

Capital Assets continued on next page

4. Capital Assets (continued)

2016		June 1, 2016		Additions		Transfers		Adjustments and Retirements		May 31, 2016
Capital assets not being depreciated:										
Land	$	27,993,947	$	–	$	–	$	–	$	27,993,947
Construction work in progress		12,813,613		28,136,939		(24,430,510)		(109,986)		16,410,056
Total capital assets not being depreciated		40,807,560		28,136,939		(24,430,510)		(109,986)		44,404,003
Other capital assets:										
Source of supply		41,774,102		–		19,115		(286,024)		41,507,193
Pumping structures and equipment		37,721,752		6,058		269,056				37,996,866
Water treatment plant and equipment		182,755,073		–		4,335,863		(192,757)		186,898,179
Transmission and distribution		428,989,196		–		15,080,090		(1,330,016)		442,739,270
General plant		69,643,460		1,594,682		4,726,386		(1,348,792)		74,615,736
Total other capital assets		760,883,583		1,600,740		24,430,510		(3,157,589)		783,757,244
Less accumulated depreciation:										
Source of supply		11,605,355		715,989		–		(74,719)		12,246,625
Pumping structures and equipment		18,631,387		1,356,434		–		–		19,987,821
Water treatment plant and equipment		81,775,659		5,848,510		–		(157,110)		87,467,059
Transmission and distribution		109,849,901		7,372,355		–		(626,610)		116,595,646
General plant		44,580,767		4,229,838		–		(1,337,136)		47,473,469
Total accumulated depreciation		266,443,069		19,523,126		–		(2,195,575)		283,770,620
Total other capital assets – net		494,440,514		(17,922,386)		24,430,510		(962,014)		499,986,624
Utility Plant – Net	$	535,248,074	$	10,214,553	$	–	$	(1,072,000)	$	544,390,627

During fiscal years 2017 and 2016, the Authority retired assets with accumulated depreciation totaling approximately $2.2 million.

5. 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.*

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.

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 and bond proceeds.

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 have become due 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 both 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 property insurance and has coverage for general liability through a member-owned program of "captive" insurance.

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, 2017 and 2016, there is no outstanding variable rate debt; 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.

The balances in the various funds as of May 31, 2017 and 2016, are as follows:

	2017	2016
Construction	$ 34,580,344	$ 24,768,362
Debt Reserve	16,841,990	15,902,968
Debt Service	26,208,953	26,173,050
Payments-in-Lieu-of-Taxes (PILOT)	3,963,911	4,128,337
Operating Reserve	9,541,839	9,212,973
Capital Contingency	5,686,937	6,015,676
Rate Stabilization	9,995,136	9,998,929
Other Purposes	11,120,992	1 668,715
Restricted Assets	$ 117,940,102	$ 97,869,010

The level of funds required by the *General Bond Resolution* was met on May 31, 2017 and 2016.

6. Watershed Fund

As discussed in Note 1, 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 Five-Member Authority and the Representative Policy Board (RPB), as well as employees of the Authority. The Five-Member Authority elects the Board of Directors.

The Authority made an initial donation of $1,234,000 to establish the Watershed Fund. The most recent contribution to the Fund by the Authority was in 2000 for $452,000. The Watershed Fund had total net position (unrestricted and temporarily restricted) of $1,746,553 and $1,582,444 as of May 31, 2017 and 2016, respectively.

The Authority donated goods and services to the Watershed Fund totaling $25,687 and $22,978 for the years ended May 31, 2017 and 2016, respectively. As discussed in Note 1, the Watershed Fund has been excluded from the Authority's financial statements due to the insignificance of its balances as compared with those of the Authority.

7. 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*. Activity in bonds payable for the years ended May 31, 2017 and 2016, was as follows:

2017	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 559,250,000	$ 164,385,000	$ (179,640,000)	$ 543,995,000	$ 15,900,000
Bond premium	32,240,545	30,735,602	(6,524,892)	56,451,255	–
Bond discount	(150,568)	–	150,446	(122)	–
Total Bonds Payable	$ 591,339,977	$ 195,120,602	$ (186,014,446)	$ 600,446,133	$ 15,900,000

2016	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 574,525,000	$ 11,090,000	$ (26,365,000)	$ 559,250,000	$ 15,445,000
Bond premium	34,514,302	1,180,393	(3,454,150)	32,240,545	–
Bond discount	(268,774)	–	118,206	(150,568)	–
Total Bonds Payable	$ 608,770,528	$ 12,270,393	$ (29,700,944)	$ 591,339,977	$ 15,445,000

Revenue bonds outstanding comprise the following:

2017	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2017
Eighteenth (Refunding and new money bonds)	2003	2033	$ 236,535,000	2.000%-5.250%	$ 30,000,000
Twentieth A (Refunding bonds)	2007	2030	63,330,000	4.000%-5.250%	22,905,000
Twenty-second	2008	2038	77,965,000	4.250%-4.500%	6,915,000
Twenty-third	2008	2038	29,015,000	3.625%-3.750%	1,420,000
Twenty-fourth	2009	2039	33,730,000	4.000%	2,310,000
Twenty-fifth	2010	2023	11,455,000	3.125%-5.000%	7,645,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	3.000%-5.000%	36,890,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	3.000%-4.000%	61,570,000
Twenty-eighth A	2013	2043	31,690,000	2.000%-5.000%	28,885,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	3.000%-5.000%	49,025,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	44,880,000
Thirtieth A	2014	2044	30,270,000	3.000%-5.000%	29,365,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	15,325,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	11,090,000
Thirty-second A	2016	2035	17,270,000	2.000%-4.000%	17,270,000
Thirty-second B (Refunding bonds)	2016	2028	147,115,000	2.000%-5.000%	147,115,000
					$ 543,995,000

