

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

**AGENDA**

**Regular Meeting of Monday, October 3, 2022 at 5:00 p.m.**

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1. Safety Moment
2. Review of FY 2022 Audit with Independent Auditors: D. Flint and R. Nossek - *Upon 2/3 vote, convene in executive session pursuant to C.G.S. Section 1-200(6)(E) to discuss matters covered under Section 1-210 subsection b #5B concerning financial information given in confidence, not required by statute.*
3. Approval of Minutes – September 12, 2022 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 14, 2022 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://tinyurl.com/yc2d3mhc>. For questions, contact the board office at 203-401-2515.

Representative Policy Board  
**Finance Committee Meeting**  
Monday, October 3, 2022 at 5:00 p.m.

**Remote meeting instructions:**

**Call in (*audio only*)**

+1 469-965-2517,,19357600# United States, Dallas

Phone Conference ID: 193 576 00#

For questions, contact the board office at 203-401-2515 or by email at [jslubowski@rwater.com](mailto:jslubowski@rwater.com)

# 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

A photograph of a teal bicycle with orange handlebars and a front fender, positioned on a paved road that stretches into the distance. The road is flanked by lush green trees and bushes. The sun is shining brightly from the right side, creating a lens flare effect. The overall scene is bright and clear.

# Representative Policy Board Finance Committee 2022 Audit Results Presentation

October 3, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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# 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.





# Reporting Results

- Under Generally Accepted Auditing Standards
  - Unmodified opinion on the financial statements as of and for the year ended May 31, 2022.
- 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.



# Statement of Revenues, Expenses & Changes in Net Position

Net position increased \$20.3m for the fiscal year.

## OPERATING REVENUES:

- Operating revenues increased \$620k which was primarily due to an additional \$1.2m in revenues from Well Services.
- Water Revenues were relatively consistent year over year.

	(In Thousands of Dollars)		
	May 31,		
	2022	2021	2020
<b>SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION</b>			
<b>OPERATING REVENUES</b>			
Water Revenues	\$ 124,320	\$ 124,885	\$ 120,266
Other	10,868	9,683	10,146
Total Operating Revenues	<u>135,188</u>	<u>134,568</u>	<u>130,412</u>
<b>OPERATING EXPENSES</b>			
Operating and Maintenance	56,900	54,000	54,942
Expenses Associated With Water and Other Revenue	7,267	5,806	5,617
Depreciation	23,240	24,115	24,228
Payments in Lieu of Taxes (PILOT)	8,554	8,528	8,388
Total Operating Expenses	<u>95,961</u>	<u>92,449</u>	<u>93,175</u>
<b>OPERATING INCOME</b>	39,227	42,119	37,237
<b>NONOPERATING INCOME AND EXPENSES</b>			
Interest Expense - Net	(20,371)	(21,999)	(20,102)
Gain (Loss) on Disposal of Assets	(1,644)	(773)	30
Realized and Unrealized Gains (Losses) on Investments	(350)	(30)	43
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	2,333	2,385	3,119
Intergovernmental Revenue	845	845	180
Other Income (Expense), Net	(310)	358	59
Total Nonoperating Expenses	<u>(20,342)</u>	<u>(19,214)</u>	<u>(16,671)</u>
Gain Before Contributions	18,885	22,905	20,566
Capital Contributions	1,438	2,310	2,503
<b>CHANGE IN NET POSITION, AS RESTATED</b>	<u>\$ 20,323</u>	<u>\$ 25,215</u>	<u>\$ 23,069</u>





# Statement of Revenues, Expenses & Changes in Net Position

## OPERATING EXPENSES:

- Total operating expenses increased by \$3.5m
- Operating & maintenance expenses increased \$2.9m primarily due to an increase in expense related to the pension and OPEB plans
- Expenses associated with water and other revenues increased \$1.5m primarily due to the expenses from Well Services

*(In Thousands of Dollars)*

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# Statement of Revenues, Expenses & Changes in Net Position

## NONOPERATING INCOME & EXPENSES:

- Overall nonoperating expenses increased \$1.1m
- This was due to the lack of intergovernmental revenue in 2022 (Federal Drinking Water Grant)
- RWA also experienced an increase in the loss on disposal of capital assets of \$871k
- Offset by an increase in interest income of \$1.5m

*(In Thousands of Dollars)*

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	2022	2021	2020
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Gain Before Contributions	18,885	22,905	20,566
Capital Contributions	1,438	2,310	2,503
<b>CHANGE IN NET POSITION, AS RESTATED</b>	<u>\$ 20,323</u>	<u>\$ 25,215</u>	<u>\$ 23,069</u>



## Statement of Net Position

Net position increased \$20.3m for the fiscal year.

- Net invested in capital assets increased \$14.9m due to a reduction in capital related debt (\$30.6m in unspent bond proceeds).
- Restricted net position increased \$10.5m due to increases in restricted assets (\$41.8m) offset by the unspent bond proceeds.

**NET POSITION, AS RESTATED**  
Net Investment in Capital Assets  
Restricted  
Unrestricted  
Total Net Position

*(In Thousands of Dollars)*

	May 31,		
	2022	2021	2020
Net Investment in Capital Assets	84,095	69,169	49,683
Restricted	129,379	118,869	115,122
Unrestricted	42,233	47,346	45,363
Total Net Position	<u>255,707</u>	<u>235,384</u>	<u>210,168</u>

## Long-Term Liabilities

- Total bonds payable amounted to \$533.4m at year-end 2022, an increase of \$17.2m for the year due to new issuances offset by repayments and bonds that were refinanced.
- Drinking water loans decreased \$1.3m due to repayments and no new loans in FY 22.
- The net pension liability increased \$6.9m due to a poor year in the market offsetting the gains seen in FY 21.
- The net OPEB liability decreased (\$596K) due to lower than anticipated health care costs coupled with RWA contributions in excess of actuarially determined amounts.

2022	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 516,180,000	\$ 61,490,000	\$ (44,265,000)	\$ 533,405,000	\$ 21,475,000
Net Bond Premiums and Discounts	41,092,304	11,270,110	(5,371,842)	46,990,572	-
<b>Total Bonds Payable</b>	<b>557,272,304</b>	<b>72,760,110</b>	<b>(49,636,842)</b>	<b>580,395,572</b>	<b>21,475,000</b>
Drinking Water Loans	26,617,952	-	(1,287,088)	25,330,864	1,313,057
Net Pension Liability	9,651,739	6,949,630	-	16,601,369	-
Net OPEB Liability	17,772,589	-	(595,684)	17,176,905	-
<b>Total</b>	<b>\$ 611,314,584</b>	<b>\$ 79,709,740</b>	<b>\$ (51,519,614)</b>	<b>\$ 639,504,710</b>	<b>\$ 22,788,057</b>



# 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
- Supplementary information





# Contact Information

- Key Engagement Team Members
  - Ronald W. Nossek, CPA – Engagement Principal
    - Phone: 401-330-2743
    - Email: [ronald.nossek@claconnect.com](mailto:ronald.nossek@claconnect.com)
  - David Flint, CPA – Manager
    - Phone: 860-570-6379
    - Email: [david.flint@claconnect.com](mailto:david.flint@claconnect.com)



# Questions?



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Audit Committee of the Authority and the  
Finance Committee of the Representative Policy Board  
South Central Connecticut Regional Water Authority  
New Haven, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of South Central Connecticut Regional Water Authority as of and for the year ended May 31, 2022, and have issued our report thereon dated August 31, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our planning communication dated February 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Central Connecticut Regional Water Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2022.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was (were):

Management's estimate of the net pension liability is based on an actuarial valuation utilizing various assumptions and estimates approved by management.

Management's estimate of the net other post-employment benefit (OPEB) liability is based on an actuarial valuation utilizing various assumptions and estimates approved by management.

Management's estimate of the useful lives of capital assets, which are used in computing depreciation in the financial statements.

Management's estimate of the allowance for doubtful accounts related to water billings receivable is based on certain historical data and currently known information.

Management's estimate of the unbilled revenue related to water usage is based on certain historical data and currently known information.

Management's estimate of the allowance for loss contingencies is based on information provided by legal counsel.

Management's estimate of the incurred but not reported (IBNR and self-insurance claims) is based on claims amounts owed by the South Central Connecticut Regional Water Authority for claimants who have had a covered loss but have not yet reported it.

Management's estimate of the environmental remediation costs of the Newhall property is based on estimates prepared by environmental engineers engaged by the South Central Connecticut Regional Water Authority.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### **Corrected misstatements**

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with management**

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

#### **Management representations**

We have requested certain representations from management that are included in the management representation letter dated August 31, 2022.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

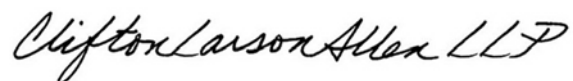
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Supplementary information in relation to the financial statements as a whole***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

\* \* \*

This communication is intended solely for the information and use of the Audit Committee of the Authority, the Finance Committee of the Representative Policy Board and management of South Central Connecticut Regional Water Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
August 31, 2022

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED MAY 31, 2022 AND 2021**



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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 Audit of the Financial Statements**

#### ***Opinions***

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 years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the South Central Connecticut Regional Water Authority, as of May 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Connecticut Regional Water Authority's ability to continue as a going concern for a reasonable period of time.

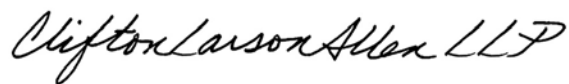
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022, on our consideration of the South Central Connecticut Regional Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Central Connecticut Regional Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Connecticut Regional Water Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
August 31, 2022



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**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

**FOR DISCUSSION PURPOSES**

**INTRODUCTION**

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

**CONTENTS OF THE AUDITED FINANCIAL STATEMENTS**

The Authority's audited financial statements include the following:

- Statements of net position

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

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

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

- Statements of cash flows

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

- Statements of fiduciary net position

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

- Notes to financial statements

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

**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 2022, the Authority executed asset purchase agreements with two entities that, post transaction, operate under RWA Well Services, LLC. RWA Well Services, LLC is a wholly owned subsidiary of RWA Commercial Enterprises, LLC. RWA Commercial Enterprises, LLC is a wholly owned subsidiary of the Authority. The results of RWA Well Services, LLC are consolidated entities reflected in the Authority's financial statements. The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct or investment in certain "non-core" activities (e.g., related to water, environment, agricultural, and certain renewable energy) as more specifically defined in the legislation.

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

**FINANCIAL HIGHLIGHTS**

*(In Thousands of Dollars)*

	May 31,		
	2022	2021	2020
<b>SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION</b>			
<b>OPERATING REVENUES</b>			
Water Revenues	\$ 124,320	\$ 124,885	\$ 120,266
Other	10,868	9,683	10,146
Total Operating Revenues	135,188	134,568	130,412
<b>OPERATING EXPENSES</b>			
Operating and Maintenance	56,900	54,000	54,942
Expenses Associated With Water and Other Revenue	7,267	5,806	5,617
Depreciation	23,240	24,115	24,228
Payments in Lieu of Taxes (PILOT)	8,554	8,528	8,388
Total Operating Expenses	95,961	92,449	93,175
<b>OPERATING INCOME</b>	39,227	42,119	37,237
<b>NONOPERATING INCOME AND EXPENSES</b>			
Interest Expense - Net	(20,371)	(21,999)	(20,102)
Gain (Loss) on Disposal of Assets	(1,644)	(773)	30
Realized and Unrealized Gains (Losses) on Investments	(350)	(30)	43
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	2,333	2,385	3,119
Intergovernmental Revenue		845	180
Other Income (Expense), Net	(310)	358	59
Total Nonoperating Expenses	(20,342)	(19,214)	(16,671)
Gain Before Contributions	18,885	22,905	20,566
Capital Contributions	1,438	2,310	2,503
<b>CHANGE IN NET POSITION, AS RESTATED</b>	\$ 20,323	\$ 25,215	\$ 23,069

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**Operating revenues**

The change in water revenues from fiscal 2021 to fiscal 2022 is primarily due to lower earned metered water revenue, primarily in the residential class, partially offset by the January 2022 rate increase for metered water as well as for fire service. The change in other revenues is primarily due to the operating revenues from RWA Well Services, LLC.

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.

**Operating expenses**

Operating and maintenance expenses from fiscal 2021 to fiscal 2022 increased by \$2.9 million. The larger increases were due to increased payroll expense, chemical price increases, and outside services primarily due to the reduced level in fiscal 2021 associated with COVID-19. Other increases include insurance due to market rates, costs associated with bill and payment processing, and technology related expense. Pension expense under GASB 68 increased from fiscal 2021. This increase was partially offset by a smaller decrease in OPEB expense under GASB 75. A lower uncollectible expense allowance partially offset the increases and there were other net changes across multiple operating expense categories.

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 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.

Depreciation expense decreased from fiscal 2021 to fiscal 2022 primarily as a result of certain short-lived technology assets being fully depreciated at the end of fiscal 2021. Fiscal 2022 depreciation includes amortization of intangible assets associated with RWA Well Services, LLC. 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.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from fiscal 2021 to fiscal 2022 and from fiscal 2020 to fiscal 2021 primarily as a result of pipe additions and mill rates.

**Nonoperating income and expenses**

Net interest expense decreased from fiscal 2021 to fiscal 2022 primarily from charging for interest in arrears in the latter half of fiscal 2022 that had been suspended during fiscal 2021. The lower net interest expense also decreased due to refinancing and higher investment income.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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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.

Due to market conditions, the realized and unrealized investment loss between May 2021 and May 2022 was \$.3 million. Between May 31, 2021 and May 31, 2020, the investment realized and unrealized gain was approximately \$30,000.

**Disposal of assets**

In fiscal 2022 and 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. The net loss in fiscal 2022 was higher than in fiscal 2021, due to more retirements having a remaining book value in fiscal 2022.

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.

**Amortization**

The amortization of bond discount, premium, issuance costs and deferred refunding losses were only slightly less favorable in fiscal 2022 than in fiscal 2021. This small change is primarily related to the fiscal 2022 impact of the Thirty-sixth Series. The fiscal 2022 amortization of goodwill associated with RWA Well Services, LLC, is also impacting 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.

**Intergovernmental revenues**

There were no intergovernmental revenues in fiscal 2022 resulting in a decrease between fiscal 2022 and fiscal 2021. See Subsequent Events for additional information.

