South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut
or
****Dial-in by phone**
[+1 469-965-2517,,225330669#](tel:+14699652517,,225330669#) United States, Dallas
Phone conference ID: 225 330 669#

AGENDA

Regular Meeting of Thursday, September 26, 2024 at 12:30 p.m.

A. Safety Moment

B. Public Comment: The time limit granted to each speaker shall be three (3) minutes. Residents and customers may address the Board.

C. Meet as Audit-Risk Committee: C. LaMarr

1. Approve Minutes – May 23, 2024 meeting
2. Review FY 2024 Audit Results: D. Flint and G. Epstein - *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(b)(5)(B), pertaining to financial information*

D. Consent Agenda

1. Approve Minutes – August 22, 2024 regular meeting and September 12, 2024 special meeting
2. Capital Budget Authorization - October 2024
3. Capital Budget Transfer Notifications (no action required) – October 2024
4. Accounts Receivable Update – August 2024
5. Key Performance Indicators – Q1 FY 2025
6. RPB Dashboard Report

E. Finance: R. Kowalski

1. Quarterly Financial Report
2. Type B3 Amendments

F. RPB Committee assignments and reports on RPB Committee meetings

G. Business Updates: L. Bingaman

1. RWAY CIS Update: P. Singh
2. Monthly Business Highlights: L. Bingaman

H. *Disposition Application – 56 Squantuck Road, Seymour: S. Lakshminarayanan and J. Triana

I. Meet as Commercial Business Committee: K. Curseaden

1. Approve Minutes – June 27, 2024 meeting
2. Memorandum: Commercial Business update: R. Kowalski - *Upon 2/3 vote, convene in executive session pursuant to C.G.S. Section 1-200(6)(E) to discuss matters covered by Section 1-210(b)(5)(B), pertaining to commercial and financial information.*
3. Acquisition update: L. Bingaman and R. Kowalski - *Upon 2/3 vote, convene in executive session pursuant to C.G.S. Section 1-200(6)(E) to discuss matters covered by Section 1-210(b)(5)(A)(B), pertaining to trade secrets and commercial and financial information.*

J. Meet as Compensation Committee (Special Meeting) – K. Curseaden

1. Approve Minutes – August 22, 2024 meeting
2. CEO Performance Review - *Upon 2/3 vote, convene in executive session pursuant to C.G.S. Section 1-200(6)(A) to discuss matters pertaining to performance and evaluation.*

K. Act on matters arising from committee meetings

**Members of the public may attend the meeting in person or via conference call. For information on attending the meeting and to view meeting documents, please visit http://tinyurl.com/3httm38z. For questions, contact the board office at jslubowski@rwater.com or by calling 203-401-2515.

**RPB member (N. Campbell) will be excused at Item H*

South Central Connecticut Regional Water Authority
Audit-Risk Committee

Minutes of the May 23, 2024 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority Audit-Risk Committee took place on Thursday, May 23, 2024, at 90 Sargent Drive, New Haven, Connecticut and via remote access. Chair LaMarr presided.

Present: **Committee** – Mss. LaMarr and Sack, and Messrs. Borowy, Curseaden, and Ricozzi
Management – Mss. Kowalski, Calo(R), Schenkle(R), and Messrs. Bingaman, Hill(R), Lakshminarayanan, Schnaittman(R), and Singh(R)
RPB – Mr. Marino(R)
Staff – Mrs. Slubowski

The Chair called the meeting to order at 12:31 p.m.

On motion made by Ms. Sack, seconded by Mr. Curseaden, and unanimously carried, the Committee approved the minutes of its meeting held on February 22, 2024, as presented.

Borowy	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

At 12:31 p.m., on motion made by Mr. Curseaden, and seconded by Ms. Sack, the Committee voted to convene in executive session pursuant to C.G.S. Section 1-200(6)(E) for matters covered by Section 1-210(b)(19)(i)(ii), pertaining to security risk. Present in executive session were Committee members, Mss. Kowalski, Calo, Schenkle, Slubowski, and Messrs. Bingaman, Hill, Lakshminarayanan, Schnaittman, and Singh.

Borowy	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

At 1:27 p.m., Ms. Schenkle withdrew from the meeting.

At 1:39 p.m., the Committee meeting reconvened. No votes were taken in, or as a result of either executive session.

The committee reviewed its FY 2025 work plan. After discussion, it was the consensus of the Committee to have follow-up on certain risks discussed and on Artificial Intelligence.

At 1:40 p.m., on motion made by Mr. Borowy, seconded by Ms. Sack, the Committee voted to adjourn the meeting.

Borowy	Aye
Curseaden	Aye
LaMarr	Aye
Ricozzi	Aye
Sack	Aye

____
Catherine E. LaMarr, Chairman

(R) = Attended remotely.

South Central Connecticut Regional Water Authority (SCCRWA)
2024 Audit Results Presentation

September 26, 2024

CPAs | CONSULTANTS | WEALTH ADVISORS

Agenda

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

Audit Scope

- Under Generally Accepted Auditing Standards (GAAS)
  - Express opinion on whether the basic financial statements fairly represent the financial position and results of operations in accordance with GAAP.

- Under Governmental Auditing Standards
  - Provide a report on internal control over financial reporting and on compliance with laws, regulations, contracts and grants.

Audit Scope

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

Reporting Results

- Under Generally Accepted Auditing Standards
  - Unmodified opinion on the financial statements as of and for the year ended May 31, 2024.

- Under Governmental Auditing Standards
  - Report on internal control over financial reporting
    - No internal control findings were noted.
  - Report on compliance with laws, regulations, contracts and grants
    - No instances of noncompliance or other matters were noted.

Reporting Results

- Under Uniform Guidance (Federal Single Audit)
  - Opinion on compliance requirements related to major federal programs
    - Unmodified opinion on compliance requirements.
      - Capitalization Grants for Drinking Water State Revolving Funds
        - Total Federal Expenditures under the loan/grant award: $16,469,814
  - Report on internal control over major federal program compliance requirements
    - No internal control findings were identified.

2024 Changes

- Implementation of GASB Statement No. 96 (SBITAs)
  - Right-to-Use SBITA assets
  - SBITA Liabilities
  - Emphasis of matter paragraph in opinion
  - Restatement
- Federal Single Audit
  - Low-risk auditee criteria

Statement of Revenues, Expenses & Changes in Net Position

Net position increased $41.5m for the fiscal year.

OPERATING REVENUES:

- Operating revenues increased $7.4m.
- Water revenues increased $3.7m primarily due to the June 2023 rate increases.
- Other Revenues increased $3.7m due to PipeSafe price adjustments and the addition of Carboni Plumbing to the Well Services catalog.

(In Thousands of Dollars)

	May 31, 2024	May 31, 2023	May 31, 2022
SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
OPERATING REVENUES			
Water Revenues	$ 135,660	$ 131,968	$ 124,320
Other	16,112	12,390	10,839
Total Operating Revenues	151,772	144,358	135,159
OPERATING EXPENSES			
Operating and Maintenance	62,299	58,480	56,900
Expenses Associated With Water and Other Revenue	9,821	8,648	7,267
Depreciation and Amortization	26,397	25,872	23,294
Payments in Lieu of Taxes (PILOT)	8,767	8,524	8,554
Total Operating Expenses	107,284	101,524	96,015
OPERATING INCOME	44,488	42,834	39,144
NONOPERATING INCOME AND EXPENSES			
Interest Income	10,932	8,115	1,711
Loss on Disposal of Assets	(859)	(2,229)	(1,644)
Net Increase (Decrease) in the Fair Value of Investments	412	(255)	(350)
Interest Expense	(21,981)	(22,203)	(22,033)
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	2,222	2,742	2,333
Intergovernmental Revenue	1,941	490	-
Other Income (Expense), Net	124	(237)	(310)
Total Nonoperating Expenses	(7,209)	(13,577)	(20,293)
Income Before Contributions	37,279	29,257	18,851
Capital Contributions	4,240	1,781	1,438
CHANGE IN NET POSITION, AS RESTATED	$ 41,519	$ 31,038	$ 20,289

Statement of Revenues, Expenses & Changes in Net Position

OPERATING EXPENSES:

- Total operating expenses increased by $5.8m.
- Operating & maintenance expenses increased $3.8m primarily due to increases in payroll, benefits, chemicals and other outside service costs.
- Expenses associated with water and other revenues increased $1.2m primarily due to the expenses from Well Services (Carboni Plumbing).

(In Thousands of Dollars)

	May 31, 2024	2023	2022
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Statement of Revenues, Expenses & Changes in Net Position

NONOPERATING INCOME & EXPENSES:

- Overall nonoperating expenses decreased $6.4m.
- Interest income increased by $2.8m.
- Loss on asset disposal decreased by $1.4m.
- Intergovernmental (Grant) revenue increased by $1.5m.

(In Thousands of Dollars)

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SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
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Capital Contributions	4,240	1,781	1,438
CHANGE IN NET POSITION, AS RESTATED	$ 41,519	$ 31,038	$ 20,289

Statement of Net Position

Net position increased $41.5m for the fiscal year.

- Net invested in capital assets increased $15.5m due to an increase in capital assets of $23m offset by an increase in Drinking Water Loans.
- Restricted net position increased $21m primarily due to increases in restricted assets. See note 6.

NET POSITION, AS RESTATED			
Net Investment in Capital Assets	110,393	94,877	84,090
Restricted:	166,360	145,335	130,067
Unrestricted	51,477	46,499	41,516
Total Net Position	328,230	286,711	255,673
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 980,630	$ 939,004	$ 926,061

Long-Term Liabilities

- Total bonds payable amounted to $505.3m at year-end 2024, a decrease of $6.6m.
- Drinking water loans increased $13.1m due to two new loans in 2024, one significant at $13.3m.
- The net Pension liability decreased $6.3m mainly due positive investment returns in FY 2024.
- GASB 96 SBITAs

2024	Beginning Balance as Restated*	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 511,930,000	$ 28,935,000	$ (35,565,000)	$ 505,300,000	$ 23,170,000
Net Bond Premiums and Discounts	42,294,283	3,255,456	(4,913,087)	40,636,652	-
Total Bonds Payable	554,224,283	32,190,456	(40,478,087)	545,936,652	23,170,000
Drinking Water Loans - Direct Borrowing	25,448,153	14,528,815	(1,438,919)	38,538,049	2,053,602
Lease Payable	529,746	63,674	(94,618)	498,802	96,315
SBITA Payable	5,989,245	401,615	(1,873,504)	4,517,356	1,296,063
Net Pension Liability	17,949,051		(6,326,602)	11,622,449	-
Net OPEB Liability	15,716,868	428,564		16,145,432	-
Total	$ 619,857,346	$ 47,613,124	$ (50,211,730)	$ 617,258,740	$ 26,615,980

Required Communications

- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Uncorrected misstatements
- Corrected misstatements
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Management representations

Required Communications

- Management consultations with other independent accountants
- Significant issues discussed with management prior to engagement
- Required Supplementary Information
- Supplementary information
- Other information

Contact Information

- Key Engagement Team Members
  - David Flint, CPA – Engagement Principal
    - Phone: 860-570-6379
    - Email: david.flint@claconnect.com
  - Gabriel Epstein, CPA – Director
    - Phone: 860-570-6435
    - Email: gabriel.epstein@claconnect.com

Questions?

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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 fiduciary activities of the South Central Connecticut Regional Water Authority (the Authority), as of and for the year ended May 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2024.

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 December 21, 2023, 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
September 17, 2024

CliftonLarsonAllen LLP
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Regional Water Authority
South Central Connecticut Regional Water Authority
New Haven, CT 06511-5966

We have audited the financial statements of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority as of and for the year ended May 31, 2024, and have issued our report thereon dated September 17, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit in our planning communication dated February 12, 2024. 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 the South Central Connecticut Regional Water Authority are described in Note 2 to the financial statements.

As described in Note 2, the Authority changed accounting policies related to leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 96, SBITA's, effective June 1, 2022. Accordingly, the accounting change has been applied to the beginning of the earliest comparative period presented.

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 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 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.

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

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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.

Circumstances that affect the form and content of the auditors' report

As previously communicated to you, the report was modified to include an emphasis of matter paragraph to highlight the change in accounting principal related to the adoption of the new accounting guidance for Subscription-Based Information Technology Arrangements.

Management representations

We have requested certain representations from management that are included in the management representation letter dated September 17, 2024.

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.

Required supplementary information

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.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 17, 2024.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of financial highlights, message from the CEO and Board Chairs, and Regional Water Authority Statistics. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we will request management correct the other information. If the other information is not corrected, we will take appropriate action to seek to have the uncorrected material misstatement appropriately brought to the attention of anyone in receipt of the annual report and the auditor's report.