Revenue bonds comprise the following:

2016	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2016
Eighteenth (Refunding and new money bonds)	2003	2033	$ 236,535,000	2.000%-5.250%	$ 30,000,000
Twentieth A (Refunding bonds)	2007	2030	63,330,000	4.000%-5.250%	55,900,000
Twenty-first	2007	2037	27,825,000	4.000%-4.250%	13,790,000
Twenty-second	2008	2038	77,965,000	3.000%-5.000%	74,645,000
Twenty-third	2008	2038	29,015,000	3.000%-5.000%	26,825,000
Twenty-fourth	2009	2039	33,730,000	2.000%-5.250%	32,055,000
Twenty-fifth	2010	2023	11,455,000	3.000%-5.000%	8,565,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	2.000%-5.000%	37,635,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	2.000%-5.000%	63,525,000
Twenty-eighth A	2013	2043	31,690,000	1.000%-5.000%	29,520,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	2.000%-5.000%	53,740,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	44,880,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	29,905,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	15,790,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	11,090,000
					$ 559,250,000

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 6.8%. A 6.8% reduction was effective for the Authority's August 2016 payment and a 6.9% reduction was applicable to the February 2017 payment. The percent is subject to further change. The interest subsidy totaled $649,089 for the fiscal year ended May 31, 2017.

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

Fiscal Year Ending May 31	Principal	Interest
2018	$ 15,900,000	$ 25,507,521
2019	17,125,000	24,850,824
2020	17,645,000	24,049,265
2021	18,385,000	23,210,106
2022	18,755,000	22,379,899
2023-2027	107,740,000	97,481,673
2028-2032	134,865,000	69,349,657
2033-2037	127,540,000	34,370,486
2038-2042	73,655,000	9,505,590
2043-2046	12,385,000	801,525
Total	$ 543,995,000	$ 331,506,546

The following represents the more significant requirements of the *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 2017 and 2016. 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 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, 2017 and 2016, the Authority was in compliance with the requirements of the *General Bond Resolution*.

Maintenance of Funds

The *General Bond Resolution* provides for the maintenance of certain funds as discussed in Note 5, which for financial reporting purposes are subparts of the Authority's overall enterprise fund. All revenues (as defined 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 2017, the Authority authorized approximately $14.6 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $13.1 million to be transferred from the General Fund to the Construction Fund.

8. Drinking Water Loans Payable

The Authority participates in the State of Connecticut's Drinking Water (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects are financed by subordinate interim financing, revenue bonds, and/or internally generated funds, until such projects are complete and there is an executed project loan obligation. 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. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*. Permanent loan obligations mature as follows:

Fiscal Year Ending May 31	Principal	Interest
2018	$ 214,736	$ 98,798
2019	231,507	102,637
2020	236,180	97,965
2021	240,947	93,197
2022	245,811	88,334
2023-2027	1,305,510	365,214
2028-2032	1,442,692	228,032
2033-2037	1,516,765	76,887
2038-2042	18,215	30
Total	$ 5,452,363	$ 1,151,094

9. Bond Anticipation Notes Payable

A bond anticipation note totaling $8,400,000, was issued on March 15, 2017 to temporarily finance a capital project in advance of permanent DWSRF financing. The note matures on March 14, 2018 and bears an interest rate of 1.6%, and is subordinate to the Water System Revenue Bonds.

Bond anticipation note transactions for the year ended May 31, 2017 were as follows:

Outstanding, May 31, 2016	$ 1,600,000
New borrowings	11,300,000
Repayments	(4,500,000)
Outstanding, May 31, 2017	$ 8,400,000

10. Defeasance Of Long-Term Debt

On June 30, 2015, the Authority issued $11,090,000 in Water System Revenue Bonds, Thirty-first Series Bonds in order to refund $11,490,000 of the Authority's, Twenty-first Series Water System Revenue Bonds (the Refunded Bonds). The Authority deposited net proceeds of the refunding portion of the Thirty-first Series Bonds and certain other cash amounts in escrow with the trustee. As of May 31, 2016, the remaining principal on the defeased debt was $11,490,000. The entire principal was paid on August 1, 2016.

On June 29, 2016, the Authority issued $147,115,000 (par value) of Water System Revenue Bonds, Thirty-second Series B, to refund the outstanding principal amounts of $164,195,000 of certain maturities of the Authority's Twentieth A, Twenty-first, Twenty-second, Twenty-third and Twenty-fourth Series Water System Revenue Bonds (the Refunded Bonds). The Authority deposited proceeds of the refunding portion of the Thirty-second Series Bonds and certain other cash amounts in escrow with the trustee and invested in in U.S. Government securities such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority affected a legal defeasance under the terms of its *General Bond Resolution*, and the Refunded Bonds will not be considered as outstanding for any purpose. Accordingly, the Refunded Bonds are considered extinguished, and the investment securities and Refunded Bonds do not appear on the Authority's statements of net position. As of May 31, 2017, the remaining principal of the defeased debt was $120,345,000. The balance in escrow for the refunding issuance was $128,487,577 at May 31, 2017.

11. Leases

Capital Leases

In the year ended May 31, 2017, the Authority's previously existing lease agreement for financing the acquisition of fleet management equipment expired and the Authority has entered into a new lease agreement as lessee for financing the acquisition of fleet management equipment. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The gross amount of the asset acquired under the capital lease is shown below.