Intergovernmental revenues between fiscal 2021 and fiscal 2020 increased due to the receipt of a Drinking Water State Revolving Fund (DWSRF) grant in an amount higher than the grant received in fiscal 2020. There were also two open space grants received in fiscal 2021.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

*(In Thousands of Dollars)*

	May 31,		
	2022	2021	2020
<b>SUMMARY: NET POSITION</b>			
<b>ASSETS</b>			
Capital Assets	\$ 645,731	\$ 637,429	\$ 642,436
Other Assets:			
Current	67,644	73,416	72,634
Long-Term Note Receivable	500	500	500
Watershed Fund Assets	1,743	2,084	1,809
Restricted Assets	166,244	124,397	121,046
Regulatory Assets	9,647	9,877	10,590
Total Assets	891,509	847,703	849,015
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	15,228	17,201	18,556
Deferred Outflows - Goodwill	11,737	10,942	11,191
Deferred Outflows Related to Pensions	3,517	2,985	4,960
Deferred Outflows Related to OPEB	1,978	2,293	1,191
Total Deferred Outflows of Resources	32,460	33,421	35,898
Total Assets and Deferred Outflows of Resources	\$ 923,969	\$ 881,124	\$ 884,913
<b>LIABILITIES</b>			
Current Liabilities	\$ 37,134	\$ 35,289	\$ 39,974
Payable from Restricted Assets	10,312	9,717	10,101
Other Long-Term Liabilities	11	45	114
Long-Term Debt Payable	535,947	520,946	537,293
Net Premiums and Discounts	46,991	41,092	45,498
Net Pension Liability	16,601	9,652	19,071
Net OPEB Liability	17,177	17,773	18,345
Total Liabilities	664,173	634,514	670,396
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions		6,462	262
Deferred Inflows Related to OPEB	4,089	4,764	4,087
Total Deferred Inflows of Resources	4,089	11,226	4,349
<b>NET POSITION, AS RESTATED</b>			
Net Investment in Capital Assets	84,095	69,169	49,683
Restricted	129,379	118,869	115,122
Unrestricted	42,233	47,346	45,363
Total Net Position	255,707	235,384	210,168
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 923,969	\$ 881,124	\$ 884,913

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

**Capital assets**

The increase in capital assets from fiscal 2021 to fiscal 2022 is primarily due 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.

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.

**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,	
	2022	2021
Increase (Decrease) in Cash and Cash Equivalents	\$ 1,257,798	\$ (1,331,393)
Increase (Decrease) in Accounts Receivable, Net	(889,095)	1,002,213
Increase (Decrease) in Accrued Water Revenue	(6,299,400)	431,076
Increase (Decrease) in Interest Receivable	43,209	(88,190)
Increase (Decrease) in Materials and Supplies	355,301	222,030
Increase (Decrease) Watershed Fund Investments	(340,729)	274,864
Increase (Decrease) in Prepayments and Other Current Assets	(240,495)	546,675
Net Increase (Decrease) in Current Assets	\$ (6,113,411)	\$ 1,057,275

Decrease in current net position from May 31, 2021 to May 31, 2022

The increase in cash and cash equivalents is primarily associated with the fiscal 2022 increase in operating accounts within the Revenue Fund and cash balances related to RWA Well Services, LLC. Through the year-end disposition, the Authority's replenished the Growth Fund for expenditures made during fiscal 2022 as well as increased the Growth Fund by approximately \$1.2 million over the prior year's balance, while still increasing the amount transferred into the Construction Fund, reflected under Restricted Assets.

The decrease in accounts receivable primarily relates to an improvement in customer accounts receivable from last year's balance that was more significantly impacted by COVID-19. This is partially offset by the impact on customer accounts receivable associated with the January 2022 rate increase. Accounts receivables are still elevated over pre-pandemic levels.

The decrease in accrued water revenue is primarily due to the transition to monthly billing in January 2022.



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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The increase in interest receivables is primarily due to the higher accrued investment earnings as a result of the higher interest rate environment impacting earnings.

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

The decrease in prepayments and other current assets is primarily due to a decrease in the miscellaneous accounts receivable associated with the cash receipt in fiscal 2022 that was reflected in accounts receivable in fiscal 2021 and a lower OPEB receivable. This was partially offset by a higher jobbing receivable.

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 receivables 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 affecting 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.

**Watershed Fund Investments:**

Between May 31, 2021 and May 31, 2022, Watershed Fund investments decreased by approximately \$.3 million, primarily due to market values.

Between May 31, 2020 and May 31, 2021, Watershed Fund investments increased by approximately \$.3 million.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED MAY 31, 2022 AND 2021**

**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 by \$41.8 million between May 31, 2022 and May, 31, 2021. This increase is primarily due to the \$41.5 million increase in the Construction Fund associated with the remaining project related proceeds of the Thirty-sixth Series bond issuance and the year-end transfer of internally generated funds into the Construction Fund, partially offset by capital expenditures from internally generated funds during fiscal 2022. Also, contributing to the increase in Restricted Assets is the year-end transfer into the Operating Reserve, as required under the *General Bond Resolution*. There was also an increase of approximately \$1.2 million in the Debt Service Funds. However, this was largely offset by a reduction in our Department of Transportation related restricted receivables, a reduction in out receivable associated with the land sale due to an early pay-off and the mark-to-market reduction for certain securities within Restricted assets.

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.

**Other long-term assets**

As of May 31, 2022, regulatory assets totaled \$9.6 million, net of amortizations, representing a decrease of approximately \$0.2 million over May 31, 2021. Regulatory assets include \$4.5 million of bond issuance costs, \$4.2 million deferred charges of estimated environmental remediation costs of a site on Newhall Street in Hamden, Connecticut (See Note 12, Pollution Remediation Obligation), \$.4 million associated with an interconnection, and \$.5 million in other remediation costs.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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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.

**Deferred Outflows:**

Goodwill results primarily from the Authority's acquisition of Birmingham Utilities on January 16, 2008. During fiscal 2022, goodwill was recorded associated with two RWA Well Services, LLC transactions. Goodwill is being amortized based over the remaining life of assets acquired. Goodwill is assessed at least annually for impairment by applying a fair value-based test. The Authority determined that for the years ended May 31, 2022 and 2021, no impairment of goodwill has occurred.

Between May 31, 2022 and May 31, 2021, deferred outflows increased by approximately \$5.8 million, this is primarily due to the increase in pension related outflows and to a lesser degree the increase in goodwill associated with the RWA Well Services, LLC transactions and outflows associated with OPEB. These increases were partially offset by a reduction in deferred outflows associated with refunding.

Between May 31, 2021 and May 31, 2020, deferred outflows decreased by approximately \$2.5 million, this is primarily due to a decrease in pension related outflows, refunding outflows, and goodwill amortization partially offset by an increase in OPEB related outflows.

**Current liabilities**

The authority's current liabilities increased by approximately \$1.8 million between May 31, 2021 and May 31, 2022. The increase is primarily due to the increase in the current portion of bonds payable. Other net changes also contributed to the increase.

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.

**Payables from restricted assets**

Between May 31, 2021 and May 31, 2022, payables from restricted assets increased \$0.6 million. This increase is due to increase of \$0.2 million in accounts payable for construction, increase of \$0.2 million in accrued interest expense and an increase of \$0.2 million in customer deposits and advances for construction.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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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.

**Other long-term liabilities**

Between May 31, 2022 and May 31, 2021, other long-term liabilities decreased by \$34,000 due to the total cost of remediation associated with the Newhall Street site in Hamden.

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.

**Long-term debt**

Between May 31, 2022 and May 31, 2021, long-term Water Revenue Bonds payable, at par, increased by \$16.3 million, excluding the current portion. Net premiums and discounts from revenue bonds payable increased \$5.9 million as a result of the 36<sup>th</sup> Series partially offset by amortizations. There was a decrease of \$1.3 million for DWSRF loans payable, less current portion.

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.

**Net pension liability**

Between May 31, 2021 and May 31, 2022, the net pension liability increased by approximately \$6.9 million. This increase is primarily due to the anticipated investment earnings versus the actual returns that were negative year-over-year. Also, attributing to this increase was the higher than anticipated retirements, and other factors. The factors resulting in an increase to the liability were partially offset by the approximately \$1.1 million contribution in excess of the actuarial required contribution. While the pension liability increased from May 31, 2021, the liability is still a reduction of approximately \$2.5 million as compared to the pension liability as of May 31, 2020.

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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**Net other post-employment benefit liability**

Between May 31, 2021 and May 31, 2022, the net other post-employment benefit liability decreased by approximately \$.6 million, primarily due to the lower than anticipated health care costs and the projected health cost trend rates. These factors were partially offset by the negative year-over-year investment returns and the change in the mortality projections.

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.

**Invested in capital, net of related debt**

Between May 31, 2022 and May 31, 2021, the increase in capital net of related debt is primarily due to the remaining balance of bond proceeds for capital projects and a small increase in net utility plant. This is partially offset by the increase in capital related debt. The year-over-year increase is approximately \$14.9 million.

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.

**Net position, restricted**

Restricted net position increased approximately \$10.5 million from May 31, 2021 to May 31, 2022, primarily due to the increase in restricted assets, as described above, net of the remaining bond proceeds, being more than the increase in liabilities payable from restricted assets.

Restricted net position increased by approximately \$3.7 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.

**Unrestricted net position**

Unrestricted net position decreased by approximately \$5.1 million from May 31, 2021 to May 31, 2022 primarily due to the decrease in current assets and other net changes. The decrease in current assets was mostly due to a lower accrued water receivable associated with the conversion to monthly billing. This decrease was partially offset by the unrestricted net position associated with RWA Well Services, LLC.

Between May 31, 2020 and May 31, 2021, unrestricted net position increased by \$2.0 million due to the reduction in unrestricted liabilities being more than the small decrease in current unrestricted assets.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**THE AUTHORITY'S CUSTOMER BASE**

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 120,100 customers, 116,100 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2021 and May 31, 2022, 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 2022 the Authority received approximately \$132.5 million in cash from operations and a combined \$.9 million from earnings on investments and a Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the fiscal 2022 year-end disposition of the Revenue Fund, the Authority had approximately \$24.2 million available after funding required reserves. The Authority transferred 2.3 million into the Growth Fund, and also transferred approximately \$21.9 million to the Construction Fund, including the funding of depreciation. In addition, approximately \$1.4 million of the remaining \$2.5 million of the \$5.5 million transferred into the General Fund as part of the fiscal 2020 year-end disposition was transferred to the Growth Fund. The General Fund can be used for any lawful purpose and the transfer of the \$5.5 million in fiscal 2020 was to provide flexibility to address uncertainties associated with COVID-19. In addition, in fiscal 2022, the Authority contributed to the pension plans approximately \$1.1 million in excess of the actuarial requirement and funded about forty percent of the capital improvement program with internally generated funds. A transfer was also made from RWA Well Services, LLC into the Construction Fund.

**CREDIT RATING**

In December 2021, 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-. These ratings were also verified as still in place on May 2, 2022 in advance of the delayed delivery issuance of the Thirty-six Series B-1 on May 3, 2022.

**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, 2022 and 2021. Comparable information for earlier years is available, as noted below.

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

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**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**MAY 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Utility Plant:		
Depreciable Property, Plant, and Equipment in Service	\$ 939,605,584	\$ 904,362,604
Accumulated Depreciation	<u>(403,863,677)</u>	<u>(384,522,361)</u>
Depreciable Utility Plant in Service	535,741,907	519,840,243
Land	27,993,743	27,993,989
Construction Work in Progress	16,127,142	24,610,997
Intangible Assets, Net	884,618	-
Total Utility Plant, Net	<u>580,747,410</u>	<u>572,445,229</u>
Nonutility Land	64,983,525	64,983,525
Current Assets:		
Cash and Cash Equivalents	35,380,089	34,122,291
Accounts Receivable, Less Allowance for Doubtful Accounts of \$4,272,067 in 2022 and \$4,317,359 in 2021	13,898,389	14,787,484
Accrued Water Revenue	12,291,417	18,590,817
Accrued Interest Receivable	49,582	6,373
Materials and Supplies	2,253,521	1,898,220
Watershed Fund - Investment in Community Foundation Portfolio	1,743,187	2,083,916
Prepaid Expenses and Other Assets	<u>3,770,714</u>	<u>4,011,209</u>
Total Current Assets	69,386,899	75,500,310
Note Receivable	500,000	500,000
Restricted Assets	166,243,979	124,397,151
Regulatory Assets	<u>9,647,482</u>	<u>9,876,593</u>
Total Assets	891,509,295	847,702,808
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Refunding	15,228,033	17,200,566
Deferred Outflows - Goodwill	11,737,212	10,942,120
Deferred Outflows Related to Pensions	3,516,692	2,985,327
Deferred Outflows Related to OPEB	<u>1,977,949</u>	<u>2,293,040</u>
Total Deferred Outflows of Resources	32,459,886	33,421,053

See accompanying Notes to Financial Statements.