* * *

This communication is intended solely for the information and use of Regional Water Authority and management of the 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

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 17, 2024

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2024 AND 2023

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SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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YEARS ENDED MAY 31, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of and for the years ended May 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of May 31, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Central Connecticut Regional Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective June 1, 2022, the South Central Connecticut Regional Water Authority adopted Government Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*. The guidance requires the recognition of a subscription based information technology arrangement (SBITA) asset and corresponding liability. As a result of the implementation of this standard, a restatement was reported for the change in accounting principle. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024, 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

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 17, 2024

INTRODUCTION

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

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

The Authority's audited financial statements include the following:

- Statements of net position

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

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

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

- Statements of cash flows

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

- Statements of fiduciary net position

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

- Notes to financial statements

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

THE AUTHORITY'S BUSINESS

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

During fiscal 2024, the Authority executed asset purchase agreements for one entity that, post transaction, operates under RWA Well Services, LLC. This is the third acquisition that is operating under RWA Well Services, LLC. These transactions are part of the Authority's efforts to identify additional revenue sources to mitigate rate pressures. RWA Well Services, LLC is a wholly owned subsidiary of RWA Commercial Enterprises, LLC. RWA Commercial Enterprises, LLC is a wholly owned subsidiary of the Authority. The Authority also established RWA Environmental & Lab Services, LLC and RWA Commercial Services, LLC. However, there are no operations under these two entities. The results of RWA Well Services, LLC are consolidated entities reflected in the Authority's financial statements. The Authority's enabling legislation was modified in June 2017, allowing the Authority to conduct or invest in certain "non-core" activities (e.g., related to water, environment, agricultural, and certain renewable energy) as more specifically defined in the legislation. During fiscal 2024, and signed into law of June 5, 2024, "non-core" activities were expanded to include "sustainable manufacturing support." There was also an asset purchase, by the Authority, pending as of the end of fiscal 2024. (See also Note 16 – Subsequent Events).

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

FINANCIAL HIGHLIGHTS

	(In Thousands of Dollars) May 31, 2024	2023	2022
SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
OPERATING REVENUES			
Water Revenues	$ 135,660	$ 131,968	$ 124,320
Other	16,112	12,390	10,839
Total Operating Revenues	151,772	144,358	135,159
OPERATING EXPENSES			
Operating and Maintenance	62,299	58,480	56,900
Expenses Associated With Water and Other Revenue	9,821	8,648	7,267
Depreciation and Amortization	26,397	25,872	23,294
Payments in Lieu of Taxes (PILOT)	8,767	8,524	8,554
Total Operating Expenses	107,284	101,524	96,015
OPERATING INCOME	44,488	42,834	39,144
NONOPERATING INCOME AND EXPENSES			
Interest Income	10,932	8,115	1,711
Loss on Disposal of Assets	(859)	(2,229)	(1,644)
Net Increase (Decrease) in the Fair Value of Investments	412	(255)	(350)
Interest Expense	(21,981)	(22,203)	(22,033)
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	2,222	2,742	2,333
Intergovernmental Revenue	1,941	490	-
Other Income (Expense), Net	124	(237)	(310)
Total Nonoperating Expenses	(7,209)	(13,577)	(20,293)
Income Before Contributions	37,279	29,257	18,851
Capital Contributions	4,240	1,781	1,438
CHANGE IN NET POSITION, AS RESTATED	$ 41,519	$ 31,038	$ 20,289

Operating revenues

The change in water revenues from fiscal 2023 to fiscal 2024 is primarily due to the rate increase that went into effect on June 28, 2023. The primary drivers of the increase in other revenues are the third acquisition, under RWA Well Services, in October 2023, and a full-year impact of a prior PipeSafe price adjustment.

The change in water revenues from fiscal 2022 to fiscal 2023 is primarily due to the full year impact of the January 2022 rate increase as well as the full year impact of the May of 2022 transaction on RWA Well Services, LLC operating revenues, included in other revenues. The weather in the summer of fiscal 2023 is also a factor contributing to the increase.

Operating expenses

Operating and maintenance expenses from fiscal 2023 to fiscal 2024 increased by approximately $2.6 million. The larger increases are due to payroll expense, employee benefits, chemicals, electric services, and Information Technology Licenses and Maintenance fees. Pension expense, under GASB 68 and Other Post Employment Benefits (OPEB) expense, under GASB 75, decreased from fiscal 2023 to fiscal 2024. There were other net changes across multiple accounts.

Operating and maintenance expenses from fiscal 2022 to fiscal 2023 increased by $2.8 million. The larger increases are due to payroll expense, chemical pricing, and outside services. Outside services increased primarily due to the partial year impact of temporarily resources backfilling employees dedicated to the new Customer Information System project. Pension expense under GASB 68 increased from fiscal 2022 to fiscal 2023. This increase was partially offset by a decrease in OPEB expense under GASB 75. There were other net changes across multiple operating expense categories.

Depreciation and amortization expense increased from fiscal 2023 to fiscal 2024 primarily due to the increase in gross property plant and equipment. There was also an impact on depreciation and amortization due to the fiscal 2024 additional acquisition in RWA Well Services, LLC. This category includes amortization associated with leases under GASB 87. Depreciation also includes amortization of intangible assets associated with RWA Well Services, LLC.

Depreciation and amortization expense increased from fiscal 2022 to fiscal 2023 primarily due to the increase in gross property plant and equipment as well as an acceleration of the depreciation on certain short-lived assets. There was also a full year of depreciation on RWA Well Services, LLC assets. This category also includes amortization associated with leases under GASB 87. Depreciation includes amortization of intangible assets associated with RWA Well Services, LLC.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased between fiscal 2023 to fiscal 2024 and decreased slightly between fiscal 2022 and fiscal 2023. PILOT variances are primarily as a result of changes in pipe and mill rates.

Nonoperating income and expenses

Interest income increased from fiscal 2023 to fiscal 2024 due to the higher interest rate environment resulting in higher earnings on investments.

Interest income increased from fiscal 2022 to fiscal 2023 primarily due to charging interest throughout fiscal 2023 versus a partial year in fiscal 2022 as well as the significant increase in investment income due to the market environment.

Due to market conditions, the realized and unrealized investment gain between May 2023 and May 2024 is approximately $.4 million and the loss between May 2022 and May 2023 was approximately $.3 million, excluding the Watershed Fund.

Disposal of assets

In fiscal 2024 and fiscal 2023, 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 2024 is lower than in 2023 due to retirements having a lower remaining book value.

In fiscal 2023 and fiscal 2022, 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 2023 was higher than in 2022 due to more retirements having a remaining book value.

Amortization

The amortization of bond discount, premium, issuance costs, and deferred refunding losses are more favorable in fiscal 2024 than in fiscal 2023. This is primarily due to the higher premium amortizations.

The fiscal 2024 amortization of goodwill is higher due to the amortization of the goodwill associated with the October 2023 acquisition under RWA Well Services, LLC.

The amortization of bond discount, premium, issuance costs, and deferred refunding losses were more favorable in fiscal 2023 than in fiscal 2022. This is primarily due to the higher premium amortizations and lower refunding losses due to the full year impact of the 36th Series. The fiscal 2023 and fiscal 2022 amortization of goodwill associated with RWA Well Services, LLC, is also impacting amortization.

Intergovernmental revenues

Intergovernmental revenues in fiscal 2024 increased due to the grant proceeds from the Drinking Water State Revolving Find (DWSRF). Intergovernmental revenues in fiscal 2023 also increased due to the receipt of two Drinking Water State Revolving Fund (DWSRF) grants and no intergovernmental revenues in fiscal 2022.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2024 AND 2023

	(In Thousands of Dollars) May 31, 2024	2023	2022
SUMMARY: NET POSITION			
ASSETS			
Depreciable Utility Plant in Service, Net	$ 564,462	$ 538,702	$ 536,349
Land	28,086	28,038	27,994
Construction Work in Progress	32,554	36,883	16,127
Intangible Assets, Net	1,657	819	885
Nonutility Land	66,143	65,474	64,984
Other Assets:			
Current	76,716	73,019	69,481
Long-Term Note Receivable	500	500	500
Long-Term Lease Receivable	1,222	1,270	1,390
Restricted Assets	172,565	151,633	166,244
Regulatory Assets	9,073	9,346	9,647
Total Assets	952,978	905,684	893,601
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	12,178	14,030	15,228
Deferred Outflows - Goodwill	11,914	11,412	11,737
Deferred Outflows Related to Pensions	1,232	5,660	3,517
Deferred Outflows Related to OPEB	2,328	2,218	1,978
Total Deferred Outflows of Resources	27,652	33,320	32,460
Total Assets and Deferred Outflows of Resources	$ 980,630	$ 939,004	$ 926,061
LIABILITIES			
Current Liabilities	$ 43,422	$ 40,523	$ 37,219
Payable from Restricted Assets	13,577	11,228	10,312
Other Long-Term Liabilities	-	-	11
Long-Term Debt Payable	518,615	513,411	535,947
Net Premiums and Discounts	40,637	42,294	46,991
Net Pension Liability	11,623	17,949	16,601
Net OPEB Liability	16,145	15,717	17,177
Long-Term SBITA Liability	3,221	4,320	-
Long-Term Lease Liability	402	445	527
Other Liability	163	-	-
Total Liabilities	647,805	645,887	664,785
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	133	344	-
Deferred Inflows Related to OPEB	3,090	4,642	4,089
Deferred Inflows Related to Leases	1,372	1,420	1,514
Total Deferred Inflows of Resources	4,595	6,406	5,603
NET POSITION, AS RESTATED			
Net Investment in Capital Assets	110,393	94,877	84,090
Restricted:	166,360	145,335	130,067
Unrestricted	51,477	46,499	41,516
Total Net Position	328,230	286,711	255,673
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 980,630	$ 939,004	$ 926,061

Capital assets

The increase in capital assets from fiscal 2023 to fiscal 2024 is primarily due to the increase in utility property plant and equipment in service. This category also increased due to the capital assets, including the land and building of the October 2023 acquisition. These increases are partially offset by lower utility Construction Work in Progress. The increase in capital assets from fiscal 2022 to fiscal 2023 is primarily due to the increase in Construction Work in Progress.

Current assets

The following itemizes the change in current assets between May 31, 2023 and 2024, and between May 31, 2022 and 2023, respectively:

	May 31,	
	2024	2023
Increase (Decrease) in Cash and Cash Equivalents	$ 3,822,050	$ 4,088,541
Increase (Decrease) in Accounts Receivable, Net	(1,689,562)	(2,142,435)
Increase (Decrease) in Lease Receivable	(418)	(4,566)
Increase (Decrease) in Accrued Water Revenue	342,698	647,470
Increase (Decrease) in Interest Receivable	61,061	207,519
Increase (Decrease) in Materials and Supplies	695,452	645,040
Increase (Decrease) Watershed Fund Investments	4,232	40,372
Increase (Decrease) in Prepayments and Other Current Assets	461,253	56,164
Net Increase (Decrease) in Current Assets	$ 3,696,766	$ 3,538,105

Increase in current net position from May 31, 2023 to May 31, 2024

The increase in cash and cash equivalents between fiscal 2024 and fiscal 2023 is due to the increase in the Growth Fund, the General Fund, and the Revenue Fund. Through the year-end disposition, the Authority more than replenished expenditures from the Growth Fund and the net increase in this fund's balance was $1.2 million. Through the year-end disposition the General Fund was increased by $1 million. The net increase in the Revenue Fund, subsequent to the year-end disposition, was approximately $.9 million. Also, through the year-end disposition, approximately $21.5 million was transferred into the Construction Fund, reflected under Restricted Assets.

The increase in cash and cash equivalents between fiscal 2023 and fiscal 2022 is due to the increase in the Growth Fund and the General Fund. Through the year-end disposition, the Authority replenished expenditures and increased the Growth Fund balance by approximately $4 million and increased the General Fund by $1 million. Also, through the year-end disposition, over $20 million was transferred into the Construction Fund, reflected under Restricted Assets.

The decrease in the accounts receivable in both fiscal 2024 and fiscal 2023 primarily relates to an improvement in customer accounts receivable from each of the prior year's balances from the elevated level due to impacts from COVID-19. This is partially offset by the impact on customer accounts receivable associated with both the June 2023 and the January 2022 rate increase.

At the end of fiscal 2023, while accounts receivables had decreased, receivables were still elevated over pre-pandemic levels.

The increase in accrued revenue from fiscal 2024 and fiscal 2023 and between fiscal 2023 and fiscal 2022, is primarily due to the June 2023 and January 2022 rate increases. This category is also impacted by the timing of billing and estimated earned revenues.

The increase in interest receivables in both fiscal 2024 and in fiscal 2023 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 in fiscal 2024 primarily relates to the flexnets in inventory. There was also a small increase in general stores and miscellaneous supplies that are more than offset by a reduction in chemical inventory.

The increase in materials and supplies in fiscal 2023 is primarily related to an increase in general stores mostly due to increasing the stock of certain parts and adding new components to stock 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 increase in prepayments and other current assets from fiscal 2023 to fiscal 2024 is primarily due to the increase in prepaids, including insurance, partially offset by a lower jobbing receivable.