	2017
Equipment	$ 91,684
Less accumulated depreciation	(10,697)
	$ 80,987

Future minimum lease payments and the net present value of the minimum lease payments as of May 31, 2017 were as follows:

Year Ending May 31	
2018	$ 45,842
2019	19,101
Capital Lease Obligation	$ 64,943

The capital lease obligation is included in the accompanying statements of net position in other accrued liabilities.

Operating Leases

The Authority has entered into operating leases involving certain equipment and IT infrastructure support. At May 31, 2017, there is no minimum annual future rental commitment under operating leases that have initial or remaining noncancelable lease terms in excess of one year. Rent expense for the years ended May 31, 2017 and 2016, was $75,190 and $43,540, respectively.

The Authority has entered into an agreement for a full service solution for the SAP system with a 90-month term that allows for termination with a termination fee. Based on the contract terms, if the agreement were cancelled as of May 31, 2017 the termination fee would be three months of the monthly service fee resulting in a termination fee of approximately $114,000.

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 Five-Member Authority. 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, Benefit and Compensation Committee of the Five- Member Authority. The Pension, Benefit and Compensation Committee consist of all five members of the Five-Member Authority. The Vice President, Employee Services, Executive Vice President and Chief Financial Officer and the Vice President of Finance and Controller 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 Benefits and Compensation Committee.

At January 1, 2017, which is the date of the latest actuarial valuation, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, disabled and beneficiaries currently receiving benefits	147	109
Vested terminated members entitled to but not yet receiving benefits	77	38
Current active members	102	108
Total members	326	255

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 rate. For the year ended May 31, 2017, the Authority contributed approximately $2.0 million in excess of the actuarial required contribution and for the year ending May 31, 2016, the Authority contributed approximately $2.1 million in excess of the required contribution.

The individual plan net position at May 31, 2017 and 2016, and changes in net position for the years then ended are as follows:

2017 Fiduciary Net Position	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Assets:			
Cash and cash equivalents	$ 1,038,505	$ 583,566	$ 1,622,071
Investments:			
Mutual Funds	27,168,200	19,115,146	46,283,346
Hedge Fund	484,121	349,644	833,765
Total assets	28,690,826	20,048,356	48,739,18
Net Position:			
Restricted for Pension Benefits	$ 28,690,826	$ 20,048,356	$ 48,739,182

	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Additions:			
Contributions:			
Employer	$ 5,001,252	$ 2,175,166	$ 7,176,418
Employees	10,810	–	10,810
Other	87,206	46,960	134,166
Total contributions	5,099,268	2,222,126	7,321,394
Investment earnings:			
Net change in fair value of investments	2,086,037	1,499,248	3,585,285
Realized loss on sale of investments	(46,099)	(33,220)	(79,319)
Investment earnings and other income	770,974	555,658	1,326,632
Net investment earnings	2,810,912	2,021,686	4,832,598
Total additions	7,910,180	4,243,812	12,153,992
Deductions:			
Benefits	2,992,794	1,328,634	4,321,428
Expenses	136,687	101,257	237,944
Total deductions	3,129,481	1,429,891	4,559,372
Change in Net Position	4,780,699	2,813,921	7,594,620
Net Position – Beginning of Year	23,910,126	17,234,436	41,144,562
Net Position – End of Year	$ 28,690,825	$ 20,048,357	$ 48,739,182

2016 Fiduciary Net Position		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Assets:						
Cash and cash equivalents	$	1,155,456	$	681,400	$	1,836,856
Investments:						
Mutual Funds		22,304,970		16,228,252		38,533,222
Hedge Fund		449,700		324,784		774,484
Total assets		23,910,126		17,234,436		41,144,562
Net Position:						
Restricted for Pension Benefits	$	23,910,126	$	17,234,436	$	41,144,562

		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Additions:						
Contributions:						
Employer	$	4,385,524	$	2,212,476	$	6,598,000
Retirees		14,693		–		14,693
Total contributions		4,400,217		2,212,476		6,612,693
Investment earnings:						
Net change in fair value of investments		(507,744)		(369,781)		(877,525)
Realized loss on sale of investments		(521,748)		(379,341)		(901,089)
Investment earnings and other income		742,413		550,388		1,292,801
Net investment earnings		(287,079)		(198,734)		(485,813)
Total additions		4,113,138		2,013,742		6,126,880
Deductions:						
Benefits		2,707,621		1,212,225		3,919,846
Expenses		133,601		98,084		231,685
Other		61,573		24,768		86,341
Total deductions		2,902,795		1,335,077		4,237,872
Change in Net Position		1,210,343		678,665		1,889,008
Net Position – Beginning of Year		22,699,783		16,555,771		39,255,554
Net Position – End of Year	$	23,910,126	$	17,234,436	$	41,144,562

Investments

Investment Policy: The Five-Member Authority determines the asset allocation target 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, 2017 and May 31, 2016, the target allocations were fifty-five percent for equities, twenty-seven percent for fixed income and eighteen percent for alternative investments.

2017 Asset Class	Target Allocation
Fixed Income	27%
U.S. Equity	38
Global	4
International Equity	13
Alternative/Hedge/Swing	18
Total	100%

2016 Asset Class	Target Allocation
Fixed Income	27%
U.S. Equity	38
Global	4
International Equity	13
Alternative/Hedge/Swing	18
Total	100%

The asset allocation targets for the years ended May 31, 2017 and 2016, were approved by the Five- Member Authority at the February 18, 2016 meeting.

