

**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District
Via Remote Access****

AGENDA

Regular Meeting of Monday, October 4, 2021 at 5:00 p.m.

1. Safety Moment
2. Review of FY 2021 Audit with Independent Auditors – Including Possible Executive Session: D. Flint
3. Approval of Minutes – September 13, 2021 meeting
4. Review Quarterly Financial Report
5. RPB Dashboard Quarterly Report
6. New Business
7. Adjourn

Note: As a reminder, the next meeting of the Finance Committee will be held on Monday, November 8, 2021 at 5:00 p.m. (regular meeting).

****Members of the public may attend the meeting via remote access. For information on attending the meeting and to view meeting documents, please visit <https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2021&category=1435&meettype=&page=>. For questions, contact the board office at 203-401-2515.**

Topic: RPB Finance Committee Meeting

Time: Oct 4, 2021 05:00 PM Eastern Time (US and Canada)

Join Zoom Meeting (*via conference call*)

Dial by your location

+1 312 626 6799 US (Chicago)

+1 646 876 9923 US (New York)

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+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

+1 669 900 6833 US (San Jose)

Meeting ID: 864 3005 7068

Passcode: 368484

SAFETY MOMENT

OCTOBER IS NATIONAL CYBERSECURITY AWARENESS MONTH

Held every October, National Cybersecurity Awareness Month a collaborative effort between government and industry to raise awareness about the importance of cybersecurity and to ensure that all Americans have the resources they need to be safer and more secure online.

Avoid being a victim by:

- Not revealing personal or financial information in an email
- Do not respond to email solicitations for information
- Pay attention to website URL's
- If you are unsure if an email request is legitimate, verify it by contacting the company directly
- Think before you act

If you are a victim:

- Report it to the appropriate people within your organization
- Contact you financial institution immediately
- Watch your bank account for unauthorized charges
- Consider reporting the attack to your local police department and file a report with the Federal Trade Commission or the Internet Crime Complaint Center

Service – Teamwork – Accountability – Respect – Safety

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

**Tap Into
Safety**



Regional Water Authority

 **Regional Water Authority**



South Central Connecticut Regional Water Authority (SCCRWA) 2021 Audit Results Presentation

October 4, 2021

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Agenda

- Audit Scope
- Reporting Results
- Financial Highlights
- Required Communications
- Contact Information



Audit Scope

- Under Generally Accepted Auditing Standards (GAAS)
 - Express opinion on whether the basic financial statements fairly represent the financial position and results of operations in accordance with GAAP.
- Under Governmental Auditing Standards
 - Provide a report on internal control over financial reporting and on compliance with laws, regulations, contracts and grants.



Audit Scope

- Under Uniform Guidance (Federal Single Audit)
 - Express an opinion on compliance related to major federal award programs.
 - Provide a report on internal control over compliance related to major federal award programs.



Reporting Results

- Under Generally Accepted Auditing Standards
 - Unmodified opinion on the financial statements as of and for the year ended May 31, 2021.
- Under Governmental Auditing Standards
 - Report on internal control over financial reporting
 - No internal control findings were noted.
 - Report on compliance with laws, regulations, contracts and grants
 - No instances of noncompliance or other matters were noted.



Reporting Results

- Under Uniform Guidance (Federal Single Audit)
 - Opinion on compliance requirements related to major federal programs
 - Unmodified opinion on compliance requirements.
 - Capitalization Grants for Drinking Water State Revolving Funds
 - Total Federal Expenditures under grant award \$6,324,131
 - Report on internal control over major federal program compliance requirements
 - No internal control findings were identified.



Statement of Revenues, Expenses & Changes in Net Position

Net position increased \$25.1MM for the fiscal year.

OPERATING REVENUES:

- Operating revenues increased \$4.6MM which was primarily due to increase in residential revenues attributable to the COVID-19 pandemic.
- Other revenues decreased slightly due to reductions in outside lab services.

Summary: Revenues, expenses and changes in fund net position

	May 31,		
	2021	2020	2019
	(In thousands of dollars)		
Operating revenues:			
Water revenues	\$ 124,885	\$ 120,266	\$ 116,067
Other	9,683	10,146	9,128
Total operating revenues	134,568	130,412	125,195
Operating expenses:			
Operating and maintenance	54,002	54,941	55,520
Expenses associated with water and other revenue	5,803	5,618	4,512
Depreciation	24,115	24,228	23,809
Payments in lieu of taxes (PILOT)	8,528	8,388	8,242
Total operating expenses	92,448	93,175	92,083
Operating income	42,120	37,237	33,112
Nonoperating income and expenses:			
Interest expense - net	(22,000)	(20,103)	(20,701)
Gain (loss) on disposal of assets	(773)	30	(322)
Realized and unrealized gains (losses) on investments	(30)	43	284
Amortization of bond discount, premium, issuance costs and deferred refunding losses	2,634	3,368	3,732
Intergovernmental revenue	845	180	910
Total nonoperating expenses	(19,324)	(16,482)	(16,097)
Gain before contributions	22,796	20,755	17,015
Capital contributions	2,310	2,503	2,859
Change in Net Position	\$ 25,106	\$ 23,258	\$ 19,874



Statement of Revenues, Expenses & Changes in Net Position

OPERATING EXPENSES:

- Total operating expenses decreased slightly (\$.7MM) largely due to decreases in operating & maintenance expenses associated with payroll and employee benefits of approximately (\$.9MM).

Summary: Revenues, expenses and changes in fund net position

	May 31,		
	2021	2020	2019
	(In thousands of dollars)		
Operating revenues:			
Water revenues	\$ 124,885	\$ 120,266	\$ 116,067
Other	9,683	10,146	9,128
Total operating revenues	134,568	130,412	125,195
Operating expenses:			
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Statement of Revenues, Expenses & Changes in Net Position

NONOPERATING INCOME & EXPENSES:

- Overall nonoperating expenses increased \$2.8MM largely due to decreases in interest income of (\$3.7MM). This was partially due to the suspension of interest on arrears associated the COVID-19 pandemic.
- The decrease in interest income more than offset the (\$1.8MM) reduction in long-term interest expense.

Summary: Revenues, expenses and changes in fund net position

	May 31,		
	2021	2020	2019
	(In thousands of dollars)		
Operating revenues:			
Water revenues	\$ 124,885	\$ 120,266	\$ 116,067
Other	9,683	10,146	9,128
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Financial Highlights

Long-Term Liabilities

- Total bonds payable amounted to \$557.3MM at year-end 2021, a decrease of (\$24.2MM) million for the year due to scheduled debt repayments on the outstanding bonds.
- Clean water loans increased \$4.5MM due primarily to new loans issued during the year.
- The net pension liability decreased (\$9.4MM) due to investment earnings and pension contributions in excess of the actuarial required contribution.
- The net OPEB liability decreased (\$572K) due to investment earnings that were higher than expected and lower than anticipated health care costs.

2021	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable:				
Revenue bonds	\$ 535,945,000	\$	\$ (19,785,000)	\$ 516,160,000
Net bond premiums and discounts	45,498,237		(4,405,933)	41,092,304
Total bonds payable	581,443,237	-	(24,170,933)	557,272,304
Drinking water loans	22,151,355	5,524,131	(1,057,534)	26,617,952
Net pension liability	19,071,289		(9,419,530)	9,651,739
Net OPEB liability	18,344,539		(571,950)	17,772,589
Total	\$ 641,010,400	\$ 5,524,131	\$ (35,219,947)	\$ 611,314,584



Required Communications

- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Uncorrected misstatements
- Corrected misstatements
- Disagreements with management
- Management representations
- Management consultations with other independent accountants



Required Communications

- Significant issues discussed with management prior to engagement
- Significant findings or issues that were discussed, or the subject of correspondence with management
- Other audit findings or issues
- Other information in documents containing audited financial statements



Contact Information

- Key Engagement Team Members
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 - Email: ronald.Nossek@claconnect.com
 - David Flint, CPA – Manager
 - Phone: 860-570-6379
 - Email: david.flint@claconnect.com



Questions?



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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
FEDERAL SINGLE AUDIT REPORT
YEAR ENDED MAY 31, 2021



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SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
FEDERAL SINGLE AUDIT REPORT
MAY 31, 2021
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Members

South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on Compliance for Each Major Federal Program

We have audited South Central Connecticut Regional Water Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Central Connecticut Regional Water Authority's major federal program for the year ended May 31, 2021. South Central Connecticut Regional Water Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for South Central Connecticut Regional Water Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Central Connecticut Regional Water Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of South Central Connecticut Regional Water Authority's compliance.

Opinion on the Major Federal Program

In our opinion, South Central Connecticut Regional Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2021.

Report on Internal Control Over Compliance

Management of South Central Connecticut Regional Water Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Central Connecticut Regional Water Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements. We issued our report thereon dated September 11, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

West Hartford, Connecticut
September 11, 2021

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number/Identifier	Pass-Through Entity Identifying Number	Total Federal Expenditures
Environmental Protection				
Agency				
<i>Passed Through the State of Connecticut Department of Public Health:</i>				
Capitalization Grants for Drinking Water State Revolving Funds:				
	66.468	DWSRF #2021-7091 - Automated Meter Reading (AMI) 4th Tranche - Loan	12060-DPH48770-22467	\$ 5,524,131
	66.468	DWSRF #2021-7091 - Automated Meter Reading (AMI) 4th Tranche - Grant	12060-DPH48770-22467	800,000
Total drinking water fund state revolving funds				\$ <u>6,324,131</u>
Total Federal Awards				\$ <u><u>6,324,131</u></u>

The accompanying notes are an integral part of this schedule

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Central Connecticut Regional Water Authority under programs of the federal government for the year ended May 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the South Central Connecticut Regional Water Authority, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the South Central Connecticut Regional Water Authority.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RECOVERY

South Central Connecticut Regional Water Authority has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members

South Central Connecticut Regional Water Authority
New Haven, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements, and have issued our report thereon dated September 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Connecticut Regional Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Connecticut Regional Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 11, 2021

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2021**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

 yes X no

Major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2021 AND 2020



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SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the South Central Connecticut Regional Water Authority as of May 31, 2021 and 2020, and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules, as listed in the table of contents, 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

South Central Connecticut Regional Water Authority's basic financial statements for the year ended May 31, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated August 31, 2020 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2021 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
September 11, 2021

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED MAY 31, 2021

INTRODUCTION

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

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

The Authority's audited financial statements include the following:

- Statements of net position

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

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

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

- Statements of cash flows

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

- Statements of fiduciary net position

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

- Notes to financial statements

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

THE AUTHORITY'S BUSINESS

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

During fiscal 2020, the Watershed Fund was renamed The Claire C. Bennitt Watershed Fund (the Watershed Fund) in honor of Claire C. Bennitt. The Watershed Fund was established by the Authority for the purpose of protecting land on the watershed through the acquisition of open space and promotion of environmental education. Financial information regarding the Watershed Fund can be found in the notes to the audited financial statements.

FINANCIAL HIGHLIGHTS

Summary: Revenues, expenses and changes in fund net position	May 31,		
	2021	2020	2019
	(In thousands of dollars)		
Operating revenues:			
Water revenues	\$ 124,885	\$ 120,266	\$ 116,067
Other	9,683	10,146	9,128
Total operating revenues	134,568	130,412	125,195
Operating expenses:			
Operating and maintenance	54,002	54,941	55,520
Expenses associated with water and other revenue	5,803	5,618	4,512
Depreciation	24,115	24,228	23,809
Payments in lieu of taxes (PILOT)	8,528	8,388	8,242
Total operating expenses	92,448	93,175	92,083
Operating income	42,120	37,237	33,112
Nonoperating income and expenses:			
Interest expense - net	(22,000)	(20,103)	(20,701)
Gain (loss) on disposal of assets	(773)	30	(322)
Realized and unrealized gains (losses) on investments	(30)	43	284
Amortization of bond discount, premium, issuance costs and deferred refunding losses	2,634	3,368	3,732
Intergovernmental revenue	845	180	910
Total nonoperating expenses	(19,324)	(16,482)	(16,097)
Gain before contributions	22,796	20,755	17,015
Capital contributions	2,310	2,503	2,859
Change in Net Position	\$ 25,106	\$ 23,258	\$ 19,874

Operating revenues

The change in operating revenues from fiscal 2020 to fiscal 2021 is primarily due to the increase in residential revenues attributable to an increase in usage associated with COVID-19. This increase more than offset the decline in commercial and industrial revenues. The weather in the summer of fiscal 2021 is also a factor. While there were no revenues from collection related fees, due to the suspension of shut-offs for non-payment due to COVID-19, this was offset by increases in other water related fees and charges. Other revenue decreased between fiscal 2020 and fiscal 2021, this is primarily due to the reduction in outside lab services due to tests performed for others that are not required every year.

The change in the operating revenues from fiscal 2019 to fiscal 2020 is primarily attributable to the full-year impact of the increase in water rates and charges effective July 2, 2019, partially offset by decreased consumption. Year-over-year decreases in consumption are anticipated due to more water efficient appliances, installation of low-flow plumbing and devices as well as water conservation. Water revenues were also impacted by a decrease in forestry revenue and collections related fees. In the last few months of the fiscal year, collections related fees were impacted by COVID-19, due to the suspension of shut-offs for non-payment. Other revenue increased between fiscal 2019 to fiscal 2020, primarily due to the increased revenue from PipeSafe offerings and outside lab services.

Operating expenses

Operating and maintenance expenses from fiscal 2020 to fiscal 2021 decreased by approximately \$.9 million. The larger year-over year decreases include payroll and employee benefits, primarily related to medical and employee related expenses. In addition, pension and other-post-employment benefit (OPEB) contributions were lower in fiscal 2021 than in fiscal 2020 and pension and OPEB expenses under GASB 68 and GASB 75 also decreased between fiscal 2021 and fiscal 2020. These decreases were partially offset in pump power, utilities and fuel, outside services, and maintenance and repair costs.

Operating and maintenance expenses from fiscal 2019 to fiscal 2020 decreased by approximately \$.6 million. There were decreases across multiple expense categories. The larger year-over-year decreases included outside services and maintenance and repair. Payroll was also one of the larger decreases primarily due the mix between labor costs related to operating and maintenance activities versus other activities. In addition, OPEB, under GASB 75, decreased from fiscal 2019 to fiscal 2020. These decreases were partially offset by increases in a small number of categories including information technology related expenses and expenses related to pre-Captive requirements. Pension expense, under GASB 68, also increased from fiscal 2019 to fiscal 2020.

Depreciation expense decreased slightly from fiscal 2020 to fiscal 2021 due to a reduction in net depreciable plant. This is primarily due to the impact of COVID-19 on the completion of certain capital projects and a reduced fiscal 2021 capital improvement program.

Depreciation expense increased from fiscal 2019 to fiscal 2020 primarily due to additions to utility plant and depreciation on in-service property, plant, and equipment.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from fiscal 2020 to fiscal 2021 and from fiscal 2019 to fiscal 2020 primarily as a result of pipe additions and mill rates.

Nonoperating income and expenses

Net interest expense increased from fiscal 2020 to fiscal 2021 due to the reduction in interest income, including interest on arrears not being billed due to COVID-19, more than offsetting the reduction in long-term interest expense.

Net interest expense decreased from fiscal 2019 to fiscal 2020 primarily due to refinancing activities as outlined below and lower interest expense on interim subordinate financing, partially offset by the issuance of the Thirty-fourth Series A Revenue Bonds and Series C (Green Bonds), one additional Drinking Water State Revolving Fund (DWSRF) project loan obligation, and the full year impact of DWSRF loans that closed in fiscal 2019, as well as lower interest income and interest on arrears.

Due to market conditions, the realized and unrealized investment loss between May 2020 and May 2021 was approximately \$30 thousand. Between May 31, 2020 and May 31, 2019, the investment gain was approximately \$43 thousand.

Disposal of assets

In fiscal 2021, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain “plant” assets with a remaining book value partially offset by the proceeds associated with asset dispositions.

In fiscal 2020, the Authority had a net gain on the retirement and disposition of certain assets. This net gain was primarily due to salvage and other disposition proceeds mostly offset by the retirement of certain “plant” assets with a remaining net book value and disposition costs.

Amortization

The amortization of bond discount, premium, issuance costs and deferred refunding losses were less favorable in fiscal 2021 than in fiscal 2020 due to lower amortization of premiums and higher amortization of refunding losses slightly offset by lower amortization of cost of issuance. These year-over-year changes are primarily due to the full year impact of the Thirty-fourth Series B and Thirty-fifth Series taxable refinancing, decreasing the premium amortizations and increasing the refunding loss amortizations.

The amortization of bond discount, premium, issuance costs and deferred refunding losses were less favorable in fiscal 2020 than in fiscal 2019 due to lower amortization of premiums, slightly lower amortization of refunding losses, and slightly higher amortization of cost of issuance. These year-over-year changes are primarily due to the Thirty-fourth Series B and Thirty-fifth Series taxable refinancing, as well as the cost of issuance associated with the Thirty-fourth Series A and Series C.

Intergovernmental revenues

Intergovernmental revenues between fiscal 2021 and fiscal 2020 increased due to the receipt of a DWSRF grant in an amount higher than the grant received last year. There were also two open space grants received in fiscal 2021.

Intergovernmental revenues between fiscal 2020 and fiscal 2019 decreased as there was only one DWSRF grant received in fiscal 2020.