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**MAY 31, 2022 AND 2021**

	2022	2021
<b>LIABILITIES</b>		
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	\$ 511,930,000	\$ 495,615,000
Drinking Water Loans Payable	24,017,807	25,330,874
Net Premiums and Discounts from Revenue Bonds Payable	46,990,572	41,092,304
Net Pension Liability	16,601,369	9,651,739
Net OPEB Liability	17,176,905	17,772,589
Total Noncurrent Liabilities	616,716,653	589,462,506
Current Liabilities:		
Current Maturities of Bonds Payable	21,475,000	20,565,000
Current Maturities of Drinking Water Loans Payable	1,313,057	1,287,078
Accounts Payable	4,408,576	3,962,070
Bond Anticipation Notes Payable	50,500	50,500
Customer Deposits and Advances	1,344,037	1,570,542
Other Accrued Liabilities	8,542,721	7,853,930
Total Current Liabilities	37,133,891	35,289,120
Payable from Restricted Assets:		
Accounts Payable for Construction	1,747,098	1,519,934
Accrued Interest Payable	7,410,700	7,209,198
Customer Deposits and Advances	1,153,886	988,108
Total Liabilities Payable from Restricted Assets	10,311,684	9,717,240
Pollution Remediation Obligation	11,000	45,000
Total Liabilities	664,173,228	634,513,866
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	-	6,462,027
Deferred Inflows Related to OPEB	4,089,058	4,764,299
Total Deferred Inflows of Resources	4,089,058	11,226,326
<b>NET POSITION, AS RESTATED</b>		
Net Investment in Capital Assets	84,095,120	69,168,630
Restricted	129,379,224	118,869,505
Unrestricted	42,232,551	47,345,534
Total Net Position	\$ 255,706,895	\$ 235,383,669

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED MAY 31, 2022 AND 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Water Revenues:		
Residential and Commercial	\$ 102,073,907	\$ 103,366,006
Industrial	1,820,356	2,081,601
Fire Protection	12,601,488	12,157,830
Public Authority	3,069,634	2,564,286
Wholesale	871,762	926,606
Other Water Revenues	3,882,591	3,788,568
Other Revenue	10,868,161	9,683,239
Total Operating Revenues	135,187,899	134,568,136
<b>OPERATING EXPENSES</b>		
Operating and Maintenance Expense	56,899,816	54,000,231
Depreciation	23,239,912	24,115,352
Payments in Lieu of Taxes	8,553,885	8,528,101
Other Water Expenses	1,948,409	1,675,379
Cost of Other Revenue	5,319,657	4,129,153
Total Operating Expenses	95,961,679	92,448,216
<b>OPERATING INCOME</b>	39,226,220	42,119,920
<b>NONOPERATING INCOME (EXPENSE)</b>		
Interest Income	1,711,520	254,471
Gain (Loss) on Disposal of Assets	(1,644,134)	(773,354)
Realized and Unrealized Gain on Investments	(349,686)	(29,867)
Interest Expense	(22,082,201)	(22,253,289)
Amortization of Bond Discount, Premium, Issuance Cost, Deferred Losses, and Goodwill	2,333,433	2,385,158
Intergovernmental Revenue	-	844,600
Other Income (Expense), Net	(309,643)	358,003
Total Nonoperating Expense	(20,340,711)	(19,214,278)
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	18,885,509	22,905,642
Capital Contributions	1,437,717	2,310,107
<b>CHANGE IN NET POSITION</b>	20,323,226	25,215,749
Net Position - Beginning of Year, as Restated	235,383,669	210,167,920
<b>NET POSITION - END OF YEAR</b>	\$ 255,706,895	\$ 235,383,669

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Water Sales	\$ 126,761,391	\$ 118,744,251
Cash Received from Other Services	14,902,363	13,167,739
Cash Paid to Employees	(22,336,873)	(21,929,638)
Cash Paid to Suppliers for Operations	(36,380,292)	(35,139,612)
Cash Paid To Suppliers for Other Services	(5,205,523)	(4,198,904)
Cash Paid for Payments in Lieu of Taxes	(8,553,885)	(8,528,101)
Net Cash Provided by Operating Activities	69,187,181	62,115,735
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	1,668,308	342,661
Sale of Restricted Investments - Watershed Fund	-	289,913
Purchase of Restricted Investments	(230,545,208)	(193,493,330)
Sale of Restricted Investments	187,202,983	189,505,564
Other Investing Activities	(1,605,480)	-
Contributions to/from, Net	(100,000)	-
Net Cash Used by Investing Activities	(43,379,397)	(3,355,192)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for Utility Plant	(31,834,531)	(20,534,010)
Proceeds from Disposition of Assets	102,189	158,715
Proceeds from Issuance of Bond Anticipation Notes	101,000	5,951,088
Proceeds from Issuance of Drinking Water Loans	-	5,524,131
Proceeds from Issuance of Revenue Bonds	40,355,000	-
Proceeds from Issuance of Refunding Bonds	21,135,000	-
Premium on Bond Issuance	11,270,108	-
Principal Payments on Revenue Bonds	(20,565,000)	(19,765,000)
Payments on Drinking Water Loans	(1,287,088)	(1,057,534)
Payments on Bond Anticipation Notes	(101,000)	(11,749,311)
Payments for Retirement of Revenue Bonds	(23,964,365)	-
Interest Paid	(21,880,698)	(22,517,645)
Grant Proceeds	-	844,600
Capital Contributions, Net of Restricted Deposit	2,119,399	3,053,030
Net Cash Used by Capital and Related Financing Activities	(24,549,986)	(60,091,936)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,257,798	(1,331,393)
Cash and Cash Equivalents - Beginning of Year	34,122,291	35,453,684
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 35,380,089	\$ 34,122,291

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED MAY 31, 2022 AND 2021**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 39,226,220	\$ 42,119,920
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	23,239,912	24,115,352
Bad Debt Expense	304,733	1,187,798
Other	661,014	385,128
Change in:		
Accounts Receivable and Accrued Water Revenue	6,883,762	(2,582,387)
Materials and Supplies	(355,301)	(222,030)
Prepaid Expenses and Other Assets	182,751	(561,337)
Regulatory Assets	(490,106)	(70,800)
Deferred Outflows of Resources	(216,274)	873,346
Accounts Payable	446,506	335,441
Pension Liability	6,949,630	(9,419,530)
OPEB Liability	(595,684)	(571,950)
Deferred Inflows of Resources	(7,137,268)	6,877,435
Customer Deposits and Advances	(226,505)	355,562
Other Accrued Liabilities	313,791	(706,213)
Total Adjustments	29,960,961	19,995,815
Net Cash Provided by Operating Activities	\$ 69,187,181	\$ 62,115,735

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
STATEMENTS OF FIDUCIARY NET POSITION –  
PENSION TRUST FUND  
MAY 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,153,362	\$ 1,462,920
Investments:		
U.S. Government Securities	334,605	973,293
U.S. Government Agencies	2,405,091	2,539,808
Corporate Bonds	7,670,867	6,553,465
Mutual Funds	54,747,908	59,144,517
Alternative Investments	-	1,155,473
Total Assets	67,311,833	71,829,476
<b>NET POSITION</b>		
Restricted for Pension Benefits	\$ 67,311,833	\$ 71,829,476

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –  
PENSION TRUST FUND  
YEARS ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 4,354,342	\$ 4,265,804
Employees	5,721	5,315
Total Contributions	<u>4,360,063</u>	<u>4,271,119</u>
Investment Earnings:		
Net Change in Fair Value of Investments	(6,087,120)	11,260,053
Realized Gain (Loss) on Sale of Investments	78,895	833,140
Investment Earnings and Other Income	<u>2,512,508</u>	<u>1,934,600</u>
Net Investment Earnings	<u>(3,495,717)</u>	<u>14,027,793</u>
Total Additions	864,346	18,298,912
<b>DEDUCTIONS</b>		
Benefits	5,086,965	4,871,124
Expenses	339,285	319,792
Other	<u>(44,261)</u>	<u>(234)</u>
Total Deductions	<u>5,381,989</u>	<u>5,190,682</u>
<b>CHANGE IN NET POSITION</b>	(4,517,643)	13,108,230
Net Position - Beginning of Year	<u>71,829,476</u>	<u>58,721,246</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 67,311,833</u>	<u>\$ 71,829,476</u>

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
 STATEMENTS OF FIDUCIARY NET POSITION –  
 RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND  
 MAY 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 411,798	\$ 652,274
Investments:		
Mutual Funds	8,680,057	8,861,293
Total Assets	9,091,855	9,513,567
 <b>NET POSITION</b>		
Restricted for Retiree Benefits	\$ 9,091,855	\$ 9,513,567

*See accompanying Notes to Financial Statements.*

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –  
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND  
YEARS ENDED MAY 31, 2022 AND 2021**

	2022	2021
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,734,198	\$ 1,855,418
Retirees	207,483	209,092
Total Contributions	1,941,681	2,064,510
Investment Earnings:		
Net Change in Fair Value of Investments	(790,833)	1,515,858
Realized Loss on Sale of Investments	(46,229)	33,520
Investment Earnings and Other Income	336,422	239,256
Net Investment Earnings	(500,640)	1,788,634
Total Additions	1,441,041	3,853,144
<b>DEDUCTIONS</b>		
Benefits	1,815,778	1,818,909
Expenses	46,975	42,645
Total Deductions	1,862,753	1,861,554
<b>CHANGE IN NET POSITION</b>	(421,712)	1,991,590
Net Position - Beginning of Year	9,513,567	7,521,977
<b>NET POSITION - END OF YEAR</b>	\$ 9,091,855	\$ 9,513,567

See accompanying Notes to Financial Statements.



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**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION**

The South Central Connecticut Regional Water Authority (the Authority) was created, effective July 25, 1977, pursuant to Special Act No. 77-98 (the Act), as amended. Per this enabling legislation, the primary purpose of the Authority is to provide and assure an adequate supply of pure water at a reasonable cost to the South Central Connecticut Regional Water District (the District) and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority. The 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 is consolidated with the Authority's financial statements. Information regarding the Watershed Fund can also be found in Note 6, The Claire C. Bennitt Watershed Fund. Requests for standalone financial statements for the Watershed Fund should be addressed in writing to President, The Claire C. Bennitt Watershed Fund, Inc., 90 Sargent Drive, New Haven, CT 06511.

The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct and invest in certain "non-core" business activities as specifically defined. In 2021, the Authority established RWA Commercial Enterprises, LLC, a wholly-owned subsidiary of the Authority and RWA Well Services, LLC, a wholly-owned subsidiary of RWA Commercial Enterprises, LLC. Two asset purchase transactions were completed in fiscal 2022 and post-transaction, operate under RWA Well Services, LLC. RWA Well Services, LLC is a consolidated entity within the Authority's financial statements. These transactions are part of the Authority's efforts to identify additional revenue sources to mitigate rate pressures.

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. In addition to the entities noted above, this criteria has been considered and has resulted in the inclusion of the fiduciary component units as detailed below.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION (CONTINUED)**

**Fiduciary Component Units**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Accounting**

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

**Regulatory Accounting Policies**

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

As of May 31, 2022, regulatory assets include approximately \$4.5 million of bond issuance costs and \$5.1 million of deferred charges, net of amortization. Included in the approximately \$5.1 million is approximately \$4.1 million associated with estimated environmental remediation costs in the town of Hamden, \$.6 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, 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 historically 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.

The estimated service lives of capital assets are as follows:

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

**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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Materials and Supplies**

Materials and supplies inventories are presented at the lower of 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 postemployment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Goodwill is amortized and is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2022 and 2021, no impairment of goodwill has occurred. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. 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).

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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 through October of fiscal 2022.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Revenue**

Other revenue includes revenue from the PipeSafe suite of offerings, including water, sewer and septic protection plans as well as protection plans with home plumbing, laboratory testing services, fleet repairs, rental income, and miscellaneous charges. Fiscal 2022 other revenue also includes the operating revenue of RWA Well Services, LLC.

**Capital Contributions**

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

**Net Position Flow Assumption**

The Authority's general Bond Resolution prescribes the flow of funds and the manner at which they are expended. The Authority's net position is recorded in accordance with the General Bond Resolution.

**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.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

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

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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*, \$4,780,985 of the Authority's bank balance of \$15,588,703 was exposed to custodial credit risk as of May 31, 2022, as follows:

Uninsured and Uncollateralized	\$ 607,057
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	4,173,928
Total Amount Subject to Custodial Risk	\$ 4,780,985

As of May 31, 2021, \$6,060,426 of the Authority's bank balance of \$11,708,898 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 411,691
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	5,648,735
Total Amount Subject to Custodial Risk	\$ 6,060,426

**Cash Equivalents**

As of May 31, 2022 and 2021, the Authority's cash equivalents amounted to \$170,846,948 and \$143,269,948, 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.



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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

As of May 31, 2022, 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	\$ 334,605	\$ -	\$ 334,605	\$ -
U.S. Government Agencies	Aaa	12,071,044	703,108	11,367,936	-
Corporate Bonds	Aaa	125,786	-	125,786	-
Corporate Bonds	Aa1	399,806	-	399,806	-
Corporate Bonds	Aa3	91,428	-	91,428	-
Corporate Bonds	A1	772,864	-	772,864	-
Corporate Bonds	A2	2,121,735	199,872	1,921,863	-
Corporate Bonds	A3	2,612,710	804,068	1,808,642	-
Corporate Bonds	Baa1	621,041	-	621,041	-
Corporate Bonds	Baa2	925,497	249,851	675,646	-
Other Investments:					
Mutual Funds	No Rating	63,519,054			
Total Investments		<u>\$ 83,595,570</u>			

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		1,155,473			
Total Investments		<u>\$ 83,762,865</u>			

**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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2022 and 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.

**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, 2022:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	\$ 334,605	\$ -	\$ 334,605	\$ -
U.S. Government Agencies	12,071,044	-	12,071,044	-
Corporate Bonds	7,670,867	-	7,670,867	-
Mutual Funds	63,519,054	63,519,054	-	-
Total Investments by Fair Value Level	83,595,570	\$ 63,519,054	\$ 20,076,516	\$ -
Investments Measured at the Net Asset Value (NAV):	-			
Total Investments	\$ 83,595,570			

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value (Continued)**

The Authority has the following recurring fair value measurements as of May 31, 2021:

	Total	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			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

The Authority did not have any investments measured at net asset value (NAV) as of May 31, 2022.

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

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

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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value (Continued)**

**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.

**NOTE 4 CAPITAL ASSETS**

The following is a summary of utility plant for the year ended May 31, 2022:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 27,993,989	\$ -	\$ -	\$ (246)	\$ 27,993,743
Construction Work in Progress	24,610,997	32,260,714	(40,618,859)	(125,710)	16,127,142
Total Capital Assets Not Being Depreciated	52,604,986	32,260,714	(40,618,859)	(125,956)	44,120,885
Other Capital Assets:					
Source of Supply	60,625,157	-	843,253	(1,357,714)	60,110,696
Pumping Structures and Equipment	40,557,699	-	3,373,791	(1,121,128)	42,810,362
Water Treatment Plant and Equipment	201,022,799	-	7,500,225	(1,953,625)	206,569,399
Transmission and Distribution	513,785,435	-	17,132,273	(566,799)	530,350,909
General Plant	88,371,514	499,976	11,769,317	(876,589)	99,764,218
Intangible Assets	-	907,700	-	-	907,700
Total Other Capital Assets	904,362,604	1,407,676	40,618,859	(5,875,855)	940,513,284
Less: Accumulated Depreciation:					
Source of Supply	15,570,906	793,578	-	(408,182)	15,956,302
Pumping Structures and Equipment	26,517,023	1,396,310	-	(1,120,887)	26,792,446
Water Treatment Plant and Equipment	117,226,099	6,421,430	-	(1,419,512)	122,228,017
Transmission and Distribution	150,709,847	9,336,230	-	(346,077)	159,700,000
General Plant	74,498,486	5,484,077	-	(795,651)	79,186,912
Intangible Assets	-	23,082	-	-	23,082
Total Accumulated Depreciation	384,522,361	23,454,707	-	(4,090,309)	403,886,759
Total Other Capital Assets - Net	519,840,243	(22,047,031)	40,618,859	(1,785,546)	536,626,525
Utility Plant - Net	<u>\$ 572,445,229</u>	<u>\$ 10,213,683</u>	<u>\$ -</u>	<u>\$ (1,911,502)</u>	<u>\$ 580,747,410</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

The following is a summary of utility plant for the year ended May 31, 2021:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
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

During fiscal years 2022 and 2021, the Authority retired assets with accumulated depreciation totaling approximately \$4.1 million and \$1.5 million, respectively.