Rate of Return

For the year ended May 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.29% for the salaried plan and 11.47% for the bargaining unit plan. For the year ended May 31, 2016, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was (1.22)% for the salaried plan and (1.17)% for the bargaining unit plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Authority

The components of the net pension liability of the Authority at May 31, 2017 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 43,103,145	$ 25,150,284
Plan fiduciary net position	28,690,826	20,048,356
Net Pension Liability	$ 14,412,319	$ 5,101,928
Plan fiduciary net position as a percentage of the total pension liability	66.56%	79.71%

The components of the net pension liability of the Authority at May 31, 2016 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 43,842,318	$ 26,644,003
Plan fiduciary net position	23,910,126	17,234,436
Net Pension Liability	$ 19,932,192	$ 9,409,567
Plan fiduciary net position as a percentage of the total pension liability	54.54%	64.68%

Actuarial Assumptions: The total pension liability as of May 31, 2017 was determined by an actuarial valuation as of January 1, 2017 rolled forward to May 31, 2017, 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	7.00%, net of pension plan investment expense, including inflation	6.95%, net of pension plan investment expense, including inflation

The total pension liability as of May 31, 2016 was determined by an actuarial valuation as of January 1, 2016 rolled forward to May 31, 2016, 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	6.99%, net of pension plan investment expense, including inflation	6.95%, net of pension plan investment expense, including inflation

Mortality rates, for the year ended May 31, 2017, for the Salaried Plan were based on the RP 2014 White Collar and RP 2014 White Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 projection scale. Mortality rates for the Bargaining Unit Plan were based on the RP 2014 Blue Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 projection scale.

Mortality rates, for the year ended May 31, 2016, for the Salaried Plan were based on the RP 2014 White Collar and RP 2014 White Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2015 projection scale. Mortality rates for the Bargaining Unit Plan were based on the RP 2014 Blue Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2015 projection scale.

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3%
U.S. Equity	10
Global	10
International Equity	10
Alternative/Hedge/Swing	7

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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3%
U.S. Equity	10
Global	10
International Equity	10
Alternative/Hedge/Swing	7

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2017 for the salaried plan was 7.00% and for the bargaining unit plan 6.95%. The discount rate used to measure the total pension liability as of May 31, 2016 for the salaried plan was 6.99% and for the bargaining unit plan was 6.95%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2017 and 2016, the Authority contributed above the actuarial required contribution. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

2017 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2016	$ 43,842,318	$ 23,910,126	$ 19,932,192
Changes for the year:			
Service cost	$ 656,669	–	$ 656,669
Interest on total pension liability	2,930,761	–	2,930,761
Differences between expected and actual experience	979,655	–	979,655
Changes in assumptions	(2,323,594)	–	(2,323,594)
Changes in benefit terms	10,131	–	10,131
Employer contributions	–	5,001,252	(5,001,252)
Member contributions	–	10,810	(10,810)
Net investment gain	–	2,810,914	(2,810,914)
Benefit payments, including refund to employee contributions	(2,992,795)	(2,992,795)	–
Administrative expenses	–	(136,687)	136,687
Other	–	87,206	(87,206)
Net changes	(739,173)	4,780,700	(5,519,873)
Balances as of May 31, 2017	$ 43,842,318	$ 28,690,826	$ 14,412,319

2017 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2016	$ 26,644,003	$ 17,234,436	$ 9,409,567
Changes for the year:			
Service cost	$ 155,949	–	$ 155,949
Interest on total pension liability	1,799,197	–	1,799,197
Differences between expected and actual experience	406,966	–	406,966
Changes in assumptions	(2,610,404)	–	(2,610,404)
Changes in benefit terms	83,206	–	83,206
Employer contributions	–	2,175,166	(2,175,166)
Net investment gain	–	2,021,684	(2,021,684)
Benefit payments, including refund to employee contributions	(1,328,633)	(1,328,633)	–
Administrative expenses	–	(101,257)	101,257
Other	–	46,960	(46,960)
Net changes	(1,493,719)	2,813,920	(4,307,639)
Balances as of May 31, 2017	$ 25,150,284	$ 20,048,356	$ 5,101,928

2016 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2015	$ 41,850,982	$ 22,699,784	$ 19,151,198
Changes for the year:			
Service cost	$ 681,501	–	$ 681,501
Interest on total pension liability	2,930,309	–	2,930,309
Differences between expected and actual experience	592,405	–	592,405
Changes in assumptions	494,742	–	494,742
Employer contributions	–	4,385,524	(4,385,524)
Member contributions	–	14,693	(14,693)
Net investment loss	–	(287,079)	287,079
Benefit payments, including refund to employee contributions	(2,707,621)	(2,707,621)	–
Administrative expenses	–	(133,601)	133,601
Other	–	(61,574)	61,574
Net changes	1,991,336	1,210,342	780,994
Balances as of May 31, 2016	$ 43,842,318	$ 23,910,126	$ 19,932,192

2016 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2015	$ 25,575,266	$ 16,555,770	$ 9,019,496
Changes for the year:			
Service cost	$ 166,226	–	$ 166,226
Interest on total pension liability	1,802,098	–	1,802,098
Differences between expected and actual experience	(110,990)	–	(110,990)
Changes in assumptions	303,196	–	303,196
Changes in benefit terms	120,432	–	120,432
Employer contributions	–	2,212,476	(2,212,476)
Net investment loss	–	(198,733)	198,733
Benefit payments, including refund to employee contributions	(1,212,225)	(1,212,225)	–
Administrative expenses	–	(98,084)	98,084
Other	–	(24,768)	24,768
Net changes	1,068,737	678,666	390,071
Balances as of May 31, 2016	$ 26,644,003	$ 17,234,436	$ 9,409,567

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

The following presents the net pension liability of the Authority, for the year ended May 31, 2017, calculated using the discount rate of 7.00% for the salaried plan and 6.95% for the bargaining unit plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan	$ 18,599,407	$ 14,412,319	$ 10,804,815