	May 31,		
	2021	2020	2019
Summary: Net position	(In thousands of dollars)		
Assets:			
Capital assets	\$ 637,429	\$ 642,436	\$ 639,160
Other assets:			
Current	73,267	72,629	61,424
Long-term note receivable	500	500	500
Restricted assets	124,397	121,046	118,704
Regulatory assets	9,877	10,590	11,099
Total assets	<u>845,470</u>	<u>847,201</u>	<u>830,887</u>
Deferred outflows of resources:			
Deferred charge on refunding	17,201	18,556	18,094
Deferred outflows - goodwill	14,424	14,424	14,424
Deferred outflows related to pensions	2,985	4,960	3,517
Deferred outflows related to OPEB	2,293	1,191	1,340
Total deferred outflows of resources	<u>36,903</u>	<u>39,131</u>	<u>37,375</u>
Total assets and deferred outflows of resources	<u>\$ 882,373</u>	<u>\$ 886,332</u>	<u>\$ 868,262</u>
Liabilities:			
Current liabilities	\$ 35,226	\$ 39,972	\$ 50,158
Payable from restricted assets	9,717	10,101	10,631
Other long-term liabilities	45	114	913
Long-term debt payable	520,946	537,293	517,572
Net premiums/discounts	41,092	45,498	58,449
Net pension liability	9,652	19,071	17,122
Net OPEB liability	17,773	18,345	20,030
Total liabilities	<u>634,451</u>	<u>670,394</u>	<u>674,875</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	6,462	262	1,538
Deferred inflows related to OPEB	4,764	4,087	3,518
Total deferred inflows of resources	<u>11,226</u>	<u>4,349</u>	<u>5,056</u>
Net Position:			
Net investment in capital assets	69,169	49,683	42,336
Restricted	116,700	113,310	107,056
Unrestricted	50,828	48,595	38,939
Total net position	<u>236,696</u>	<u>211,589</u>	<u>188,331</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 882,373</u>	<u>\$ 886,332</u>	<u>\$ 868,262</u>

Capital assets

The decrease in capital assets from fiscal 2020 to fiscal 2021 is primarily due to a reduction in net depreciation plant partially offset by the increase in construction work in progress. This reduction is primarily due to a higher dollar amount associated with retirements, a lower dollar value for projects going into service during fiscal 2021, and a reduced capital program as noted above.

The increase in capital assets from fiscal 2019 to fiscal 2020 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, and 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, 2021 and 2020, no impairment of goodwill has occurred.

Current assets

The following itemizes the change in current assets between May 31, 20120 and 2021, and between May 31, 2019 and 2020, respectively:

	May 31,	
	2021	2020
Increase in cash and cash equivalents and investments	\$ (1,432,139)	\$ 9,222,555
Increase in accounts receivable, net	963,513	1,590,544
Increase (decrease) in accrued water revenue	431,076	(119,892)
Increase (decrease) in interest receivable	(88,190)	(120,895)
Increase in materials and supplies	222,030	96,634
Increase in prepayments and other current assets	542,675	536,310
Net Increase in Current Assets	\$ 638,965	\$ 11,205,256

Increase in current net position from May 31, 2020 to May 31, 2021

The decrease in in cash and cash equivalents and investments is primarily associated with the fiscal 2021 year-end disposition transferring a higher dollar amount into the Construction Fund, reflected under restricted assets, versus fiscal 2020 where the transfer into the Construction Fund was smaller and there were larger amounts transferred into the General Fund as well as the Growth Fund, with both of these funds reflected in cash and cash equivalents. There was also an additional transfer from the General Fund to the Construction Fund.

The increase in accounts receivable primarily relates to an elevated level due to COVID-19 partially offset by a higher allowance reserve. While accounts receivable are elevated, the impact of COVID-19 on cash receipts has not been as severe as initially anticipated.

The increase in accrued water revenue is primarily due to the timing of billings.

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

The increase in materials and supplies is primarily related to an increase in general stores primarily due to increasing the stock of certain parts to help ensure availability for operations, as well as higher prices on components.

The increase in prepayments and other current assets is primarily due to increases in miscellaneous accounts receivable due to an insurance settlement, prepaid insurance and other prepaid expenses, as well as smaller other net changes.

Increase in current net position from May 31, 2019 to May 31, 2020

The increase in cash and cash equivalents and investments is primarily associated with the fiscal 2020 year-end disposition increasing the General Fund as well as the Growth Fund with less of the year-end disposition being transferred to the Construction Fund.

The increase in accounts receivable reflects the rate increase effective July 2, 2019. Increased balances include current receivables. The year-over-year increase is partially offset by an increase in the allowance for doubtful accounts.

The decrease in accrued water revenue is primarily due to the timing of billings.

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

The increase in materials and supplies is primarily related to an increase in fleet related materials partially offset by other net changes.

The increase in prepayments and other current assets is primarily due to increases in jobbing accounts receivable, HazWaste accounts receivable, the OPEB trust receivable, prepaid insurance, and other net increases. These increases are partially offset by decreases in the procurement card, as well as other net decreases.

Restricted assets (investments)

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

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

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

Restricted assets increased by approximately \$3.4 million between May 31, 2021 and May 31, 2020. This is primarily due to an increase in the Construction Fund and the Debt Service Fund. There were also increases in the Debt Reserve Fund and Capital Contingency associated with a DWSRF financing and an increase in the PILOT Fund, based on the projection for fiscal 2022 payments. These increases were partially offset by a reduction in the Department of Transportation related receivables and other small net changes.

Restricted assets increased by approximately \$2.3 million between May 31, 2020 and May 31, 2019. This is primarily due to an increase in the Authority’s Debt Reserve Fund and Debt Service Fund as well as an increase in Department of Transportation related receivables, and other small net increases. These increases are partially offset by a reduction in the Construction Fund, receivables related to land sales due to payments made, and other small net decreases. The reduction in the Construction Fund is primarily due to expenditures from internally generated funds associated with our capital improvement program and state redevelopment expenditures partially offset by the fiscal 2020 year-end disposition and other net changes.

Other long-term assets

As of May 31, 2021, regulatory assets totaled \$9.9 million, net of amortizations, representing a decrease of approximately \$.7 million over May 31, 2020. Regulatory assets include \$4.3 million of bond issuance costs, \$ 4.4 million deferred charges of estimated environmental remediation costs of a site on Newhall Street in Hamden, Connecticut (See Note 12, Pollution Remediation Obligation), \$.1 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, \$.1 million associated with deferred repair at a site in New Haven, Connecticut, \$.4 million cost associated with an interconnection in Wallingford, Connecticut, and \$.5 million in other remediation costs.

As of May 31, 2020, regulatory assets totaled \$10.6 million, net of amortizations, representing a decrease of approximately \$.5 million over May 31, 2019. Regulatory assets include \$4.7 million of bond issuance costs, \$ 4.5 million deferred charges of estimated environmental remediation costs of a site on Newhall Street in Hamden, Connecticut (See Note 12, Pollution Remediation Obligation), \$.1 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, \$.3 million associated with deferred repair at a site in New Haven, Connecticut, \$.4 million cost associated with an interconnection in Wallingford, Connecticut, and \$.6 million in other remediation costs.

Current liabilities

The Authority's current liabilities decreased by approximately \$4.7 million between May 31, 2020 and May 31, 2021. This decrease is primarily due to a decrease of \$5.8 million in interim subordinate notes payable and a reduction in other accrued liabilities. These decreases are partially offset by increases of \$.8 million in the current portion of Water Revenue Bonds payable, a \$.2 million increase in the current portion of DWSRF project loan obligations, and other net increases in accounts and other payables.

The Authority's current liabilities decreased by approximately \$10.2 million between May 31, 2019 and May 31, 2020. This decrease is primarily due to a decrease of \$12.9 million in interim subordinate notes payable. These decreases are partially offset by increases of \$2.1 million in the current portion of Water Revenue Bonds payable, a \$.1 million increase in the current portion of DWSRF project loan obligations, and other net increases in accounts and other payables.

Payables from restricted assets

Between May 31, 2020 and May 31, 2021, payables from restricted assets decreased \$.4 million. This decrease is due to the decrease of \$.3 million in accrued interest payable and \$3 million in accounts payable for construction, partially offset by an increase of approximately \$.2 million in restricted customer deposits and advances.

Between May 31, 2019 and May 31, 2020, payables from restricted assets decreased \$.5 million. This decrease is due to the decrease of \$.8 million in accrued interest payable and \$.1 million in restricted customer deposits and advances, partially offset by an increase of approximately \$.4 million in accounts payable for construction.

Other long-term liabilities

Between May 31, 2020 and May 31, 2021, other long-term liabilities decreased by approximately \$69 thousand due to costs being incurred during fiscal 2021 partially offset by a small increase in the estimate of the total cost of remediation associated with the Newhall Street site in Hamden.

Between May 31, 2019 and May 31, 2020, other long-term liabilities decreased by approximately \$.8 million due to these costs being incurred during fiscal 2020. Between fiscal 2019 and fiscal 2020 there was an increase of approximately \$66 thousand in the estimate of the total cost of remediation associated with the Newhall Street site in Hamden.

Long-term debt

Between May 31, 2020 and May 31, 2021, long-term Water Revenue Bonds payable, at par, decreased by \$20.6 million, excluding the current portion. This decrease is due to \$20.6 million being the current portion of these bonds and no additional Water Revenue Bonds issued during fiscal 2021. There was an increase of \$4.2 million in DWSRF long-term debt, excluding the current portion, due to an additional project loan obligation. Net premiums/discounts decreased by approximately \$4.4 million due to the amortizations.

Between May 31, 2019 and May 31, 2020, long-term Water Revenue Bonds payable, at par, increased by \$20 million. The increase in Water Revenue Bonds payable at par is due to the issuance of the Thirty-fourth Series A and Series C, as well as the taxable Series Thirty-fourth Series B and the Thirty-fifth Series refunding bonds that increased the par value versus the defeased bonds. There was a \$.3 million reduction in DWSRF project loan obligations, excluding the current portion. Net premiums/discounts decreased by approximately \$13 million due to the adjustments associated with the issuance of Thirty-fourth Series B and the Thirty-fifth Series and amortizations.

Net pension liability

Between May 31, 2020 and May 31, 2021, the net pension liability decreased by approximately \$9.4 million. The net pension liability decrease is primarily due to higher than anticipated investment earnings, pension contributions, including approximately \$1.1 million in excess of the actuarial required contribution, and a change in the mortality projections. These decreases were partially offset by the reduction in the expected long term return assumption, as well as actual versus expected experience.

Between May 31, 2019 and May 31, 2020, the net pension liability increased by approximately \$1.9 million. The net pension liability increase is primarily due to the change in the mortality projections, the difference in expected versus actual experience, change in benefits, benefits earned by plan participants, and lower than anticipated investment returns, partially offset by pension contributions of approximately \$1.4 million in excess of the actuarial required contribution.

Net other post-employment benefit liability

Between May 31, 2020 and May 31, 2021, the net other post-employment benefit liability decreased by approximately \$.6 million, primarily due to higher investment earnings and lower than anticipated health care costs, partially offset by the reduction in the long-term expected returns assumption.

Between May 31, 2019 and May 31, 2020, the net other post-employment benefit liability decreased by approximately \$1.7 million, primarily due to lower than anticipated health care coverage costs partially offset by change in assumptions, and lower investment earnings and benefits earned by plan participants.

Invested in capital, net of related debt

Between May 31, 2020 and May 31, 2021, the reduction in capital related debt is more than the reduction in net plant, resulting in an increase of approximately \$19.5 million in net invested in capital assets.

Between May 31, 2019 and May 31, 2020, the amount of invested in capital, net of related debt, increased \$7.3 million primarily due to the reduction in capital related debt and an increase in net plant.

Net position, restricted

Restricted net position increased by approximately \$3.4 million from May 31, 2020 to May 31, 2021, primarily due to the decrease in liabilities payable from restricted assets and an increase in restricted assets, as described above.

Restricted net position increased by approximately \$6.3 million from May 31, 2019 to May 31, 2020, primarily due to the decrease in liabilities payable from restricted assets and an increase in restricted assets, as described above.

Unrestricted net position

Unrestricted net position increased by \$2.2 million due to the reduction in unrestricted liabilities being more than the minimal decrease in current unrestricted assets.

Between May 31, 2019 and May 31, 2020, unrestricted net position increased by \$9.7 million due to the increase in current assets and the reduction in unrestricted liabilities.

THE AUTHORITY'S CUSTOMER BASE

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 120,000 customers, 115,800 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2020 and May 31, 2021, 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 fiscal 2020 the Authority received approximately \$124.1 million in cash from operations and a combined \$.9 million from earnings on investments and Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the fiscal 2021 year-end disposition of the Revenue Fund, the Authority had approximately \$17.7 million available after funding required reserves. The Authority transferred \$1 million into the Growth Fund, and also transferred approximately \$16.7 million to the Construction Fund, including the funding of depreciation. In addition, \$3 million of the \$5.5 million transferred into the General Fund as part of the fiscal 2020 year-end disposition, was transferred to the Construction Fund to mitigate future rate increases. The General Fund can be used for any lawful purpose and the transfer in fiscal 2020 was to provide flexibility to address uncertainties associated with COVID-19. In addition, in fiscal 2021, the Authority contributed to the pension plans approximately \$1.1 million in excess of the actuarial requirement and funded almost the entire capital improvement program with internally generated funds.

CREDIT RATING

In October 2019 and June 2019, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services also affirmed the Authority's credit rating of AA-.