**NOTE 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 5 RESTRICTED ASSETS (CONTINUED)**

**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.

**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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 5 RESTRICTED ASSETS (CONTINUED)**

**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, 2022 and 2021, 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 are as follows:

	<u>2022</u>	<u>2021</u>
Construction	\$ 84,305,917	\$ 42,733,365
Debt Reserve	20,720,856	21,027,397
Debt Service	30,398,876	29,216,263
Payments-in-Lieu-of-Taxes (PILOT)	3,726,553	3,772,984
Operating Reserve	10,581,948	10,185,714
Capital Contingency	6,043,645	6,061,090
Rate Stabilization	10,000,000	10,000,000
Other Purposes	466,184	1,400,338
Restricted Assets	<u>\$ 166,243,979</u>	<u>\$ 124,397,151</u>

The level of funds required by the General Bond Resolution was met on May 31, 2022 and 2021.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 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(s) 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 2022, the Watershed Fund reimbursed the Authority approximately \$2,566 for repairs of a vehicle, originally granted to the Authority, and also directly paid \$7,500 to the third party performing such repairs. 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 \$1,860,017 and \$2,169,660 as of May 31, 2022 and 2021, respectively. The Authority donated goods and services to the Watershed Fund totaling \$18,579 and \$10,146 for the years ended May 31, 2022 and 2021, respectively.

As discussed in Note 1, the Watershed Fund has been consolidated in the Authority's financial statements.

**NOTE 7 LONG-TERM LIABILITIES**

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

2022	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	\$ 516,180,000	\$ 61,490,000	\$ (44,265,000)	\$ 533,405,000	\$ 21,475,000
Net Bond Premiums and Discounts	41,092,304	11,270,110	(5,371,842)	46,990,572	-
Total Bonds Payable	<u>557,272,304</u>	<u>72,760,110</u>	<u>(49,636,842)</u>	<u>580,395,572</u>	<u>21,475,000</u>
Drinking Water Loans	26,617,952	-	(1,287,088)	25,330,864	1,313,057
Net Pension Liability	9,651,739	6,949,630	-	16,601,369	-
Net OPEB Liability	17,772,589	-	(595,684)	17,176,905	-
Total	<u>\$ 611,314,584</u>	<u>\$ 79,709,740</u>	<u>\$ (51,519,614)</u>	<u>\$ 639,504,710</u>	<u>\$ 22,788,057</u>



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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

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	<u>\$ 641,010,400</u>	<u>\$ 5,524,131</u>	<u>\$ (35,219,947)</u>	<u>\$ 611,314,584</u>	<u>\$ 21,852,078</u>

**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:

2022	Issuance Date	Original Maturity Date	Original Principal	Original Interest Rate	Balance May 31, 2022
Twentieth A (Refunding Bonds)	2007	2030	\$ 63,330,000	4.000%-5.250%	\$ 12,520,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-Seventh (Refunding Bonds)	2012	2033	69,125,000	2.000%-5.000%	850,000
Twenty-Eighth A	2013	2043	31,690,000	1.000%-5.000%	750,000
Twenty-Eighth B (Refunding Bonds)	2013	2029	62,305,000	2.000%-5.000%	3,350,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	20,475,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	11,515,000
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%	7,150,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	15,395,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	138,235,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,695,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	32,850,000
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%	11,315,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	82,095,000
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%	53,105,000
Thirty-sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,925,000
Thirty-sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	17,385,000
Total			<u>\$ 533,405,000</u>		<u>\$ 533,405,000</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Revenue Bonds Payable (Continued)**

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
Total					<u>\$ 516,180,000</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, August 2021, and February 2022 payments. The percent is subject to further change. The interest subsidy received totaled approximately \$657 thousand dollars for the fiscal year ended May 31, 2022.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Revenue Bonds Payable (Continued)**

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

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 21,475,000	\$ 21,884,284
2024	22,565,000	20,963,923
2025	23,645,000	19,883,855
2026	24,785,000	18,744,294
2027	25,845,000	17,683,048
2028-2032	145,850,000	71,801,352
2033-2037	137,570,000	41,706,111
2038-2042	86,295,000	16,849,198
2043-2047	30,030,000	5,971,137
2048-2052	15,345,000	1,331,223
Total	<u>\$ 533,405,000</u>	<u>\$ 236,818,425</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 2022 and 2021. 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, 2022 and 2021, the Authority was in compliance with the requirements of the *General Bond Resolution*.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**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 2022, the Authority authorized approximately \$24.2 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately \$21.9 million to be transferred from the General Fund to the Construction Fund and approximately \$2.3 million to be transferred to the Growth Fund. In addition, approximately \$1.4 million from the existing General Fund balance was transferred to the Growth Fund. While not governed under the *General Bond Resolution*, a transfer was also made from RWA Well Services, LLC to the Authority's Construction Fund.

**Defeasance of Long-Term Debt**

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 effected 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, 2022, the remaining principal of the defeased debt was \$75,765,000. The balance in escrow for the refunding issuance was \$76,458,593 at May 31, 2022. The call date on the defeased bonds was August 1, 2022.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Defeasance of Long-Term Debt (Continued)**

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 effected 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, 2022, the remaining principal of the defeased debt was \$47,245,000. The balance in escrow for the refunding issuance was \$50,667,738 at May 31, 2022.

On January 5, 2022, the Authority issued \$3,750,000 (par value) of Revenue Refunding Bonds Thirty-six Series A-1, to refund the outstanding principal amount of \$4,470,000 of the Authority's Twenty-second Series Bonds. The refunding reduced total debt service payments by \$1,553,142 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,278,549. The Authority deposited the proceeds of the refunding portion of the Thirty-six Series A-1 issuance for the current refunding of the remaining maturity of the Twenty-second Series. There is no remaining escrow balance as of May 31, 2022.

On May 3, 2022, the Authority issued \$17,385,000 (par value) of Water System Revenue Refunding Bonds Thirty-six Series B-1 to refund the outstanding principal amount of \$19,230,000 of certain maturities of the Authority's Twenty-eighth Series A and B. The refunding reduced total debt service payments by \$1,209,539 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,124,028. As of May 31, 2022, the remaining principal balance of the defeased debt was \$19,230,000. The balance in escrow for the refunding issuance was \$19,563,533. The call date on the defeased bonds was August 1, 2022.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**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>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>
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	1,422,323	385,359
2028-2032	7,554,012	1,484,397
2033-2037	8,270,256	691,080
2038-2042	2,670,876	72,092
Total	<u>\$ 25,330,864</u>	<u>\$ 4,450,256</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.

**NOTE 8 BOND ANTICIPATION NOTES PAYABLE**

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. This note matured in October 2021 and was re-issued and \$50,500 was drawn. This note matured in April 2022 and \$50,500 was drawn. The principal balance as of May 31, 2022, is \$50,500.

Bond anticipation note transactions for the year ended May 31, 2022, were as follows:

Outstanding, May 31, 2021	\$ 50,500
New Borrowings	101,000
Repayments	(101,000)
Outstanding, May 31, 2022	<u>\$ 50,500</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 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 2022 entered a two-year agreement, consistent with the prior agreements. 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 as of May 31, 2022, is shown below:

Equipment	\$ 88,159
Less: Accumulated Depreciation	(10,285)
Total	<u>\$ 77,874</u>

Future minimum lease payments and the net present value of the minimum lease payments as of May 31, 2022, were as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2023	<u>\$ 62,445</u>
Capital Lease Obligation	<u>\$ 62,445</u>

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, 2022, 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, 2022 and 2021, was \$55,024 and \$54,061, 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, 2022, the termination fee would be \$16,080. An additional five-year technology related agreement has a termination fee of \$266,041 as of May 31, 2022.

RWA Well Services, LLC has entered into two operating leases for rental space. Based on the contract terms, the lease entered into December 2021 with rental beginning in January 2022, has an obligation for the first five years rent and an early termination penalty of \$110,000, unless a suitable replacement tenant, as defined within the agreement, is found by either the landlord or the tenant. As of May 31, 2022, the combined maximum obligation is \$385,000, including estimated Common Area Maintenance (CAM) fees. Under the contract terms of the lease assumed in May 2022, the remaining obligation as of May 31, 2022, is \$51,801.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 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:

**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 was re-developing the site for a small business incubator, including renovating the building and creating paved parking. In August 2014, the Authority 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 Environmental Land Use Restriction (ELUR) application process was delayed due to a change in ownership in April 2021. The application was subsequently amended, including obtaining all necessary subordination agreements. In July 2022, DEEP approved the ELUR and it was recorded on the municipal land records.



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 10 POLLUTION REMEDIATION OBLIGATION – NEWHALL STREET PROPERTY, HAMDEN  
(CONTINUED)**

**Alternative Cleanup Criteria Submittal (Continued)**

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, which was completed in fiscal 2018. The Authority 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 Authority 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 Three 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 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 land-owners needed to sign onto the ELURs. Others with an interest in the properties, including mortgage and easement holders, needed to enter into subordination agreements. The ELURs are filed on the town land records with notifications to local agencies and chief elected officials.

All of the four required ELURs, consisting of the aforementioned residential properties, were approved and recorded on the Hamden land records. The ELURs demonstrate compliance with the RSRs and ensure that future site users can identify the nature and physical boundaries of contaminants legally buried in place at concentrations above the RSRs.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 10 POLLUTION REMEDIATION OBLIGATION – NEWHALL STREET PROPERTY, HAMDEN  
(CONTINUED)**

**Alternative Cleanup Criteria Submittal (Continued)**

**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. Four consecutive quarters of sampling demonstrated that the groundwater quality complies with the RSRs for GAA ground water classification areas, as defined in the Connecticut Water Quality Standards. In August 2022, a closure report was submitted to DEEP for their review documenting that the Order Area has been fully investigated and remediated in accordance with the RSRs and that all obligations of Order SRD-128 have been satisfied by the Authority. Final release from the Consent Order is pending a review and response from DEEP.

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 estimated future outlays are inconsequential.

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. Between fiscal 2018 and fiscal 2021 there have been relatively small updates both up and down to the estimates. 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 and as of May 31, 2022, the remaining obligation is estimated at approximately \$11,000.

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

**NOTE 11 HAZWASTE CENTRAL**

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

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 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.

**Capital Commitments**

As of May 31, 2022, the Authority has an estimated \$13.5 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 \$2,798,844 letter of credit that expires March 1, 2023.

**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, 2022 and 2021, were as follows:

2022	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	\$ 588,735	\$ (5,148,789)	\$ 5,122,798	\$ 562,744
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,378,139	(748,624)	680,790	2,310,305
Insurance Reserve (Pre October 1, 2000)	410,412	(97,802)	56,676	369,286
Total Liability	<u>\$ 3,377,286</u>	<u>\$ (5,995,215)</u>	<u>\$ 5,860,264</u>	<u>\$ 3,242,335</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Self-Insurance (Continued)**

2021	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
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>

**NOTE 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, 2022, 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	173	113
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	65	34
Current Active Members	72	75
Total Members	<u>310</u>	<u>222</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Plan Description (Continued)**

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, 2022, the Authority contributed approximately \$1.1 million in excess of the actuarial required contribution, and for the year ended May 31, 2021, the Authority contributed approximately \$1.1 million in excess of the required contribution.

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**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Funding Policy (Continued)

The individual plan net position at May 31, 2022, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,641,512	\$ 511,850	\$ 2,153,362
Investments:			
U.S. Government Securities	195,186	139,419	334,605
U.S. Government Agencies	1,485,592	919,499	2,405,091
Corporate Bonds	4,716,253	2,954,614	7,670,867
Mutual Funds	34,013,601	20,734,307	54,747,908
Total Assets	<u>42,052,144</u>	<u>25,259,689</u>	<u>67,311,833</u>
<b>NET POSITION</b>			
Restricted for Pension Benefits	<u>\$ 42,052,144</u>	<u>\$ 25,259,689</u>	<u>\$ 67,311,833</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,124,817	\$ 1,229,525	\$ 4,354,342
Employees	5,721	-	5,721
Total Contributions	<u>3,130,538</u>	<u>1,229,525</u>	<u>4,360,063</u>
Investment Earnings:			
Net Change in Fair Value of Investments	(3,785,391)	(2,301,729)	(6,087,120)
Realized Loss on Sale of Investments	47,637	31,258	78,895
Investment Earnings and Other Income	1,558,473	954,035	2,512,508
Net Investment Earnings	<u>(2,179,281)</u>	<u>(1,316,436)</u>	<u>(3,495,717)</u>
Total Additions	951,257	(86,911)	864,346
<b>DEDUCTIONS</b>			
Benefits	3,360,544	1,726,421	5,086,965
Expenses	210,893	128,392	339,285
Other	(25,446)	(18,815)	(44,261)
Total Deductions	<u>3,545,991</u>	<u>1,835,998</u>	<u>5,381,989</u>
<b>CHANGE IN NET POSITION</b>	(2,594,734)	(1,922,909)	(4,517,643)
Net Position - Beginning of Year	<u>44,646,878</u>	<u>27,182,598</u>	<u>71,829,476</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 42,052,144</u>	<u>\$ 25,259,689</u>	<u>\$ 67,311,833</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

**Funding Policy (Continued)**

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

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
<b>ASSETS</b>			
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
Total Assets	<u>44,646,878</u>	<u>27,182,598</u>	<u>71,829,476</u>
<b>NET POSITION</b>			
Restricted for Pension Benefits	<u>\$ 44,646,878</u>	<u>\$ 27,182,598</u>	<u>\$ 71,829,476</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,110,873	\$ 1,154,931	\$ 4,265,804
Employees	4,865	450	5,315
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	11,773,115	6,525,797	18,298,912
<b>DEDUCTIONS</b>			
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>
<b>CHANGE IN NET POSITION</b>	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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 44,646,878</u>	<u>\$ 27,182,598</u>	<u>\$ 71,829,476</u>

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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**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, 2022 and 2021, the associated targets were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	30 %
US Equity	38
Global	4
International Equity	13
Alternatives, Hedge, and Swing	15
Total	<u>100 %</u>

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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was negative 4.9% for the salaried plan and negative 4.9% for the bargaining unit plan. 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. 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, 2022, were as follows:

	<u>Salaried Plan</u>	<u>Bargaining Unit Plan</u>
Total Pension Liability	\$ 53,481,062	\$ 30,432,140
Plan Fiduciary Net Position	42,052,144	25,259,689
Net Pension Liability	<u>\$ 11,428,918</u>	<u>\$ 5,172,451</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 78.63%	 83.00%



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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%

**Actuarial Assumptions**

The total pension liability as of May 31, 2022, was determined by an actuarial valuation as of January 1, 2021, rolled forward to May 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The total pension liability as of May 31, 2021, was determined by an actuarial valuation as of January 1, 2020, rolled forward to May 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for the year ended May 31, 2022, for the Salaried Plan were based on the PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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.