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Bargaining Unit Plan	$ 8,042,163	$ 5,101,928	$ 2,616,150

The following presents the net pension liability of the Authority, for the year ended May 31, 2016, calculated using the discount rate of 6.99% for the salaried plan and 6.95% for the bargaining unit plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.99%)	Current Discount Rate (6.99%)	1% Increase (7.99%)
Salaried Plan	$ 24,240,881	$ 19,932,192	$ 16,218,289

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Bargaining Unit Plan	$ 12,545,488	$ 9,409,567	$ 6,769,623

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

For the year ended May 31, 2017 and May 31, 2016, the Authority recognized pension expense of $2,599,520 and $8,827,432, respectively. At May 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

2017	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 971,340	$ 308,641	$ 1,279,981
Changes of assumptions	209,670	143,704	353,374
Difference between projected and actual earning on pension plan investments	1,216,301	867,518	2,083,819
Total	$ 2,397,311	$ 1,319,863	$ 3,717,174

2017	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 52,604	$ 52,604
Changes of assumptions	1,708,398	1,979,719	3,688,117
Difference between projected and actual earning on pension plan investments	895,020	638,032	1,533,052
Total	$ 2,603,418	$ 2,670,355	$ 5,273,773

2016	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 421,732	$ –	$ 421,732
Changes of assumptions	352,206	223,450	575,656
Net difference between projected and actual earning on pension plan investments	1,621,734	1,156,690	2,778,424
Total	$ 2,395,672	$ 1,380,140	$ 3 ,775,812

2016	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 81,797	$ 81,797
Changes of assumptions	–	–	–
Net difference between projected and actual earning on pension plan investments	–	–	–
Total	$ –	$ 81,797	$ 81,797

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

Year Ended May 31, 2017		
2018	$	(213,078)
2019		(388,773)
2020		(497,487)
2021		(457,261)
2022		–
Thereafter		–
	$	(1,556,599)

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 in order to receive a match. 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 after April 15, 2010 and before April 15, 2014 receive an Authority contribution of 3.5% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014 receive an Authority contribution of 3.5% 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. Contributions to the plan for the years ended May 31, 2017 and 2016, were as follows:

	2017	2016
Employer contributions	$ 708,304	$ 671,477
Employee contributions	1,489,871	1,488,337

14. Other Post-Employment Benefits – Retiree Health Care

Plan Description

The Authority's other post-employment benefits (OPEB) include health benefits to retirees and qualifying dependents as well as a death benefit of $12,000 and increasing 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. Death benefits are funded on a pay-as-you-go basis. 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.

At January 1, 2017 plan membership consisted of the following:

	Retiree Health Plan
Retired members	169
Spouses of retired members	74
Active plan members (1)	266
Total participants	509

(1) Includes those eligible for only death benefits

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.

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.

The Authority's cash contribution to the trust was $2,301,583 for the fiscal year ended May 31, 2017. The Authority's contribution was based on the actuarially calculated recommended cash contribution.

Annual OPEB Cost and Net OPEB Obligations

The Authority's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The ARC is determined using the 30-year closed amortization beginning June 1, 2008. As of the January 1, 2017 valuation, the amortization period for 2017 is 21 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan and changes in the Authority's net OPEB obligation:

	2017	2016
Annual required contribution (ARC)	$ 2,486,586	$ 2,506,691
Interest on net OPEB obligation	599	(932)
Adjustment to annual required contribution	(774)	1,165
Annual OPEB cost	2,486,411	2,506,924
Contributions made	2,301,583	2,290,882
Allocations for Implicit Rate Subsidy	183,633	194,633
Change in net OPEB obligation	1,195	21,409
Net OPEB obligation (asset), beginning of year	8,558	(12,851)
Net OPEB Obligation, End of Year	$ 9,753	$ 8,558

Three-Year Trend Information

The Authority's annual OPEB cost (AOC), the percentage of annual OPEB cost contributed to the plan and the net OPEB asset for each of the last three fiscal years are presented below:

Year Ended	Annual OPEB Cost	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
5/31/2017	$ 2,486,411	100.0%	$ 9,753
5/31/2016	2,506,924	99.1%	8,558
5/31/2015	2,603,569	102.0%	(12,851)

The AOC represents the annual required contribution adjusted for interest and other actuarial adjustments.

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 health care 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, 2017 actuarial valuation, the frozen entry age normal actuarial funding method was used with a health care cost trend of 8.0% graded down by the Getzen Model to an ultimate rate of 3.84% annually and a discount rate of 7%.

Funded Status

As of January 1, 2017, the most recent actuarial valuation date, the plan was 15.85% funded. The actuarial accrued liability for benefits was $29,284,275, and the actuarial value of assets was $4,642,736, resulting in a UAAL of $24,641,539. The covered payroll is not relevant to this plan.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits.

15. Pollution Remediation Obligation — Newhall Street Property, Hamden

In July 2001, the Connecticut Department of Energy & Environmental Protection (DEEP) issued Order No. SRD-128 to the Authority, the Olin Corporation, the Town of Hamden, and the State of Connecticut Board of Education to investigate and remediate certain environmental conditions and to conduct a public participation program with respect to a number of properties, including the former Hamden Middle School property, in the Newhall Street area of Hamden. Subsequently, the parties and DEEP conducted investigations of the areas subject to the order and negotiated a Consent Order dated April 16, 2003. Under the Consent Order the Authority is required to investigate and remediate areas identified as the former Hamden Middle School and associated athletic field, a portion of the former Newhall Community Center, and two residential properties owned by the Hamden Housing Authority (Consent Order Area).