The small increase in prepayments and other current assets from fiscal 2022 to fiscal 2023 is primarily due to the increase in jobbing receivables largely offset by lower prepaid and deferred land expenses.

Watershed Fund Investments:

Between May 31, 2023 and May 31, 2024, the Watershed Fund investments reflect a small net increase in market value of approximately $4 thousand.

Between May 31, 2022 and May 31, 2023, the Watershed Fund investments reflect a small net increase in market value of approximately $40 thousand.

Restricted assets (investments)

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

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

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

Restricted assets increased by approximately by $20.9 million between May 31, 2024, and May 31, 2023. This increase is primarily due to the $15.2 million increase in the Construction Fund. This increase is due to the year-end disposition, the remaining proceeds from the May DWSRF financing proceeds, and the use of the Thirty-seventh Series bond proceeds and DWSRF financing proceeds available to partially fund the capital program. These increases to the Construction fund were partially offset by capital expenditures funded through internally generated funds. The Debt Reserve Fund increased through both DWSRF financing, and the Thirty-seventh Series bonds and the Capital Contingency was increased through DWSRF financing. The Operating Reserve increased due to the year-end transfer into the Operating Reserve, as required under the *General Bond Resolution*, an increase in the Debt Service Fund, the PILOT Fund, and an increase in Restricted Accounts Receivable also contributed to the increase in Restricted Assets.

Restricted assets decreased by approximately by $14.6 million between May 31, 2023, and May 31, 2022. This decrease is primarily due to the $17.4 million decrease in the Construction Fund associated with the depletion of the project related proceeds of the Thirty-sixth Series bond issuance, capital expenditures funded through internally generated funds, partially offset by the year-end transfer of internally generated funds into the Construction Fund. The decrease in the Construction Fund is partially offset by the increase in the Operating Reserve due to the year-end transfer into the Operating Reserve, as required under the *General Bond Resolution*, an increase in the Debt Service Fund and other net changes.

Other long-term assets

As of May 31, 2024, regulatory assets totaled $9.1 million, net of amortizations, representing a decrease of approximately $.2 million over May 31, 2023. Regulatory assets include $4.5 million of bond issuance costs and $4.6 million in regulatory assets, including $3.7 million deferred charges of estimated environmental remediation costs of a site on Newhall Street in Hamden, Connecticut (See Note 10, Pollution Remediation Obligation), and other regulatory assets totaling $.9 million.

As of May 31, 2023, regulatory assets totaled $9.3 million, net of amortizations, representing a decrease of approximately $.3 million over May 31, 2022. Regulatory assets include $4.5 million of bond issuance costs, $3.9 million deferred charges of estimated environmental remediation costs of a site on Newhall Street in Hamden, Connecticut (See Note 10, Pollution Remediation Obligation), and $.4 million associated with an interconnection, and $.5 million in other remediation costs.

Deferred Outflows:

Goodwill results primarily from the Authority's acquisition of Birmingham Utilities on January 16, 2008. Beginning in fiscal 2022, goodwill has been recorded associated with the RWA Well Services, LLC transactions and this goodwill is being amortized, including the goodwill associated with the October 2023 acquisition. Goodwill is being amortized over the remaining life of assets acquired. Goodwill is assessed at least annually for impairment by applying a fair value-based test. The Authority determined that for the years ended May 31, 2024 and 2023, no impairment of goodwill has occurred.

Between May 31, 2024, and May 31, 2023, deferred outflows, excluding goodwill, decreased by approximately $6.2 million, this is due to decreases in deferred charges from refunding and lower outflows from pension. Deferred outflows associated with goodwill increased as the goodwill increase from the October 2023 acquisition was more than the goodwill amortizations.

Between May 31, 2023, and May 31, 2022, deferred outflows increased by approximately $.9 million, this is primarily due to the increase in pension related outflows and to a lesser degree OPEB related outflows. These increases were partially offset by a reduction in deferred outflows associated with refunding and a reduction in goodwill due to amortizations.

Current liabilities

The authority's current liabilities increased by approximately $2.9 million between May 31,2023 and May 31, 2024. The increase is primarily due to the increase in the current portion of bonds payable and the current portion of DWSRF project loan obligations. Also contributing to the increase is accounts payable, customer advances, and other current liabilities.

The authority's current liabilities increased by approximately $3.3 million between May 31, 2022, and May 31, 2023. The increase is primarily due to the increase in the current portion of bonds payable. Also contributing to the increase is accounts payable, customer advances, and SBITAs.

Payables from restricted assets

Between May 31, 2023, and May 31, 2024, payables from restricted assets increased by approximately $2.3 million. This increase is primarily due to an increase in accounts payable for construction, inclusive of retainage, as well as an increase in customer advances. These increases were partially offset by a reduction in accrued interest payable.

Between May 31, 2022, and May 31, 2023, payables from restricted assets increased by approximately $.9 million. This increase is primarily due to an increase in accounts payable for construction, inclusive of retainage, as well as an increase in customer advances. These increases were partially offset by a reduction in accrued interest payable.

Other long-term liabilities

The balance in other long-term liabilities remained zero as of May 31, 2024, due to the completion of the remediation associated with the Newhall Street site in Hamden at the end of fiscal 2023. (See Note 10 for additional information)

Between May 31, 2023, and May 31, 2022, other long-term liabilities decreased by $11 thousand brining the balance to zero due to the completion of the remediation associated with the Newhall Street site in Hamden. (See Note 10 for additional information)

Long-term debt

Between May 31, 2024, and May 31, 2023, long-term Water Revenue Bonds payable, at par, decreased by approximately $7.2 million, excluding the current portion. This is due to the August 2023 payment and the 37th B-1 refunding partially offset by the 37th Series financing. Net premiums and discounts from revenue bonds payable decreased by approximately $1.7 million due to amortizations partially offset by the 37th Series premium and the net premium impact associated with the 37th B-1 Refunding Series.

There is also an increase in the non-current current portion of DWSRF project loan obligations. This is due to the two DWSRF financing during fiscal 2024, including the relatively large West River Treatment Plant Improvements partially offset by principal payments throughout the fiscal year.

Between May 31, 2023, and May 31, 2022, long-term Water Revenue Bonds payable, at par, decreased by approximately $22.6 million, excluding the current portion. Net premiums and discounts from revenue bonds payable decreased by approximately $4.7 million due to amortizations. There was a small increase of approximately $28 thousand in DWSRF loans payable, less the current portion. This is due to two additional DWSRF loans executed in fiscal 2023 largely offset by principal payments on outstanding DWSRF debt.

Net pension liability

Between May 31, 2023 and May 31, 2024, the net pension liability decreased by approximately $6.3 million. This decrease is primarily due to the anticipated investment earnings versus the actual returns. While the market values were down at the end of fiscal 2023, by the end of fiscal 2024 market values recovered and surpassed prior levels. In fiscal 2024, contributions were approximately $2.1 million in excess of the actuarial required contribution, and this also contributed to the reduction in the liability. Actual versus expected experience was higher for the bargaining unit and the salaried plan partially offsetting the higher investment earnings.

Between May 31, 2022, and May 31, 2023, the net pension liability increased by approximately $1.3 million. This increase is primarily due to the anticipated investment earnings versus the actual returns that were slightly negative year-over-year. Actual versus expected experience was also higher for the bargaining unit pension plan contributing to the increase in the liability, largely offset by lower actual versus expected experience for the salaried plan. The factors resulting in an increase to the liability were partially offset by the approximately $2.3 million contribution in excess of the actuarial required contribution.

Net other post-employment benefit liability

Between May 31, 2023, and May 31, 2024, the net other post-employment benefit liability increased by approximately $0.4 million. This is primarily due to the actual vs. expected experience. This was partially offset by the increase in the investment earnings.

Between May 31, 2022, and May 31, 2023, the net other post-employment benefit liability decreased by approximately $1.5 million, primarily due to the lower actual versus expected experience. This was partially offset by the projected health care cost trends and negative year-over-year investment returns.

Deferred Inflows

Between May 31, 2023, and May 31, 2024, deferred inflows were lower by approximately $1.8 million. This is primarily due the decrease in the OPEB deferred inflows.

Between May 31, 2022, and May 31, 2023, deferred inflows increased by approximately $.8 million. This was primarily due to the increase in deferred inflows associated with other post-employment benefits stemming from actual versus expected experience and the increase associated with the pension plan stemming from salaried plan actual versus expected experience. These increases were partially offset by a decrease in the inflows related to leases.

Net Investment in Capital Assets

Between May 31, 2024, and May 31, 2023, the increase in capital net of related debt is primarily due to the increase in net plant and the decrease in capital related debt, including premiums. The October 2023 acquisition under RWA Well Services, LLC also increased the capital assets. These increases are partially offset by an increase in accounts payable for construction. The year-over-year increase is approximately $15.5 million.

Between May 31, 2023, and May 31, 2022, the increase in capital net of related debt is primarily due to the increase in net plant and the decrease in capital related debt, including premiums. This is slightly offset by an increase in accounts payable for construction. The year-over-year increase is approximately $10.8 million.

Net position, restricted

Restricted net position increased approximately $21.0 million from May 31, 2023, to May 31, 2024, primarily due to the year-over-year increase in restricted assets, net of remaining financing proceeds. By the end of fiscal 2024, the 37^{th} Series proceeds were fully expended. There was remaining proceeds from the May 2024 DWSRF financing.

Restricted net position increased approximately $15.3 million from May 31, 2022, to May 31, 2023, primarily due to the year-over-year increase in restricted assets, net of remaining bond proceeds. By the end of fiscal 2023, bond proceeds from the 36^{th} Series were fully expended on capital assets.

Unrestricted net position

Unrestricted net position increased by approximately $5.0 million from May 31, 2023, to May 31, 2024, due to the increase in current assets and unrestricted deferred outflows being higher than the increase in current liabilities and the change in deferred inflows. The unrestricted net position of RWA Well Services contributed to this increase.

Unrestricted net position increased by approximately $5.0 million from May 31, 2022, to May 31, 2023, due to the increase in current assets and unrestricted deferred outflows being higher than the increase in current liabilities and deferred inflows was partially offset by the unrestricted net position associated with RWA Well Services, LLC.

THE AUTHORITY'S CUSTOMER BASE

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 120,700 customers, 116,600 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2023 and May 31, 2024, 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 2024 the Authority received approximately $140.6 million in cash from operations and a combined $6.1 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 2024 year-end disposition of the Revenue Fund, the Authority had approximately $25.5 million available after funding required reserves. The Authority transferred $1.0 million into the General Fund, $3.0 million into the Growth Fund and transferred approximately $21.5 million to the Construction Fund, including the funding of depreciation. In addition, in fiscal 2024, the Authority contributed to the pension plans approximately $2.1 million in excess of the actuarial requirement. Internally generated funds were also used to fund a portion of the capital improvement program. A transfer was also made from RWA Well Services, LLC into the Construction Fund.

CREDIT RATING

In March 2024, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services in February 2024 affirmed the Authority's credit rating of AA-.