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, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
US Equity	8.0
Global	8.0
International Equity	8.0
Alternatives, Hedge, and Swing	6.3

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 Rate of Return
Fixed Income	3.4 %
Equity	7.6
Alternative, Hedge, and Balanced	5.9

**Discount Rate**

The discount rate used to measure the total pension liability as of May 31, 2022, 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, 2021, for the salaried plan was 6.75% and for the bargaining unit plan 6.75%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2022 and 2021, 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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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liability**

Changes in the net pension liability at May 31, 2022, were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2021	\$ 51,782,796	\$ 44,646,878	\$ 7,135,918
Changes for the Year:			
Service Cost	519,885	-	519,885
Interest on Total Pension Liability	3,356,740	-	3,356,740
Differences Between Expected and Actual			
Experience	1,098,396	-	1,098,396
Changes in Assumptions	83,789	-	83,789
Employer Contributions	-	3,124,817	(3,124,817)
Member Contributions	-	5,721	(5,721)
Net Investment Gain	-	(2,179,281)	2,179,281
Benefit Payments, Including Refund to			
Employee Contributions	(3,360,544)	(3,360,544)	-
Administrative Expenses	-	(210,893)	210,893
Other	-	25,446	(25,446)
Net Changes	<u>1,698,266</u>	<u>(2,594,734)</u>	<u>4,293,000</u>
Balances - May 31, 2022	<u>\$ 53,481,062</u>	<u>\$ 42,052,144</u>	<u>\$ 11,428,918</u>
	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2021	\$ 29,698,419	\$ 27,182,598	\$ 2,515,821
Changes for the Year:			
Service Cost	129,241	-	129,241
Interest on Total Pension Liability	1,942,609	-	1,942,609
Differences Between Expected and Actual			
Experience	131,988	-	131,988
Changes in Assumptions	61,809	-	61,809
Changes in Benefit Terms	194,495	-	194,495
Employer Contributions	-	1,229,525	(1,229,525)
Net Investment Gain	-	(1,316,436)	1,316,436
Benefit Payments, Including Refund to			
Employee Contributions	(1,726,421)	(1,726,421)	-
Administrative Expenses	-	(128,392)	128,392
Other	-	18,815	(18,815)
Net Changes	<u>733,721</u>	<u>(1,922,909)</u>	<u>2,656,630</u>
Balances - May 31, 2022	<u>\$ 30,432,140</u>	<u>\$ 25,259,689</u>	<u>\$ 5,172,451</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

Changes in the net pension liability at May 31, 2021, were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - 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	<u>2,584,355</u>	<u>8,383,655</u>	<u>(5,799,300)</u>
Balances - May 31, 2021	<u>\$ 51,782,796</u>	<u>\$ 44,646,878</u>	<u>\$ 7,135,918</u>
	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - 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	<u>1,104,345</u>	<u>4,724,575</u>	<u>(3,620,230)</u>
Balances - May 31, 2021	<u>\$ 29,698,419</u>	<u>\$ 27,182,598</u>	<u>\$ 2,515,821</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**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, 2022, 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	\$ 16,434,976	\$ 11,428,918	\$ 7,105,159
Bargaining Unit Plan	\$ 8,352,082	\$ 5,172,451	\$ 2,449,950

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
Bargaining Unit Plan	\$ 5,714,664	\$ 2,515,821	\$ (214,754)

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

For the years ended May 31, 2022 and 2021, the Authority recognized pension expense of \$4,310,579 and \$3,021,593, respectively. At May 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2022		
	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	\$ 1,018,142	\$ 127,595	\$ 1,145,737
Changes of Assumptions	344,842	448,691	793,533
Difference Between Projected and Actual Earning on Pension Plan Investments	990,681	586,741	1,577,422
Total	<u>\$ 2,353,665</u>	<u>\$ 1,163,027</u>	<u>\$ 3,516,692</u>
	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>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2023	\$ 1,882,162
2024	320,840
2025	(340,074)
2026	1,653,764
Total	<u>\$ 3,516,692</u>

**NOTE 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, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Employer Contributions	\$ 903,928	\$ 695,333
Employee Contributions	2,096,940	1,997,414

**NOTE 15 OTHER POSTEMPLOYMENT 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

**Plan Description (Continued)**

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

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

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

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

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

	Retiree Health Plan
Retired Members	162
Spouses of Retired Members	81
Active Plan Members	136
Members Death Benefits Only	149
Total Participants	528

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.



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

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

Funding Policy

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

Union Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.
- Employees who retired on or before April 15, 2006, receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.
- Employees who retire after April 15, 2006, and who were hired before January 1, 2006, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2005. Retirees and qualifying dependents are responsible for costs above \$158.14 per individual per month for the Medicare Supplemental Plan and \$78.00 per individual per month for Medicare Part B.
- Retired employees who were hired on or after January 1, 2006, are entitled to continue in the group health coverage by paying the entire monthly cost for the appropriate coverage based on their age.

Nonunion Employees and Spouses:

- Until they are eligible for Medicare, retired employees under 65 are subject to the same contribution levels and increases in contributions as active employees.
- Employees who retired on or before January 1, 2006, receive full benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and spouse if qualified.
- Employees who retire after January 1, 2006, and who were hired before January 1, 2005, receive benefits from the Medicare Supplemental Plan F (or comparable coverage) and Medicare Part B reimbursement for pensioner and for such of their dependents as qualified at levels in place as of December 31, 2004. Retirees and qualifying dependents are responsible for costs above \$158.14 per individual per month for the Medicare Supplemental Plan and \$66.60 per individual per month for Medicare Part B.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

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

Funding Policy (Continued)

Nonunion Employees and Spouses (Continued):

- 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 \$1,734,198 for the fiscal year ended May 31, 2022. 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, 2022 and 2021, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30 %
US Equity	38
Global	4
International Equity	13
Alternatives, Hedge, and Swing	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, 2022 and 2021, the annual money-weighted rate of return on investments, net of investment expense, was negative 5.24% and positive 23.46%, 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

**Net OPEB Liability of the Authority**

The Authority’s net OPEB liability was measured as of May 31, 2022 and 2021. The components of the net OPEB liability of the Authority at May 31, 2022, were as follows:

Total OPEB Liability	\$ 26,268,760
Plan Fiduciary Net Position	9,091,855
Net OPEB Liability	<u>\$ 17,176,905</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	34.61%
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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	9,513,567
Net OPEB Liability	<u>\$ 17,772,589</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	34.87%
--	--------

**Actuarial Assumptions**

The total OPEB liability for May 31, 2022, was determined by an actuarial valuation as of January 1, 2022, rolled forward to May 31, 2022, 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	6.10% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 3.94% Per Year

The total OPEB liability for May 31, 2021, was determined by an actuarial valuation as of January 1, 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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

**Actuarial Assumptions (Continued)**

Mortality rates for the year ended May 31, 2022, were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

Mortality rates for the year ended May 31, 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.

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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Fixed Income	3.8 %
US Equity	8.0
Global	8.0
International Equity	8.0
Alternatives, Hedge, and Swing	6.3

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Fixed Income	3.4 %
Equity	7.6
Alternative, Hedge, and Balanced	5.9

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.75% for the years ended May 31, 2022 and 2021. 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

**Changes in the Net Pension Liability**

	2022		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2021	\$ 27,286,156	\$ 9,513,567	\$ 17,772,589
Changes for the Year:			
Service Cost	201,622	-	201,622
Interest	1,763,676	-	1,763,676
Differences Between Expected and Actual			
Experience	(1,108,387)	-	(1,108,387)
Changes in Assumptions	(266,012)	-	(266,012)
Benefit Payments, Including Refund to			
Employee Contributions	(1,815,778)	(1,815,778)	-
Contributions - Employer	-	1,734,198	(1,734,198)
Contributions - Retiree	207,483	207,483	-
Net Investment Income	-	(500,640)	500,640
Administrative Expense	-	(46,975)	46,975
Net Changes	<u>(1,017,396)</u>	<u>(421,712)</u>	<u>(595,684)</u>
Balances - May 31, 2022	<u>\$ 26,268,760</u>	<u>\$ 9,091,855</u>	<u>\$ 17,176,905</u>

	2021		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - 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 Refund to			
Employee 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	<u>1,419,640</u>	<u>1,991,590</u>	<u>(571,950)</u>
Balances - May 31, 2021	<u>\$ 27,286,156</u>	<u>\$ 9,513,567</u>	<u>\$ 17,772,589</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2022, 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	\$ 19,134,041	\$ 17,176,905	\$ 15,444,603

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

**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, 2022, 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 (5.10% Decreasing to 2.94%)	Healthcare Cost Trend Rates (6.10% Decreasing to 3.94%)	1% Increase (7.10% Decreasing to 4.94%)
Net OPEB Liability	\$ 15,288,169	\$ 17,176,905	\$ 19,318,131

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

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

For the years ended May 31, 2022 and 2021, the Authority recognized OPEB expense of \$778,365 and \$858,929, respectively. At May 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 183,800	\$ 3,836,451
Changes of Assumptions	1,539,341	252,607
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	254,808	
Total	\$ 1,977,949	\$ 4,089,058
	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	\$ 2,293,040	\$ 4,764,299

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

Year Ending May 31,	Amount
2023	\$ (598,075)
2024	(762,463)
2025	(519,191)
2026	68,353
2027	(182,790)
Thereafter	(116,943)
Total	\$ (2,111,109)

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)**

**Actuarial Valuations**

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

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

In the January 1, 2022, actuarial valuation, the frozen entry age normal actuarial funding method was used with a healthcare cost trend of 6.10% graded down by the Getzen Model to an ultimate rate of 3.94% annually and a discount rate of 6.75%.

**NOTE 16 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 31, 2022, the date the financial statements were available to be issued.

In August 2022, the Authority entered into two DWSRF project loan obligations, totaling \$1,476,663 at a 2% interest rate. Associated with this financing was a total of \$489,584 in subsidies. This financing will reimburse the Authority for the costs associated with two capital projects, required reserves, and cost of issuance.



**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2022 AND 2021**

**NOTE 17 RESTATEMENT**

The Authority previously reported Goodwill as a deferred outflow of resources, however this balance was not attributed to future periods in a systematic and rational manner. As of June 1, 2020, the Authority began to retrospectively amortize the goodwill, going back to the date of inception in 2008. In addition, the Authority previously excluded the blended component unit, the Watershed Fund, from its financial statements. As of June 1, 2021, the Watershed Fund will now be included as a blended component unit in the Authority's financial statements. For both items, the 2021 financial statements have been restated to be consistent with the 2022 presentation. The impact of these restatements are as follows:

	Balance as Previously Reported at 5/31/2021	Goodwill Restatement	Watershed Fund Restatement	Balance as Restated 5/31/2021
Assets	\$ 845,470,248	\$ -	\$ 2,232,560	\$ 847,702,808
Deferred Outflows of Resources	36,902,637	(3,481,584)	-	33,421,053
Liabilities	634,450,966	-	62,900	634,513,866
Net Position as of 6/1/20	211,589,162	(3,232,899)	1,811,657	210,167,920
Net Position as of 5/31/21	236,695,593	(3,481,584)	2,169,660	235,383,669
Change in Net Position as of 5/31/21	25,106,431	(248,685)	358,003	25,215,749

**NOTE 18 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 affect 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, 2022 AND 2021**

**NOTE 18 FUTURE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)  
STATEMENTS (CONTINUED)**

**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.

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

	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability:								
Service Cost	\$ 675,452	\$ 681,501	\$ 656,669	\$ 748,940	\$ 729,789	\$ 606,804	\$ 507,879	\$ 519,885
Interest	2,611,307	2,930,309	2,930,761	2,925,239	2,997,121	3,178,341	3,311,644	3,356,740
Differences Between Expected and Actual								
Experience	714,740	592,405	979,655	166,471	1,923,819	1,090,249	808,104	1,098,396
Changes in Assumptions	3,703,809	494,742	(2,323,594)	(204,280)	(86,868)	279,005	914,472	83,789
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)	(3,360,544)
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	1,698,266
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	51,782,796
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	53,481,062
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	3,124,817
Contributions - Member	15,624	14,693	10,810	10,918	8,287	5,079	4,865	5,721
Net Investment Income (Loss)	712,038	(287,080)	2,810,914	2,372,221	852,590	1,679,215	8,657,377	(2,179,281)
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)	(3,360,544)
Administrative Expense	(30,552)	(133,601)	(136,687)	(165,402)	(168,432)	(173,577)	(194,562)	(210,893)
Other	-	(61,573)	87,206	11,846	(23,335)	11,129	(614)	25,446
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	(2,594,734)
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	44,646,878
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	42,052,144
Net Pension Liability - Ending	\$ 19,151,198	\$ 19,932,192	\$ 14,412,319	\$ 11,477,585	\$ 12,603,742	\$ 12,935,218	\$ 7,135,918	\$ 11,428,918
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%	78.63%
Covered Payroll	\$ 8,694,151	\$ 8,590,395	\$ 9,290,589	\$ 9,475,823	\$ 9,160,530	\$ 8,465,818	\$ 7,388,009	\$ 7,236,172
Net Pension Liability as a Percentage of Covered Payroll	220.28%	232.03%	155.13%	121.12%	137.59%	152.79%	96.59%	157.94%

\*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 POSITION LIABILITY AND RELATED RATIOS**  
**BARGAINING UNIT PLAN**  
**LAST EIGHT FISCAL YEARS\***