VOC and PCB Focused Remediation

The Authority submitted Focused Remedial Plans (FRPs) to address isolated "hotspots" of polychlorinated biphenyls (PCBs) and volatile organic compounds (VOCs) on the site in 2007 and 2009, respectively. In July 2013, the Authority submitted a report to DEEP stating that compliance with DEEP remediation standards for the VOC hotspot on the HMS site could be demonstrated through a combination of statistical methods and land use restrictions, and that active remediation of the VOC hotspot, as outlined in the 2009 VOC FRP plan, is not necessary. DEEP, in a September 2013 letter, concurred with this conclusion. Therefore, no remediation of the VOC hotspot will be required. Also in July 2013, the Authority submitted a revised PCB FRP to DEEP, which was approved in September 2013. PCB remediation was completed in fiscal year 2014. A final report summarizing the remediation was submitted to the DEEP in June 2014.

Alternative Cleanup Criteria Submittal

In June 2014, the Authority submitted a formal request to DEEP for consideration of alternative sitewide cleanup criteria to clarify and simplify site remediation requirements. DEEP approved this request in letters dated June 27, 2014 and July 28, 2014, and by virtue of accepting the Remediation Action Plan (RAP) for the former Newhall Community Center, approved in January 2015, as described below.

Hamden Economic Development Corporation

In December 2013, the Hamden Economic Development Corporation (HEDC) took title to a portion of the property assigned to the Authority in the Consent Order known as the former Newhall Community Center from the Town of Hamden. HEDC is developing the site for a small business incubator and will be renovating the building and creating paved parking. In August 2014, the RWA submitted a RAP to remediate this portion of the Consent Order Area in accordance with DEEP's Remediation Standards Regulations. DEEP approved the RAP in January 2015. Physical remediation of the HEDC property was subsequently completed in May 2015. A status report summarizing the remediation action was filed with DEEP in June 2015. Following completion of pending site redevelopment by HEDC, the Authority will record an Environmental Land Use Restriction (ELUR) on the town land records and file a final remediation action report with DEEP.

Status of Site-Wide Remediation

Physical remediation of the remaining portions of the Consent Order Area by the Authority is being implemented in phases. The first phase encompassing the southern portion of the former Hamden Middle School property and two residential properties owned by the Hamden Housing Authority was completed in fiscal 2017. A second phase to take place in areas on the northwest and northern portions of the former Hamden Middle School property will be conducted in fiscal 2018. Remaining areas currently the subject of a proposed residential development by an outside developer. The developer has obtained local approvals and will be applying for state funding. The Authority plans to work cooperatively with the developer to design and coordinate remediation with site design and construction, in accordance with a site-wide RAP, approved by DEEP in October 2016. Contingent on the developer receiving timely approval of state financing, the Authority intends to conduct final phase of the site-wide remediation in fiscal 2020.

The Authority has incurred $2.7 million in remediation costs through May 31, 2017 and believes that the estimated present value of future outlays for which the Authority is responsible under the Consent Order is coverable as part of its multi-year Capital Improvement Program. The Authority recognized a pollution remediation obligation of $2 million as of December 31, 2002 based on information available at that time. For the year ended May 31, 2010, the Authority recognized an additional $1.1 million in remediation costs based on then-current information, bringing the pollution remediation obligation balance to $3.1 million as of May 31, 2011. As of May 31, 2013, based on then-current information, the Authority increased the provision by $.25 million, bringing the balance to $3.3 million. Based on the September 2013 letter from DEEP regarding the VOC hotspot, the Authority lowered the provision by $.25 million resulting in a balance of $3.1 million as of May 31, 2014. The costs incurred of $.2 million associated with the PCB FRP were recognized as an expense in fiscal 2014. In fiscal 2015, $.3 million of the $3.1 million obligation was incurred, reducing the provision to $2.8 million. In fiscal 2016, an additional $.1 million of the obligation was incurred reducing the provision to $2.7 million and in fiscal 2017 an additional $.6 million was incurred. These expenditures reduced the $3.1 million provision to $2.1 million. However, based on current information regarding the remaining costs to remediate, the provision has been increased by $1.1 million bringing the balance as of May 31, 2017 to $3.2 million. As the remediation costs are to be recovered through future rates, $5.2 million in incurred costs and future estimated remediation costs, net of amortization through May 31, 2017, have been recognized as a regulatory asset.

16. Hazwaste Central

As agent for the South Central Connecticut Regional Council of Governments, the Authority owns and operates, on behalf of Hazwaste Central, a regional collection center for household hazardous waste, 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.

17. 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 Commitments

As of May 31, 2017, the Authority has capital expenditures of approximately $4.0 million associated with ongoing projects under binding contracts. In addition, as of May 31, 2017, the Authority has approximately $16.8 million projected remaining capital expenditures associated with a multi-year capital project, under two cancellable binding agreements.

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 worker's 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 $3,082,607 letter of credit for the benefit of a financial institution.