FINANCIAL STATEMENT PRESENTATION

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

REQUEST FOR INFORMATION

Please note that the Authority's audited financial statements include data from its fiscal years ended May 31, 2024 and 2023 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2024 AND 2023

	2024	2023
ASSETS		
Utility Plant:		
Depreciable Property, Plant, and Equipment in Service	$ 1,016,799,103	$ 965,950,458
Accumulated Depreciation and Amortization	(452,337,524)	(427,248,517)
Depreciable Utility Plant in Service	564,461,579	538,701,941
Land	28,085,903	28,038,091
Construction Work in Progress	32,554,313	36,883,362
Intangible Assets, Net	1,657,335	818,669
Total Utility Plant, Net	626,759,130	604,442,063
Nonutility Land	66,142,921	65,474,266
Current Assets:		
Cash and Cash Equivalents	43,290,680	39,468,630
Accounts Receivable, Less Allowance for Doubtful Accounts of $3,968,699 in 2024 and $4,372,036 in 2023	10,066,392	11,755,954
Lease Receivable	89,372	89,790
Accrued Water Revenue	13,281,585	12,938,887
Accrued Interest Receivable	318,162	257,101
Materials and Supplies	3,594,013	2,898,561
Watershed Fund - Investment in Community Foundation Portfolio	1,787,791	1,783,559
Prepaid Expenses and Other Assets	4,288,131	3,826,878
Total Current Assets	76,716,126	73,019,360
Note Receivable	500,000	500,000
Lease Receivable	1,221,518	1,269,872
Restricted Assets	172,564,533	151,632,814
Regulatory Assets	9,073,313	9,345,702
Total Assets	952,977,541	905,684,077
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	12,177,953	14,029,682
Deferred Outflows - Goodwill	11,913,817	11,412,319
Deferred Outflows Related to Pensions	1,231,876	5,660,132
Deferred Outflows Related to OPEB	2,328,425	2,217,948
Total Deferred Outflows of Resources	27,652,071	33,320,081

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
MAY 31, 2024 AND 2023

	2024	2023
LIABILITIES		
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	$ 482,130,000	$ 489,365,000
Drinking Water Loans Payable	36,484,447	24,045,748
Net Premiums and Discounts from Revenue Bonds Payable	40,636,652	42,294,283
Net Pension Liability	11,622,449	17,949,051
Net OPEB Liability	16,145,432	15,716,868
SBITA Liability	3,221,293	4,319,734
Lease Liability	402,487	445,623
Other Liability	162,500	-
Total Noncurrent Liabilities	590,805,260	594,136,307
Current Liabilities:		
Current Maturities of Bonds Payable	23,170,000	22,565,000
Current Maturities of Drinking Water Loans Payable	2,053,602	1,402,405
Accounts Payable	5,573,059	4,696,709
Bond Anticipation Notes Payable	50,500	50,500
Customer Deposits and Advances	1,925,395	1,492,161
Other Accrued Liabilities	9,257,009	8,562,167
Current Maturities of SBITA Liability	1,296,063	1,669,511
Current Maturities of Lease Liability	96,315	84,123
Total Current Liabilities	43,421,943	40,522,576
Payable from Restricted Assets:		
Accounts Payable for Construction	5,145,827	2,826,810
Accrued Interest Payable	6,981,376	7,157,808
Customer Deposits and Advances	1,450,144	1,243,842
Total Liabilities Payable from Restricted Assets	13,577,347	11,228,460
Total Liabilities	647,804,550	645,887,343
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	132,401	343,905
Deferred Inflows Related to OPEB	3,090,279	4,642,329
Deferred Inflows Related to Leases	1,372,086	1,419,574
Total Deferred Inflows of Resources	4,594,766	6,405,808
NET POSITION, AS RESTATED		
Net Investment in Capital Assets	110,392,818	94,877,274
Restricted		
Construction	82,361,027	67,108,074
Debt	47,639,121	44,607,800
Payments-in-Lieu-of-Taxes (PILOT)	4,001,290	3,872,866
Operating Reserve	11,934,924	11,553,002
Capital Contingency	6,220,680	6,054,139
Rate Stabilization	10,000,000	10,000,000
Other Purposes	2,475,971	535,283
Watershed Fund	1,727,360	1,603,467
Unrestricted	51,477,105	46,499,102
Total Net Position, as Restated	$ 328,230,296	$ 286,711,007

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, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water Revenues:		
Residential and Commercial	$ 110,735,863	$ 107,775,568
Industrial	2,298,951	2,430,726
Fire Protection	13,695,496	13,017,484
Public Authority	3,266,497	3,400,775
Wholesale	987,999	1,121,050
Other Water Revenues	4,675,852	4,222,908
Other Revenue	16,111,647	12,390,056
Total Operating Revenues	151,772,305	144,358,567
OPERATING EXPENSES		
Operating and Maintenance Expense	62,298,731	58,480,421
Depreciation and Amortization	26,397,384	25,872,122
Payments in Lieu of Taxes	8,766,684	8,523,522
Other Water Expenses	2,051,643	1,981,036
Cost of Other Revenue	7,769,842	6,666,515
Total Operating Expenses	107,284,284	101,523,616
OPERATING INCOME	44,488,021	42,834,951
NONOPERATING INCOME (EXPENSE)		
Interest Income	10,932,348	8,114,850
Loss on Disposal of Assets	(859,223)	(2,228,935)
Net Increase (Decrease) in the Fair Value of Investments	411,980	(254,580)
Interest Expense	(21,981,080)	(22,203,564)
Amortization of Bond Discount, Premium, Issuance Cost, Deferred Losses, and Goodwill	2,221,853	2,741,665
Intergovernmental Revenue	1,940,999	489,584
Other Income (Expense), Net	123,893	(236,550)
Total Nonoperating Expense	(7,209,230)	(13,577,530)
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	37,278,791	29,257,421
Capital Contributions	4,240,498	1,781,029
CHANGE IN NET POSITION	41,519,289	31,038,450
Net Position - Beginning of Year	286,711,007	255,672,557
NET POSITION - END OF YEAR, AS RESTATED	$ 328,230,296	$ 286,711,007

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Sales	$ 137,664,181	$ 129,266,226
Cash Received from Other Services	16,111,647	16,530,737
Cash Paid to Employees	(25,717,505)	(23,558,151)
Cash Paid to Suppliers for Operations	(42,791,368)	(39,076,883)
Cash Paid To Suppliers for Other Services	(6,475,871)	(6,689,439)
Cash Paid for Payments in Lieu of Taxes	(8,766,684)	(8,520,484)
Net Cash Provided by Operating Activities	70,024,400	67,952,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	10,871,287	7,907,314
Sale of Restricted Investments - Watershed Fund	196,472	19,163
Purchase of Restricted Investments	(217,024,630)	(174,489,340)
Sale of Restricted Investments	198,448,076	189,658,851
Contributions to/from, Net	(1,444,159)	-
Net Cash Provided (Used) by Investing Activities	(8,952,954)	23,095,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Utility Plant	(47,514,874)	(43,637,476)
Proceeds from Disposition of Assets	546,345	69,166
Proceeds from Issuance of Bond Anticipation Notes	50,500	50,500
Proceeds from Issuance of Drinking Water Loans	14,528,820	1,476,668
Proceeds from Issuance of Revenue Bonds	17,825,000	-
Proceeds from Issuance of Refunding Bonds	11,110,000	-
Premium on Bond Issuances	3,255,456	-
Principal Payments on Revenue Bonds	(22,565,000)	(21,475,000)
Payments on Drinking Water Loans	(1,438,924)	(1,359,379)
Payments on Bond Anticipation Notes	(50,500)	(50,500)
Payments for Retirement of Revenue Bonds	(13,000,000)	-
Interest Paid	(22,157,512)	(22,422,327)
Grant Proceeds	1,940,999	489,584
Capital Contributions, Net of Restricted Deposit	2,076,030	1,058,058
Lease Payments Received	93,635	125,329
Payments on SBITAs	(1,873,505)	(1,185,984)
Payments on Leases	(75,866)	(98,092)
Net Cash Used by Capital and Related Financing Activities	(57,249,396)	(86,959,453)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,822,050	4,088,541
Cash and Cash Equivalents - Beginning of Year	39,468,630	35,380,089
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 43,290,680	$ 39,468,630

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 44,488,021	$ 42,834,951
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	26,397,384	25,872,122
Bad Debt Expense	30,469	235,446
Other	820,171	97,910
Change in:		
Accounts Receivable and Accrued Water Revenue	1,316,395	1,259,519
Materials and Supplies	(695,452)	(645,040)
Prepaid Expenses and Other Assets	(461,253)	(56,164)
Regulatory Assets	(250,294)	(409,467)
Deferred Outflows of Resources - Pension	4,428,256	(2,143,440)
Deferred Outflows of Resources - OPEB	(110,477)	(239,999)
Accounts Payable	642,184	288,133
Net Pension Liability	(6,326,602)	1,347,682
Net OPEB Liability	428,564	(1,460,037)
Deferred Inflows of Resources - Pension	(211,504)	343,905
Deferred Inflows of Resources - OPEB	(1,552,050)	553,271
Deferred Inflows of Resources - Leases	(47,488)	(94,356)
Customer Deposits and Advances	433,234	148,124
Other Accrued Liabilities	694,842	19,446
Total Adjustments	25,536,379	25,117,055
Net Cash Provided by Operating Activities	$ 70,024,400	$ 67,952,006

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
PENSION TRUST FUND
MAY 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 1,611,400	$ 2,260,839
Investments:		
U.S. Government Securities	2,667,763	921,715
U.S. Government Agencies	4,220,945	2,484,865
Corporate Bonds	7,895,538	7,857,351
Mutual Funds	58,931,623	53,465,138
Total Assets	75,327,269	66,989,908
NET POSITION		
Restricted for Pension Benefits	$ 75,327,269	$ 66,989,908

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, 2024 AND 2023

	2024	2023
ADDITIONS		
Contributions:		
Employer	$ 5,000,000	$ 5,176,939
Employees	-	966
Total Contributions	5,000,000	5,177,905
Investment Earnings (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	7,008,871	(2,265,882)
Investment Earnings	2,221,056	2,164,565
Net Investment Earnings (Loss)	9,229,927	(101,317)
Total Additions	14,229,927	5,076,588
DEDUCTIONS		
Benefits	5,516,574	5,051,237
Expenses	352,884	324,050
Other	23,108	23,226
Total Deductions	5,892,566	5,398,513
CHANGE IN NET POSITION	8,337,361	(321,925)
Net Position - Beginning of Year	66,989,908	67,311,833
NET POSITION - END OF YEAR	$ 75,327,269	$ 66,989,908

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
MAY 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 213,204	$ 546,804
Investments:		
U.S. Government Securities	-	49,912
Mutual Funds	9,871,908	8,661,605
Total Assets	10,085,112	9,258,321
NET POSITION		
Restricted for Retiree Benefits	$ 10,085,112	$ 9,258,321

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, 2024 AND 2023

	2024	2023
ADDITIONS		
Contributions:		
Employer	$ 1,640,907	$ 1,737,894
Retirees	236,069	220,215
Total Contributions	1,876,976	1,958,109
Investment Earnings (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	910,400	(320,184)
Investment Earnings	304,069	284,469
Net Investment Earnings (Loss)	1,214,469	(35,715)
Total Additions	3,091,445	1,922,394
DEDUCTIONS		
Benefits	2,213,576	1,711,375
Expenses	51,078	44,553
Total Deductions	2,264,654	1,755,928
CHANGE IN NET POSITION	826,791	166,466
Net Position - Beginning of Year	9,258,321	9,091,855
NET POSITION - END OF YEAR	$ 10,085,112	$ 9,258,321

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

The South Central Connecticut Regional Water Authority (the Authority) was created, effective July 25, 1977, pursuant to Special Act No. 77-98 (the Act), as amended. Per this enabling legislation, the primary purpose of the Authority is to provide and assure an adequate supply of pure water at a reasonable cost to the South Central Connecticut Regional Water District (the District) and, to the degree consistent with the foregoing, to advance water conservation and the conservation and compatible recreational use of land held by the Authority. The 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 (fiscal 2020), the Authority approved a name change of the Watershed Fund to The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund). The Watershed Fund is included in the Authority's financial statements as a blended component unit as the Five-Member Authority votes on the Watershed Fund's governing body. Information regarding the Watershed Fund can also be found in Note 7, The Claire C. Bennitt Watershed Fund. Requests for standalone financial statements for the Watershed Fund should be addressed in writing to President, The Claire C. Bennitt Watershed Fund, Inc., 90 Sargent Drive, New Haven, CT 06511.

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

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing 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.

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, 2024, regulatory assets include approximately $4.5 million of bond issuance costs and $4.6 million of deferred charges, net of amortization. Included in the approximately $4.6 million is approximately $3.7 million associated with estimated environmental remediation costs in the town of Hamden, $.5 million associated with a deferred repair and remediation costs, and $.4 million of incurred costs associated with an interconnection.

As of May 31, 2023, regulatory assets include approximately $4.5 million of bond issuance costs and $4.8 million of deferred charges, net of amortization. Included in the approximately $4.8 million is approximately $3.9 million associated with estimated environmental remediation costs in the town of Hamden, $.5 million associated with a deferred repair and remediation costs, and $.4 million of incurred costs associated with an interconnection.

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, and transportation. The costs of maintenance and repairs are charged to the appropriate operations and maintenance expense accounts as incurred, while the costs of renewal and betterments are capitalized. The book value of depreciable utility plant retired in the ordinary course of business is removed from the asset and accumulated depreciation accounts. Gain or loss realized upon disposal is credited or charged to income.

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

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

The estimated service lives of capital assets are as follows:

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant (Continued)

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

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

Watershed Fund - Investment in Community Foundation Portfolio

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

Materials and Supplies

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

Restricted Assets

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The Authority reports a deferred charge on refunding, goodwill, and deferred outflows related to pension and other postemployment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Goodwill is amortized and is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2024 and 2023, no impairment of goodwill has occurred. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, these amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions, OPEB, and lease receivable. A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings, or other inputs. With the exception of differences between projected and actual earnings, which are required to be recognized over a five-year period, these amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees). The statement of net position also reports a deferred inflow of resources related to leases.

Bonds Premiums and Discounts

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

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, depreciation on capital assets, and lease, SBITA, and intangible assets amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accrued Water Revenue

The Authority accrues revenue based on an estimate of water service provided to each customer, net of allowance for uncollectible accounts, from the last meter reading date to the statement of net position date. Interest is accrued on unpaid customer accounts after 30 days from the billing date.

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. 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.