	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability:								
Service Cost	\$ 171,017	\$ 166,226	\$ 155,949	\$ 143,110	\$ 129,285	\$ 120,416	\$ 125,901	\$ 129,241
Interest	1,718,773	1,802,098	1,799,197	1,695,294	1,745,484	1,766,348	1,935,401	1,942,609
Differences Between Expected and Actual Experience	(311,677)	(110,990)	406,966	520,588	(41,862)	277,635	4,344	131,988
Changes of Assumptions	1,292,075	303,196	(2,610,404)	(242,533)	(50,037)	1,533,894	528,267	61,809
Changes In Benefits	-	120,432	83,206	-	207,281	175,513	187,272	194,495
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)	(1,726,421)
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	733,721
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	29,698,419
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	30,432,140
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	1,229,525
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	(1,316,436)
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)	(1,726,421)
Administrative Expense	(23,872)	(98,084)	(101,257)	(123,799)	(111,091)	(108,698)	(125,230)	(128,392)
Other	-	(24,768)	46,960	10,270	(19,010)	8,727	848	18,815
Net Change in Plan Fiduciary Net Position	955,893	678,666	2,813,920	1,615,897	6,968	786,802	4,724,575	(1,922,909)
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	27,182,598
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	25,259,689
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	\$ 5,172,451
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%	83.00%
Covered Payroll	N/A	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	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  
SALARIED PLAN  
LAST TEN FISCAL YEARS**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 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	\$ 2,142,513
Contributions in Relation to the Actuarially Determined Contribution	1,758,700	2,329,754	2,689,635	4,385,524	5,001,252	4,341,521	3,897,275	3,301,077	3,110,873	3,124,817
Contribution Excess	\$ -	\$ -	\$ -	\$ (1,636,089)	\$ (1,644,738)	\$ (1,692,819)	\$ (1,517,672)	\$ (910,543)	\$ (1,021,487)	\$ (982,304)
Covered Payroll	\$ 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	\$ 7,236,172
Contributions as a Percentage of Covered Payroll	18.22%	25.17%	30.94%	51.05%	53.83%	45.82%	42.54%	38.99%	42.11%	43.18%

**Notes to Schedule:**

Valuation Date January 1, 2022  
Measurement Date May 31, 2022

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:**

Aggregate Actuarial Cost 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	Above

**Mortality**

In the 2022 actuarial valuation, assumed life expectancies were calculated using the PubG:2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 generational mortality improvement.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 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	\$ 1,077,926
Contributions in Relation to the Actuarially Determined Contribution	1,114,700	1,454,957	1,708,765	2,212,476	2,175,166	1,519,216	1,239,632	1,314,032	1,154,931	1,229,525
Contribution Excess	\$ -	\$ -	\$ -	\$ (505,312)	\$ (359,780)	\$ (392,883)	\$ (321,337)	\$ (473,110)	\$ (73,074)	\$ (151,599)
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, 2022  
Measurement Date May 31, 2022

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:**

Aggregate Actuarial Cost 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

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	Above

Mortality

In the 2022 actuarial valuation, assumed life expectancies were calculated using the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 generational mortality improvement.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY  
SCHEDULE OF INVESTMENT RETURNS – PENSION  
LAST EIGHT FISCAL YEARS\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>SALARIED PLAN</b>								
Annual Money-Weighted Rate of Return, Net of Investment Expense	3.28%	(1.22)%	11.29%	8.03%	2.59%	4.86%	23.96%	-4.90%
<b>BARGAINING UNIT PLAN</b>								
Annual Money-Weighted Rate of Return, Net of Investment Expense	2.36%	(1.17)%	11.47%	8.32%	2.41%	4.84%	24.26%	-4.90%

\*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 FIVE FISCAL YEARS\***

	2018	2019	2020	2021	2022
Total OPEB Liability:					
Service Cost	\$ 248,822	\$ 269,556	\$ 237,267	\$ 221,700	\$ 201,622
Interest	1,939,224	2,004,070	1,820,624	1,737,439	1,763,676
Differences Between Expected and Actual Experience	981,536	(4,053,660)	(1,439,393)	(862,322)	(1,108,387)
Changes in Assumptions	(139,795)	620,017	(1,813)	1,932,640	(266,012)
Benefit Payments, Including Refunds of Member Contributions	(2,060,052)	(1,749,662)	(1,988,168)	(1,818,909)	(1,815,778)
Contributions - Retiree	-	197,813	213,385	209,092	207,483
Net Change in Total OPEB Liability	969,735	(2,711,866)	(1,158,098)	1,419,640	(1,017,396)
Total OPEB Liability - Beginning	28,766,745	29,736,480	27,024,614	25,866,516	27,286,156
Total OPEB Liability - Ending	29,736,480	27,024,614	25,866,516	27,286,156	26,268,760
Plan Fiduciary Net Position:					
Contributions - Employer	2,289,292	2,310,104	2,027,798	1,855,418	1,734,198
Contributions - Retiree	187,448	197,813	213,385	209,092	207,483
Net Investment Income	441,966	189,085	310,380	1,788,634	(500,640)
Benefit Payments, Including Refunds of Member Contributions	(2,060,052)	(1,749,662)	(1,988,168)	(1,818,909)	(1,815,778)
Administrative Expense	(35,081)	(37,451)	(35,761)	(42,645)	(46,975)
Net Change in Plan Fiduciary Net Position	823,573	909,889	527,634	1,991,590	(421,712)
Plan Fiduciary Net Position - Beginning	5,260,881	6,084,454	6,994,343	7,521,977	9,513,567
Plan Fiduciary Net Position - Ending	6,084,454	6,994,343	7,521,977	9,513,567	9,091,855
Net OPEB Liability - Ending	<u>\$ 23,652,026</u>	<u>\$ 20,030,271</u>	<u>\$ 18,344,539</u>	<u>\$ 17,772,589</u>	<u>\$ 17,176,905</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.46%	25.88%	29.08%	34.87%	34.61%
Covered Payroll **	\$ 23,217,114	\$ 23,941,245	\$ 24,118,465	\$ 23,405,010	\$ 25,767,991
Net OPEB Liability as a Percentage of Covered Payroll	101.87%	83.66%	76.06%	75.93%	66.66%

\*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**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution (1)	\$ 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	\$ 1,598,057
Contributions in Relation to the Actuarially Determined Contribution	1,717,500	2,266,000 (2)	2,398,800 (3)	2,290,882 (3)	2,301,583 (3)	2,289,292 (3)	2,310,104 (3)	2,027,798 (3)	1,855,418 (3)	1,734,198 (3)
Contribution Deficiency (Excess)	\$ -	\$ 461,659	\$ 205,391	\$ 215,809	\$ 185,003	\$ (146,221)	\$ (134,521)	\$ (176,367)	\$ (192,862)	\$ (136,141)
Covered Payroll	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)	\$ 25,767,991 (8)
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	9.86%	9.65%	8.41%	7.93%	6.73%

(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.

(8) Includes covered payroll of \$12,310,635 associated with death benefit only participants.

**Notes to Schedule:**

Valuation Date January 1, 2022

Measurement Date May 31, 2022

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method Entry Age Actuarial Cost Method

Amortization Method Fair Market Value of Assets as of the Measurement Date.

Salary Scale 4%

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 2022 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-2021 mortality improvement.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.11%	2.93%	4.37%	23.46%	-5.24%

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



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

To the Members  
South Central Connecticut Regional Water Authority  
New Haven, Connecticut

We have audited, 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, the financial statements of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority (the Authority), which comprise the statement of net position as of May 31, 2022, and the related statements of revenues, expenses, and changes in net position, cash flows, and changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated August 31, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the South Central Connecticut Regional Water Authority failed to comply with the terms, covenants, provisions, or conditions of Sections 610(D) and 610(E) of the Water System Revenue Bond Resolution of the Authority adopted on July 31, 1980, as amended and supplemented January 16, 2020, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the terms, covenants, provisions, or conditions of Sections 610(D) and 610(E) of the Water System Revenue Bond Resolution of the Authority adopted on July 31, 1980 as amended and supplemented January 16, 2020, and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
August 31, 2022



**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 the South Central Connecticut Regional Water Authority, as of and for the years ended May 31, 2022 and 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 August 31, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 the South Central Connecticut Regional Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control.

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

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

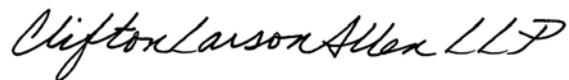
Members  
South Central Connecticut Regional Water Authority

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
August 31, 2022

**UNAPPROVED DRAFT**

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

**MINUTES**

**Special Meeting of Monday, September 12, 2022 at 5:00 p.m.**

---

**Committee Members Present:** Tim Slocum, Tom Clifford, Charles Havrda, Jay Jaser, and Michelle Verderame

**Committee Members Absent:** Vincent Marino

**Management:** Larry Bingaman, Rochelle Kowalski, and Jim Hill

**OCA:** Atty. Jeffrey Donofrio

**Staff:** Jennifer Slubowski

Chair Slocum called the meeting to order at 5:00 p.m. He reviewed the Safety Moment distributed to members.

At 5:02 p.m., on motion made by Mr. Clifford, seconded by Mr. Jaser, and unanimously carried, the Committee voted to go into executive session to discuss real estate strategy and negotiations. Present in executive session were committee members, Atty. Donofrio, Messrs. Bingaman and Hill, and Mss. Kowalski and Slubowski.

At 5:34 p.m., the Committee came out of executive session and the meeting reconvened. No actions took place as a result of executive session.

On motion made by Mr. Jaser, seconded by Mr. Havrda, and unanimously carried, the committee voted to approve the minutes of its August 8, 2022 meeting.

Ms. Kowalski, RWA's Vice President and Chief Financial Officer, provided information on the Quarterly Report on RPB approved projects. She reported that the anticipated completion date for the Derby Tank Project is August 2023. She noted an additional legal proceeding related to the Derby Tank project scheduled in late October. However, the RWA is expected to move forward with the contractor and site preparation.

Ms. Kowalski also reported that the West River project anticipated completion date is August 2023, mainly due to supply chain challenges. She stated that the final cost projection is expected to exceed the original cost estimate.

She also reported on the Lake Gaillard Water Treatment Plant Clarifier, Recycle Pump Station, & Concrete Restoration and Drinking Water State Revolving Fund assistance, which also includes the Lake Gaillard HVAC and Electrical Improvements.

There was no new business to report.

The next meeting is scheduled for Monday, October 3, 2022 at 5:00 p.m.

Representative Policy Board  
Finance Committee  
September 12, 2022

**UNAPPROVED DRAFT**

At 5:40 p.m., on motion made by Mr. Havrda, seconded by Mr. Jaser, and unanimously carried, the meeting adjourned.

---

Timothy Slocum, Chairman



**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, 2022

SUBJECT: Quarterly financial statements for fiscal year 2023 (ending May 31, 2023)

---

Attached are the following financial reports regarding the first quarter of fiscal year 2023. i.e., the quarter ended August 31, 2022:

- Statements of net position as of August 31, 2022 and August 31, 2021;
- Schedule A-1 & A-2: Statements of revenues, expenses and changes in net position as of August 31, 2022, 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 2022 through August 2022. For the remainder of fiscal year 2023, 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, 2022"

The figures shown present June to August 2022 as well as comparative budget vs. actual results for the three months ended August 31, 2022.

Section of page entitled "Year Ending May 31, 2023"

The "budget" column is the budget for fiscal year 2023, 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 2022) of consumption and nine months of budgeted consumption for (September 2022 through May 2023).

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 2022 through May 2023 at 4% above budget. Operating expenses for "pump power" and chemicals for these same months are adjusted to reflect the 4% increase.

Assumption 3

The column labeled *Assumption 3* projects consumption for the months of September 2022 through May 2023 at 4% below budget. Operating expenses for "pump power" and chemicals for these same months are adjusted to reflect the 4% 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 2022, plus projected cash collections for September 2022 through May 2023. 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 2023, as well as projections for September 2022 through May 2023 under the three assumptions presented above.

**Schedule C: Capital Budget Report**

This schedule shows capital expenditures for June through August 2022, as well as projections for the full fiscal year 2023.

**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 AUGUST 31, 2022 AND 2021**

Assets	<u>FY 2023</u>	<u>FY 2022</u>	<u>Y/Y Variance</u>
Utility plant			
Property, plant and equipment in service	\$ 939,193,760	\$ 904,362,599	\$ 34,831,161
Accumulated depreciation	(409,599,716)	(390,672,362)	(18,927,354)
Utility plant in service	529,594,044	513,690,236	15,903,807
Land	27,993,743	27,993,988	(245)
Construction work in progress	23,130,658	29,866,909	(6,736,251)
Total utility plant, net	580,718,444	571,551,133	9,167,311
Nonutility land, at cost	64,983,522	64,983,522	-
Goodwill	10,693,435	10,942,120	(248,685)
Current assets			
Cash and cash equivalents	48,629,191	46,283,671	2,345,520
Investments	-	-	-
Accounts receivable, less allowance for doubtful accounts	16,119,083	15,838,632	280,452
Accrued revenue	11,105,440	18,743,039	(7,637,599)
Accrued interest receivable	77,798	10,507	67,291
Materials and supplies	2,082,152	2,107,175	(25,023)
Prepaid expenses and other assets	5,293,560	4,415,673	877,887
Total current assets	83,307,225	87,398,697	(4,091,472)
Note Receivable	500,000	500,000	-
Pension Assets	-	-	-
OPEB Assets	-	-	-
Restricted assets	135,943,210	94,969,048	40,974,163
Regulatory assets	9,507,986	9,681,375	(173,390)
Total assets	885,653,823	840,025,895	45,627,927
Deferred Outflows of Resources			
Deferred charge on refunding	14,921,354	16,861,720	(1,940,367)
Deferred charge on pension plans	2,881,429	2,409,277	472,152
Deferred charge on OPEB plans	1,821,926	2,150,565	(328,640)
Total	\$ 905,278,531	\$ 861,447,458	\$ 43,831,072

Liabilities and Net Assets	<u>FY 2023</u>	<u>FY 2022</u>	<u>Y/Y Variance</u>
Liabilities			
Revenue bonds payable, less current portion	\$ 489,365,000	\$ 474,140,000	\$ 15,225,000
Net premiums and discounts from revenue bonds payable	45,778,540	40,027,707	5,750,833
DWSRF loans payable, less current portion	25,162,085	25,011,512	150,573
Net pension liability	16,601,369	9,651,739	6,949,630
Net OPEB obligation	17,176,905	17,772,589	(595,684)
Total noncurrent liabilities	594,083,899	566,603,547	27,480,352
Current liabilities			
Current portion of revenue bonds payable	22,565,000	21,475,000	1,090,000
Current portion of DWSRF loans payable	1,319,633	1,287,078	32,555
Accounts payable	3,796,084	3,610,158	185,925
Notes payable	50,500	50,500	-
Customer deposits and advances	1,311,437	2,536,176	(1,224,739)
Other accrued liabilities	7,363,253	7,639,408	(276,155)
Total current liabilities	36,405,906	36,598,321	(192,415)
Liabilities payable from restricted assets			
Accounts payable for construction	2,446,828	1,864,129	582,700
Accrued interest payable	1,833,130	1,730,049	103,081
Customer deposits and advances	1,287,500	1,299,133	(11,634)
Total liabilities payable from restricted assets	5,567,457	4,893,311	674,146
Other liabilities	11,000.00	45,000	(34,000)
Total liabilities	636,068,262	608,140,179	27,928,084
Deferred inflows of resources			
Deferred inflows related to pensions	-	6,098,625	(6,098,625)
Deferred inflows related to OPEB	3,783,515	4,465,198	(681,683)
Net Position			
Invested in capital assets, net of related debt	99,065,331	89,540,450	9,524,882
Restricted assets	108,192,984	92,439,867	15,753,118
Unrestricted assets	58,168,439	60,763,141	(2,594,702)
Total net assets	265,426,754	242,743,457	22,683,297
Total liabilities and net assets	\$ 905,278,531	\$ 861,447,458	\$ 43,831,072

**REGIONAL WATER AUTHORITY**  
**REVIEW OF FINANCIAL DATA**  
**August 31, 2022 (FY 2023)**

**SCHEDULE A-1 - COMMENTARY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Operating Revenues**

FY23 revenue for water, including wholesale and fire service, is over budget by \$4,283k (approx. 13%).  
 Metered water revenue is over budget by \$4,180k (approx. 14%).