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 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, 2017 and 2016, were as follows:

2017	June 1, 2016	Claims and Expenses Paid	Additional Reserves	May 31, 2017
Medical and dental claims	$ 348,950	$ (5,398,853)	$ 5,517,603	$ 467,700
Insurance reserve for "captive" (October 1, 2000-present)	2,765,327	(714,982)	594,904	2,645,249
Insurance reserve (pre October 1, 2000)	130,000	(89,766)	89,766	130,000
Total Liability	$ 3,244,277	$ (6,203,601)	$ 6,202,273	$ 3,242,949

2016	June 1, 2015	Claims and Expenses Paid	Additional Reserves	May 31, 2016
Medical and dental claims	$ 347,708	$ (5,247,087)	$ 5,248,329	$ 348,950
Insurance reserve for "captive" (October 1, 2000-present)	3,071,061	(554,782)	249,048	2,765,327
Insurance reserve (pre October 1, 2000)	130,000	(158,055)	158,055	130,000
Total Liability	$ 3,548,769	$ (5,959,924)	$ 5,655,432	$ 3,244,277

18. Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 74 – Financial Reporting by OPEB Plans (Disclosure)

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. If a valuation or calculation is not performed as of the OPEB plan's fiscal year-end, the total OPEB liability is required to be based on updated procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 24 months prior to the OPEB plan's fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

GASB Statement No. 75 – OPEB Accounting for Employers and Non-Employer Contributing Entities

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers and quasi-government organizations. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

RSI-1 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST THREE FISCAL YEARS* SALARIED PLAN

	2015	2016	2017
Total pension liability:			
Service cost	$ 675,452	$ 681,501	$ 656,669
Interest	2,611,307	2,930,309	2,930,761
Differences between expected and actual experience	714,740	592,405	979,655
Changes in assumptions	3 ,703,809	494,742	(2,323,594)
Changes in benefit terms	–	–	10,131
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)
Net change in total pension liability	5,608,836	1,991,336	(739,173)
Total pension liability – beginning	36,242,146	41,850,982	43,842,318
Total pension liability – ending	41,850,982	43,842,318	43,103,145
Plan fiduciary net position:			
Contributions – employer	2,689,635	4,385,524	5,001,252
Contributions – member	15,624	14,693	10,810
Net investment income (loss)	712,038	(287,080)	2,810,914
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)
Administrative expense	(30,552)	(133,601)	(136,687)
Other	–	(61,573)	87,206
Net change in plan fiduciary net position	1,290,273	1,210,342	4,780,700
Plan fiduciary net position – beginning	21,409,511	22,699,784	23,910,126
Plan fiduciary net position – ending	22,699,784	23,910,126	28,690,826
Net Pension Liability – Ending	$ 19,151,198	$ 19,932,192	$ 14,412,319
Plan fiduciary net position as a percentage of the total pension liability	54.24%	54.54%	66.56%
Covered-employee payroll	$ 8,692,467	$ 8,590,395	$ 9,290,589
Net pension liability as a percentage of covered-employee payroll	220.32%	232.03%	155.13%

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

RSI-1 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST THREE FISCAL YEARS* BARGAINING UNIT PLAN

	2015	2016	2017
Total pension liability:			
Service cost	$ 171,017	$ 166,226	$ 155,949
Interest	1,718,773	1,802,098	1,799,197
Differences between expected and actual experience	(311,677)	(110,990)	406,966
Changes of assumptions	1,292,075	303,196	(2,610,404)
Changes in benefits		120,432	83,206
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)
Net change in total pension liability	1,766,519	1,068,737	(1,493,719)
Total pension liability – beginning	23,808,747	25,575,266	26,644,003
Total pension liability – ending	25,575,266	26,644,003	25,150,284
Plan fiduciary net position:			
Contributions – employer	1,708,765	2,212,476	2,175,166
Net investment income (loss)	374,669	(198,733)	2,021,684
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)
Administrative expense	(23,872)	(98,084)	(101,257)
Other	–	(24,768)	46,960
Net change in plan fiduciary net position	955,893	678,666	2,813,920
Plan fiduciary net position – beginning	15,599,877	16,555,770	17,234,436
Plan fiduciary net position – ending	16,555,770	17,234,436	20,048,356
Net Pension Liability – Ending	$ 9,019,496	$ 9,409,567	$ 5,101,928
Plan fiduciary net position as a percentage of the total pension liability	64.73%	64.68%	79.71%
Covered-employee payroll	$ N/A	$ N/A	$ N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

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

RSI-2 SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST SEVEN FISCAL YEARS*

SALARIED PLAN	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	$ 1,170,786	$ 1,350,489	$ 1,758,700	$ 2,329,754	$ 2,689,635	$ 2,749,435	$ 3,356,514
Contributions in relation to the actuarially determined contribution	1,170,786	1,350,489	1,758,700	2,329,754	2,689,635	4,385,524	5,001,252
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ –	$ –	$ (1,636,089)	$ (1,644,738)
Covered-employee payroll	$ 9,699,911	$ 9,543,816	$ 9,653,830	$ 9,254,742	$ 8,694,151	$ 8,590,395	$ 9,290,589
Contributions as a percentage of covered-employee payroll	12.07%	14.15%	18.22%	25.17%	30.94%	51.05%	53.83%

Notes to Schedule

Valuation date: January 1, 2017

Measurement date: May 31, 2017

Calculated as the normal cost as of January 1st 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

Amortization method: The aggregate actuarial cost method does not amortize gains and losses and therefore there is no amortization period as the method itself allocates costs over the future service of employees.

Asset valuation method: An actuarial smoothing method based on market value of assets plus 75% of expected returns.

Inflation: 3.0%

Salary increases: 4%, average, including inflation

Investment rate of return: 7.00%, net of pension plan investment expense, including inflation.

Retirement age: In the 2017 actuarial valuation, expected retirement ages of general plan members was age 55 with 3 continuous years of service. Actual retirement ages have been monitored for several years and past rates still appear to be appropriate.

Mortality: In the 2017 actuarial valuation, assumed life expectancies were updated from the RP-2014 White and RP-2014 White Collar Employee and Healthy Annuitant (Male/Female) with MP-2014 generational mortality improvement to RP-2014 White Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 generational mortality improvement (Projected from 2006).