Adoption of New Accounting Standards:

In May 2020, the Government Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Authority adopted the requirements of the guidance effective June 1, 2022. See Note 18 for the restatement as a result of this implementation. The implementation of this standard resulted in the Authority reporting a SBITA asset and corresponding liability.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

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

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*, $11,858,548 of the Authority's bank balance of $21,762,201 was exposed to custodial credit risk as of May 31, 2024, as follows:

Uninsured and Uncollateralized	$ 1,740,820
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	10,117,728
Total Amount Subject to Custodial Risk	$ 11,858,548

As of May 31, 2023, $8,668,951 of the Authority's bank balance of $19,186,192 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 859,437
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	7,809,514
Total Amount Subject to Custodial Risk	$ 8,668,951

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash Equivalents

As of May 31, 2024 and 2023, the Authority's cash equivalents amounted to $182,580,696 and $156,258,439, respectively, and consisted of the State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's, United States Treasuries and cash portions of fiduciary funds held at custodial institutions.

Investments

As of May 31, 2024, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 2,667,763	$ 605,532	$ 2,062,231	$ -
U.S. Government Agencies	Aaa	15,279,178	9,602,668	5,676,510	-
Corporate Bonds	Aaa	327,768	204,855	122,913	-
Corporate Bonds	A1	1,494,575	-	1,494,575	-
Corporate Bonds	A2	1,307,098	321,604	985,494	-
Corporate Bonds	A3	832,199	295,959	536,240	-
Corporate Bonds	Aa3	539,322	-	539,322	-
Corporate Bonds	Baa1	692,079	-	692,079	-
Corporate Bonds	Baa2	2,416,722	242,917	2,173,805	-
Corporate Bonds	Baa3	285,781	-	285,781	-
Other Investments:					
Mutual Funds	No Rating	68,803,533			
Investment in Community Foundation Portfolio	No Rating	1,787,791			
Total Investments		$ 96,433,809			

As of May 31, 2023, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	Credit Rating	Fair Market Value	Less Than 1	1 - 10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 971,627	$ 563,583	$ 408,044	$ -
U.S. Government Agencies	Aaa	18,135,986	3,540,114	14,595,872	-
Corporate Bonds	Aaa	317,190	317,190		-
Corporate Bonds	A1	1,212,769	-	1,212,769	-
Corporate Bonds	A2	1,220,495	-	1,220,495	-
Corporate Bonds	A3	900,533	-	900,533	-
Corporate Bonds	Aa3	613,478	-	613,478	-
Corporate Bonds	Baa1	918,222	248,690	669,532	-
Corporate Bonds	Baa2	2,674,664	274,692	2,399,972	-
Other Investments:					
Mutual Funds	No Rating	62,126,741			
Investment in Community Foundation Portfolio	No Rating	1,783,559			
Total Investments		$ 90,875,264			

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk – Investments

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

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys investments for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. As of May 31, 2024 and 2023, 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 accounting principles generally accepted in the United States of America. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority has the following recurring fair value measurements as of May 31, 2024:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 2,667,763	$ -	$ 2,667,763	$ -
U.S. Government Agencies	15,279,178	-	15,279,178	-
Corporate Bonds	7,895,544	-	7,895,544	-
Mutual Funds	68,803,533	68,803,533	-	-
Investment in Community Foundation Portfolio	1,787,791	-	1,787,791	-
Total Investments by Fair Value Level	$ 96,433,809	$ 68,803,533	$ 27,630,276	$ -

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

The Authority has the following recurring fair value measurements as of May 31, 2023:

		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 971,627	$ -	$ 971,627	$ -
U.S. Government Agencies	18,135,986	-	18,135,986	-
Corporate Bonds	7,857,351	-	7,857,351	-
Mutual Funds	62,126,741	62,126,741	-	-
Investment in Community Foundation Portfolio	1,783,559	-	1,783,559	-
Total Investments by Fair Value Level	$ 90,875,264	$ 62,126,741	$ 28,748,523	$ -

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

The Authority did not have any investments measured at net asset value (NAV) as of May 31, 2024 and 2023.

NOTE 4 CAPITAL ASSETS

The following is a summary of utility plant for the year ended May 31, 2024:

	Beginning Balance as Restated*	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/Amortized:					
Land	$ 28,038,091	$ 47,812	$ -	$ -	$ 28,085,903
Construction Work in Progress	36,883,362	48,302,420	(52,709,000)	77,531	32,554,313
Total Capital Assets Not Being Depreciated	64,921,453	48,350,232	(52,709,000)	- 77,531	60,640,216
Other Capital Assets:					
Source of Supply	59,315,733	-	2,811,980	(51,283)	62,076,430
Pumping Structures and Equipment	43,577,889	-	903,597	-	44,481,486
Water Treatment Plant and Equipment	210,987,898	-	23,722,800	(1,586,152)	233,124,546
Transmission and Distribution	540,414,130	-	16,199,912	(573,584)	556,040,458
General Plant	103,953,975	362,735	9,070,711	(341,968)	113,045,453
Right-to-Use - Lease Asset:					
Leased Equipment	22,989	63,674	-	(19,624)	67,039
Leased Facilities	640,901	-	-	-	640,901
SBITA Asset	7,036,943	285,847	-	-	7,322,790
Intangible Assets	907,700	980,000	-	-	1,887,700
Total Other Capital Assets	966,858,158	1,692,256	52,709,000	(2,572,611)	1,018,686,803
Less: Accumulated Depreciation/Amortization:					
Source of Supply	16,323,796	622,333	-	(9,360)	16,936,769
Pumping Structures and Equipment	28,256,367	1,474,662	-	-	29,731,029
Water Treatment Plant and Equipment	127,981,003	7,356,427	-	(896,426)	134,441,004
Transmission and Distribution	168,810,732	9,703,232	-	(216,466)	178,297,498
General Plant	84,356,612	5,507,645	-	(25,167)	89,839,090
Right-to-Use - Lease Asset:					
Leased Equipment	15,379	17,448	-	(19,624)	13,203
Leased Facilities	132,633	83,962	-	-	216,595
SBITA Asset	1,371,995	1,490,341	-	-	2,862,336
Intangible Assets	89,031	141,334	-	-	230,365
Total Accumulated Depreciation/ Amortization	427,337,548	26,397,384	-	(1,167,043)	452,567,889
Total Other Capital Assets - Net	539,520,610	(24,705,128)	52,709,000	(1,405,568)	566,118,914
Utility Plant - Net	$ 604,442,063	$ 23,645,104	$ -	$ (1,328,037)	$ 626,759,130

NOTE 4 CAPITAL ASSETS (CONTINUED)

The following is a summary of utility plant for the year ended May 31, 2023:

	Beginning Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/Amortized:					
Land	$ 27,993,743	$ 44,348	$ -	$ -	$ 28,038,091
Construction Work in Progress	16,127,142	44,713,823	(23,399,438)	(558,165)	36,883,362
Total Capital Assets Not Being Depreciated	44,120,885	44,758,171	(23,399,438)	(558,165)	64,921,453
Other Capital Assets:					
Source of Supply	60,110,696	-	833,662	(1,628,625)	59,315,733
Pumping Structures and Equipment	42,810,362	-	789,151	(21,624)	43,577,889
Water Treatment Plant and Equipment	206,569,399	-	6,461,440	(2,042,941)	210,987,898
Transmission and Distribution	530,350,909	-	10,931,112	(867,891)	540,414,130
General Plant	99,764,218	-	4,384,073	(194,316)	103,953,975
Right-to-Use - Lease Asset:					
Leased Equipment	19,624	3,365	-	-	22,989
Leased Facilities	640,901	-	-	-	640,901
SBITA Asset	-	7,036,943	-	-	7,036,943
Intangible Assets	907,700	-	-	-	907,700
Total Other Capital Assets	941,173,809	7,040,308	23,399,438	(4,755,397)	966,858,158
Less: Accumulated Depreciation/Amortization:					
Source of Supply	15,956,302	696,145	-	(328,651)	16,323,796
Pumping Structures and Equipment	26,792,446	1,485,545	-	(21,624)	28,256,367
Water Treatment Plant and Equipment	122,228,017	7,305,806	-	(1,552,820)	127,981,003
Transmission and Distribution	159,700,000	9,496,612	-	(385,880)	168,810,732
General Plant	79,186,912	5,355,745	-	(186,045)	84,356,612
Right-to-Use - Lease Asset:					
Leased Equipment	5,016	10,363	-	-	15,379
Leased Facilities	48,671	83,962	-	-	132,633
SBITA Asset	-	1,371,995	-	-	1,371,995
Intangible Assets	23,082	65,949	-	-	89,031
Total Accumulated Depreciation /Amortization	403,940,446	25,872,122	-	(2,475,020)	427,337,548
Total Other Capital Assets - Net	537,233,363	(18,831,814)	23,399,438	(2,280,377)	539,520,610
Utility Plant - Net	$ 581,354,248	$ 25,926,357	$ -	$ (2,838,542)	$ 604,442,063

* The beginning balance was restated due to the implementation of GASB Statement No. 96, Subscription Based Information Technology Arrangements. See Note 18.

During fiscal years 2024 and 2023, the Authority retired assets with accumulated depreciation totaling approximately $1.5 million and $2.5 million, respectively.

NOTE 5 LEASE RECEIVABLES

The Authority, acting as lessor, leases land under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2087. During the year ended May 31, 2024, the Authority recognized $93,636 and $29,348 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended May 31, 2023, the Authority recognized $94,356 and $30,973 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 5 LEASE RECEIVABLES (CONTINUED)

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

Year Ending May 31,	Principal	Interest	Total
2025	$ 89,372	$ 28,328	$ 117,700
2026	71,322	26,352	97,674
2027	30,910	25,093	56,003
2028	24,939	24,351	49,290
2029	15,512	23,778	39,290
Thereafter	1,078,835	569,338	1,648,173
Totals	$ 1,310,890	$ 697,240	$ 2,008,130

NOTE 6 RESTRICTED ASSETS

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

Construction

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

Debt Service

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

Debt Reserve

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

NOTE 6 RESTRICTED ASSETS (CONTINUED)

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

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

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, 2024 and 2023, there is no outstanding variable rate debt under the *General Bond Resolution*; therefore, no deposits were required.

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

NOTE 6 RESTRICTED ASSETS (CONTINUED)

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

	2024	2023
Construction	$ 82,361,027	$ 67,108,074
Debt Reserve	23,013,693	20,565,663
Debt Service	31,606,804	31,199,945
Payments-in-Lieu-of-Taxes (PILOT)	4,001,290	3,872,866
Operating Reserve	11,934,924	11,553,002
Capital Contingency	6,220,680	6,054,139
Rate Stabilization	10,000,000	10,000,000
Other Purposes	3,426,115	1,279,125
Restricted Assets	$ 172,564,533	$ 151,632,814

The level of funds required by the General Bond Resolution was met on May 31, 2024 and 2023.

NOTE 7 THE CLAIRE C. BENNITT WATERSHED FUND

As discussed in Note 1, The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund) is a separate legal entity organized and operated exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, specifically for the purpose of protecting watershed land that has distinctive ecological significance through open space acquisition and environmental education. The Authority is the sole member of the Watershed Fund. The Watershed Fund is governed by a board of directors, which includes certain members of the 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 2023, the Watershed Fund provided a $20,000 grant to the Authority towards the purchase of land. This was recorded as a contribution from a related entity. The Watershed Fund had total net position of $1,727,630 and $1,603,467 as of May 31, 2024 and 2023, respectively. The Authority donated goods and services to the Watershed Fund totaling $12,879 and $14,431 for the years ended May 31, 2024 and 2023, respectively.

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

NOTE 8 LONG-TERM LIABILITIES

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

2024	Beginning Balance as Restated*	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 511,930,000	$ 28,935,000	$ (35,565,000)	$ 505,300,000	$ 23,170,000
Net Bond Premiums and Discounts	42,294,283	3,255,456	(4,913,087)	40,636,652	-
Total Bonds Payable	554,224,283	32,190,456	(40,478,087)	545,936,652	23,170,000
Drinking Water Loans - Direct Borrowing	25,448,153	14,528,815	(1,438,919)	38,538,049	2,053,602
Lease Payable	529,746	63,674	(94,618)	498,802	96,315
SBITA Payable	5,989,245	401,615	(1,873,504)	4,517,356	1,296,063
Net Pension Liability	17,949,051		(6,326,602)	11,622,449	-
Net OPEB Liability	15,716,868	428,564		16,145,432	-
Total	$ 619,857,346	$ 47,613,124	$ (50,211,730)	$ 617,258,740	$ 26,615,980

2023	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 533,405,000	$ -	$ (21,475,000)	$ 511,930,000	$ 22,565,000
Net Bond Premiums and Discounts	46,990,572	-	(4,696,289)	42,294,283	-
Total Bonds Payable	580,395,572	-	(26,171,289)	554,224,283	22,565,000
Drinking Water Loans - Direct Borrowing	25,330,864	1,476,668	(1,359,379)	25,448,153	1,402,405
Lease Payable	612,019	3,365	(85,638)	529,746	84,123
SBITA Payable	-	7,140,107	(1,150,862)	5,989,245	1,669,511
Net Pension Liability	16,601,369	1,347,682	-	17,949,051	-
Net OPEB Liability	17,176,905	-	(1,460,037)	15,716,868	-
Total	$ 640,116,729	$ 9,967,822	$ (30,227,205)	$ 619,857,346	$ 25,721,039

* The beginning balance was restated due to the implementation of GASB Statement No. 96, Subscription Based Information Technology Arrangements. See Note 18.