FINANCIAL STATEMENT PRESENTATION

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

REQUEST FOR INFORMATION

Please note that the Authority's audited financial statements include data from its fiscal years ended May 31, 2021 and 2020. 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 Vice President of Financial Reporting & Analysis, South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut 06511.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Utility plant:		
Depreciable property, plant and equipment in service	\$ 904,362,604	\$ 891,642,307
Accumulated depreciation	(384,522,361)	(361,941,227)
Depreciable utility plant in service	519,840,243	529,701,080
Land	27,993,989	28,090,329
Construction work in progress	24,610,997	19,661,117
Total utility plant, net	<u>572,445,229</u>	<u>577,452,526</u>
Nonutility land	<u>64,983,525</u>	<u>64,983,525</u>
Current assets:		
Cash and cash equivalents	34,020,218	35,452,357
Accounts receivable, less allowance for doubtful accounts of \$4,317,359 in 2021 and \$3,505,045 in 2020	14,748,304	13,784,791
Accrued water revenue	18,590,817	18,159,741
Accrued interest receivable	6,373	94,563
Materials and supplies	1,898,220	1,676,190
Prepaid expenses and other assets	4,003,818	3,461,143
Total current assets	<u>73,267,750</u>	<u>72,628,785</u>
Long-term note receivable	500,000	500,000
Restricted assets	124,397,151	121,046,235
Regulatory assets	<u>9,876,593</u>	<u>10,589,882</u>
Total assets	<u>845,470,248</u>	<u>847,200,953</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	17,200,566	18,555,950
Deferred outflows - goodwill	14,423,704	14,423,704
Deferred outflows related to pensions	2,985,327	4,960,411
Deferred outflows related to OPEB	2,293,040	1,191,302
Total deferred outflows of resources	<u>36,902,637</u>	<u>39,131,367</u>
Liabilities:		
Noncurrent liabilities:		
Revenue bonds payable, less current portion	495,615,000	516,180,000
Drinking water loans payable	25,330,874	21,112,560
Net premiums and discounts from revenue bonds payable	41,092,304	45,498,237
Net pension liability	9,651,739	19,071,269
Net OPEB liability	17,772,589	18,344,539
Total noncurrent liabilities	<u>589,462,506</u>	<u>620,206,605</u>
Current liabilities:		
Current maturities of bonds payable	20,565,000	19,765,000
Current maturities of drinking water loans payable	1,287,078	1,038,795
Accounts payable	3,950,576	3,718,783
Bond anticipation notes payable	50,500	5,848,723
Customer deposits and advances	1,570,542	1,214,980
Other accrued liabilities	7,802,524	8,385,968
Total current liabilities	<u>35,226,220</u>	<u>39,972,249</u>
Payable from restricted assets:		
Accounts payable for construction	1,519,934	1,865,412
Accrued interest payable	7,209,198	7,473,554
Customer deposits and advances	988,108	762,447
Total liabilities payable from restricted assets	<u>9,717,240</u>	<u>10,101,413</u>
Pollution remediation obligation	45,000	114,000
Total liabilities	<u>634,450,966</u>	<u>670,394,267</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	6,462,027	261,792
Deferred inflows related to OPEB	4,764,299	4,087,099
Total deferred inflows of resources	<u>11,226,326</u>	<u>4,348,891</u>
Net Position:		
Net investment in capital assets	69,168,630	49,683,274
Restricted	116,699,845	113,310,234
Unrestricted	<u>50,827,118</u>	<u>48,595,654</u>
Total Net Position	<u>\$ 236,695,593</u>	<u>\$ 211,589,162</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water revenues:		
Residential and commercial	\$ 103,366,006	\$ 98,972,732
Industrial	2,081,601	2,183,348
Fire protection	12,157,830	12,053,939
Public authority	2,564,286	2,529,522
Wholesale	926,606	870,956
Other water revenues	3,788,568	3,655,628
Other revenue	9,683,239	10,145,911
Total operating revenues	<u>134,568,136</u>	<u>130,412,036</u>
Operating expenses:		
Operating and maintenance expense	54,001,277	54,943,443
Depreciation	24,115,352	24,228,043
Payments in lieu of taxes	8,528,101	8,388,114
Other water expenses	1,675,379	1,716,033
Cost of other revenue	4,128,107	3,899,809
Total operating expenses	<u>92,448,216</u>	<u>93,175,442</u>
Operating income	<u>42,119,920</u>	<u>37,236,594</u>
Nonoperating income (expense):		
Interest income	254,471	3,924,769
Gain (loss) on disposal of assets	(773,354)	30,003
Realized and unrealized gain on investments	(29,867)	42,736
Interest expense	(22,253,289)	(24,026,395)
Amortization of bond discount, premium, issuance cost and deferred losses	2,633,843	3,367,577
Intergovernmental revenue	844,600	179,513
Total nonoperating expense	<u>(19,323,596)</u>	<u>(16,481,797)</u>
Change in net position before capital contributions	22,796,324	20,754,797
Capital Contributions	<u>2,310,107</u>	<u>2,503,316</u>
Change in Net Position	25,106,431	23,258,113
Net Position - Beginning of Year	<u>211,589,162</u>	<u>188,331,049</u>
Net Position - End of Year	<u>\$ 236,695,593</u>	<u>\$ 211,589,162</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from water sales	\$ 118,744,251	\$ 113,967,536
Cash received from other services	13,356,906	13,288,421
Cash paid to employees	(21,929,638)	(21,293,347)
Cash paid to suppliers for operations	(35,139,612)	(35,045,059)
Cash paid to suppliers for other services	(4,198,904)	(4,234,260)
Cash paid for payments in lieu of taxes	(8,528,101)	(8,388,114)
Net cash provided by operating activities	<u>62,304,902</u>	<u>58,295,177</u>
Cash Flows from Investing Activities:		
Interest received	342,661	4,045,664
Sale of unrestricted investments	-	101,031
Purchase of restricted investments	(193,493,330)	(300,600,474)
Sale of restricted investments	189,505,564	299,066,011
Net cash provided by (used in) investing activities	<u>(3,645,105)</u>	<u>2,612,232</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for utility plant	(20,534,010)	(28,113,643)
Proceeds from disposition of assets	158,715	224,757
Proceeds from issuance of bond anticipation notes	5,951,088	7,549,024
Proceeds from issuance of drinking water loans	5,524,131	791,233
Proceeds from issuance of revenue bonds		24,850,000
Proceeds from issuance of refunding bonds		137,915,000
Premium on bond issuance		4,939,820
Principal payments on revenue bonds	(19,765,000)	(140,655,000)
Payments on drinking water loans	(1,057,534)	(1,007,551)
Payments on bond anticipation notes	(11,749,311)	(20,449,705)
Payments for retirement of revenue bonds		(14,303,114)
Interest paid	(22,517,645)	(24,967,264)
Grant proceeds	844,600	179,513
Capital contributions, net of restricted deposit	3,053,030	1,463,107
Net cash used in capital and related financing activities	<u>(60,091,936)</u>	<u>(51,583,823)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,432,139)	9,323,586
Cash and Cash Equivalents - Beginning of Year	<u>35,452,357</u>	<u>26,128,771</u>
Cash and Cash Equivalents - End of Year	<u>\$ 34,020,218</u>	<u>\$ 35,452,357</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	\$ 42,119,920	\$ 37,236,594
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation	24,115,352	24,228,043
Bad debt expense	1,187,798	1,096,437
Other	574,295	1,387,241
Change in:		
Accounts receivable and accrued water revenue	(2,582,387)	(2,567,089)
Materials and supplies	(222,030)	(96,634)
Prepaid expenses and other assets	(561,337)	(536,310)
Regulatory assets	(70,800)	(387,386)
Deferred outflows of resources	873,346	(1,296,326)
Accounts payable	335,441	(55,482)
Pension liability	(9,419,530)	1,949,074
OPEB liability	(571,950)	(1,685,732)
Deferred inflows of resources	6,877,435	(706,502)
Customer deposits and advances	355,562	(22,391)
Other accrued liabilities	(706,213)	(248,360)
Total adjustments	<u>20,184,982</u>	<u>21,058,583</u>
Net Cash Provided by Operating Activities	<u>\$ 62,304,902</u>	<u>\$ 58,295,177</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION - PENSION TRUST FUND
MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 1,462,920	\$ 255,304
Investments:		
U.S. Government securities	973,293	2,804,801
U.S. Government agencies	2,539,808	2,968,135
Corporate bonds	6,553,465	6,801,552
Mutual funds	59,144,517	45,010,099
Alternative investments	1,155,473	836,755
Other receivables		44,600
Total assets	<u>71,829,476</u>	<u>58,721,246</u>
Net Position:		
Restricted for Pension Benefits	\$ <u>71,829,476</u>	\$ <u>58,721,246</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions:		
Employer	\$ 4,265,804	\$ 4,615,109
Employees	5,315	5,079
Other		19,856
Total contributions	<u>4,271,119</u>	<u>4,640,044</u>
Investment earnings:		
Net change in fair value of investments	11,260,053	1,356,138
Realized loss on sale of investments	833,140	(477,033)
Investment earnings and other income	<u>1,934,600</u>	<u>1,842,257</u>
Net investment earnings	<u>14,027,793</u>	<u>2,721,362</u>
Total additions	<u>18,298,912</u>	<u>7,361,406</u>
Deductions:		
Benefits	4,871,124	4,526,357
Expenses	319,792	282,275
Other	<u>(234)</u>	
Total deductions	<u>5,190,682</u>	<u>4,808,632</u>
Change in Net Position	13,108,230	2,552,774
Net Position - Beginning of Year	<u>58,721,246</u>	<u>56,168,472</u>
Net Position - End of Year	<u>\$ 71,829,476</u>	<u>\$ 58,721,246</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION - RETIRED EMPLOYEES CONTRIBUTORY
TRUST FUND
MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 652,274	\$ 526,245
Investments:		
U.S. Government securities		124,990
Mutual funds	8,861,293	7,014,838
Total assets	<u>9,513,567</u>	<u>7,666,073</u>
Liabilities:		
Other payables		<u>144,096</u>
Net Position:		
Restricted for Retiree Benefits	\$ <u>9,513,567</u>	\$ <u>7,521,977</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - RETIRED EMPLOYEES
CONTRIBUTORY TRUST FUND
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions:		
Employer	\$ 1,855,418	\$ 2,027,798
Retirees	209,092	213,385
Total contributions	<u>2,064,510</u>	<u>2,241,183</u>
Investment earnings:		
Net change in fair value of investments	1,515,858	194,681
Realized loss on sale of investments	33,520	(112,190)
Investment earnings and other income	239,256	227,889
Net investment earnings	<u>1,788,634</u>	<u>310,380</u>
Total additions	<u>3,853,144</u>	<u>2,551,563</u>
Deductions:		
Benefits	1,818,909	1,988,168
Expenses	42,645	35,761
Total deductions	<u>1,861,554</u>	<u>2,023,929</u>
Change in Net Position	1,991,590	527,634
Net Position - Beginning of Year	<u>7,521,977</u>	<u>6,994,343</u>
Net Position - End of Year	<u>\$ 9,513,567</u>	<u>\$ 7,521,977</u>

The accompanying notes are an integral part of these financial statements

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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 21-member Representative Policy Board (RPB), which consists of a member from each of the 20 municipalities within the District and one member appointed by the Governor of the State of Connecticut.

In 1999, the Authority established the Watershed Fund, a separate legal entity organized for the purpose of protecting watershed land that has a distinctive ecological significance through open space acquisition and environmental education. In November 2019, the Authority approved a name change of the Watershed Fund to The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund). 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. Information regarding the Watershed Fund can be found in Note 6, *The Claire C. Bennitt Watershed Fund*. Requests for complete financial statements for the Watershed Fund should be addressed in writing to President, The Claire C. Bennitt Watershed Fund, Inc., 90 Sargent Drive, New Haven, CT 06511.

Accounting principles generally accepted in the United State of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. These criteria have been considered and have resulted in the inclusion of the fiduciary component units as detailed below.

Fiduciary Component Units

The Authority has established two single-employer Public Retirement Systems (PERS) and one postretirement health care benefits (OPEB) plan to provide retirement benefits and post-retirement health care benefits primary to employees and their beneficiaries. The Authority appoints the members of the Pension and Investment Committee who govern the Pension and OPEB plans. The Authority is required to make contributions to the pension and OPEB plans.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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, 2021, regulatory assets include approximately \$4.4 million of bond issuance costs and \$5.5 million of deferred charges, net of amortization. Included in the approximately \$5.5 million is \$4.4 million associated with estimated environmental remediation costs in the town of Hamden, \$.8 million associated with a required system-wide leak study, deferred repair and remediation costs, and \$.4 million of incurred costs associated with an interconnection.

As of May 31, 2020, regulatory assets include approximately \$4.7 million of bond issuance costs and \$5.9 million of deferred charges, net of amortization. Included in the approximately \$5.9 million is \$4.5 million associated with estimated environmental remediation costs in the town of Hamden, \$1.0 million associated with a required system-wide leak study, deferred repair and remediation costs, and \$.4 million of incurred costs associated with an interconnection.

Utility Plant

Capital assets in utility plant are defined by the Authority as assets with an initial cost of more than \$2,000 and an estimated life of more than one year. Such assets are recorded at cost if purchased or constructed, which includes material and direct labor, as well as indirect items, e.g., engineering, payroll taxes, employee benefits, 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 on estimated service lives. Half of a year's depreciation is provided for capital assets in the year they are placed in or removed from service.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

The estimated service lives of capital assets are as follows:

Asset Description	Useful Life (Years)	Asset Description	Useful Life (Years)
Source of supply and supply mains	100	Meters	15
Wells and springs	30	Hydrants	60
Other water source structures	10	Hydraulic shovel and front loader	8
Power and pumping structures	30	Hydraulic backhoe	6
Pumping equipment	20	Compressors	10
Water treatment plant structure	43	Computer equipment	5
Water treatment equipment	23	Computer software	5-15
Distribution tanks	50	General structures	10-32
Distribution mains	85	Furniture and fixtures	12
Services	50	Autos and trucks	5
		Other	3-10

Goodwill

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, 2021 and 2020 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, goodwill, and deferred outflows related to pension and other post-employment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees).

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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 and OPEB. A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees).

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 plans' fiduciary net position. The pension plans' fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current participating active employees and vested former employees that is attributed to past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

Operating Items

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for delivery of goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, payment in lieu of taxes 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. However, interest charges were suspended in March 2020 due to COVID-19 and remained suspended throughout fiscal 2021 and into fiscal 2022.

Other Revenue

Other revenue includes revenue from the PipeSafe suite of offerings, including water, sewer and septic protection plans as well as protection plans bundled with home plumbing, 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. Grants from governmental agencies are included in intergovernmental revenues.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

3. DEPOSITS AND INVESTMENTS

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

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

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

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

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$6,060,426 of the Authority's bank balance of \$11,708,898 was exposed to custodial credit risk as of May 31, 2021 as follows:

Uninsured and uncollateralized	\$ 411,691
Uninsured and collateral held by the pledging bank's trust department, not in the Authority's name	<u>5,648,735</u>
Total Amount Subject to Custodial Risk	\$ <u>6,060,426</u>

As of May 31, 2020, \$5,911,890 of the Authority's bank balance of \$7,193,439 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 502,830
Uninsured and collateral held by the pledging bank's trust department, not in the Authority's name	<u>5,409,060</u>
Total Amount Subject to Custodial Risk	\$ <u>5,911,890</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

Cash Equivalents

As of May 31, 2021 and 2020, the Authority's cash equivalents amounted to \$143,269,948 and \$133,462,268, respectively, and consisted of the State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's, United States Treasuries and cash portions of fiduciary funds held at custodial institutions.

Investments

As of May 31, 2021, 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 securities	Aaa	\$ 973,294	\$ 599,971	\$ 373,323	\$
U.S. Government agencies	Aaa	5,573,852	331,172	5,242,680	
Corporate bonds	Aa1	347,175		347,175	
Corporate bonds	A1	1,024,812		1,024,812	
Corporate bonds	A2	1,460,979	333,882	1,127,097	
Corporate bonds	A3	3,059,787	327,512	2,732,275	
Corporate bonds	Baa1	660,350		660,350	
Other investments:					
Mutual funds	No Rating	69,507,143			
Alternative investments		<u>1,155,473</u>			
Total Investments		<u>\$ 83,762,865</u>			

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

As of May 31, 2020, 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 securities	Aaa	\$ 2,929,791	\$ 2,533,839	\$ 395,952	\$
U.S. Government agencies	Aaa	14,560,583	2,380,658	12,179,925	
Corporate bonds	Aa1	352,202		352,202	
Corporate bonds	A1	1,002,831	212,470	790,361	
Corporate bonds	A2	1,663,351	654,368	1,008,983	
Corporate bonds	A3	3,116,769		3,116,769	
Corporate bonds	Baa1	666,399		666,399	
Other investments:					
Mutual funds		52,412,725			
Alternative investments		836,755			
Total Investments		\$ 77,541,406			

Interest Rate Risk

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

Credit Risk - Investments

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

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys investments for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. As of May 31, 2021, 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Fair Value

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 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, 2021:

	May 31, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government securities	\$ 973,294	\$	\$ 973,294	\$
U.S. Government agencies	5,573,852		5,573,852	
Corporate Bonds	6,553,103		6,553,103	
Mutual funds	69,507,143	69,507,143		
Total investments by fair value level	82,607,392	\$ 69,507,143	\$ 13,100,249	\$ -
Investments measured at the net asset value (NAV):				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC - Series G	1,155,473			
Total Investments	\$ 83,762,865			

The Authority has the following recurring fair value measurements as of May 31, 2020:

	May 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government securities	\$ 2,929,791	\$	\$ 2,929,791	\$
U.S. Government agencies	14,560,583		14,560,583	
Corporate Bonds	6,801,552		6,801,552	
Mutual funds	52,412,725	52,412,725		
Total investments by fair value level	76,704,651	\$ 52,412,725	\$ 24,291,926	\$ -
Investments measured at the net asset value (NAV):				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC - Series G	836,755			
Total Investments	\$ 77,541,406			

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.

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The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2021 is presented on the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC - Series G	\$ <u>1,155,473</u>	\$ <u>14,070</u>	Quarterly	65 days
Total Investments Measured at NAV	\$ <u><u>1,155,473</u></u>	\$ <u><u>14,070</u></u>		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2020 is presented on the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC - Series G	\$ <u>836,755</u>	\$ <u>7,986</u>	Quarterly	65 days
Total Investments Measured at NAV	\$ <u><u>836,755</u></u>	\$ <u><u>7,986</u></u>		

The following is a summary of the investment strategies, their liquidity and redemption notice periods and any restrictions on the liquidity provisions of the investments in Investment Funds held by the Company as of May 31, 2021 and measured at fair value using the NAV per share practical expedient. Investment Funds with no current redemption restrictions may be subject to future gates, lock-up provisions, or other restrictions, in accordance with their offering documents which would be considered in fair value measurement and disclosure.

Hedge funds This type includes investments in one fund that invests in directional equity, directional macro, event driven and relative value hedge funds. Management of the fund has the ability to shift investments as they see fit. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investment in this fund can be redeemed quarterly with a 65-day redemption notice.

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4. CAPITAL ASSETS

The following is a summary of utility plant:

2021	June 1, 2020	Additions	Transfers	Adjustment and Retirements	May 31, 2021
Capital assets not being depreciated:					
Land	\$ 28,090,329	\$	\$	\$ (96,340)	\$ 27,993,989
Construction work in progress	19,661,117	20,177,181	(15,131,151)	(96,150)	24,610,997
Total capital assets not being depreciated	47,751,446	20,177,181	(15,131,151)	(192,490)	52,604,986
Other capital assets:					
Source of supply	59,085,620		1,546,720	(7,183)	60,625,157
Pumping structures and equipment	39,902,144		781,812	(126,257)	40,557,699
Water treatment plant and equipment	199,742,195		1,449,629	(169,025)	201,022,799
Transmission and distribution	505,698,644		9,578,361	(1,491,570)	513,785,435
General plant	87,213,704	44,079	1,774,629	(660,898)	88,371,514
Total other capital assets	891,642,307	44,079	15,131,151	(2,454,933)	904,362,604
Less accumulated depreciation:					
Source of supply	14,791,823	779,083			15,570,906
Pumping structures and equipment	25,287,338	1,334,741		(105,056)	26,517,023
Water treatment plant and equipment	111,060,914	6,223,574		(58,389)	117,226,099
Transmission and distribution	142,285,426	9,194,701		(770,280)	150,709,847
General plant	68,515,726	6,583,252		(600,492)	74,498,486
Total accumulated depreciation	361,941,227	24,115,351	-	(1,534,217)	384,522,361
Total other capital assets - net	529,701,080	(24,071,272)	15,131,151	(920,716)	519,840,243
Utility Plant - Net	\$ 577,452,526	\$ (3,894,091)	\$ -	\$ (1,113,206)	\$ 572,445,229
2020	June 1, 2019	Additions	Transfers	Adjustment and Retirements	May 31, 2020
Capital assets not being depreciated:					
Land	\$ 28,015,381	\$ 74,948	\$	\$	\$ 28,090,329
Construction work in progress	11,941,329	28,623,959	(19,790,215)	(1,113,956)	19,661,117
Total capital assets not being depreciated	39,956,710	28,698,907	(19,790,215)	(1,113,956)	47,751,446
Other capital assets:					
Source of supply	59,226,732			(141,112)	59,085,620
Pumping structures and equipment	39,023,074		901,286	(22,216)	39,902,144
Water treatment plant and equipment	197,692,007		2,093,045	(42,857)	199,742,195
Transmission and distribution	491,305,018		15,274,415	(880,789)	505,698,644
General plant	85,925,081	44,079	1,521,469	(276,925)	87,213,704
Total other capital assets	873,171,912	44,079	19,790,215	(1,363,899)	891,642,307
Less accumulated depreciation:					
Source of supply	14,160,588	767,761		(136,526)	14,791,823
Pumping structures and equipment	23,960,986	1,348,564		(22,212)	25,287,338
Water treatment plant and equipment	104,919,745	6,183,730		(42,561)	111,060,914
Transmission and distribution	133,966,092	9,012,837		(693,503)	142,285,426
General plant	61,874,917	6,915,151		(274,342)	68,515,726
Total accumulated depreciation	338,882,328	24,228,043	-	(1,169,144)	361,941,227
Total other capital assets - net	534,289,584	(24,183,964)	19,790,215	(194,755)	529,701,080
Utility Plant - Net	\$ 574,246,294	\$ 4,514,943	\$ -	\$ (1,308,711)	\$ 577,452,526

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During fiscal years 2021 and 2020, the Authority retired assets with accumulated depreciation totaling approximately \$1.5 million and \$1.2 million, respectively.