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

BARGAINING UNIT PLAN	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	$ 812,344	$ 926,931	$ 1,114,700	$ 1,454,957	$ 1,708,765	$ 1,707,164	$ 1,815,386
Contributions in relation to the actuarially determined contribution	812,344	926,931	1,114,700	1,454,957	1,708,765	2,212,476	2,175,166
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ –	$ –	$ (505,312)	$ (359,780)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: January 1, 2017

Measurement date: May 31, 2017

Calculated as the normal cost as of January 1st 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

Amortization method: The aggregate actuarial cost method does not amortize gains and losses and therefore there is no amortization period as the method itself allocates costs over the future service of employees.

Asset valuation method: An actuarial smoothing method based on market value of assets plus 75% of expected returns.

Inflation: 3.0%

Salary increases: N/A

Investment rate of return: 7.00%, net of pension plan investment expense, including inflation.

Retirement age: In the 2017 actuarial valuation, expected retirement ages of general plan members was age 55 with 3 continuous years of service. Actual retirement ages have been monitored for several years and past rates still appear to be appropriate.

Mortality: In the 2017 actuarial valuation, assumed life expectancies were updated from the RP-2014 Blue Collar Employee and Healthy Annuitant (Male/Female) with MP-2014 generational mortality improvement to RP-2014 Blue Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 generational mortality improvement (Projected from 2006).

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

RSI-3 SCHEDULE OF INVESTMENT RETURNS LAST THREE FISCAL YEARS*

SALARIED PLAN	2015	2016	2017
Annual money-weighted rate of return, net of investment expense	3.28%	(1.22)%	11.29%

BARGAINING UNIT PLAN	2015	2016	2017
Annual money-weighted rate of return, net of investment expense	2.36%	(1.17)%	11.47%

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

RSI-4 SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH CARE

Actuarial Valuation Date January 1	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
Retiree Health Care						
2012	N/A	N/A	$ (16,172,400)	N/A	$ 18,100,000	89.3%
2013	$ 1,032,349	$ 27,977,940	(26,945,591)	3.7%	N/A	N/A
2014	1,433,279	27,296,080	(25,862,801)	5.3%	N/A	N/A
2015	2,294,000	27,432,000	(25,138,000)	8.4%	N/A	N/A
2016	3,186,726	28,031,383	(24,844,657)	11.4%	N/A	N/A
2017	4,642,736	29,284,275	(24,641,539)	15.9%	N/A	N/A

The actuarial cost method used for the retiree health care calculation is the frozen entry age actuarial cost method. Therefore, an actuarial accrued liability is not relevant. Also the assets do not affect the unfunded actuarial accrued liability.

RSI-4 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO RETIREE HEALTH CARE

Year Ended May 31	Annual Required Contribution	Annual Percentage Contributed
2012	$ 1,427,435	100%
2013	1,717,500	100%
2014	2,727,659	89%
2015	2,604,191	102%
2016	2,506,691	99%
2017	2,486,411	100%

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Edward O. Norris III
Vice President, Asset Management

General Counsel:
Murtha Cullina LLP
Hartford, CT

Auditors:
Blum, Shapiro & Company, P.C.
West Hartford, CT

Office of Consumer Affairs:
Jeffrey M. Donofrio
North Haven, CT

Regional Water Authority Statistics – May 31, 2017

	Estimated Population Served	RPB Votes	Miles of Main	Customers[A]	Hydrants	Landholdings (Acres)[C]	Conservation Easements (Acres)	Miles of Recreation Trails	Miles of Fishing Areas
Ansonia	17,861	3	71.2	5,388	453	96.41	–	–	–
Beacon Falls	–	–	–	–	–	21.50	–	–	–
Bethany	8	5	1.4	5	1	3,945.80	22.49	8.4	2.0
Branford	27,657	6	140.6	8,548	745	1,174.50	34.87	4.0	2.5
Cheshire	23,371	4	152.0	6,716	1,135	149.16	272.70	–	–
Derby	10,749	2	41.3	3,235	276	1.90	–	–	–
Durham[B]	–	–	–	–	–	249.32	11.07	–	–
East Haven	27,734	6	112.5	8,489	554	859.47	–	3.7	0.5
Guilford	–	4	–	–	–	3,297.13	–	6.5	–
Haddam[B]	–	–	–	–	–	103.65	–	–	–
Hamden	54,463	10	216.0	15,089	1,005	1,301.11	288.19	–	5.1
Killingworth	–	2	–	–	–	1,377.12	64.63	3.2	0.1
Madison	–	6	–	–	–	4,674.51	24.26	13.5	0.6
Milford	52,451	10	240.7	18,189	1,424	4.23	–	–	–
New Haven	123,135	13	263.2	22,672	2,072	24.30	–	0.3	–
North Branford	4,956	8	43.2	1,507	236	6,069.37	81.55	5.6	0.8
North Haven	20,866	5	148.7	7,773	747	53.74	–	–	1.5
Orange	10,542	3	102.6	3,892	548	587.37	–	1.9	0.8
Prospect	–	1	0.3	–	2	822.41	–	–	–
Seymour	795	1	7.1	332	23	708.02	–	2.0	–
West Haven	51,837	8	152.0	13,482	865	274.73	–	2.9	1.5
Wolcott[B]	–	–	2.5	–	24	1.15	–	–	–
Woodbridge	1,373	3	18.2	467	84	1,903.05	200.00	5.6	1.7
Governor's Representative	–	1	–	–	–	–	–	–	–
Totals	427,798	101	1713.5	115,784	10,194	27,699.95	999.76	57.6	17.1

A - Metered customers within district   B - Not within district   C - Acres were calculated using GIS data

Regional Water Authority
Tapping the Possibilities™

South Central Connecticut Regional Water Authority

90 Sargent Drive, New Haven, CT 06511-5966