Revenue Bonds Payable

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

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

Revenue bonds outstanding comprise the following:

2024	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2024
Twentieth A (Refunding Bonds)	2007	2030	$ 63,330,000	4.000%-5.250%	$ 6,420,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	10,770,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	5,330,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,575,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	132,455,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,485,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	28,740,000
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%	10,435,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	80,710,000
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%	51,750,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,575,000
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%	12,180,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,595,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2034	11,110,000	5.00%	11,110,000
Total					$ 505,300,000

2023	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2023
Twentieth A (Refunding Bonds)	2007	2030	$ 63,330,000	4.000%-5.250%	$ 9,555,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	15,750,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	10,845,000
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%	6,260,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,990,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	135,390,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,485,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	30,820,000
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%	10,890,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	81,410,000
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%	52,430,000
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					$ 511,930,000

*Dates are based on calendar year

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs – Direct Payment). The General Obligation Bonds, Issue of 2010 were issued as Taxable BABs – Direct Payment on April 6, 2010, for $31,385,000. Pursuant to the Recovery Act, at inception, the Authority received a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. The 35% equates to $348,411 per payment, occurring twice a year. Such subsidy payment represents revenue to the Authority under the *General Bond Resolution*. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the Authority is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Issue of 2010 are subject to extraordinary optional redemption. Due to provisions within the Budget Control Act of 2011 and the implementation of sequestration, the amount of the subsidy has been reduced on payments made to issuers on or after March 1, 2013, resulting in a decrease to the Authority's August 1, 2013, payment, and the twice-annual payments through the current period. Reductions to the subsidy have ranged from a high of 8.7% to a low of 5.7%. A 5.7% reduction was effective for the payments received by the Authority in fiscal 2023 and fiscal 2024. The percent is subject to further change. The interest subsidy received totaled approximately $657 thousand dollars for both fiscal years ended May 31, 2024 and 2023, respectively, excluding interest associated with payment processing delays.

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

Year Ending May 31,	Principal	Interest
2025	$ 23,170,000	$ 20,663,181
2026	24,930,000	19,670,107
2027	26,010,000	18,589,335
2028	27,025,000	17,570,959
2029	28,125,000	16,499,834
2030-2034	159,560,000	63,409,314
2035-2039	124,215,000	34,370,290
2040-2044	53,025,000	13,453,194
2045-2049	26,700,000	5,595,862
2050-2054	12,540,000	1,032,100
Total	$ 505,300,000	$ 210,854,176

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

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 2024 and 2023. 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, 2024 and 2023, the Authority was in compliance with the requirements of the *General Bond Resolution.*

Leases Payable

The Authority leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through fiscal year 2032.

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

Year Ending May 31,	Principal	Interest	Total
2025	$ 96,315	$ 10,660	$ 106,975
2026	84,747	8,344	93,091
2027	74,285	6,504	80,789
2028	71,432	4,633	76,065
2029	50,613	3,169	53,782
Thereafter	121,410	3,365	124,775
Totals	$ 498,802	$ 36,675	$ 535,477

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Leases Payable (Continued)

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

	2024	2023
Equipment	$ 67,039	$ 22,989
Buildings	640,901	640,901
Less: Accumulated Amortization	(229,798)	(148,012)
Total	$ 478,142	$ 515,878

SBITAs Payable

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

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

Year Ending May 31,	Principal	Interest	Total
2025	$ 1,296,063	$ 83,226	$ 1,379,289
2026	677,534	63,056	740,590
2027	548,643	48,921	597,564
2028	482,457	37,627	520,084
2029	493,178	26,905	520,083
Thereafter	1,019,481	20,686	1,040,167
Totals	$ 4,517,356	$ 280,421	$ 4,797,777

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

	2024	2023
Subscription Based Information Technology Arrangements	$ 7,322,790	$ 7,036,943
Less: Accumulated Amortization	(2,862,336)	(1,371,995)
Total	$ 4,460,454	$ 5,664,948

NOTE 8 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 2024, the Authority authorized approximately $25.5 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $21.5 million to be transferred from the General Fund to the Construction Fund and approximately $3.0 million to be transferred to the Growth Fund. $1.0 million of the approximately $25.5 million transfer was left in the General Fund. While not governed under the *General Bond Resolution*, a transfer was also made from RWA Well Services, LLC to the Authority's Construction Fund.

Defeasance of Long-Term Debt

On February 20, 2020, the Authority issued $54,485,000 (par value) of Water System Revenue Bonds, Taxable Thirty-fifth Series, to refund the outstanding principal amounts of $47,245,000 of certain maturities of the Authority's Twenty-ninth, Thirtieth Series A and Thirtieth Series B Bonds (the Refunded Bonds). The refunding reduced total debt service payments by $5,091,658 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $3,953,689. The Authority deposited proceeds of the refunding portion of the Taxable Thirty-fifth Series Bonds and certain other cash amounts in escrow with the trustee and invested in State and Local Government Series (SLGS) such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority affected a legal defeasance under the terms of its *General Bond Resolution*, and the Refunded Bonds will not be considered as outstanding for any purpose. Accordingly, the Refunded Bonds are considered extinguished, and the investment securities and Refunded Bonds do not appear on the Authority's statements of net position. As of May 31, 2024, the remaining principal of the defeased debt was $27,345,000. The balance in escrow for the refunding issuance was $27,826,880 at May 31, 2024. The call date on the remaining defeased debt was August 1, 2024.

On May 3, 2024, the Authority issued $11,110,000 (par value) of Water System Revenue Bonds, Thirty-seven Series B-1, to refund the outstanding principal amount of $13,000,000 of the Authority's Thirtieth Series A and B. The refunding reduced debt service payments by $795,216 and represents an economic gain (difference between the present values of the debt service payments on the old and new debt) of $683,552. As of May 31, 2024, the remaining principal payment of the defeased debt was $13,000,000 and the balance in the escrow account was $13,092,087. The call date on the defeased debt was August 1, 2024.

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Drinking Water Loans Payable – Direct Borrowing

The Authority participates in the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects 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:

Year Ending May 31,	Principal	Interest
2025	$ 2,053,602	$ 752,004
2026	2,095,053	710,554
2027	2,137,341	668,267
2028	2,180,483	625,126
2029	2,224,493	581,114
2030-2034	11,814,369	2,213,667
2035-2039	11,341,538	997,040
2040-2044	4,691,170	212,979
Total	$ 38,538,049	$ 6,760,751

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

NOTE 9 BOND ANTICIPATION NOTES PAYABLE

In 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 a Series A draw down note was issued and $50,500 was drawn. This note matured in April 2022 and $50,500 was drawn. This note was re-issued in April 2023 and $50,500 was drawn. This note matured in April 2024, and $50,500 was drawn for temporary financing to be utilized for capital projects. The principal balance as of May 31, 2024, is $50,500.

Bond anticipation note transactions for the year ended May 31, 2024, were as follows:

Outstanding, May 31, 2023	$ 50,500
New Borrowings	50,500
Repayments	(50,500)
Outstanding, May 31, 2024	$ 50,500

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. The Authority entered Order SRD-128 (Consent Order) on April 16, 2003, which required the Authority 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.

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 landowners from disturbing the remediated areas of the properties. All of the current landowners 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.

Compliance 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.

NOTE 10 POLLUTION REMEDIATION OBLIGATION – NEWHALL STREET PROPERTY, HAMDEN (CONTINUED)

Alternative Cleanup Criteria Submittal (Continued)

Compliance Monitoring and Closure (Continued)

Four consecutive quarters of sampling demonstrated that the groundwater quality complies with applicable RSRs ground water criteria. 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. DEEP has issued a certificate of compliance to the Authority for Order SRD-128. Therefore, for both May 31, 2023 and May 31, 2024, is no known remaining obligation.

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.

As the remediation costs are recovered through current and future rates, the incurred 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.

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 and Other Commitments

As of May 31, 2024, the Authority has an estimated $10.0 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts. In addition the Authority has an estimated commitment of $2.1 million associated with the implementation of a new Customer Information System.

Under an existing agreement for hosting and network support of the Authority's SAP system, as of May 31, 2024, there is approximately $.05 million remaining under the agreement.

During fiscal year 2023, the Authority entered into an agreement for the implementation and support of a new Customer Information System. This agreement contains a termination of convenience fee of $1.5 million. Additionally, a second agreement regarding a solar array contains a termination for convenience fee of approximately $1.1 million. The Authority does not intend to terminate either of these agreements.

Risk Management

The Authority is subject to certain business risks common to the utility industry. Most of these risks are mitigated by traditional insurance coverage obtained by the Authority. For risks associated with 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 $2,426,286 letter of credit that expires March 1, 2025. There were no borrowings on this letter of credit as of May 31, 2024 and 2023.

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance

The Authority administers a program of self-insurance for certain medical and dental claims and provides for losses by charging operating expense as liabilities are incurred. The Authority records a liability, in accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss, and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2024 and 2023, were as follows:

2024	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 530,498	$ (5,738,615)	$ 5,831,476	$ 623,359
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,040,153	(323,936)	393,588	2,109,805
Insurance Reserve (Pre October 1, 2000)	364,954	(188,843)	114,889	291,000
Total Liability	$ 2,935,605	$ (6,251,394)	$ 6,339,953	$ 3,024,164

2023	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	$ 562,744	$ (4,472,592)	$ 4,440,346	$ 530,498
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,310,305	(1,116,730)	846,578	2,040,153
Insurance Reserve (Pre October 1, 2000)	369,286	(155,689)	151,357	364,954
Total Liability	$ 3,242,335	$ (5,745,011)	$ 5,438,281	$ 2,935,605

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, 2024, two members of senior management are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

At January 1, 2024, which is the date of the latest actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	177	116
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	60	37
Current Active Members	67	60
Total Members	304	213

At January 1, 2023, which is the date of the prior actuarial valuations, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, Disabled, and Beneficiaries Currently Receiving Benefits	173	117
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	64	39
Current Active Members	71	64
Total Members	308	220

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, 2024, the Authority contributed approximately $2.1 million in excess of the actuarial required contribution. In May 31, 2023, the Authority contributed approximately $2.3 million in excess of the required contribution.

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, 2024, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 1,124,407	$ 486,993	$ 1,611,400
Investments:			
U.S. Government Securities	1,626,575	1,041,188	2,667,763
U.S. Government Agencies	2,631,395	1,589,550	4,220,945
Corporate Bonds	5,015,262	2,880,276	7,895,538
Mutual Funds	36,928,223	22,003,400	58,931,623
Total Assets	47,325,862	28,001,407	75,327,269
NET POSITION			
Restricted for Pension Benefits	$ 47,325,862	$ 28,001,407	$ 75,327,269
ADDITIONS			
Contributions:			
Employer	$ 3,194,706	$ 1,805,294	$ 5,000,000
Investment Earnings:			
Net Increase in the Fair Value of Investments	4,399,313	2,609,558	7,008,871
Investment Earnings	1,391,403	829,653	2,221,056
Net Investment Earnings	5,790,716	3,439,211	9,229,927
Total Additions	8,985,422	5,244,505	14,229,927
DEDUCTIONS			
Benefits	3,632,795	1,883,779	5,516,574
Expenses	213,153	139,731	352,884
Other	8,356	14,752	23,108
Total Deductions	3,854,304	2,038,262	5,892,566
CHANGE IN NET POSITION	5,131,118	3,206,243	8,337,361
Net Position - Beginning of Year	42,194,744	24,795,164	66,989,908
NET POSITION - END OF YEAR	$ 47,325,862	$ 28,001,407	$ 75,327,269

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, 2023, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	$ 1,574,534	$ 686,305	$ 2,260,839
Investments:			
U.S. Government Securities	627,227	294,488	921,715
U.S. Government Agencies	1,641,074	843,791	2,484,865
Corporate Bonds	4,952,107	2,905,244	7,857,351
Mutual Funds	33,399,802	20,065,336	53,465,138
Total Assets	42,194,744	24,795,164	66,989,908
NET POSITION			
Restricted for Pension Benefits	$ 42,194,744	$ 24,795,164	$ 66,989,908
ADDITIONS			
Contributions:			
Employer	$ 3,620,498	$ 1,556,441	$ 5,176,939
Employees	966	-	966
Total Contributions	3,621,464	1,556,441	5,177,905
Investment Earnings (Loss):			
Net Decrease in the Fair Value of Investments	(1,423,458)	(842,424)	(2,265,882)
Investment Earnings and Other Income	1,352,505	812,060	2,164,565
Net Investment Earnings (Loss)	(70,953)	(30,364)	(101,317)
Total Additions	3,550,511	1,526,077	5,076,588
DEDUCTIONS			
Benefits	3,188,042	1,863,195	5,051,237
Expenses	206,201	117,849	324,050
Other	13,668	9,558	23,226
Total Deductions	3,407,911	1,990,602	5,398,513
CHANGE IN NET POSITION	142,600	(464,525)	(321,925)
Net Position - Beginning of Year	42,052,144	25,259,689	67,311,833
NET POSITION - END OF YEAR *	$ 42,194,744	$ 24,795,164	$ 66,989,908

* Net position of the Salaried Plan included $90,661 associated with a stop payment of a distribution.