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, bond proceeds and drinking water loans.

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

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

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Insurance Reserve

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

Rate Stabilization

The Authority established its Rate Stabilization Fund in 1996. The Rate Stabilization Fund includes a Variable Rate Bond Sub-account and a Surplus Sub-account. Per the *General Bond Resolution*, before the last day of the first month of each fiscal year, the Authority will deposit in the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount, if any, by which the interest on variable rate bonds assumed for rate-making purposes or, if lower, the maximum amount of interest payable under an interest rate limitation contract, exceeded the amount of interest and related costs paid during the previous fiscal year. As of May 31, 2021 and 2020, there is no outstanding variable rate debt under the *General Bond Resolution*; therefore, no deposits were required.

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

The balances in the various funds as of May 31, 2021 and 2020 are as follows:

	2021	2020
Construction	\$ 42,733,365	\$ 39,830,350
Debt Reserve	21,027,397	20,696,855
Debt Service	29,216,263	28,711,485
Payments-in-Lieu-of-Taxes (PILOT)	3,772,984	3,675,811
Operating Reserve	10,185,714	10,207,821
Capital Contingency	6,061,090	6,006,314
Rate Stabilization	10,000,000	10,000,000
Other Purposes	1,400,338	1,917,599
	<hr/>	<hr/>
Restricted Assets	\$ 124,397,151	\$ 121,046,235
	<hr/>	<hr/>

The level of funds required by the *General Bond Resolution* was met on May 31, 2021 and 2020.

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6. THE CLAIRE C. BENNITT WATERSHED FUND

As discussed in Note 1, The Claire C. Bennett Watershed Fund, Inc. (the Watershed Fund) is a separate legal entity organized and operated exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, specifically for the purpose of protecting watershed land that has distinctive ecological significance through open space acquisition and environmental education. The Authority is the sole member of the Watershed Fund. The Watershed Fund is governed by a Board of Directors, which includes certain members of the Five-Member Authority and the Representative Policy Board (RPB), as well as an employee 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. Additional contributions of \$452,000 and \$7,700 were made by the Authority in 2000 and 2020, respectively. In fiscal 2021, the Watershed Fund provided a \$2,500 grant to the Authority to be used toward the Environmental Careers Summer Camp and an additional grant of \$3,000. The Watershed Fund had total net assets of \$2,169,660 and \$1,811,657 as of May 31, 2021 and 2020, respectively. The Authority donated goods and services to the Watershed Fund totaling \$10,146 and \$25,085 for the years ended May 31, 2021 and 2020, 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. LONG-TERM LIABILITIES

Long-term liability activity for the years ended May 31, 2021 and 2020 was as follows:

2021	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 535,945,000	\$	\$ (19,765,000)	\$ 516,180,000	\$ 20,565,000
Net bond premiums and discounts	45,498,237		(4,405,933)	41,092,304	
Total bonds payable	581,443,237	-	(24,170,933)	557,272,304	20,565,000
Drinking water loans	22,151,355	5,524,131	(1,057,534)	26,617,952	1,287,078
Net pension liability	19,071,269		(9,419,530)	9,651,739	
Net OPEB liability	18,344,539		(571,950)	17,772,589	
Total	\$ 641,010,400	\$ 5,524,131	\$ (35,219,947)	\$ 611,314,584	\$ 21,852,078
2020	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 513,835,000	\$ 162,765,000	\$ (140,655,000)	\$ 535,945,000	\$ 19,765,000
Net bond premiums and discounts	58,449,138	4,939,820	(17,890,721)	45,498,237	
Total bonds payable	572,284,138	167,704,820	(158,545,721)	581,443,237	19,765,000
Drinking water loans	22,367,673	791,233	(1,007,551)	22,151,355	1,038,795
Net pension liability	17,122,195	1,949,074		19,071,269	
Net OPEB liability	20,030,271		(1,685,732)	18,344,539	
Total	\$ 631,804,277	\$ 170,445,127	\$ (161,239,004)	\$ 641,010,400	\$ 20,803,795

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Revenue Bonds Payable

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

Revenue bonds outstanding comprise the following:

2021	Issuance Date	Original Maturity Date	Original Principal	Original Interest Rate	Balance May 31, 2021
Twentieth A (Refunding bonds)	2007	2030	\$ 63,330,000	4.000%-5.250%	\$ 15,330,000
Twenty-second	2008	2038	77,965,000	3.000%-5.000%	4,470,000
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%	945,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	2.000%-5.000%	1,670,000
Twenty-eighth A	2013	2043	31,690,000	1.000%-5.000%	7,335,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	2.000%-5.000%	19,905,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	24,980,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	12,155,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	2,855,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	8,000,000
Thirty-second A	2016	2045	17,270,000	2.000%-4.000%	15,790,000
Thirty-second B (Refunding bonds)	2016	2039	147,115,000	2.000%-5.000%	140,980,000
Thirty-third A	2018	2047	10,900,000	3.000%-5.000%	10,900,000
Thirty-third B-1 (Refunding bonds)	2017	2041	33,845,000	3.000%-5.000%	33,845,000
Thirty-third B-2 (Refunding bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-fourth A	2019	2039	11,725,000	3.000%-5.000%	11,725,000
Thirty-fourth B Taxable (Refunding bonds)	2019	2043	83,430,000	2.114%-3.500%	82,770,000
Thirty-fourth C (Green bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-fifth Taxable (Refunding bonds)	2020	2044	54,485,000	1.643%-3.262%	53,765,000
					<u>\$ 516,180,000</u>

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2020	Issuance Date	Original Maturity Date	Original Principal	Original Interest Rate	Balance May 31, 2020
Twentieth A (Refunding bonds)	2007	2030	\$ 63,330,000	4.000%-5.250%	\$ 17,995,000
Twenty-second	2008	2038	77,965,000	3.000%-5.000%	4,470,000
Twenty-fifth	2010	2023	11,455,000	3.000%-5.000%	1,085,000
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%	1,855,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	2.000%-5.000%	2,455,000
Twenty-eighth A	2013	2043	31,690,000	1.000%-5.000%	8,045,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	2.000%-5.000%	27,700,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	24,980,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	12,770,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	2,855,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	8,815,000
Thirty-second A	2016	2045	17,270,000	2.000%-4.000%	16,175,000
Thirty-second B (Refunding bonds)	2016	2039	147,115,000	2.000%-5.000%	143,600,000
Thirty-third A	2018	2047	10,900,000	3.000%-5.000%	10,900,000
Thirty-third B-1 (Refunding bonds)	2017	2041	33,845,000	3.000%-5.000%	33,845,000
Thirty-third B-2 (Refunding bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-fourth A	2019	2039	11,725,000	3.000%-5.000%	11,725,000
Thirty-fourth B Taxable (Refunding bonds)	2019	2043	83,430,000	2.114%-3.500%	83,430,000
Thirty-fourth C (Green bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-fifth Taxable (Refunding bonds)	2020	2044	54,485,000	1.643%-3.262%	54,485,000
					<u>\$ 535,945,000</u>

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs - Direct Payment). The General Obligation Bonds, Issue of 2010 were issued as Taxable BABs - Direct Payment on April 6, 2010 for \$31,385,000. Pursuant to the Recovery Act, at inception, the Authority received a cash subsidy payment from the United States Treasury equal to 35%, of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. The 35% equates to \$348,411 per payment, occurring twice a year. Such subsidy payment represents revenue to the Authority under the *General Bond Resolution*. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the Authority is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Issue of 2010 are subject to extraordinary optional redemption. Due to provisions within the Budget Control Act of 2011 and the implementation of sequestration, the amount of the subsidy has been reduced on payments made to issuers on or after March 1, 2013, resulting in a decrease to the Authority's August 1, 2013 payment and the twice-annual payments through the current period. Reductions to the subsidy have ranged from a high of 8.7% to a low of 5.7%. A 5.9% reduction was effective for the Authority's August 2020 payment and a 5.7% reduction was applicable to the February 2021 payment. The percent is subject to further change. The interest subsidy received totaled approximately \$662,934, including interest received due to COVID-19 related payment processing delays, for the fiscal year ended May 31, 2021.

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

<u>Fiscal Year Ending May 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 20,565,000	\$ 21,194,090
2023	21,475,000	20,277,862
2024	22,480,000	19,272,254
2025	23,580,000	18,176,655
2026	24,700,000	17,049,044
2027-2031	138,240,000	69,810,081
2032-2036	138,330,000	40,873,973
2037-2041	94,055,000	15,986,549
2042-2046	26,110,000	3,756,717
2047-2051	<u>6,645,000</u>	<u>639,875</u>
Total	\$ <u>516,180,000</u>	\$ <u>227,037,099</u>

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 2021 and 2020. Depreciation expense and other terms are as defined in the *General Bond Resolution*. Also, collected revenues, less operating and maintenance expenses incurred, and depreciation expense must equal 125% of annual debt service before PILOT.

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

As of May 31, 2021 and 2020, the Authority was in compliance with the requirements of the *General Bond Resolution*.

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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 and governed by the *General Bond Resolution*) collected by the Authority are deposited into the Revenue Fund and applied first to the payment of operating expenses, as defined, and then deposited to restricted funds required to be maintained by the *General Bond Resolution*. Funds remaining in the Revenue Fund at the end of the year, after the above requirements are met, are to be transferred to the General Fund, which is available to the Authority for any lawful purpose of the Authority. In June 2021, the Authority authorized approximately \$17.7 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately \$16.7 million to be transferred from the General Fund to the Construction Fund and \$1.0 million to be transferred to the Growth Fund. In addition, \$3.0 million from the existing General Fund balance was transferred to the Construction Fund.

Defeasance of Long-Term Debt

On December 19, 2017, the Authority issued \$33,845,000 (par value) of Water System Revenue Bonds, Thirty-third Series B-1, to refund the outstanding principal amounts of \$36,130,000 of certain maturities of the Authority's Twenty-fifth and Twenty-sixth Series Water System Revenue Bonds (the Refunded Bonds). The refunding reduced total debt service payments over the then next 24 years by \$5,633,788 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$4,350,270. The Authority deposited proceeds of the refunding portion of the Thirty-third Series B-1 Bonds and certain other cash amounts in escrow with the trustee and invested 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, 2021, the remaining principal of the defeased debt was \$32,570,000. The balance in escrow for the refunding issuance was \$33,249,372 at May 31, 2021.

On July 2, 2019, the Authority issued \$83,430,000 (par value) of Water System Revenue Bonds, Taxable Thirty-fourth Series B, to refund the outstanding principal amounts of \$75,765,000 of certain maturities of the Authority's Twenty-seventh and Twenty-eighth Series A Bonds (the Refunded Bonds). The refunding reduced total debt service payments by \$10,931,293 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$8,896,130. The Authority deposited proceeds of the refunding portion of the Taxable Thirty-fourth Series B Bonds and certain other cash amounts in escrow with the trustee and invested in U.S. Government securities and a security unconditionally guaranteed by the U.S. Government 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, 2021, the remaining principal of the defeased debt was \$75,765,000. The balance in escrow for the refunding issuance was \$80,411,336 at May 31, 2021.

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On February 20, 2020, the Authority issued \$54,485,000 (par value) of Water System Revenue Bonds, Taxable Thirty-fifth Series, to refund the outstanding principal amounts of \$47,245,000 of certain maturities of the Authority's Twenty-ninth, Thirtieth Series A and Thirtieth Series B Bonds (the Refunded Bonds). The refunding reduced total debt service payments by \$5,091,658 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$3,953,689. The Authority deposited proceeds of the refunding portion of the Taxable Thirty-fifth Series Bonds and certain other cash amounts in escrow with the trustee and invested in State and Local Government Series (SLGS) such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. 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, 2021, the remaining principal of the defeased debt was \$47,245,000. The balance in escrow for the refunding issuance was \$52,279,995 at May 31, 2021.

Drinking Water Loans Payable

The Authority participates in the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects 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 as well as to fund associated reserve requirements. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*. Long-term loan obligations mature as follows:

<u>Fiscal Year Ending May 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,287,078	\$ 520,603
2023	1,313,057	494,625
2024	1,339,560	468,121
2025	1,366,598	441,083
2026	1,394,182	413,499
2027-2031	7,404,555	1,633,853
2032-2036	8,182,618	855,790
2037-2041	<u>4,330,304</u>	<u>143,285</u>
Total	\$ <u>26,617,952</u>	\$ <u>4,970,859</u>

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

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8. BOND ANTICIPATION NOTES PAYABLE

The Series A Note and the Series B draw-down note, to temporarily finance a capital project in advance of DWSRF financing, issued in February 2020, matured in August 2020. In August 2020, the Authority paid off the Series A Note of \$3,650,000 and the Series B note of \$3,750,000 with a principal balance of \$2,198,873. On the same date, the Authority issued a draw down Series C Bond Anticipation Note with a variable interest rate in the amount of \$7,400,000 and \$5,883,656 was drawn. This draw was used to pay off the Series A and Series B notes. In November of 2020, the Series C note matured and was paid off through the issuance of a Series E draw down note in the amount of \$7,400,000 and \$5,883,656 was drawn. This Series E note, with a principal balance of \$5,900,588 was paid-off in April 2021 with proceeds from DWSRF financing. In addition, in October 2020 a Series D draw down note was issued in an amount of \$5,000,000. On the same day \$50,500 was drawn and is the principal balance as of May 31, 2021.

Bond anticipation note transactions for the year ended May 31, 2021 were as follows:

Outstanding, May 31, 2020	\$	5,848,723
New borrowings		5,951,088
Repayments		<u>(11,749,311)</u>
Outstanding, May 31, 2021	\$	<u><u>50,500</u></u>

9. LEASES

Capital Leases

The Authority has entered into a lease agreement as lessee for financing the acquisition of fleet management equipment and in fiscal 2021 entered a third 12 month renewal period. 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.

	<u>2021</u>
Equipment	\$ 220,395
Less accumulated depreciation	<u>(177,545)</u>
	<u><u>\$ 42,850</u></u>

Future minimum lease payments and the net present value of the minimum lease payments as of May 31, 2021 were as follows:

<u>Year Ending May 31</u>	
2022	\$ <u>18,366</u>
Capital Lease Obligation	<u><u>\$ 18,366</u></u>

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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 Information Technology infrastructure support. At May 31, 2021, 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, 2021 and 2020 was \$54,061 and \$63,837, respectively.

The Authority executed coterminous 56-month agreements in May 2018 for hosting and network support for its SAP system. Based on the contract terms, if the agreements were cancelled as of May 31, 2021, the termination fee would be \$54,021.

10. 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 (HMS) 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 site-wide 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.

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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 currently developing the site for a small business incubator, including 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. Site redevelopment was completed by HEDC in 2019. The Authority has submitted an application to DEEP for an Environmental Land Use Restriction (ELUR) to be filed on the town land records. This application is in the process of being amended to reflect a change in property ownership that took place in April 2021.

Status of Site-Wide Remediation

Physical remediation of the remaining portions of the Consent Order Area by the Authority was implemented in four phases in accordance with a RAP approved by DEEP in October 2016. 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 took place in areas on the northwest and northern portions of the former Hamden Middle School property was completed in fiscal 2018. The RWA and the Town of Hamden were working under the assumption that remaining remedial work would be coordinated with a current locally approved site redevelopment plan; however, following discussions with DEEP, the Town of Hamden and the prospective developer in late 2017, all parties agreed that this approach has been rendered infeasible and impractical. With DEEP's concurrence, the RWA proceeded with site-wide remedial actions conforming to pre-development site conditions, which takes into account existing buildings, pavement, and the demolition of some of the former school buildings by the HEDC. Phase 3 encompassing areas east of the former classroom building was completed in fiscal 2019, with the fourth and final phase completed in fiscal 2020.

The above remedial actions resulted in contaminated soils on the site being rendered "inaccessible", as defined in Connecticut's Remediation Standards Regulations (RSRs), utilizing existing buildings and pavement, or covering with a minimum four feet of clean fill.

Environmental Land Use Restrictions (ELURs)

The Connecticut Remediation Standards Regulations (RSR) require each of the four properties to be subject to Environmental Land Use Restrictions (ELURs). ELURs are required to be approved by DEEP and restrict current and future land owners from disturbing the remediated areas of the properties. All of the current owners will need to sign onto the ELURs. Others with an interest in the properties, including mortgage and easement holders, need to enter into subordination agreements. The ELURs are filed on the town land records with notifications to local agencies and Chief Elected Officials.