Total net other revenue is \$286k over budget due to both other water and other proprietary revenues being higher than budget and expenses for being under 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.	\$	(149,000)
Employee Benefits are under budget primarily due to lower medical and dental benefits		(276,000)
Administrative Building is under budget primarily related to telephone service.		(60,000)
General & Admin is under budget primarily due to timing of expenses.		(146,000)
Transportation is under budget primarily due to timing.		(95,000)
Utilities & Fuel is under budget primarily related to telephone service and sewer use charge.		(101,000)
Pump Power is under budget primarily due to timing.		(109,000)
Chemicals Expense is under budget for certain chemicals.		(59,000)
Postage is under budget primarily due to timing.		(62,000)
Collection Expense is under budget primarily due to lower year-to-date bank fees.		(181,000)
Business Improvement is under budget primarily due to accelerating certain expenses into fiscal 2022		(98,000)
Public/Customer Information is under budget primarily due to timing.		(58,000)
Outside Services are under budget across multiple areas.		(244,000)
Insurance is under budget due to timing and reserve requirements.		(79,000)
Training and continued education is under budget across multiple areas.		(57,000)
Central Lab/Water Quality is under budget primarily due to the mix between internal and outside lab services and timing.		(104,000)
Maintenance & Repairs are under budget due to the timing of certain expenses budgeted early in the fiscal year.		(429,000)
All Other		<u>(117,000)</u>
		(2,424,000)

**Interest Income**

Interest Income is above budget due to higher investment earnings.

**PROJECTED MAINTENANCE TEST**

The projected coverage is 1.16 with no shortfall.

**REGIONAL WATER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTHS ENDING AUGUST 31, 2022**

Schedule A-1

	<b>FY 2022 Actual</b>	<b>FY 2023 Budget</b>	<b>FY 2023 Actual</b>	<b>(Under)Over Budget</b>
<b>Operating revenues</b>				
Metered water revenues	\$ 30,324	\$ 29,159	\$ 33,339	\$ 4,180
Fire service	3,033	3,226	3,255	29
Wholesale	253	244	319	75
Other revenue - water	1,127	1,000	1,090	90
Other revenue - proprietary	2,547	2,360	2,440	80
Total operating revenues	<u>37,284</u>	<u>35,989</u>	<u>40,443</u>	<u>4,454</u>
<b>Operating expenses</b>				
Operating and maintenance expense	13,335	16,337	13,913	(2,424)
Expense associated with other revenue - water	552	565	531	(34)
Expense associated with other revenue - proprietary	1,123	1,073	991	(82)
Provision for uncollectible accounts	189	190	41	(149)
Depreciation	6,150	6,033	6,033	(0)
Payment in lieu of taxes	2,250	2,232	2,211	(21)
Amortization Pension Outflows/Inflows	213	635	635	0
Amortization OPEB Outflows/Inflows	(157)	(150)	(150)	0
Total operating expenses	<u>23,654</u>	<u>26,916</u>	<u>24,206</u>	<u>(2,710)</u>
Operating income	<u>13,629</u>	<u>9,074</u>	<u>16,237</u>	<u>7,165</u>
<b>Nonoperating income and (expense)</b>				
Interest income	27	545	1,187	642
(Loss) Gain on disposal of assets	-	-	-	-
Realized and unrealized (losses) gains on investments	-	-	-	-
Interest expense	(5,467)	(5,696)	(5,696)	(0)
Amortization of bond discount, premium, issuance cost and deferred losses	623	799	790	(9)
Amortization of Goodwill	-	-	-	-
Intergovernmental revenue	-	-	490	490
Contributions to related entities	-	-	-	-
Total nonoperating income and (expense) before capital contributions	<u>(4,818)</u>	<u>(4,352)</u>	<u>(3,230)</u>	<u>1,122</u>
Income (expense) before contributions	<u>8,812</u>	<u>\$ 4,722</u>	<u>13,007</u>	<u>\$ 8,286</u>
<b>Capital contributions</b>				
Change in net assets	718	-	400	-
Total net assets - beginning of fiscal year	233,214	-	252,019	-
Total net assets - end of reporting month	<u>\$ 242,743</u>	-	<u>\$ 265,427</u>	-

	<b>Budget FY 2023</b>	<b>Projected FY 2023 @114%</b>	<b>(Under)Over FY 2023 @114%</b>
<b>FY 2023 MAINTENANCE TEST</b>			
<b>(Budget vs. Projected)</b>			
Revenue Collected:			
Water sales	124,093	124,093	-
Interest Income	213	1,000	787
BABs Subsidy	657	657	-
Other Net	6,946	6,946	-
Common Non-Core	(300)	(300)	-
Total	<u>131,609</u>	<u>132,395</u>	<u>787</u>
Less:			
Operating and maintenance expenses	(63,492)	(63,492)	-
Depreciation	(7,500)	(7,500)	-
PILOT (A)	(8,901)	(8,851)	50
Net Avail for Debt Service (B)	<u>\$ 51,718</u>	<u>\$ 52,553</u>	<u>\$ 835</u>
Debt Service Payments (C)	<u>\$ 45,366</u>	<u>45,314</u>	<u>\$ (52)</u>
Debt Service @ 114% (D)	<u>\$ 51,717</u>	<u>51,658</u>	<u>\$ (60)</u>
Difference (B-D)	<u>\$ 0</u>	<u>\$ 895</u>	
RSF, Growth and/or General Fund (D)	-	-	-
Coverage	<u>114%</u>	<u>116%</u>	

REGIONAL WATER AUTHORITY  
Fiscal Year 2023  
(\$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 2022	FY 2023	FY 2023	(Under)Over	Budget	Projection	Projection -	Projection -
	Actual	Budget	Actual	Budget		Assumption 1	Consumption 4% Above	Consumption 4% Below
Operating Revenues								
Metered Water Revenues	\$ 30,324	\$ 29,159	\$ 33,339	\$ 4,180	\$ 108,610	\$ 110,120	\$ 112,323	\$ 107,917
Fire Service	3,033	3,226	3,255	29	12,906	12,934	12,934	12,934
Wholesale Water	253	244	319	75	802	877	877	877
Other revenue - water	1,127	1,000	1,090	90	3,703	3,793	3,793	3,793
Other revenue - proprietary	2,547	2,360	2,440	80	9,465	9,465	9,465	9,465
Total Operating Revenues	<u>37,284</u>	<u>35,989</u>	<u>40,443</u>	<u>4,454</u>	<u>135,486</u>	<u>137,189</u>	<u>139,392</u>	<u>134,986</u>
Operating Expenses								
Operating and Maintenance	13,335	16,337	13,913	(2,424)	63,491	63,492	63,647	63,337
	552	565	531	(34)				
Expenses associated with other revenue-proprietary	1,123	1,073	991	(82)	3,359	3,359	3,359	3,359
Provision for uncollectible accounts	189	190	41	(149)	600	600	600	600
Depreciation	6,150	6,033	6,033	(0)	23,200	23,200	23,200	23,200
Payment in lieu of taxes	2,250	2,232	2,211	(21)	8,910	8,889	8,889	8,889
	213	635	635	0				
Amortization OPEB Outflows/Inflows	(157)	(150)	(150)	0	(598)	(598)	(598)	(598)
Total Operating Expenses	<u>23,654</u>	<u>26,916</u>	<u>24,206</u>	<u>(2,710)</u>	<u>103,051</u>	<u>103,030</u>	<u>103,185</u>	<u>102,875</u>
Operating Income	<u>13,629</u>	<u>9,074</u>	<u>16,237</u>	<u>7,165</u>	<u>32,436</u>	<u>34,160</u>	<u>36,208</u>	<u>32,112</u>
Nonoperating income and (expense)								
Interest Income	27	545	1,187	642	2,155	2,904	2,904	2,904
(Loss)/Gain on disposal of assets	-	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)
Interest Expense	(5,467)	(5,696)	(5,696)	(0)	(22,289)	(22,282)	(22,282)	(22,282)
Amortization of bond discount, premium								
issuance cost and deferred losses	623	799	790	(9)	3,093	3,093	3,093	3,093
Amortization of Goodwill					(249)	(249)	(249)	(249)
Intergovernmental revenue	-	-	490	490		490	490	490
Contributions to/from related entities	-	-	-	-				
Total nonoperating income & (expense)	<u>(4,818)</u>	<u>(4,352)</u>	<u>(3,230)</u>	<u>1,122</u>	<u>\$ (18,290)</u>	<u>\$ (17,044)</u>	<u>\$ (17,044)</u>	<u>\$ (17,044)</u>
(Expense) income before contributions	<u>8,812</u>	<u>\$ 4,722</u>	<u>13,007</u>	<u>\$ 8,286</u>	<u>\$ 14,146</u>	<u>\$ 17,116</u>	<u>\$ 19,164</u>	<u>15,068</u>
Capital contributions	718		400					
Change in net assets	9,529		13,407					
Total net assets - beginning of fiscal year	233,214		252,019					
Total net assets - end of reporting month	<u>\$242,743</u>		<u>\$265,427</u>					

MAINTENANCE TEST

	Twelve Months Ending May 31			
	Budget	Projection Assumption 1	Projection - Consumption 4% Above Assumption 2	Projection - Consumption 4% Below Assumption 3
Revenue Collected:				
Water Sales	\$ 124,093	\$ 124,093	\$ 126,069	\$ 122,117
Interest Income	213	1,000	1,000	1,000
BABs Subsidy	657	657	657	657
Other Net	6,946	6,946	6,946	6,946
Common Non-Core	(300)	(300)	(300)	(300)
Total	<u>131,609</u>	<u>132,395</u>	<u>134,371</u>	<u>130,419</u>
Less:				
Operating and Maintenance Expenses	(63,492)	(63,492)	(63,647)	(63,337)
Depreciation	(7,500)	(7,500)	(7,500)	(7,500)
PILOT (A)	(8,901)	(8,851)	(8,851)	(8,851)
Net Avail for Debt Service (B)	<u>51,717</u>	<u>52,553</u>	<u>54,374</u>	<u>50,732</u>
Debt service payments (C)	<u>\$ 45,366</u>	<u>\$ 45,314</u>	<u>\$ 45,314</u>	<u>\$ 45,314</u>
Debt Service @ 114% (D)	<u>\$ 51,717</u>	<u>\$ 51,658</u>	<u>\$ 51,658</u>	<u>\$ 51,658</u>
Diference (B-D)	<u>\$ (0)</u>	<u>\$ 895</u>	<u>\$ 2,716</u>	<u>\$ (926)</u>
RSF, Growth and/or General Fund (D)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926</u>
Coverage	<u>114%</u>	<u>116%</u>	<u>120%</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 2023  
 (\$000 Omitted)

SCHEDULE B

	THREE MONTHS ENDING AUGUST 31				YEAR ENDED MAY 31, 2023			
	FY 2022	FY 2023	FY 2023	(Under)	Budget	Assump 1	Assump 2	Assump 3
	Actual	Budget	Actual	Over				
1 Payroll	\$ 5,609	\$ 6,113	\$ 5,964	\$ (149)	24,531	24,531	24,531	24,531
2 Employee Benefits Allocation	1,613	1,939	1,663	(276)	7,793	7,793	7,793	7,793
Pension	675	667	667	-	2,632	2,632	2,632	2,632
3 Administrative Building Space Allo	272	272	212	(60)	1,033	1,033	1,033	1,033
4 General & Administrative	271	368	222	(146)	1,537	1,537	1,537	1,537
5 Transportation Allocation	148	217	122	(95)	854	854	854	854
6 Tools & Stores Allocation	82	85	42	(43)	308	308	308	308
7 Utilities & Fuel	334	370	269	(101)	1,506	1,506	1,506	1,506
8 Material From Inventory	58	82	61	(21)	302	302	302	302
9 Pump Power Purchased	801	882	773	(109)	2,939	2,939	3,020	2,858
10 Chemicals	595	796	737	(59)	2,695	2,695	2,769	2,621
11 Road Repairs	73	100	53	(47)	299	299	299	299
14 Postage	40	119	57	(62)	474	474	474	474
15 Printing & Forms	18	17	7	(10)	71	71	71	71
17 Collection Expense	154	418	237	(181)	1,702	1,702	1,702	1,702
18 Business Improvement	11	104	6	(98)	346	346	346	346
19 Public/Customer Information	18	94	36	(58)	417	417	417	417
20 Outside Services	625	888	644	(244)	3,935	3,935	3,935	3,935
21 Insurance Premiums	384	432	352	(79)	1,747	1,747	1,747	1,747
22 Worker's Compensation, pre-Church	(9)	11	10	(0)	45	45	45	45
23 Damages	13	16	5	(11)	65	65	65	65
24 Training & Cont. Education	19	74	16	(57)	337	337	337	337
25 Authority Fees	35	41	33	(8)	164	164	164	164
26 Consumer Counsel	3	15	9	(6)	60	60	60	60
27 RPB Fees	27	42	36	(6)	169	169	169	169
28 Organizational Dues	23	28	48	20	108	108	108	108
29 Donations	2	9	4	(5)	36	36	36	36
34 Central Lab/Water Quality	19	112	8	(104)	441	441	441	441
40 Environmental Affairs	23	21	14	(6)	100	100	100	100
44 Info. Technology Licensing & Maintenance Fees	686	636	661	25	2,696	2,696	2,696	2,696
45 Maintenance and Repairs	607	1,301	872	(429)	3,872	3,872	3,872	3,872
46 Regulatory Asset Amortization	105	69	69	0	274	274	274	274
	<u>\$ 13,335</u>	<u>\$ 16,337</u>	<u>\$ 13,913</u>	<u>\$ (2,424)</u>	<u>\$ 63,492</u>	<u>\$ 63,492</u>	<u>\$ 63,647</u>	<u>\$ 63,337</u>