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, 2024 and 2023, the associated targets were as follows:

	Target Allocation	
Asset Class	2024	2023
Fixed Income	30 %	30 %
US Equity	37	38
Global	4	4
International Equity	14	13
Alternative, Hedge, and Swing	15	15
Total	100 %	100 %

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

Rate of Return

For the year ended May 31, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.83% for the salaried plan and 13.93% for the bargaining unit plan.

For the year ended May 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was negative .17% for the salaried plan and negative .12% for the bargaining unit plan

Net Pension Liability of the Authority

The components of the net pension liability of the Authority at May 31, 2024, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 55,047,939	$ 31,901,779
Plan Fiduciary Net Position	47,325,862	28,001,407
Net Pension Liability	$ 7,722,077	$ 3,900,372
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.97%	87.77%

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, 2023, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	$ 53,711,027	$ 31,227,932
Plan Fiduciary Net Position	42,194,744	24,795,164
Net Pension Liability	$ 11,516,283	$ 6,432,768
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.56%	79.40%

Actuarial Assumptions

The total pension liability as of May 31, 2024 was determined by an actuarial valuation as of January 1, 2024, rolled forward to May 31, 2024, using the following actuarial assumptions applied to all periods included in the measurement:

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

The total pension liability as of May 31, 2023 was determined by an actuarial valuation as of January 1, 2023, rolled forward to May 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates for the year ended May 31, 2024 and May 31, 2023, 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.

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, 2024, (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	3.7 %
US Equity	8.4
Global	8.0
International Equity	7.3
Alternatives, Hedge, and Swing	6.1

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, 2023, (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	8.3
Global	8.0
International Equity	7.4
Alternatives, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2024, 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, 2023, 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, 2024 and 2023, the Authority contributed above the actuarial required contribution. An expected rate of return of 6.75% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability

Changes in the net pension liability at May 31, 2024 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2023	$ 53,711,027	$ 42,194,744	$ 11,516,283
Changes for the Year:			
Service Cost	490,070	-	490,070
Interest on Total Pension Liability	3,473,849	-	3,473,849
Differences Between Expected and Actual Experience	1,005,788	-	1,005,788
Employer Contributions	-	3,194,706	(3,194,706)
Net Investment Gain	-	5,790,716	(5,790,716)
Benefit Payments, Including Refund to Employee Contributions	(3,632,795)	(3,632,795)	-
Administrative Expenses	-	(213,153)	213,153
Other	-	(8,356)	8,356
Net Changes	1,336,912	5,131,118	(3,794,206)
Balances - May 31, 2024	$ 55,047,939	$ 47,325,862	$ 7,722,077

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2023	$ 31,227,932	$ 24,795,164	$ 6,432,768
Changes for the Year:			
Service Cost	102,166	-	102,166
Interest on Total Pension Liability	2,035,211	-	2,035,211
Differences Between Expected and Actual Experience	420,249	-	420,249
Employer Contributions	-	1,805,294	(1,805,294)
Net Investment Gain	-	3,439,211	(3,439,211)
Benefit Payments, Including Refund to Employee Contributions	(1,883,779)	(1,883,779)	-
Administrative Expenses	-	(139,731)	139,731
Other	-	(14,752)	14,752
Net Changes	673,847	3,206,243	(2,532,396)
Balances - May 31, 2024	$ 31,901,779	$ 28,001,407	$ 3,900,372

NOTE 13 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Continued)

Changes in the net pension liability at May 31, 2023 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2022	$ 53,481,062	$ 42,052,144	$ 11,428,918
Changes for the Year:			
Service Cost	503,924	-	503,924
Interest on Total Pension Liability	3,469,492	-	3,469,492
Differences Between Expected and Actual Experience	(555,409)	-	(555,409)
Employer Contributions	-	3,620,498	(3,620,498)
Member Contributions	-	966	(966)
Net Investment Gain	-	(70,953)	70,953
Benefit Payments, Including Refund to Employee Contributions	(3,188,042)	(3,188,042)	-
Administrative Expenses	-	(206,201)	206,201
Other	-	(13,668)	13,668
Net Changes	229,965	142,600	87,365
Balances - May 31, 2023	$ 53,711,027	$ 42,194,744	$ 11,516,283

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2022	$ 30,432,140	$ 25,259,689	$ 5,172,451
Changes for the Year:			
Service Cost	112,296	-	112,296
Interest on Total Pension Liability	1,985,848	-	1,985,848
Differences Between Expected and Actual Experience	560,843	-	560,843
Employer Contributions	-	1,556,441	(1,556,441)
Net Investment Gain	-	(30,364)	30,364
Benefit Payments, Including Refund to Employee Contributions	(1,863,195)	(1,863,195)	-
Administrative Expenses	-	(117,849)	117,849
Other	-	(9,558)	9,558
Net Changes	795,792	(464,525)	1,260,317
Balances - May 31, 2023	$ 31,227,932	$ 24,795,164	$ 6,432,768

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, 2024, 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	$ 12,635,178	$ 7,722,077	$ 3,464,963

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 7,045,237	$ 3,900,372	$ 1,197,437

The following presents the net pension liability of the Authority for the year ended May 31, 2023, 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	$ 16,428,232	$ 11,516,283	$ 7,264,315

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	$ 9,625,088	$ 6,432,768	$ 3,699,215

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, 2024 and 2023, the Authority recognized pension expense of $2,890,150 and $4,725,087, respectively. At May 31, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2024 Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 593,917	$ 399,053	$ 992,970
Changes of Assumptions	-	873	873
Difference Between Projected and Actual Earning on Pension Plan Investments	147,179	90,854	238,033
Total	$ 741,096	$ 490,780	$ 1,231,876

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 132,401	$ -	$ 132,401

	2023 Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 305,330	$ 399,130	$ 704,460
Changes of Assumptions	23,291	58,499	81,790
Difference Between Projected and Actual Earning on Pension Plan Investments	3,063,144	1,810,738	4,873,882
Total	$ 3,391,765	$ 2,268,367	$ 5,660,132

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 343,905	$ -	$ 343,905

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:

Year Ending May 31,	Amount
2025	$ 216,379
2026	1,878,557
2027	(38,728)
2028	(956,733)
Total	$ 1,099,475

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, 2024 and 2023, were as follows:

	2024	2023
Employer Contributions	$ 1,154,751	$ 1,002,499
Employee Contributions	2,350,591	2,129,862

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE

Plan Description

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

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, 2024 and 2023, plan membership consisted of the following:

	Retiree Health Plan	
	2024	2023
Retired Members and Spouses	264	262
Active Plan Members	113	121
Members Death Benefits Only	172	138
Total Participants	549	521

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

NOTE 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.

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 $1,640,907 for the fiscal year ended May 31, 2024. 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, 2024 and 2023, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30 %
US Equity	37
Global	4
International Equity	14
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. The equity target was set in total with discretion allowed among the categories of equity.

Rate of Return

As of May 31, 2024 and 2023, the annual money-weighted rate of return on investments, net of investment expense, was 13.40% and negative .39%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

NOTE 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, 2024 and 2023. The components of the net OPEB liability of the Authority at May 31, 2024, were as follows:

Total OPEB Liability	$ 26,230,544
Plan Fiduciary Net Position	10,085,112
Net OPEB Liability	$ 16,145,432
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.45%

The components of the net OPEB liability of the Authority at May 31, 2023, were as follows:

Total OPEB Liability	$ 24,975,189
Plan Fiduciary Net Position	9,258,321
Net OPEB Liability	$ 15,716,868
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	37.07%

Actuarial Assumptions

The total OPEB liability for May 31, 2024, was determined by an actuarial valuation as of January 1, 2024, rolled forward to May 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	6.50% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.04% Per Year

The total OPEB liability for May 31, 2023 was determined by an actuarial valuation as of January 1, 2023, rolled forward to May 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Scale	4.00%
Investment Rate of Return	6.75%
Healthcare Cost Trend Rates	6.50% Per Year Graded Down Using the Getzen Model to an Ultimate Rate of 4.14% Per Year

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

Actuarial Assumptions (Continued)

Mortality rates for the year ended May 31, 2024, 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, 2023 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average-salary general employee populations with MP-2021 mortality improvement scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset as of May 31, 2024, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.7 %
US Equity	8.4
Global	8.0
International Equity	7.3
Alternative, Hedge, and Swing	6.1

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2023 as summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
US Equity	8.3
Global	8.0
International Equity	7.4
Alternative, Hedge, and Swing	6.2

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% for the years ended May 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

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

Changes in the Net Pension Liability

	2024		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2022	$ 24,975,189	$ 9,258,321	$ 15,716,868
Changes for the Year:			
Service Cost	159,742	-	159,742
Interest	1,614,801	-	1,614,801
Differences Between Expected and Actual Experience	1,321,755	-	1,321,755
Changes in Assumptions	136,564	-	136,564
Benefit Payments, Including Refund to Employee Contributions	(2,213,576)	(2,213,576)	-
Contributions - Employer	-	1,640,907	(1,640,907)
Contributions - Retiree	236,069	236,069	-
Net Investment Income	-	1,214,469	(1,214,469)
Administrative Expense	-	(51,078)	51,078
Net Changes	1,255,355	826,791	428,564
Balances - May 31, 2023	$ 26,230,544	$ 10,085,112	$ 16,145,432

	2023		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - June 1, 2021	$ 26,268,760	$ 9,091,855	$ 17,176,905
Changes for the Year:			
Service Cost	193,996	-	193,996
Interest	1,697,088	-	1,697,088
Differences Between Expected and Actual Experience	(2,124,593)	-	(2,124,593)
Changes in Assumptions	431,098	-	431,098
Benefit Payments, Including Refund to Employee Contributions	(1,711,375)	(1,711,375)	-
Contributions - Employer		1,737,894	(1,737,894)
Contributions - Retiree	220,215	220,215	-
Net Investment Income	-	(35,715)	35,715
Administrative Expense	-	(44,553)	44,553
Net Changes	(1,293,571)	166,466	(1,460,037)
Balances - May 31, 2022	$ 24,975,189	$ 9,258,321	$ 15,716,868

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, 2024, 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	$ 18,054,998	$ 16,145,432	$ 14,460,703

The following presents the net OPEB liability of the Authority for the year ended May 31, 2023 as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 17,602,959	$ 15,716,868	$ 14,050,671

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, 2024, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.04%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.04%)	1% Increase (7.50% Decreasing to 5.04%)
Net OPEB Liability	$ 14,326,128	$ 16,145,432	$ 18,207,751

The following presents the net OPEB liability of the Authority for the year ended May 31, 2023 as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.14%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.14%)	1% Increase (7.50% Decreasing to 5.14%)
Net OPEB Liability	$ 13,926,618	$ 15,716,868	$ 17,744,828

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, 2024 and 2023, the Authority recognized OPEB expense of $406,943 and $591,129, respectively. At May 31, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,119,683	$ 2,945,528
Changes of Assumptions	1,123,729	144,751
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	85,013	-
Total	$ 2,328,425	$ 3,090,279

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 24,253	$ 4,453,286
Changes of Assumptions	1,489,241	189,043
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	704,454	-
Total	$ 2,217,948	$ 4,642,329

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
2025	$ (570,502)
2026	17,043
2027	(234,099)
2028	(294,212)
2029	199,297
Thereafter	120,619
Total	$ (761,854)

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, 2024, actuarial valuation, the frozen entry age normal actuarial funding method was used with a healthcare cost trend of 6.50% graded down by the Getzen Model to an ultimate rate of 4.04% annually and a discount rate of 6.75%.

NOTE 16 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 17, 2024, the date the financial statements were available to be issued.

On June 18, 2024, the Authority issued a Series B Bond Anticipation Note for a maximum of $3,500,000 and drew $3,350,000. This is a variable interest rate note and matures on June 17, 2025. This note was issued to partially fund the Authority’s July 1, 2024, asset purchase of Homeowner Safety Valve (HSV) business. HSV is a water, sewer, and plumbing protection plans business. This transaction is part of the Authority’s efforts to identify additional revenue sources to mitigate rate pressures.