Two of the four required ELURs, consisting of the aforementioned residential properties, were approved and recorded on the Hamden land records in calendar 2020. ELUR applications for the remaining two properties have been submitted to DEEP, with efforts to secure subordination agreements with easement and mortgage holders currently underway. Upon DEEP approval, they will be recorded on the Town of Hamden's land records to demonstrate compliance with the RSRs and to ensure that future site users can identify the nature and physical boundaries of contaminants legally buried in place at concentrations above the RSRs.

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Post-Remediation Monitoring and Closure

In February 2021, the Authority submitted a closure report to DEEP, along with a proposed groundwater monitoring plan for the small portion of the former middle school site where groundwater flows toward the Lake Whitney public water supply reservoir. Both were approved by DEEP in March of 2021. Monitoring wells were installed in April 2021 and are now being sampled on a quarterly basis. Sampling will continue until it is determined that groundwater quality complies with the RSRs for GAA ground water classification areas, as defined in the Connecticut Water Quality Standards. It is estimated that this monitoring will cost approximately \$20,000 annually until compliance is demonstrated.

The Authority 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 and/or the operating budget, as appropriate.

The Authority recognized a pollution remediation remaining obligation of \$2.0 million as of December 31, 2002 based on information available at that time and continues to update the estimated cost of remediation. In fiscal 2017, the estimate of the cost to remediate was increased by \$1.1 million from \$3.1 million to \$4.2 million. In fiscal 2018, the estimate of \$4.2 million was revised slightly downward by \$150,000. As of May 31, 2019, the projected total cost to remediate was unchanged and in fiscal 2020, the estimate was revised upward by approximately \$61,000. In fiscal 2021, there was an upward revision bringing the estimated remediation costs back to approximately \$4.2 million. Based on prior expenditures, as of May 31, 2021 the remaining obligation is approximately \$45,000, excluding monitoring as mentioned above.

As the remediation costs are recovered through current and future rates in incurred costs and future estimated remediation costs, net of amortization have been recognized as a regulatory asset.

11. HAZWASTE CENTRAL

As an 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.

12. 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.

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Capital Commitments

As of May 31, 2021, the Authority has an estimated \$1.5 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts.

Risk Management

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

Letter of Credit

The Authority has available to them a \$3,003,920 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 accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2021 and 2020 were as follows:

2021	June 1, 2020	Claims and Expenses Paid	Additional Reserves	May 31, 2021
Medical and dental claims	\$ 562,003	\$ (5,046,326)	\$ 5,073,058	\$ 588,735
Insurance reserve for "captive" (October 1, 2000 - present)	2,407,429	(1,325,684)	1,296,394	2,378,139
Insurance reserve (pre October 1, 2000)	479,526	(336,729)	267,615	410,412
Total Liability	<u>\$ 3,448,958</u>	<u>\$ (6,708,739)</u>	<u>\$ 6,637,067</u>	<u>\$ 3,377,286</u>
2020	June 1, 2019	Claims and Expenses Paid	Additional Reserves	May 31, 2020
Medical and dental claims	\$ 590,909	\$ (5,704,261)	\$ 5,675,355	\$ 562,003
Insurance reserve for "captive" (October 1, 2000 - present)	2,600,864	(276,234)	82,799	2,407,429
Insurance reserve (pre October 1, 2000)	183,210	(80,548)	376,864	479,526
Total Liability	<u>\$ 3,374,983</u>	<u>\$ (6,061,043)</u>	<u>\$ 6,135,018</u>	<u>\$ 3,448,958</u>

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13. 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 and Benefit Committee of the Five-Member Authority. The Pension and Benefit Committee consists of all five members of the Five-Member Authority. As of May 31, 2021, two members of senior management are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

At January 1, 2021, 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	170	110
Vested terminated members entitled to but not yet receiving benefits	70	38
Current active members	74	78
Total Members	314	226

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, 2021, the Authority contributed approximately \$1.1 million in excess of the actuarial required contribution, and for the year ended May 31, 2020, the Authority contributed approximately \$1.4 million in excess of the required contribution.

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The individual plan net position at May 31, 2021 and 2020, and changes in net position for the years then ended are as follows:

	2021		
Fiduciary Net Position	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Assets:			
Cash and cash equivalents	\$ 1,189,722	\$ 273,198	\$ 1,462,920
Investments:			
U.S. Government securities	567,752	405,541	973,293
U.S. Government agencies	1,587,398	952,410	2,539,808
Corporate bonds	4,036,252	2,517,213	6,553,465
Mutual funds	36,574,293	22,570,224	59,144,517
Alternative investments	691,461	464,012	1,155,473
Other receivables			-
Total assets	<u>44,646,878</u>	<u>27,182,598</u>	<u>71,829,476</u>
Net Position:			
Restricted for Pension Benefits	<u>\$ 44,646,878</u>	<u>\$ 27,182,598</u>	<u>\$ 71,829,476</u>
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Additions:			
Contributions:			
Employer	\$ 3,110,873	\$ 1,154,931	\$ 4,265,804
Employees	4,865	450	5,315
Other			-
Total contributions	<u>3,115,738</u>	<u>1,155,381</u>	<u>4,271,119</u>
Investment earnings:			
Net change in fair value of investments	6,969,266	4,290,787	11,260,053
Realized loss on sale of investments	494,693	338,447	833,140
Investment earnings and other income	1,193,418	741,182	1,934,600
Net investment earnings	<u>8,657,377</u>	<u>5,370,416</u>	<u>14,027,793</u>
Total additions	<u>11,773,115</u>	<u>6,525,797</u>	<u>18,298,912</u>
Deductions:			
Benefits	3,194,284	1,676,840	4,871,124
Expenses	194,562	125,230	319,792
Other	614	(848)	(234)
Total deductions	<u>3,389,460</u>	<u>1,801,222</u>	<u>5,190,682</u>
Change in Net Position	8,383,655	4,724,575	13,108,230
Net Position - Beginning of Year	<u>36,263,223</u>	<u>22,458,023</u>	<u>58,721,246</u>
Net Position - End of Year	<u>\$ 44,646,878</u>	<u>\$ 27,182,598</u>	<u>\$ 71,829,476</u>

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	2020		
Fiduciary Net Position	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Assets:			
Cash and cash equivalents	\$ 100,959	\$ 154,345	\$ 255,304
Investments:			
U.S. Government securities	1,661,367	1,143,434	2,804,801
U.S. Government agencies	1,836,209	1,131,926	2,968,135
Corporate bonds	4,293,739	2,507,813	6,801,552
Mutual funds	27,845,793	17,164,306	45,010,099
Alternative investments	500,733	336,022	836,755
Other receivables	24,423	20,177	44,600
Total assets	<u>36,263,223</u>	<u>22,458,023</u>	<u>58,721,246</u>
Net Position:			
Restricted for Pension Benefits	\$ <u>36,263,223</u>	\$ <u>22,458,023</u>	\$ <u>58,721,246</u>
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Additions:			
Contributions:			
Employer	\$ 3,301,077	\$ 1,314,032	\$ 4,615,109
Employees	5,079		5,079
Other	11,129	8,727	19,856
Total contributions	<u>3,317,285</u>	<u>1,322,759</u>	<u>4,640,044</u>
Investment earnings:			
Net change in fair value of investments	845,773	510,365	1,356,138
Realized loss on sale of investments	(300,044)	(176,989)	(477,033)
Investment earnings and other income	1,133,486	708,771	1,842,257
Net investment earnings	<u>1,679,215</u>	<u>1,042,147</u>	<u>2,721,362</u>
Total additions	<u>4,996,500</u>	<u>2,364,906</u>	<u>7,361,406</u>
Deductions:			
Benefits	3,056,951	1,469,406	4,526,357
Expenses	173,577	108,698	282,275
Total deductions	<u>3,230,528</u>	<u>1,578,104</u>	<u>4,808,632</u>
Change in Net Position	1,765,972	786,802	2,552,774
Net Position - Beginning of Year	<u>34,497,251</u>	<u>21,671,221</u>	<u>56,168,472</u>
Net Position - End of Year	\$ <u>36,263,223</u>	\$ <u>22,458,023</u>	\$ <u>58,721,246</u>

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Investments

Investment Policy

The Five-Member Authority determines the asset allocation ranges and targets, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2021 and 2020, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30%
Equities	55
Alternatives/Hedge/Balanced	15
Total	100%

The asset allocation targets and ranges, effective July 18, 2019, were authorized by the Five-Member Authority.

Rate of Return

For the year ended May 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 23.96% for the salaried plan and 24.26% for the bargaining unit plan. For the year ended May 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.86% for the salaried plan and 4.84% 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, 2021 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	\$ 51,782,796	\$ 29,698,419
Plan fiduciary net position	44,646,878	27,182,598
Net Pension Liability	\$ 7,135,918	\$ 2,515,821
Plan fiduciary net position as a percentage of the total pension liability	86.22%	91.53%

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The components of the net pension liability of the Authority at May 31, 2020 were as follows:

	<u>Salaried Plan</u>	<u>Bargaining Unit Plan</u>
Total pension liability	\$ 49,198,441	\$ 28,594,074
Plan fiduciary net position	<u>36,263,223</u>	<u>22,458,023</u>
Net Pension Liability	\$ <u>12,935,218</u>	\$ <u>6,136,051</u>
Plan fiduciary net position as a percentage of the total pension liability	73.71%	78.54%

Actuarial Assumptions

The total pension liability as of May 31, 2021 was determined by an actuarial valuation as of January 1, 2021 rolled forward to May 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Salaried Plan</u>	<u>Bargaining Unit Plan</u>
Inflation	3%	3%
Salary increase	4%, average including inflation	N/A
Investment rate of return	6.75%, net of pension plan investment expense, including inflation	6.75%, net of pension plan investment expense, including inflation

The total pension liability as of May 31, 2020 was determined by an actuarial valuation as of January 1, 2020 rolled forward to May 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Salaried Plan</u>	<u>Bargaining Unit Plan</u>
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	7.00%, net of pension plan investment expense, including inflation

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Mortality rates for the year ended May 31, 2021 for the Salaried Plan were based on the PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2020 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2020 projection scale.

Mortality rates for the year ended May 31, 2020 for the Salaried Plan were based on the PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 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, 2021 (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	3.4%
Equity	7.6
Alternative/Hedge/Balanced	5.9

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, 2020 (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	3.5%
Equity	7.5
Alternative/Hedge/Balanced	5.9

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2021 for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The discount rate used to measure the total pension liability as of May 31, 2020 for the salaried plan was 7.00% and for the bargaining unit plan 6.98%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2021 and 2020, 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.

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Changes in the Net Pension Liability

2021			
Salaried Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 1, 2020	\$ 49,198,441	\$ 36,263,223	\$ 12,935,218
Changes for the year:			
Service cost	507,879		507,879
Interest on total pension liability	3,311,644		3,311,644
Differences between expected and actual experience	808,104		808,104
Changes in assumptions	914,472		914,472
Changes in benefit terms	236,540		236,540
Employer contributions		3,110,873	(3,110,873)
Member contributions		4,865	(4,865)
Net investment gain		8,657,377	(8,657,377)
Benefit payments, including refund to employee contributions	(3,194,284)	(3,194,284)	-
Administrative expenses		(194,562)	194,562
Other		(614)	614
Net changes	2,584,355	8,383,655	(5,799,300)
Balances as of May 31, 2021	\$ 51,782,796	\$ 44,646,878	\$ 7,135,918

Bargaining Unit Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 1, 2020	\$ 28,594,074	\$ 22,458,023	\$ 6,136,051
Changes for the year:			
Service cost	125,901		125,901
Interest on total pension liability	1,935,401		1,935,401
Differences between expected and actual experience	4,344		4,344
Changes in assumptions	528,267		528,267
Changes in benefit terms	187,272		187,272
Employer contributions		1,154,931	(1,154,931)
Member contributions		450	(450)
Net investment gain		5,370,416	(5,370,416)
Benefit payments, including refund to employee contributions	(1,676,840)	(1,676,840)	-
Administrative expenses		(125,230)	125,230
Other		848	(848)
Net changes	1,104,345	4,724,575	(3,620,230)
Balances as of May 31, 2021	\$ 29,698,419	\$ 27,182,598	\$ 2,515,821

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2020
Salaried Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 1, 2019	\$ 47,100,993	\$ 34,497,251	\$ 12,603,742
Changes for the year:			
Service cost	606,804		606,804
Interest on total pension liability	3,178,341		3,178,341
Differences between expected and actual experience	1,090,249		1,090,249
Changes in assumptions	279,005		279,005
Changes in benefit terms			-
Employer contributions		3,301,077	(3,301,077)
Member contributions		5,079	(5,079)
Net investment loss		1,679,215	(1,679,215)
Benefit payments, including refund to employee contributions	(3,056,951)	(3,056,951)	-
Administrative expenses		(173,577)	173,577
Other		11,129	(11,129)
Net changes	2,097,448	1,765,972	331,476
Balances as of May 31, 2020	\$ 49,198,441	\$ 36,263,223	\$ 12,935,218

Bargaining Unit Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 1, 2019	\$ 26,189,674	\$ 21,671,221	\$ 4,518,453
Changes for the year:			
Service cost	120,416		120,416
Interest on total pension liability	1,766,348		1,766,348
Differences between expected and actual experience	277,635		277,635
Changes in assumptions	1,533,894		1,533,894
Changes in benefit terms	175,513		175,513
Employer contributions		1,314,032	(1,314,032)
Net investment loss		1,042,147	(1,042,147)
Benefit payments, including refund to employee contributions	(1,469,406)	(1,469,406)	-
Administrative expenses		(108,698)	108,698
Other	-	8,727	(8,727)
Net changes	2,404,400	786,802	1,617,598
Balances as of May 31, 2020	\$ 28,594,074	\$ 22,458,023	\$ 6,136,051

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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, 2021, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	\$ 12,040,307	\$ 7,135,918	\$ 2,907,166
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	\$ 5,714,664	\$ 2,515,821	\$ (214,754)

The following presents the net pension liability of the Authority for the year ended May 31, 2020, calculated using the discount rate of 7.00% for the salaried plan and 6.98% 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan	\$ 17,659,332	\$ 12,935,218	\$ 8,865,506
	1% Decrease (5.98%)	Current Discount Rate (6.98%)	1% Increase (7.98%)
Bargaining Unit Plan	\$ 9,268,260	\$ 6,136,051	\$ 3,471,034

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

For the years ended May 31, 2021 and 2020, the Authority recognized pension expense of \$3,021,593 and \$3,844,436, respectively. At May 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

2021			
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	\$ 1,148,489	\$ 124,305	\$ 1,272,794
Changes of assumptions	699,133	1,013,400	1,712,533
Total	<u>\$ 1,847,622</u>	<u>\$ 1,137,705</u>	<u>\$ 2,985,327</u>
	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	\$ -	\$ 7,902	\$ 7,902
Changes of assumptions	9,492	11,249	20,741
Difference between projected and actual earning on pension plan investments	3,990,816	2,442,568	6,433,384
Total	<u>\$ 4,000,308</u>	<u>\$ 2,461,719</u>	<u>\$ 6,462,027</u>

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2020			
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	\$ 1,561,839	\$ 344,253	\$ 1,906,092
Changes of assumptions	192,492	1,091,339	1,283,831
Net difference between projected and actual earning on pension plan investments	<u>1,077,821</u>	<u>692,667</u>	<u>1,770,488</u>
Total	<u>\$ 2,832,152</u>	<u>\$ 2,128,259</u>	<u>\$ 4,960,411</u>
	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	\$	\$ 19,222	\$ 19,222
Changes of assumptions	<u>69,944</u>	<u>172,626</u>	<u>242,570</u>
Total	<u>\$ 69,944</u>	<u>\$ 191,848</u>	<u>\$ 261,792</u>

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

Year Ending May 31	
2022	\$ 507,175
2023	(262,069)
2024	(1,725,230)
2025	<u>(1,996,576)</u>
	<u>\$ (3,476,700)</u>

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14. 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 4.0% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014 receive an Authority contribution of 4.0% 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, 2021 and 2020 were as follows:

	<u>2021</u>		<u>2020</u>
Employer contributions	\$ 695,333	\$	877,199
Employee contributions	1,997,414		1,889,195

15. OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH CARE

Plan Description

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

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

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

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

Management of the plan rests with the Pension and Benefit Committee of the Five-Member Authority. The Pension and Benefit Committee consist of all five members of the Five-Member Authority.

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At January 1, 2021, plan membership consisted of the following:

	Retiree Health Plan
Retired members	169
Spouses of retired members	84
Active plan members	136
Members death benefits only	120
	<hr/>
Total Participants	509
	<hr/>

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

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.

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- 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 \$1,885,418 for the fiscal year ended May 31, 2021. The Authority's contribution was based on the actuarially calculated recommended cash contribution.

Investments

Investment Policy

The Five-Member Authority determines the asset allocation target and the associated ranges and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2021 and 2020, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30%
Equities	55
Alternatives/Hedge/Balanced	15
Total	100%

The asset allocation targets were approved by the Five-Member Authority on April 19, 2018. Effective July 18, 2019, the Five-Member Authority authorized revised ranges for the asset categories.