	Period Ending August 31, 2022			Period Ending May 31, 2023		
	Budget	Expenditures	(Under)/Over	Budget	Projected	(Under)/Over
<b>I. NATURAL RESOURCES</b>						
Watershed Protection	25	2	(23)	100	100	-
Land Management	6	-	(6)	20	20	-
Lake Whitney Dam & Spillway Improvements	10	(18)	(28)	1,078	1,000	(78)
Prospect Dam Improvements	26	23	(3)	250	250	-
Tunnel Diversion Raw Water Main Rehabilitation Program	40	4	(36)	415	415	-
Miscellaneous Natural Resources	53	3	(50)	102	102	(0)
Prior Year	-	-	-	-	-	-
<b>TOTAL</b>	<b>160</b>	<b>14</b>	<b>(146)</b>	<b>1,965</b>	<b>1,887</b>	<b>(78)</b>
<b>II. TREATMENT</b>						
Filter Media Replacement	2	0	(2)	500	510	10
Surface Water In-Line Turbidimeters	-	-	-	136	136	-
Treatment Plant Graphics Upgrades	25	3	(22)	800	650	(150)
LGWTP Local Control Console Upgrade	35	38	3	375	375	-
LGWTP - Clarifiers Recycle & Building Improvements	6	25	19	3,000	3,000	-
LGWTP-Raw Water Flow Control Valve Replacement	-	14	14	390	480	90
LGWTP Sodium Hypochlorite Tanks Replacement	300	204	(96)	450	300	(150)
LGWTP Improvements	2	-	(2)	200	200	-
LSWTP Electrical Upgrades	75	10	(65)	375	375	-
LGWTP Electrical Upgrades	70	46	(24)	200	200	-
LSWTP - Chemical Treatment System Improvements	51	23	(28)	992	992	-
LSWTP Improvements	-	5	5	200	200	-
LWTP Ozone and DAF Controls	2	-	(2)	250	250	-
WRWTP Improvements (Dissolved Air Flotation, Electrical, Chemical)	1,665	1,282	(383)	10,215	10,215	-
SSG Wellfield Facility Improvements	207	155	(52)	1,310	1,310	-
Seymour Wellfield Generator Replacement	10	-	(10)	800	450	(350)
Wellfield Facility Improvements - Derby	1	1	0	150	150	-
Well Rehabilitation Program	-	20	20	265	265	-
Well Equipment Replace Rehab Hamden and Seymour	2	0	(2)	450	450	-
Derby Wellfield Electrical Upgrade	-	6	6	125	60	(65)
Water Treatment Plant Valve Replacement Program	2	14	12	1,100	1,100	-
LGWTP-HVAC Upgrades	25	86	61	2,000	2,000	-
Miscellaneous Treatment	117	185	68	385	444	58
Prior Year	-	23	23	-	23	23
			(457)			(534)
<b>TOTAL</b>	<b>24,668</b>	<b>24,134</b>	<b>(534)</b>			
<b>III. TRANSMISSION AND DISTRIBUTION</b>						
Pipe	2,531	1,809	(722)	5,742	5,799	57
Valve Replacements	108	100	(8)	250	250	-
Service Connections	480	412	(68)	1,800	1,800	-
Capital Pipe Service Connections	-	266	266	500	500	-
Meters	10	78	68	485	485	-
Hydrants and Connections	30	20	(10)	125	125	-
Lead Service Line Replacements	25	1	(24)	500	500	-
Sanitary Survey Improvements	-	-	-	200	200	-
Northern Service Area Expansion	-	5	5	100	100	-
Service Area Improvements - East West Transmission System	20	-	(20)	160	160	-
State Street Pipe Bridge	215	294	79	400	400	-
Pipe Bridge Rehabilitation Program	-	1	1	25	45	20
Ansonia-Derby Tank	355	201	(154)	4,380	1,900	(2,480)
Saltbarnstall Ridge Tank Power Vent	2	22	20	250	250	-
North Branford Tank Structural Improvements & Additional Tank	-	(0)	(0)	150	150	-
Variable Frequency Drive Replacement Program	40	71	31	150	150	-
Rayham Hill Pump Station Improvements	6	22	16	350	350	-
Critical Pump Station & Transmission Facilities Upgrades	40	30	(10)	100	170	70
Spring Street Pump Station Replacement	-	-	-	200	200	-
Burwell Hill Pump Station Equipment Replacement	-	41	41	344	344	-
Pump Station Generator Replacements	35	2	(33)	750	225	(525)
Pump Station Roof Replacements	30	-	(30)	100	100	-
Route 80 Throttling Valve Relocation	10	3	(7)	500	500	-
Water Quality Improvements Program	6	-	(6)	154	154	(0)
Miscellaneous Transmission & Pumping	-	17	17	69	87	17
Prior Year	-	10	10	-	10	10
<b>TOTAL</b>	<b>3,943</b>	<b>3,404</b>	<b>(539)</b>	<b>17,785</b>	<b>14,954</b>	<b>(2,832)</b>
<b>V. GENERAL PLANT</b>						
Work & Asset Management Solutions (Formerly InforEAM GIS Data Integ)	35	-	(35)	350	350	-
SAP Work Management	-	-	-	10	10	-
LIMS Business Enhancements	140	-	(140)	140	140	-
AMI Software Business Enhancements	-	11	11	10	11	1
CIS (Customer Information Services)	-	-	-	5,133	5,133	-
Innovation	-	-	-	-	-	-
Business Analytics Platform	-	-	-	85	85	-
Customer Channels Sales Marketing	-	-	-	150	150	-
Robotic Process Automation/Machine Learning/AI	-	-	-	125	125	-
SAP SQL Upgrade	55	6	(49)	100	100	-
Cyber Security Enhancements	54	-	(54)	110	110	-
SCADA	15	-	(14)	120	120	-
Information Systems	-	-	-	750	699	(51)
Miscellaneous Information Systems	67	1	(66)	428	428	-
Equipment	-	20	20	1,749	1,749	-
Miscellaneous Equipment	37	5	(32)	212	212	-
90 Sargent Drive	112	4	(108)	607	607	-
Miscellaneous 90 Sargent Drive	30	-	(30)	120	120	-
Prior Year	-	10	10	-	10	10
<b>TOTAL</b>	<b>545</b>	<b>58</b>	<b>(488)</b>	<b>10,199</b>	<b>10,159</b>	<b>(40)</b>
<b>VII. CONTINGENCY</b>						
	80	-	(80)	151	3,635	3,484
<b>TOTAL</b>	<b>7,326</b>	<b>5,616</b>	<b>(1,709)</b>	<b>54,789</b>	<b>54,789</b>	<b>0</b>
<b>VIII. STATE &amp; REDEVELOPMENT PIPE</b>						
	800	450	(350)	3,000	3,000	-
<b>IX. NON-CORE BILLING</b>						
	27	-	(27)	100	100	-
<b>TOTAL</b>	<b>8,153</b>	<b>6,067</b>	<b>(2,086)</b>	<b>57,869</b>	<b>57,869</b>	<b>0</b>

SCHEDULE D

Investment Earnings Report  
Comparison of Investment Rates of Return

<u>Fund Type</u>	<u>Balance @ August 31, 2022</u>	<u>Budgeted Return</u>	<u>Rate of Return August 31, 2022</u>	<u>Rate of Return Fiscal Year to Date</u>
<b><u>Less than Six Months</u></b>				
Revenue Investment(A)	\$ 22,472,205	0.15%	2.21%	1.67%
Revenue (B)	4,824,742	0.00%	0.49%	0.24%
Rate Stabilization (A)	10,000,000	0.15%	2.21%	1.67%
Operating Reserve (A)	10,122,613	0.15%	2.21%	1.67%
Capital Contingency (A)	5,575,835	0.15%	2.21%	1.67%
Debt Reserve (A)	8,595,454	0.15%	2.21%	1.67%
Debt Reserve (C)	9,140	0.00%	1.59%	1.00%
Debt Service (A)	4,449,418	0.15%	2.21%	1.67%
PILOT (A)	2,850,048	0.15%	2.21%	1.67%
General Fund (A)	11,728,128	0.15%	2.21%	1.67%
<b>Sub-Total</b>	<b>\$ 80,627,584</b>			
<b><u>Long Term Investments</u></b>				
Operating Reserve	\$ 500,000	0.67%	0.51%	0.51%
Capital Contingency	500,000	0.57%	0.38%	0.38%
Debt Reserve (D)	12,512,614	0.72%	1.49%	1.21%
<b>Sub-Total</b>	<b>\$ 13,512,614</b>			
<b><u>Other</u></b>				
Construction (A)	\$ 80,268,978	0.15%	2.21%	1.67%
Construction (C)	117,775	0.00%	1.59%	1.00%
Construction (E)	837	0.00%	0.00%	0.00%
Growth Fund	7,996,133	0.00%	1.15%	0.85%
Interim Financing	899	0.00%	1.14%	0.78%
<b>Sub-Total</b>	<b>\$ 88,384,622</b>			
<b>Total</b>	<b>\$ 182,524,819</b>			

(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.

(D) Current fiscal year investment purchases (approx. \$3.5M) are earning between 3.0% - 4.0%.

(E) Cash Balance as of August 31, 2022.

<b>Fund</b>	<b>(Cash Basis) as of August 31, 2022</b>	<b>(Cash Basis) as of August 31, 2022</b>	<b>(Under)/ Over</b>
Debt Reserve	13,190	45,530	32,340
Operating Reserve	3,342	30,012	26,670
Capital Contingency	1,919	16,942	15,023
PILOT	1,326	10,336	9,010
Debt Service	11,496	90,786	79,290
Revenue	4,608	77,388	72,780
Rate Stabilization	3,833	42,253	38,420
General	5,032	50,694	45,662
Sub Total	<u>44,746</u>	<u>363,942</u>	<u>319,196</u>
Construction	30,417	223,317	192,900
Growth Fund	-	14,999	14,999
Interim Financing	-	-	-
Total	<u>75,163</u>	<u>602,258</u>	<u>527,095</u>

**Representative Policy Board  
Dashboard Metric - 1Q FY23**

Metrics	Quarter ended 8/31/21 (1Q FY 2022)	Quarter ended 5/31/22 (4Q FY 2022)	Quarter ended 8/31/22 (1Q FY 2023)
<b>Customer/Stakeholders</b>			
<i>Combined Customer Satisfaction &amp; Reputation (Note 1)</i>	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
<i>Underlying Credit Rating</i>	<b>S&amp;P rating AA-</b> , affirmed 10/2019	<b>S&amp;P rating AA-</b> , affirmed 12/2021	<b>S&amp;P rating AA-</b> , affirmed 12/2021
	<b>Moody's rating Aa3</b> , affirmed 10/2019	<b>Moody's rating Aa3</b> , affirmed 12/2021	<b>Moody's rating Aa3</b> , affirmed 12/2021
<i>Water Rates</i>	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 (update was provided in 2Q FY 2022)
<b>Financial Metrics (Note 2)</b>			
<i>Accrued Metered Water Revenues to Budget (000 omitted)</i>	Budget: \$28.384 million	Budget: \$104.060 million	Budget: \$29.159 million
	Result: <b>\$30.324 million</b>	Result: <b>\$106.964 million</b>	Result: <b>\$33.339 million</b>
<i>Other Net Revenues to Budget (Note 2)</i>	Budget: \$1.409 million	Budget: \$5.916 million	Budget: \$1.297 million
	Result: <b>\$1.470 million</b>	Result: <b>\$5.539 million</b>	Result: <b>\$1.484 million</b>
<i>O&amp;M Expenditures to Budget (Note 3)</i>	Budget: \$14.750 million	Budget: \$59.741 million	Budget: \$16.337 million
	Result: <b>\$13.335 million</b>	Result: <b>\$57.595 million</b>	Result: <b>\$13.913 million</b>
<i>Capital Expenditures to Budget (Note 4)</i>	Budget: \$4.749 million	Budget: \$30.792 million	Budget: \$7.246 million
	Result: <b>\$3.986 million</b>	Result: <b>\$29.581 million</b>	Result: <b>\$5.616 million</b>
<i>Cash Collections (Water and Fire Service)</i>	Budget: \$30.247 million	Budget: \$116.629 million	Budget: \$32.351 million
	Result: <b>\$32.896 million</b>	Result: <b>\$125.810 million</b>	Result: <b>\$34.704 million</b>
<i>Coverage</i>	Budget: 1.14 w/draw	Budget: 1.14 w/draw	Budget: 1.14 w/o draw
	Projected: <b>1.14 w/o draw</b>	Projected: <b>1.40 w/o draw</b>	Projected: <b>1.16 w/o draw</b>

**Representative Policy Board  
Dashboard Metric - 1Q FY23**

Metrics	Quarter ended 8/31/21 (1Q FY 2022)	Quarter ended 5/31/22 (4Q FY 2022)	Quarter ended 8/31/22 (1Q FY 2023)
<i>Draw Requirement</i>	Budget: \$922 thousand	Budget: \$922 thousand	Budget: \$0 million
	Projected: <b>\$0 million</b>	Projected: <b>\$0 million</b>	Projected: <b>\$0 million</b>
<b>System Metrics</b>			
<i>Average Daily Production (Draft) to Budget (MG/D)/Prior Year (Note 5)</i>	Prior Year: 56.883 MGD	Prior Year: 45.181 MGD	Prior Year: 53.416 MGD
	Result: <b>53.416 MGD</b>	Result: <b>43.329 MGD</b>	Result: <b>55.730 MGD</b>
<i>Disinfection By-products (6)</i>	Target: 90%	Target: 100%	Target: 100%
	Result: <b>100%*</b>	Result: <b>100%*</b>	Result: <b>100%*</b>
	* As of June 30, 2021, updated	* As of March 31, 2022, updated	* As of June 30, 2022, updated
<i>Net Unaccounted For Water (annualized)</i>	Target: 10.0%	Target: 10.0%	Target: 10.0%
	Result: <b>11.64%</b> for the annualized period of June 2020 to May 2021	Result: <b>13.52%</b> for the annualized period of March 2021 to February 2022	Result: <b>13.85%</b> for the annualized period of June 2021 to May 2022
<i>Reservoir Levels (% full)</i>	<b>92% vs. 74% LTA</b>	<b>96% vs. 93% LTA</b>	<b>74% vs. 74% LTA</b>

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: Does not include common "non-core" expense or RWA subsidiaries

Note 4: Excludes State and Redevelopment, Growth Fund, and contingency

Note 5: FY 2022 and FY 2023 is vs. prior year

Note 6: Target is 100% representing being at least 10% below the maximum drinking water thresholds on annual rolling average