Rate of Return

As of May 31, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 23.46% and 4.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

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Net OPEB Liability of the Authority

The Authority's net OPEB liability was measured as of May 31, 2021 and 2020. The components of the net OPEB liability of the Authority at May 31, 2021 were as follows:

Total OPEB liability	\$	27,286,156
Plan fiduciary net position		<u>9,513,567</u>
Net OPEB Liability	\$	<u><u>17,772,589</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		34.87%

The components of the net OPEB liability of the Authority at May 31, 2020 were as follows:

Total OPEB liability	\$	25,866,516
Plan fiduciary net position		<u>7,521,977</u>
Net OPEB Liability	\$	<u><u>18,344,539</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		29.08%

Actuarial Assumptions

The total OPEB liability for May 31, 2021 was determined by an actuarial valuation as of January 1, 2021, rolled forward to May 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	4.00%
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.40% per year graded down using the Getzen Model to an ultimate rate of 4.04% per year

The total OPEB liability for May 31, 2020 was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	4.00%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.71% per year graded down using the Getzen Model to an ultimate rate of 4.04% per year

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Mortality rates for the year ended May 31, 2021 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2020 mortality improvement scale.

Mortality rates for the year ended May 31, 2020 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2019 mortality improvement scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset as of May 31, 2021 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3.4%
Global Equities	7.6
Alternatives/Hedge/Balanced	5.9

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3.5%
Global Equities	7.5
Alternatives/Hedge/Balanced	5.9

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% for the year ended May 31, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

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Changes in the Net OPEB Liability

2021			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 1, 2020	\$ 25,866,516	\$ 7,521,977	\$ 18,344,539
Changes for the year:			
Service cost	221,700		221,700
Interest	1,737,439		1,737,439
Differences between expected and actual experience	(862,322)		(862,322)
Changes in assumptions	1,932,640		1,932,640
Benefit payments, including refunds of member contributions	(1,818,909)	(1,818,909)	
Contributions - employer		1,855,418	(1,855,418)
Contributions - retiree	209,092	209,092	
Net investment income		1,788,634	(1,788,634)
Administrative expense		(42,645)	42,645
Net changes	1,419,640	1,991,590	(571,950)
Balances as of May 31, 2021	\$ 27,286,156	\$ 9,513,567	\$ 17,772,589
2020			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 1, 2019	\$ 27,024,614	\$ 6,994,343	\$ 20,030,271
Changes for the year:			
Service cost	237,267		237,267
Interest	1,820,624		1,820,624
Differences between expected and actual experience	(1,439,393)		(1,439,393)
Changes in assumptions	(1,813)		(1,813)
Benefit payments, including refunds of member contributions	(1,988,168)	(1,988,168)	
Contributions - employer		2,027,798	(2,027,798)
Contributions - retiree	213,385	213,385	
Net investment income		310,380	(310,380)
Administrative expense		(35,761)	35,761
Net changes	(1,158,098)	527,634	(1,685,732)
Balances as of May 31, 2020	\$ 25,866,516	\$ 7,521,977	\$ 18,344,539

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2021, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

		1% Decrease (5.75%)	Current Discount Rate (6.75%)		1% Increase (7.75%)
Net OPEB Liability	\$	19,869,359	\$	17,772,589	\$ 15,925,167

The following presents the net OPEB liability of the Authority for the year ended May 31, 2020, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

		1% Decrease (6.00%)	Current Discount Rate (7.00%)		1% Increase (8.00%)
Net OPEB Liability	\$	20,326,593	\$	18,344,539	\$ 16,592,840

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2021, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher the current healthcare cost trend rates:

		1% Decrease (5.40% decreasing to 3.04%)	Healthcare Cost Trend Rates (6.40% decreasing to 4.04%)		1% Increase (7.40% decreasing to 5.04%)
Net OPEB Liability	\$	15,750,662	\$	17,772,589	\$ 20,078,733

The following presents the net OPEB liability of the Authority for the year ended May 31, 2020, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher the current healthcare cost trend rates:

		1% Decrease (5.71% decreasing to 3.04%)	Healthcare Cost Trend Rates (6.71% decreasing to 4.04%)		1% Increase (7.71% decreasing to 5.04%)
Net OPEB Liability	\$	16,412,340	\$	18,344,539	\$ 20,547,214

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

For the years ended May 31, 2021 and 2020, the Authority recognized OPEB expense of \$858,929 and \$1,058,984, respectively. At May 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 343,347	\$ 3,886,669
Changes of assumptions	1,949,693	50,160
Net difference between projected and actual earning on OPEB plan investments		827,470
Total	<u>\$ 2,293,040</u>	<u>\$ 4,764,299</u>
2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 502,895	\$ 4,013,939
Changes of assumptions	427,405	73,160
Net difference between projected and actual earning on OPEB plan investments	261,002	
Total	<u>\$ 1,191,302</u>	<u>\$ 4,087,099</u>

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

Year Ending May 31	
2022	\$ (626,496)
2023	(613,118)
2024	(777,507)
2025	(534,234)
2026	53,310
Thereafter	<u>26,786</u>
	<u>\$ (2,471,259)</u>

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MAY 31, 2021 AND 2020

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, 2021 actuarial valuation, the frozen entry age normal actuarial funding method was used with a health care cost trend of 6.40% graded down by the Getzen Model to an ultimate rate of 4.04% annually and a discount rate of 6.75%.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 11, 2021, the date the financial statements were available to be issued.

In June 2021, the Five Member Authority approved an asset purchase of a Connecticut-based company that specializes in providing well services (e.g., water heating, plumbing, water pumps and water treatment) to both residential and business customers. July 1, 2021 was the effective date of the asset purchase and the associated agreements. Post transaction, this company operates under RWA Well Services, LLC, a subsidiary of RWA Commercial Enterprises, a wholly-owned subsidiary of the Authority.

This initiative is part of the Authority's efforts to identify additional revenue sources to mitigate rate pressures. The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct and invest in certain non-core business activities.

17. FUTURE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued a pronouncement that will have an effective date that may impact future financial presentations.

GASB Statement 87 - Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

GASB Statement 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2020.

GASB Statement 92 - Omnibus

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total pension liability:							
Service cost	\$ 675,452	\$ 681,501	\$ 656,669	\$ 748,940	\$ 729,789	\$ 606,804	\$ 507,879
Interest	2,611,307	2,930,309	2,930,761	2,925,239	2,997,121	3,178,341	3,311,644
Differences between expected and actual experience	714,740	592,405	979,655	166,471	1,923,819	1,090,249	808,104
Changes in assumptions	3,703,809	494,742	(2,323,594)	(204,280)	(86,868)	279,005	914,472
Changes in benefit terms			10,131		140,281		236,540
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)	(2,868,597)	(3,056,951)	(3,194,284)
Other					(11,600)		
Net change in total pension liability	5,608,836	1,991,336	(739,173)	1,173,903	2,823,945	2,097,448	2,584,355
Total pension liability - beginning	36,242,146	41,850,982	43,842,318	43,103,145	44,277,048	47,100,993	49,198,441
Total pension liability - ending	41,850,982	43,842,318	43,103,145	44,277,048	47,100,993	49,198,441	51,782,796
Plan fiduciary net position:							
Contributions - employer	2,689,635	4,385,524	5,001,252	4,341,521	3,897,275	3,301,077	3,110,873
Contributions - member	15,624	14,693	10,810	10,918	8,287	5,079	4,865
Net investment income (loss)	712,038	(287,080)	2,810,914	2,372,221	852,590	1,679,215	8,657,377
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)	(2,868,597)	(3,056,951)	(3,194,284)
Administrative expense	(30,552)	(133,601)	(136,687)	(165,402)	(168,432)	(173,577)	(194,562)
Other		(61,573)	87,206	11,846	(23,335)	11,129	(614)
Net change in plan fiduciary net position	1,290,273	1,210,342	4,780,700	4,108,637	1,697,788	1,765,972	8,383,655
Plan fiduciary net position - beginning	21,409,511	22,699,784	23,910,126	28,690,826	32,799,463	34,497,251	36,263,223
Plan fiduciary net position - ending	22,699,784	23,910,126	28,690,826	32,799,463	34,497,251	36,263,223	44,646,878
Net Pension Liability - Ending	\$ <u>19,151,198</u>	\$ <u>19,932,192</u>	\$ <u>14,412,319</u>	\$ <u>11,477,585</u>	\$ <u>12,603,742</u>	\$ <u>12,935,218</u>	\$ <u>7,135,918</u>
Plan fiduciary net position as a percentage of the total pension liability	54.24%	54.54%	66.56%	74.08%	73.24%	73.71%	86.22%
Covered payroll	\$ 8,694,151	\$ 8,590,395	\$ 9,290,589	\$ 9,475,823	\$ 9,160,530	\$ 8,465,818	\$ 7,388,009
Net pension liability as a percentage of covered payroll	220.28%	232.03%	155.13%	121.12%	137.59%	152.79%	96.59%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total pension liability:							
Service cost	\$ 171,017	\$ 166,226	\$ 155,949	\$ 143,110	\$ 129,285	\$ 120,416	\$ 125,901
Interest	1,718,773	1,802,098	1,799,197	1,695,294	1,745,484	1,766,348	1,935,401
Differences between expected and actual experience	(311,677)	(110,990)	406,966	520,588	(41,862)	277,635	4,344
Changes of assumptions	1,292,075	303,196	(2,610,404)	(242,533)	(50,037)	1,533,894	528,267
Changes in benefits		120,432	83,206		207,281	175,513	187,272
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)	(1,611,414)	(1,469,406)	(1,676,840)
Other					(9,505)		
Net change in total pension liability	1,766,519	1,068,737	(1,493,719)	670,158	369,232	2,404,400	1,104,345
Total pension liability - beginning	23,808,747	25,575,266	26,644,003	25,150,284	25,820,442	26,189,674	28,594,074
Total pension liability - ending	25,575,266	26,644,003	25,150,284	25,820,442	26,189,674	28,594,074	29,698,419
Plan fiduciary net position:							
Contributions - employer	1,708,765	2,212,476	2,175,166	1,519,216	1,239,632	1,314,032	1,154,931
Contributions - member							450
Net investment income (loss)	374,669	(198,733)	2,021,684	1,656,511	508,851	1,042,147	5,370,416
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)	(1,611,414)	(1,469,406)	(1,676,840)
Administrative expense	(23,872)	(98,084)	(101,257)	(123,799)	(111,091)	(108,698)	(125,230)
Other		(24,768)	46,960	10,270	(19,010)	8,727	848
Net change in plan fiduciary net position	955,893	678,666	2,813,920	1,615,897	6,968	786,802	4,724,575
Plan fiduciary net position - beginning	15,599,877	16,555,770	17,234,436	20,048,356	21,664,253	21,671,221	22,458,023
Plan fiduciary net position - ending	16,555,770	17,234,436	20,048,356	21,664,253	21,671,221	22,458,023	27,182,598
Net Pension Liability - Ending	\$ 9,019,496	\$ 9,409,567	\$ 5,101,928	\$ 4,156,189	\$ 4,518,453	\$ 6,136,051	\$ 2,515,821
Plan fiduciary net position as a percentage of the total pension liability	64.73%	64.68%	79.71%	83.90%	82.75%	78.54%	91.53%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 1,350,489	\$ 1,758,700	\$ 2,329,754	\$ 2,689,635	\$ 2,749,435	\$ 3,356,514	\$ 2,648,702	\$ 2,379,603	\$ 2,390,534	\$ 2,089,386
Contributions in relation to the actuarially determined contribution	<u>1,350,489</u>	<u>1,758,700</u>	<u>2,329,754</u>	<u>2,689,635</u>	<u>4,385,524</u>	<u>5,001,252</u>	<u>4,341,521</u>	<u>3,897,275</u>	<u>3,301,077</u>	<u>3,110,873</u>
Contribution Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(1,636,089)</u>	\$ <u>(1,644,738)</u>	\$ <u>(1,692,819)</u>	\$ <u>(1,517,672)</u>	\$ <u>(910,543)</u>	\$ <u>(1,021,487)</u>
Covered payroll	\$ 9,543,816	\$ 9,653,830	\$ 9,254,742	\$ 8,694,151	\$ 8,590,395	\$ 9,290,589	\$ 9,475,823	\$ 9,160,530	\$ 8,465,818	\$ 7,388,009
Contributions as a percentage of covered payroll	14.15%	18.22%	25.17%	30.94%	51.05%	53.83%	45.82%	42.54%	38.99%	42.11%

Notes to Schedule

Valuation date: January 1, 2021
Measurement date: May 31, 2021
Calculated as the normal cost as of January 1 prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Aggregate actuarial cost method
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 6.75%, net of pension plan investment expense, including inflation

Retirement age	Age	Rate
	55-59	5%
	60-64	10%
	65-69	20%
	70	100%
	Rule of 80 Retirement Rates	
	55-60	8%
	61-70	As noted above

Mortality In the 2021 actuarial valuation, assumed life expectancies were calculated using the PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2020 generational mortality improvement.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 926,931	\$ 1,114,700	\$ 1,454,957	\$ 1,708,765	\$ 1,707,164	\$ 1,815,386	\$ 1,126,333	\$ 918,295	\$ 840,922	\$ 1,081,857
Contributions in relation to the actuarially determined contribution	<u>926,931</u>	<u>1,114,700</u>	<u>1,454,957</u>	<u>1,708,765</u>	<u>2,212,476</u>	<u>2,175,166</u>	<u>1,519,216</u>	<u>1,239,632</u>	<u>1,314,032</u>	<u>1,154,931</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (505,312)</u>	<u>\$ (359,780)</u>	<u>\$ (392,883)</u>	<u>\$ (321,337)</u>	<u>\$ (473,110)</u>	<u>\$ (73,074)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: January 1, 2021
Measurement date: May 31, 2021
Calculated as the normal cost as of January 1 prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Aggregate actuarial cost method
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 6.75%, net of pension plan investment expense, including inflation

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

Rule of 80 Retirement Rates

55-60	9%
61-70	As noted above

Mortality In the 2021 actuarial valuation, assumed life expectancies were calculated using the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2020 generational mortality improvement.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS - PENSION
LAST SEVEN FISCAL YEARS*

SALARIED PLAN	2015	2016	2017	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	3.28%	(1.22)%	11.29%	8.03%	2.59%	4.86%	23.96%
BARGAINING UNIT PLAN	2015	2016	2017	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	2.36%	(1.17)%	11.47%	8.32%	2.41%	4.84%	24.26%

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

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

	2018	2019	2020	2021
Total OPEB liability:				
Service cost	\$ 248,822	\$ 269,556	\$ 237,267	\$ 221,700
Interest	1,939,224	2,004,070	1,820,624	1,737,439
Differences between expected and actual experience	981,536	(4,053,660)	(1,439,393)	(862,322)
Changes in assumptions	(139,795)	620,017	(1,813)	1,932,640
Benefit payments, including refunds of member contributions	(2,060,052)	(1,749,662)	(1,988,168)	(1,818,909)
Contributions - retiree		197,813	213,385	209,092
Net change in total OPEB liability	969,735	(2,711,866)	(1,158,098)	1,419,640
Total OPEB liability - beginning	28,766,745	29,736,480	27,024,614	25,866,516
Total OPEB liability - ending	29,736,480	27,024,614	25,866,516	27,286,156
Plan fiduciary net position:				
Contributions - employer	2,289,292	2,310,104	2,027,798	1,855,418
Contributions - retiree	187,448	197,813	213,385	209,092
Net investment income	441,966	189,085	310,380	1,788,634
Benefit payments, including refunds of member contributions	(2,060,052)	(1,749,662)	(1,988,168)	(1,818,909)
Administrative expense	(35,081)	(37,451)	(35,761)	(42,645)
Net change in plan fiduciary net position	823,573	909,889	527,634	1,991,590
Plan fiduciary net position - beginning	5,260,881	6,084,454	6,994,343	7,521,977
Plan fiduciary net position - ending	6,084,454	6,994,343	7,521,977	9,513,567
Net OPEB Liability - Ending	\$ 23,652,026	\$ 20,030,271	\$ 18,344,539	\$ 17,772,589
Plan fiduciary net position as a percentage of the total OPEB liability	20.46%	25.88%	29.08%	34.87%
Covered payroll **	\$ 23,217,114	\$ 23,941,245	\$ 24,118,465	\$ 23,405,010
Net OPEB liability as a percentage of covered payroll	101.87%	83.66%	76.06%	75.93%

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

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution (1)	\$ 1,427,435	\$ 1,717,500	\$ 2,727,659	\$ 2,604,191	\$ 2,506,691	\$ 2,486,586	\$ 2,143,071	\$ 2,175,583	\$ 1,851,431	\$ 1,662,556
Contributions in relation to the actuarially determined contribution	<u>1,427,435</u>	<u>1,717,500</u>	<u>2,266,000</u> (2)	<u>2,398,800</u> (3)	<u>2,290,882</u> (3)	<u>2,301,583</u> (3)	<u>2,289,292</u> (3)	<u>2,310,104</u> (3)	<u>2,027,798</u> (3)	<u>1,855,418</u> (3)
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>461,659</u>	\$ <u>205,391</u>	\$ <u>215,809</u>	\$ <u>185,003</u>	\$ <u>(146,221)</u>	\$ <u>(134,521)</u>	\$ <u>(176,367)</u>	\$ <u>(192,862)</u>
Covered payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 23,217,114 4)	\$ 23,941,245 5)	\$ 24,118,465 (6)	\$ 23,405,010 (7)
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	9.86%	9.65%	8.41%	7.93%

(1) Actuarially determined contributions prior to fiscal year ended May 31, 2018 are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.

(2) The Authority amortized \$263,603 of the OPEB asset towards the ARC.

(3) Contributions are the actuarial recommended cash contributions.

(4) Includes covered payroll of \$7,250,466 associated with death benefit only participants.

(5) Includes covered payroll of \$8,599,668 associated with death benefit only participants.

(6) Includes covered payroll of \$10,883,465 associated with death benefit only participants.

(7) Includes covered payroll of \$10,473,676 associated with death benefit only participants.

Notes to Schedule

Valuation date: January 1, 2021

Measurement date: May 31, 2021

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Actuarial Cost Method

Asset valuation method Fair market value of assets as of the measurement date.

Salary scale 4.0%

Investment rate of return 6.75%, net of OPEB plan investment expense, including inflation

Retirement age Retirement eligibility is (a) age 65 with 10 years of service or (b) 80 points (age plus service) with at least 10 years of service. Pre-age 65 retirements based on percentages.

Mortality In the 2021 actuarial valuation, assumed life expectancies were calculated using the 2010 Public Sector Retirement Plans Mortality table for above average salary general employee populations with MP-2020 mortality improvement.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF INVESTMENT RETURNS - OPEB
LAST FOUR FISCAL YEARS*

	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	8.11%	2.93%	4.37%	23.46%

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

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203.562.4020
<http://www.rwater.com>

TO: RPB Finance Committee Members

Timothy Slocum
Thomas P. Clifford III
Charles Havdra
Jasper J. Jaser
Vincent Marino
Michelle Verderame

FROM:  Rochelle Kowalski

DATE: September 28, 2021

SUBJECT: Quarterly financial statements for fiscal year 2022 (ending May 31, 2022)

Attached are the following financial reports regarding the first quarter of fiscal year 2022. i.e., the quarter ended August 31, 2021:

- Statements of net position as of August 31, 2021 and August 31, 2020;
- Schedule A-1 & A-2: Statements of revenues, expenses and changes in net position as of August 31, 2021, maintenance test, and commentary;
- Schedule B: Operating and maintenance expenses;
- Schedule C: Capital budget report;
- Schedule D: Investment earnings report - comparison of investment rates of return

The reports bulleted above incorporate the Authority's experience from June 2021 through August 2021. For the remainder of fiscal year 2022, the reports include the projections shown on schedules A-2 and B which use the assumptions explained below.

Schedule A-2: Statements of Revenues, Expenses and Changes in Net Position

Section of page entitled “Three months Ended August 31, 2021”

The figures shown present June to August 2021 as well as comparative budget vs. actual results for the three months ended August 31, 2021.

Section of page entitled “Year Ending May 31, 2022”

The “budget” column is the budget for fiscal year 2022, as approved by the Five-Member Authority.

Assumption 1

The column labeled *Assumption 1* presents earned metered water revenues that reflect three months (June through August 2021) of consumption and nine months of budgeted consumption for (September 2021 through May 2022).

Other revenues and expenses shown in this column reflect three months of results and nine months, as projected.

Assumption 2

The column labeled *Assumption 2* projects consumption for the months of September 2021 through May 2022 at 3% above budget. Operating expenses for “pump power” and chemicals for these same months are adjusted to reflect the 3% increase.

Assumption 3

The column labeled *Assumption 3* projects consumption for the months of September 2021 through May 2022 at 3% below budget. Operating expenses for “pump power” and chemicals for these same months are adjusted to reflect the 3% decrease.

Section of page entitled “Maintenance Test”

The maintenance test reflects the same three assumptions described above except that water sales are not accrued revenue, but cash collections from June through August 2021, plus projected cash collections for September 2021 through May 2022. Management projects cash collections by applying historical collection patterns to billings. Management assumes that the billings are collected over the course of the subsequent twelve months.

Schedule B: Operating and Maintenance Expense

This schedule provides details of the operating and maintenance expense for the first quarter of fiscal year 2022, as well as projections for September 2021 through May 2022 under the three assumptions presented above.

Schedule C: Capital Budget Report

This schedule shows capital expenditures for June through August 2021, as well as projections for the full fiscal year 2022.

Schedule D: Interest Earned

Compared here are “budgeted” versus “actual” interest rates earned on the Authority’s invested funds.

Attachments

**REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
AS OF AUG 31, 2021 AND 2020**

Assets	FY 2022	FY 2021	Y/Y Variance
Utility plant			
Property, plant and equipment in service	\$ 904,362,599	\$ 891,642,301	\$ 12,720,298
Accumulated depreciation	(390,672,362)	(368,241,227)	(22,431,135)
Utility plant in service	513,690,236	523,401,074	(9,710,838)
Land	27,993,988	28,090,328	(96,340)
Construction work in progress	29,866,909	23,232,036	6,634,873
Total utility plant, net	571,551,133	574,723,438	(3,172,305)
Nonutility land, at cost	64,983,522	64,983,522	-
Goodwill	14,423,704	14,423,704	-
Current assets			
Cash and cash equivalents	46,283,671	47,515,905	(1,232,234)
Investments	-	-	-
Accounts receivable, less allowance for doubtful accounts	15,838,632	15,703,384	135,248
Accrued revenue	18,743,039	18,082,476	660,563
Accrued interest receivable	10,507	15,087	(4,579)
Materials and supplies	2,107,175	1,835,187	271,989
Prepaid expenses and other assets	4,415,673	4,754,637	(338,964)
Total current assets	87,398,697	87,906,676	(507,978)
Note Receivable	500,000	500,000.0	-
Pension Assets	-	-	-
OPEB Assets	-	-	-
Restricted assets	94,969,048	93,098,574	1,870,473
Regulatory assets	9,681,375	10,393,678	(712,303)
Total assets	843,507,479	846,029,592	(2,522,113)
Deferred Outflows of Resources			
Deferred charge on refunding	16,861,720	18,217,105	(1,355,384)
Deferred charge on pension plans	2,409,277	4,468,931	(2,059,653)
Deferred charge on OPEB plans	2,150,565	866,337	1,284,229
Total	\$ 864,929,042	\$ 869,581,964	\$ (4,652,922)

Liabilities and Net Assets	FY 2022	FY 2021	Y/Y Variance
Liabilities			
Revenue bonds payable, less current portion	\$ 474,140,000	\$ 495,615,000	\$ (21,475,000)
Net premiums and discounts from revenue bonds payat	40,027,707	44,388,854	(4,361,147)
DWSRF loans payable, less current portion	25,011,512	20,859,981	4,151,531
Net pension liability	9,651,739	19,071,269	(9,419,530)
Net OPEB obligation	17,772,589	18,344,539	(571,950)
Total noncurrent liabilities	566,603,547	598,279,643	(31,676,096)
Current liabilities			
Current portion of revenue bonds payable	21,475,000	20,565,000	910,000
Current portion of DWSRF loans payable	1,287,078	1,033,618	253,460
Accounts payable	3,610,158	3,604,584	5,575
Notes payable	50,500	5,883,656	(5,833,156)
Customer deposits and advances	2,536,176	2,065,794	470,382
Other accrued liabilities	7,639,408	8,369,688	(730,280)
Total current liabilities	36,598,321	41,522,340	(4,924,019)
Liabilities payable from restricted assets			
Accounts payable for construction	1,864,129	1,776,131	87,997
Accrued interest payable	1,730,049	1,802,299	(72,250)
Customer deposits and advances	1,299,133	1,292,377	6,756
Total liabilities payable from restricted assets	4,893,311	4,870,808	22,503
Other liabilities	45,000.00	114,000	(69,000)
Total liabilities	608,140,179	644,786,791	(36,646,612)
Deferred inflows of resources			
Deferred inflows related to pensions	6,098,625	132,287	5,966,338
Deferred inflows related to OPEB	4,465,198	3,625,642	839,556
Net Position			
Invested in capital assets, net of related debt	89,540,450	67,801,825	21,738,625
Restricted assets	92,439,867	90,503,897	1,935,970
Unrestricted assets	64,244,725	62,731,523	1,513,202
Total net assets	246,225,041	221,037,245	25,187,796
Total liabilities and net assets	\$ 864,929,042	\$ 869,581,964	\$ (4,652,922)

REGIONAL WATER AUTHORITY
REVIEW OF FINANCIAL DATA
Aug 31, 2021 (FY 2022)

SCHEDULE A-1 - COMMENTARY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating Revenues

FY21 revenue for water, including wholesale and fire service, is over budget by \$1,970k (approx. 6.3%) primarily due to higher than anticipated consumption. Metered water revenue is over budget by \$1,940k (approx. 6.8%)

Total net other revenue is \$86k above budget primarily due to other proprietary and water revenues being above budget.

Operating Expenses

Operating and Maintenance Expenses are currently under budget due to the following:

Payroll is under budget primarily due to head count under runs.	\$ (174,000)
Employee Benefits are under budget primarily due to lower medical expense to date.	(403,000)
Pump Power is under budget primarily due to timing.	(99,000)
Public/Customer Information is under budget primarily due to timing.	(62,000)
Outside Services is under budget primarily due to timing.	(214,000)
Central Lab/Water Quality is under budget primarily due to the mix between internal and outside lab services.	(111,000)
Maintenance & Repairs are under budget primarily due to timing.	(210,000)
All Other	(142,000)
	<u>\$ (1,415,000)</u>

Interest Income

Interest Income is under budget due to lower investment earnings and interest in arrears.

PROJECTED MAINTENANCE TEST

The projected coverage is 1.14 with no shortfall. The budgeted shortfall is \$922k.

REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTHS ENDING AUG 31, 2021

Schedule A-1

	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	(Under)Over Budget
Operating revenues				
Metered water revenues	\$ 30,429	\$ 28,384	\$ 30,324	\$ 1,940
Fire service	3,035	3,036	3,033	(2)
Wholesale	206	221	253	32
Other revenue - water	890	1,023	1,127	104
Other revenue - proprietary	2,500	2,353	2,547	194
Total operating revenues	<u>37,059</u>	<u>35,016</u>	<u>37,284</u>	<u>2,268</u>
Operating expenses				
Operating and maintenance expense	12,772	14,750	13,335	(1,415)
Expense associated with other revenue - water	462	504	552	48
Expense associated with other revenue - proprietary	909	959	1,123	164
Provision for uncollectible accounts	162	238	189	(49)
Depreciation	6,300	6,150	6,150	-
Payment in lieu of taxes	2,202	2,250	2,250	0
Amortization Pension Outflows/Inflows	362	213	213	(0)
Amortization OPEB Outflows/Inflows	(136)	(157)	(157)	0
Total operating expenses	<u>23,032</u>	<u>24,906</u>	<u>23,654</u>	<u>(1,252)</u>
Operating income	<u>14,027</u>	<u>10,110</u>	<u>13,629</u>	<u>3,520</u>
Nonoperating income and (expense)				
Interest income	103	514	27	(487)
(Loss) Gain on disposal of assets			-	-
Realized and unrealized (losses) gains on investments			-	-
Interest expense	(5,660)	(5,478)	(5,467)	11
Amortization of bond discount, premium, issuance cost and deferred losses	690	629	623	(6)
Intergovernmental revenue			-	-
Total nonoperating income and (expense)	<u>(4,867)</u>	<u>(4,336)</u>	<u>(4,818)</u>	<u>(482)</u>
Income (expense) before contributions	<u>9,161</u>	<u>\$ 5,774</u>	<u>8,812</u>	<u>\$ 3,038</u>
Capital contributions	<u>288</u>		<u>718</u>	
Change in net assets	9,448		9,529	
Total net assets - beginning of fiscal year	<u>211,589</u>		<u>236,696</u>	
Total net assets - end of reporting month	<u>\$ 221,037</u>		<u>\$ 246,225</u>	

	Budget	Projected	(Under)Over
FY 2022 MAINTENANCE TEST	FY 2022	FY 2022	FY 2022
(Budget vs. Projected)	@114%	@114%	@114%
Revenue Collected:			
Water sales	116,629	117,379	\$ 750
Interest Income	150	150	-
BABs Subsidy	657	657	-
Other Net	7,154	7,154	-
Common Non-Core	(250)	(250)	-
Total	<u>124,340</u>	<u>125,090</u>	<u>750</u>
Less:			
Operating and maintenance expenses	(59,741)	(59,741)	-
Common Non-Core	-	-	-
Depreciation	(6,500)	(6,500)	-
PILOT (A)	(8,950)	(8,950)	-
Net Avail for Debt Service (B)	<u>\$ 49,149</u>	<u>\$ 49,899</u>	<u>\$ 750</u>
Debt Service Payments (C)	<u>\$ 43,922</u>	<u>43,771</u>	<u>\$ (151)</u>
Debt Service @ 114% (D)	<u>\$ 50,071</u>	<u>49,899</u>	<u>\$ (172)</u>
Difference (B-D)	<u>\$ (922)</u>	<u>\$ 0</u>	
RSF, Growth and/or General Fund (D)	922		
Coverage	<u>114%</u>	<u>114%</u>	

REGIONAL WATER AUTHORITY
Fiscal Year 2022
(\$000 Omitted)

SCHEDULE A-2

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

	Three Months Ending August 31				Twelve Months Ending May 31			
	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	(Under)Over Budget	Budget	Assumption 1	Assumption 2	Assumption 3
Operating Revenues								
Metered Water Revenues	\$ 30,429	\$ 28,384	\$ 30,324	\$ 1,940	\$ 104,060	\$ 106,000	\$ 107,525	\$ 104,475
Fire Service	3,035	3,036	3,033	(2)	12,207	12,205	12,205	12,205
Wholesale Water	206	221	253	32	760	760	760	760
Other revenue - water	890	1,023	1,127	104	3,713	3,713	3,713	3,713
Other revenue - proprietary	2,500	2,353	2,547	194	9,623	9,623	9,623	9,623
Total Operating Revenues	<u>37,059</u>	<u>35,016</u>	<u>37,284</u>	<u>2,268</u>	<u>130,363</u>	<u>132,301</u>	<u>133,826</u>	<u>130,776</u>
Operating Expenses								
Operating and Maintenance	12,772	14,750	13,335	(1,415)	59,741	59,741	59,845	59,637
Expenses associated with other revenue-water	462	504	552	48	1,966	1,966	1,966	1,966
Expenses associated with other revenue-proprietary	909	959	1,123	164	3,809	3,809	3,809	3,809
Provision for uncollectible accounts	162	238	189	(49)	950	900	900	900
Depreciation	6,300	6,150	6,150	-	24,600	24,600	24,600	24,600
Payment in lieu of taxes	2,202	2,250	2,250	0	8,950	8,950	8,950	8,950
Amortization Pension Outflows/Inflows	362	213	213	(0)	868	868	868	868
Amortization OPEB Outflows/Inflows	(136)	(157)	(157)	0	(626)	(626)	(626)	(626)
Total Operating Expenses	<u>23,032</u>	<u>24,906</u>	<u>23,654</u>	<u>(1,252)</u>	<u>100,258</u>	<u>100,208</u>	<u>100,312</u>	<u>100,104</u>
Operating Income	<u>14,027</u>	<u>10,110</u>	<u>13,629</u>	<u>3,520</u>	<u>30,105</u>	<u>32,093</u>	<u>33,514</u>	<u>30,672</u>
Nonoperating income and (expense)								
Interest Income	103	514	27	(487)	1,986	1,581	1,581	1,581
(Loss)/Gain on disposal of assets	-	-	-	-	(200)	(200)	(200)	(200)
Interest Expense	(5,660)	(5,478)	(5,467)	11	(21,515)	(21,502)	(21,502)	(21,502)
Amortization of bond discount, premium issuance cost and deferred losses	690	629	623	(6)	2,428	2,428	2,428	2,428
Intergovernmental revenue	-	-	-	-	-	200	200	200
Total nonoperating income & (expense)	<u>(4,867)</u>	<u>(4,336)</u>	<u>(4,818)</u>	<u>(482)</u>	<u>\$ (17,302)</u>	<u>\$ (17,494)</u>	<u>\$ (17,494)</u>	<u>\$ (17,494)</u>
(Expense) income before contributions	<u>9,160</u>	<u>\$ 5,774</u>	<u>8,812</u>	<u>\$ 3,038</u>	<u>\$ 12,803</u>	<u>\$ 14,599</u>	<u>\$ 16,020</u>	<u>\$ 13,178</u>
Capital contributions	<u>288</u>		<u>718</u>					
Change in net assets	<u>9,448</u>		<u>9,529</u>					
Total net assets - beginning of fiscal year	<u>211,589</u>		<u>236,696</u>					
Total net assets - end of reporting month	<u>\$ 221,037</u>		<u>\$ 246,225</u>					

MAINTENANCE TEST

	Twelve Months Ending May 31			
	Budget	Assumption 1	Assumption 2	Assumption 3
Revenue Collected:				
Water Sales	\$ 116,629	\$ 117,379	\$ 118,789	\$ 115,969
Interest Income	150	150	150	150
BABs Subsidy	657	657	657	657
Other Net	7,154	7,154	7,154	7,154
Common Non-Core	(250)	(250)	(250)	(250)
Total	<u>124,340</u>	<u>125,090</u>	<u>126,500</u>	<u>123,680</u>
Less:				
Operating and Maintenance Expenses	(59,741)	(59,741)	(59,845)	(59,637)
Common Non-Core	0	-	-	-
Depreciation	(6,500)	(6,500)	(6,500)	(6,500)
PILOT (A)	(8,950)	(8,950)	(8,950)	(8,950)
Net Avail for Debt Service (B)	<u>49,149</u>	<u>49,899</u>	<u>51,205</u>	<u>48,593</u>
Debt service payments (C)	<u>\$ 43,922</u>	<u>\$ 43,771</u>	<u>\$ 43,771</u>	<u>\$ 43,771</u>
Debt Service @ 114% (D)	<u>\$ 50,071</u>	<u>\$ 49,899</u>	<u>\$ 49,899</u>	<u>\$ 49,899</u>
Difference (B-D)	<u>\$ (922)</u>	<u>\$ 0</u>	<u>\$ 1,306</u>	<u>\$ (1,306)</u>
RSF, Growth and/or General Fund (D)	<u>\$ 922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306</u>
Coverage	<u>114%</u>	<u>114%</u>	<u>117%</u>	<u>114%</u>
Required Coverage	<u>114%</u>	<u>114%</u>	<u>114%</u>	<u>114%</u>

REGIONAL WATER AUTHORITY
OPERATING AND MAINTENANCE EXPENSES
Fiscal Year 2022
(\$000 Omitted)

SCHEDULE B

THREE MONTHS ENDING AUGUST 31				
	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	(Under) Over
1 Payroll	\$ 5,590	\$ 5,782	\$ 5,609	\$ (174)
2 Employee Benefits Allocation	1,858	2,016	1,613	(403)
Pension	665	675	675	-
3 Administrative Building Space Allo	233	249	272	23
4 General & Administrative	200	313	271	(42)
5 Transportation Allocation	174	179	148	(31)
6 Tools & Stores Allocation	94	67	82	15
7 Utilities & Fuel	310	319	334	15
8 Material From Inventory	45	92	58	(35)
9 Pump Power Purchased	849	900	801	(99)
10 Chemicals	477	553	595	42
11 Road Repairs	35	35	73	38
14 Postage	41	72	40	(32)
15 Printing & Forms	19	22	18	(3)
17 Collection Expense	131	192	154	(38)
18 Business Improvement	13	31	11	(20)
19 Public/Customer Information	21	80	18	(62)
20 Outside Services	440	839	625	(214)
21 Insurance Premiums	369	405	384	(21)
22 Worker's Compensation, pre-Chur	(8)	11	(9)	(20)
23 Damages	28	16	13	(3)
24 Training & Cont. Education	17	50	19	(31)
25 Authority Fees	33	39	35	(4)
26 Consumer Counsel	6	15	3	(12)
27 RPB Fees	25	42	27	(15)
28 Organizational Dues	17	0	23	23
29 Donations	0	9	2	(7)
34 Central Lab/Water Quality	55	130	19	(111)
40 Environmental Affairs	6	27	23	(4)
44 Info. Technology Licensing & Maintenance Fees	495	667	686	19
45 Maintenance and Repairs	536	817	607	(210)
46 Regulatory Asset Amortization	-	105	106	0
	<u>\$ 12,772</u>	<u>\$ 14,750</u>	<u>\$ 13,335</u>	<u>\$ (1,415)</u>

YEAR ENDED MAY 31, 2022			
Budget	Assump 1	Assump 2	Assump 3
23,577	23,577	23,577	23,577
8,045	8,045	8,045	8,045
2,664	2,664	2,664	2,664
944	944	944	944
1,513	1,513	1,513	1,513
728	728	728	728
295	295	295	295
1,405	1,405	1,405	1,405
376	376	376	376
3,050	3,050	3,113	2,987
1,997	1,997	2,038	1,956
162	162	162	162
421	421	421	421
77	77	77	77
1,175	1,175	1,175	1,175
129	129	129	129
409	409	409	409
3,601	3,601	3,601	3,601
1,643	1,643	1,643	1,643
46	46	46	46
65	65	65	65
269	269	269	269
157	157	157	157
60	60	60	60
169	169	169	169
102	102	102	102
37	37	37	37
447	447	447	447
115	115	115	115
2,465	2,465	2,465	2,465
3,179	3,179	3,179	3,179
422	422	422	422
<u>\$ 59,741</u>	<u>\$ 59,741</u>	<u>\$ 59,845</u>	<u>\$ 59,637</u>

	Period Ending August 31, 2021			Period Ending May 31, 2022		
	Budget	Expenditures	(Under)/Over	Budget	Projected	(Under)/Over
I. NATURAL RESOURCES						
Watershed Protection	120	4	(116)	125	125	-
Land Management	6	-	(6)	20	20	-
Hamden Middle School Remediation	6	3	(3)	48	48	-
Lake Whitney Dam & Spillway Improvements	150	62	(88)	600	600	-
Lake Menunketuc Dam Intake Valves Stern Replacement	69	2	(67)	175	175	-
Prospect Dam Subsurface Investigation	60	81	21	100	100	-
Stream Flow Regulations Improvements	5	-	(5)	150	150	-
Tunnel Diversion Raw Water Main Rehabilitation Program	33	5	(28)	480	480	-
Fence & Guardrail Replacements	30	-	(30)	100	100	-
Miscellaneous Natural Resources	5	17	12	60	60	-
Prior Year	-	-	-	-	-	-
TOTAL	484	173	(311)	1,858	1,858	-
II. TREATMENT						
Filter Media Replacement	102	2	(100)	500	500	-
Water Treatment Plant Valve Replacement Program	2	0	(2)	110	110	-
LGWTP - Chemical Feed Improvements	157	103	(54)	900	900	-
LGWTP - Backwash Polymer System Upgrades	60	129	69	300	300	-
LGWTP Local Control Console Upgrade	-	-	-	75	75	-
LGWTP - Clarifiers Recycle & Building Improvements	11	23	12	306	306	-
LGWTP-Raw Water Flow Control Valve Replacement	-	-	-	700	700	-
LGWTP-HVAC Upgrades	7	4	(3)	235	235	-
LSWTP-Electrical Upgrades	-	-	-	300	300	-
LSWTP-Chemical Treatment System Improvements	11	4	(7)	1,155	1,155	-
LSWTP - Elevator Improvement	7	-	(7)	415	415	-
LWWTP Plant Improvements	13	32	19	765	765	-
West River WTP-Dissolved Air Flotation (DAF, Electrical & Chemical)	80	38	(42)	7,000	7,000	-
West River WTP-Effluent Pipe Injection	5	2	(3)	380	380	-
WRWTP Backwash Lagoon Diversion Vault Valves	-	-	-	100	100	-
Treatment Plant Graphics Upgrades	-	-	-	200	200	-
NSG Wellfield Facility Improvements	105	183	78	1,100	1,100	-
SSG Wellfield Facility Improvements	17	3	(14)	1,700	1,700	-
NSG Well 1B Pump Motor Replacement	144	152	8	144	152	8
Well Rehabilitations	1	1	(0)	230	230	-
Well Replacements	-	-	-	110	110	-
NSG Well No. 4 Motor Control Center (MCC) Replacement	15	-	(15)	100	100	-
Treatment Plant Driveway Replacement Program	40	-	(40)	100	100	-
WRWTP Backwash & Surface Wash Pump Repl	35	27	(8)	150	150	-
LSWTP - Hypochlorite System	-	6	6	5	6	1
Miscellaneous Treatment	-	-	-	75	75	-
Prior Year	-	(2)	(2)	-	(2)	(2)
TOTAL	811	708	(103)	17,155	17,162	7
III. TRANSMISSION AND DISTRIBUTION						
Pipe	1,155	897	(258)	4,988	5,095	107
Valve Replacements	90	62	(28)	300	300	-
Service Connections	450	439	(11)	1,500	1,500	-
Capital Pipe Service Connections	-	46	46	500	500	-
Meters	155	75	(80)	485	485	-
AMI Meters	225	119	(106)	230	230	-
Hydrants and Connections	38	42	5	125	125	-
Northern Service Area Expansion	23	42	19	1,800	1,800	-
Service Area Improvements - East West Transmission System	5	112	107	200	200	-
State Street Pipe Bridge	20	1	(19)	600	600	-
Ansonia-Derby Tank	15	6	(9)	2,830	2,830	-
WRWTP Finished Water Reservoirs Improvements	360	547	187	850	850	-
West Avenue Tank Painting	-	-	-	24	24	-
Variable Frequency Drive Replacement Program	-	18	18	150	150	-
Burwell Hill Pump Station Equipment Replacement	60	186	126	647	647	-
Rabbit Rock Pump Station Generator Replacement	5	-	(5)	100	100	-
Critical Pump Station & Transmission Facilities Upgrades	-	-	-	350	350	-
Spring Street Pump Station Replacement	2	-	(2)	305	305	-
Lake Galliard Pump Station Improvements	-	15	15	33	19	(15)
Hill Street Pump Station Repairs	-	-	-	165	165	-
Sanford Street Pump Station Rehabilitation	-	(1)	(1)	3	3	-
Skiff Street Bridge Betterment, Hamden	-	-	-	10	10	-
Brushy Plains System Upgrade-Phase II	-	17	17	18	17	(1)
Water Quality Improvements	2	-	(2)	150	150	-
Miscellaneous Transmission & Pumping	26	-	(26)	75	75	-
Main Breaks 10' or Longer	-	11	11	-	11	11
Prior Year	-	-	-	-	-	-
TOTAL	2,631	2,635	5	16,439	16,541	102

	Period Ending August 31, 2021			Period Ending May 31, 2022		
	Budget	Expenditures	(Under)/Over	Budget	Projected	(Under)/Over
V. GENERAL PLANT						
SAP Business Enhancements	20	-	(20)	50	50	-
SAP Work Management	20	-	(20)	50	50	-
LIMS Business Enhancements	20	74	54	105	105	-
Infor Business Enhancements	50	-	(50)	50	50	-
AMI Software Business Enhancements	-	-	-	10	10	-
SAP Enhancement Pack/HANA Upgrades	-	-	-	250	250	-
Innovation	-	-	-	-	-	-
Business Analytics Platform	-	-	-	75	75	-
SAP Customer Channels Sales Marketing	70	18	(52)	225	225	-
Robotic Process Automation/Machine Learning/AI	10	-	(10)	100	100	-
SAP SQL Upgrade	-	-	-	70	70	-
SAP Monthly Billing	261	28	(233)	950	950	-
Cyber Security Enhancements	25	26	1	100	100	-
System-Wide Radio Telemetry Unit (RTU) Upgrade	130	178	48	700	700	-
SCADA	25	8	(17)	120	120	-
Information Systems	31	92	61	805	805	-
Miscellaneous Information Systems	50	-	(50)	423	423	0
Equipment	90	6	(84)	475	475	-
Miscellaneous Equipment	10	27	17	127	127	-
Miscellaneous 90 Sargent Drive	10	8	(2)	60	60	-
Prior Year	-	5	5	-	-	-
TOTAL	823	470	(352)	4,745	4,745	0
VII. CONTINGENCY	-	-	-	110	-	(110)
TOTAL	4,749	3,986	(762)	40,307	40,307	(0)
VIII. STATE & REDEVELOPMENT PIPE	750	392	(358)	3,000	2,750	(250)
IX. NON-CORE BILLING	143	121	(22)	745	745	-
TOTAL	5,641	4,499	(1,142)	44,052	43,802	(250)

SCHEDULE D

Investment Earnings Report
Comparison of Investment Rates of Return

Fund Type	Balance @ August 31, 2021	Budgeted Return	Rate of Return August 31, 2021	Rate of Return Fiscal Year to Date
<u>Less than Six Months</u>				
Revenue Investment (A)	\$ 20,943,591	0.15%	0.10%	0.08%
Revenue (B)	3,155,051	0.00%	0.19%	0.08%
Rate Stabilization (A)	10,000,000	0.15%	0.10%	0.08%
Operating Reserve (A)	8,185,679	0.15%	0.10%	0.08%
Operating Reserve (C)	1,500,000	0.15%	0.01%	0.01%
Capital Contingency (A)	5,561,075	0.15%	0.10%	0.08%
Debt Reserve (A)	16,749,055	0.15%	0.10%	0.08%
Debt Service (A)	4,223,785	0.15%	0.10%	0.08%
PILOT (A)	2,861,394	0.15%	0.10%	0.08%
General Fund (A)	13,126,128	0.15%	0.10%	0.08%
Sub-Total	\$ 86,305,758			
<u>Long Term Investments</u>				
Operating Reserve	\$ 500,000	0.15%	0.51%	0.51%
Capital Contingency	500,000	0.15%	0.38%	0.38%
Debt Reserve	4,277,886	0.15%	0.51%	0.49%
Sub-Total	\$ 5,277,886			
<u>Other</u>				
Construction (A)	\$ 39,485,101	0.15%	0.10%	0.08%
Growth Fund	5,724,559	0.00%	0.06%	0.06%
Interim Financing	897	0.00%	0.03%	0.03%
Sub-Total	\$ 45,210,557			
Total	\$ 136,794,201			

(A) Investments are in the Connecticut Short Term Investment Fund (STIF).

(B) Reflects new sweep product with balances fully insured. Balances earn credits to offset bank fees.
Percentage based on month-end book balance.

(C) Investment is in the First American Government Obligation Fund.
Requested transfer of Operating Reserve balance to STIF.

Fund	Budgeted Interest (Cash Basis) as of August 31, 2021	Interest Received (Cash Basis) as of August 31, 2021	(Under)/ Over
Debt Reserve	6,797	2,971	(3,826)
Operating Reserve	3,348	1,249	(2,099)
Capital Contingency	1,990	833	(1,157)
PILOT	1,440	564	(876)
Debt Service	11,052	5,738	(5,314)
Revenue	3,417	3,047	(370)
Rate Stabilization	3,897	1,967	(1,930)
General	6,480	2,588	(3,892)
Sub Total	38,421	18,957	(19,464)
Construction	15,183	5,710	(9,473)
Growth Fund	-	896	896
Interim Financing	-	-	-
Total	53,604	25,563	(28,041)

Representative Policy Board
Dashboard - 1Q FY22

Metrics	Quarter ended 8/31/20 (1Q FY 2021)	Quarter ended 5/31/21 (4Q FY 2021)	Quarter ended 8/31/21 (1Q FY 2022)
Customer/Stakeholders			
Combined Customer Satisfaction & Reputation (Note 1)	Target: 96% +/-2%	Target: 96% +/-2%	Target: 96% +/-2%
	Results: 93.1%*	Results: 93.1%*	Results: 93.1%*
	*Period ending March 2020, most recent available	*Period ending March 2020, most recent available	*Period ending March 2020, most recent available
Underlying Credit Rating	S&P rating AA-, affirmed 10/2019	S&P rating AA-, affirmed 10/2019	S&P rating AA-, affirmed 10/2019
	Moody's rating Aa3, affirmed 10/2019	Moody's rating Aa3, affirmed 10/2019	Moody's rating Aa3, affirmed 10/2019
Water Rates	Update to be provided with the next Official Statement	Update to be provided with the next Official Statement	Update to be provided with the next Official Statement
Financial Metrics (Note 2)			
Accrued Metered Water Revenues to Budget (000 omitted)	Budget: \$28.174 million	Budget: \$102.878 million	Budget: \$28.384 million
		Budget Org: \$104.712 million	
	Result: \$30.429 million	Result: \$108.012 million	Result: \$30.324 million
Other Net Revenues to Budget	Budget: \$1.376 million	Budget: \$5.734 million	Budget: \$1.409 million
	Result: \$1.555 million	Result: \$5.667 million	Result: \$1.470 million
O&M Expenditures to Budget (Note 2)	Budget: \$13.915 million	Budget: \$56.200 million	Budget: \$14.750 million
	Result: \$12.772 million	Result: \$55.054 million	Result: \$13.335 million
Capital Expenditures to Budget (Note 3)	Budget: \$4.683 million	Budget: \$19.281 million	Budget: \$4.749 million
	Result: \$3.355 million	Result: \$18.550 million	Result: \$3.986 million
Cash Collections (Water and Fire Service)	Budget: \$22.60 million	Budget: \$101.381 million	Budget: \$30.247 million
	Result: \$31.76 million	Result: \$117.333 million	Result: \$32.896 million
Coverage	Budget: 1.14 w/draw	Budget: 1.14 w/draw	Budget: 1.14 w/draw
	Projected: 1.14 w/draw	Projected: 1.28 w/o draw	Projected: 1.14 w/o draw
Draw Requirement	Budget: \$12.045 million	Budget: \$12.045 million	Budget: \$922 thousand
	Projected: \$4.961 million	Projected: \$0 million	Projected: \$0 million
System Metrics			
Average Daily Production (Draft) to Budget (MG/D)/Prior Year (Note 4)	Prior Year: 51.816 MGD	Prior Year: 42.504 MGD	Prior Year: 56.883 MGD
	Result: 56.883 MGD	Result: 45.209 MGD	Result: 53.416 MGD
Disinfection By-products	Target: 90%	Target: 90%	Target: 90%
	Result: 100%*	Result: 100%*	Result: 100%*
	* As of June 30, 2020, updated	* As of Mar. 31, 2021, updated	* As of June 30, 2021, updated
	quarterly based on calendar year	quarterly based on calendar year	quarterly based on calendar year
Net Unaccounted For Water (annualized)	Target: 10.0%	Target: 10.0%	Target: 10.0%
	Result: 10.35% for the annualized	Result: 11.88% for the annualized	Result: 11.64% for the annualized
	period of June 2019 to May 2020	period of April 2020 to March 2021	period of June 2020 to May 2021
Reservoir Levels (% full)	75% vs. 74% LTA	97% vs. 93% LTA	92% vs. 74% LTA

Notes:

Note 1: Metric is Northeast Average for Customer Billing & Payment

Note 2: Excludes impact of governmental accounting standards for pension and opeb and may include expenses from non-revenue fund sources

Note 3: Excludes State and Redevelopment and contingency. FY 2021 and FY 2022 also excludes capital funded by Growth Fund

Note 4: FY 2021 and FY 2022 is vs. prior year