NOTE 17 BLENDED COMPONENT UNIT

The Watershed Fund has been included as part of the Authority's financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of May 31, 2024 and 2023 is required:

Condensed Statement of Net Position at May 31, 2024.

	The Authority	The Watershed Fund	Combined Financial Statements
Assets			
Utility Plant	$ 626,759,130	$ -	$ 626,759,130
Nonutility Plant	66,142,921	-	66,142,921
Current Assets	74,785,762	1,930,364	76,716,126
Other Assets	183,359,364	-	183,359,364
Total Assets	951,047,177	1,930,364	952,977,541
Deferred Outflows of Resources	27,652,071	-	27,652,071
Liabilities			
Current Liabilities	43,298,939	123,004	43,421,943
Long-Term Liabilities	590,725,260	80,000	590,805,260
Liabilities from Restricted Assets	13,577,347	-	13,577,347
Total Liabilities	647,601,546	203,004	647,804,550
Deferred Inflows of Resources	4,594,766	-	4,594,766
Net Position			
Net Investment in Capital Assets	110,392,818	-	110,392,818
Restricted	164,633,013	1,727,360	166,360,373
Unrestricted	51,477,105	-	51,477,105
Total Net Position	$ 326,502,936	$ 1,727,360	$ 328,230,296

NOTE 17 BLENDED COMPONENT UNIT (CONTINUED)

Condensed Statement of Net Position at May 31, 2023.

	The Authority	The Watershed Fund	Combined Financial Statements
Assets			
Utility Plant	$ 604,442,063	$ -	$ 604,442,063
Nonutility Plant	65,474,266	-	65,474,266
Current Assets	71,180,804	1,838,556	73,019,360
Other Assets	162,748,388	-	162,748,388
Total Assets	903,845,521	1,838,556	905,684,077
Deferred Outflows of Resources	33,320,081	-	33,320,081
Liabilities			
Current Liabilities	40,407,487	115,089	40,522,576
Long-Term Liabilities	594,016,307	120,000	594,136,307
Liabilities from Restricted Assets	11,228,460	-	11,228,460
Total Liabilities	645,652,254	235,089	645,887,343
Deferred Inflows of Resources	6,405,808	-	6,405,808
Net Position, As Restated			
Net Investment in Capital Assets	94,877,274	-	94,877,274
Restricted	143,731,164	1,603,467	145,334,631
Unrestricted	46,499,102	-	46,499,102
Total Net Position	$ 285,107,540	$ 1,603,467	$ 286,711,007

NOTE 17 BLENDED COMPONENT UNIT (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position May 31, 2024.

	The Authority	The Watershed Fund	Combined Financial Statements
Operating Revenues			
Water Revenues:			
Residential and Commercial	$ 110,735,863	$ -	$ 110,735,863
Industrial	2,298,951	-	2,298,951
Fire Protection	13,695,496	-	13,695,496
Public Authority	3,266,497	-	3,266,497
Wholesale	987,999	-	987,999
Other Water Revenues	4,675,852	-	4,675,852
Other Revenues	16,111,647	-	16,111,647
Total Operating Revenues	151,772,305	-	151,772,305
Operating Expenses			
Operating and Maintenance	62,298,731	-	62,298,731
Depreciation and Amortization	26,397,384	-	26,397,384
Payments in Lieu of Taxes	8,766,684	-	8,766,684
Other Water Expenses	2,051,643	-	2,051,643
Cost of Other Revenue	7,769,842	-	7,769,842
Total Operating Expenses	107,284,284	-	107,284,284
Operating Income	44,488,021	-	44,488,021
Nonoperating Expense (Net)	(7,333,123)	123,893	(7,209,230)
Change in Net Position Before Capital Contributions	37,154,898	123,893	37,278,791
Capital Contributions	4,240,498	-	4,240,498
Change in Net Position	41,395,396	123,893	41,519,289
Net Position - Beginning of Year	285,107,540	1,603,467	286,711,007
Net Position - End of Year	$ 324,775,576	$ 1,727,360	$ 328,230,296

NOTE 17 BLENDED COMPONENT UNIT (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position May 31, 2023.

	The Authority	The Watershed Fund	Combined Financial Statements
Operating Revenues			
Water Revenues:			
Residential and Commercial	$ 107,775,568	$ -	$ 107,775,568
Industrial	2,430,726	-	2,430,726
Fire Protection	13,017,484	-	13,017,484
Public Authority	3,400,775	-	3,400,775
Wholesale	1,121,050	-	1,121,050
Other Water Revenues	4,222,908	-	4,222,908
Other Revenues	12,390,056	-	12,390,056
Total Operating Revenues	144,358,567	-	144,358,567
Operating Expenses			
Operating and Maintenance	58,480,421	-	58,480,421
Depreciation and Amortization	25,872,122	-	25,872,122
Payments in Lieu of Taxes	8,523,522	-	8,523,522
Other Water Expenses	1,981,036	-	1,981,036
Cost of Other Revenue	6,666,515	-	6,666,515
Total Operating Expenses	101,523,616	-	101,523,616
Operating Income	42,834,951	-	42,834,951
Nonoperating Expense (Net)	(13,340,980)	(236,550)	(13,577,530)
Change in Net Position Before Capital Contributions	29,493,971	(236,550)	29,257,421
Capital Contributions	1,801,029	(20,000)	1,781,029
Change in Net Position	31,295,000	(256,550)	31,038,450
Net Position - Beginning of Year	253,812,540	1,860,017	255,672,557
Net Position - End of Year, as Restated	$ 283,504,073	$ 1,603,467	$ 286,711,007

NOTE 17 BLENDED COMPONENT UNIT (CONTINUED)

Condensed Statements of Cash Flows - May 31, 2024.

	The Authority	The Watershed Fund	Combined Financial Statements
Cash Flows from Operating Activities	$ 70,145,388	$ (120,988)	$ 70,024,400
Cash Flows from Investing Activities	(9,149,426)	196,472	(8,952,954)
Cash Flows from Capital and Related Financing Activities	(57,249,396)	-	(57,249,396)
Net Increase in Cash and Cash Equivalents	3,746,566	75,484	3,822,050
Cash and Cash Equivalents - Beginning of Year	39,463,441	5,189	39,468,630
Cash and Cash Equivalents - End of Year	$ 43,210,007	$ 80,673	$ 43,290,680

Condensed Statements of Cash Flows - May 31, 2023.

	The Authority	The Watershed Fund	Combined Financial Statements
Cash Flows from Operating Activities	$ 68,106,208	$ (154,202)	$ 67,952,006
Cash Flows from Investing Activities	23,076,825	19,163	23,095,988
Cash Flows from Capital and Related Financing Activities	(86,959,453)	-	(86,959,453)
Net Increase in Cash and Cash Equivalents	4,223,580	(135,039)	4,088,541
Cash and Cash Equivalents - Beginning of Year	35,239,861	140,228	35,380,089
Cash and Cash Equivalents - End of Year	$ 39,463,441	$ 5,189	$ 39,468,630

NOTE 18 RESTATEMENT

The financial statements as of May 31, 2023 have been restated to record the impact of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. It was not practicable to restate the net position as of June 1, 2022. The impact of these restatements are as follows:

	Balance as Previously Reported at 5/31/2023	Restatement	Balance as Restated 5/31/2023
Assets	$ 900,019,129	$ 5,664,948	$ 905,684,077
Liabilities	639,898,098	5,989,245	645,887,343
Net Position as of May 31, 2023	287,035,304	(324,297)	286,711,007
Change in Net Position as of May 31, 2023	31,362,747	(324,297)	31,038,450

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability:										
Service Cost	$ 675,452	$ 681,501	$ 656,669	$ 748,940	$ 729,789	$ 606,804	$ 507,879	$ 519,885	$ 503,924	$ 490,070
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	3,469,492	3,473,849
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	(555,409)	1,005,788
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)	(3,188,042)	(3,632,795)
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	229,965	1,336,912
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	53,481,062	53,711,027
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	53,711,027	55,047,939
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	3,620,498	3,194,706
Contributions - Member	15,624	14,693	10,810	10,918	8,287	5,079	4,865	5,721	966	-
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)	(70,953)	5,790,716
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)	(3,188,042)	(3,632,795)
Administrative Expense	(30,552)	(133,601)	(136,687)	(165,402)	(168,432)	(173,577)	(194,562)	(210,893)	(206,201)	(213,153)
Other	-	(61,573)	87,206	11,846	(23,335)	11,129	(614)	25,446	(13,668)	(8,356)
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)	142,600	5,131,118
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	42,052,144	42,194,744
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	42,194,744	47,325,862
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	$ 11,516,283	$ 7,722,077
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%	78.56%	78.56%
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	$ 7,574,236	$ 7,310,563
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%	152.05%	105.63%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability:										
Service Cost	$ 171,017	$ 166,226	$ 155,949	$ 143,110	$ 129,285	$ 120,416	$ 125,901	$ 129,241	$ 112,296	$ 102,166
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	1,985,848	2,035,211
Differences Between Expected and Actual Experience	(311,677)	(110,990)	406,966	520,588	(41,862)	277,635	4,344	131,988	560,843	420,249
Changes in Assumptions	1,292,075	303,196	(2,610,404)	(242,533)	(50,037)	1,533,894	528,267	61,809	-	-
Changes in Benefit Terms	-	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)	(1,863,195)	(1,883,779)
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	795,792	673,847
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	30,432,140	31,227,932
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	31,227,932	31,901,779
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	1,556,441	1,805,294
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)	(30,364)	3,439,211
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)	(1,863,195)	(1,883,779)
Administrative Expense	(23,872)	(98,084)	(101,257)	(123,799)	(111,091)	(108,698)	(125,230)	(128,392)	(117,849)	(139,731)
Other	-	(24,768)	46,960	10,270	(19,010)	8,727	848	18,815	(9,558)	(14,752)
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)	(464,525)	3,206,243
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	25,259,689	24,795,164
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	24,795,164	28,001,407
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	$ 6,432,768	$ 3,900,372
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%	79.40%	87.77%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 2,689,635	$ 2,749,435	$ 3,356,514	$ 2,648,702	$ 2,379,603	$ 2,390,534	$ 2,089,386	$ 2,142,513	$ 1,924,696	$ 1,858,865
Contributions in Relation to the Actuarially Determined Contribution	2,689,635	4,385,524	5,001,252	4,341,521	3,897,275	3,301,077	3,110,873	3,124,817	3,620,498	3,194,706
Contribution Excess	$ -	$ (1,636,089)	$ (1,644,738)	$ (1,692,819)	$ (1,517,672)	$ (910,543)	$ (1,021,487)	$ (982,304)	$ (1,695,802)	$ (1,335,841)
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	$ 7,574,236	$ 7,310,563
Contributions as a Percentage of Covered Payroll	30.94%	51.05%	53.83%	45.82%	42.54%	38.99%	42.11%	43.18%	47.80%	43.70%

Notes to Schedule:

Valuation Date January 1, 2024
Measurement Date May 31, 2024
Calculated as the normal cost as of January 1, prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Aggregate Actuarial Cost Method

Normal Cost: Computed in the aggregate equal to the excess of the actuarial present value of future benefits less the actuarial value of assets divided by a temporary annuity. The temporary annuity equals the actuarial present value of future compensation divided by the current compensation of active participants who have not attained their assumed retirement age.

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

Inflation: 3.00%

Salary Increases: 4.00%

Investment Rate of Return: 6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age

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

Rule of 80 Retirement Rates:	
55-60	8%
61-70	8%

Mortality: In the 2024 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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 1,708,765	$ 1,707,164	$ 1,815,386	$ 1,126,333	$ 918,295	$ 840,922	$ 1,081,857	$ 1,077,926	$ 912,974	$ 1,062,438
Contributions in Relation to the Actuarially Determined Contribution	1,708,765	2,212,476	2,175,166	1,519,216	1,239,632	1,314,032	1,154,931	1,229,525	1,556,441	1,805,294
Contribution Excess	$ -	$ (505,312)	$ (359,780)	$ (392,883)	$ (321,337)	$ (473,110)	$ (73,074)	$ (151,599)	$ (643,467)	$ (742,856)
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, 2024
Measurement Date May 31, 2024
Calculated as the normal cost as of January 1 prior to the beginning of the fiscal year in which contributions are reported, increased with a half year of interest.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate Actuarial Cost Method
Normal Cost	Computed in the aggregate equal to the excess of the actuarial present value of future benefits less the actuarial value of assets divided by a temporary annuity. The temporary annuity equals the actuarial present value of future compensation divided by the current compensation of active participants who have not attained their assumed retirement age.
Asset Valuation Method	An actuarial smoothing method based on market value of assets plus 75% of expected returns
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Retirement Age

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

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

Mortality: In the 2024 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 TEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
SALARIED PLAN										
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)%	(0.17)%	13.83%
BARGAINING UNIT PLAN										
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)%	(0.12)%	13.93%

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

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

*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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution (1)	$ 2,604,191	$ 2,506,691	$ 2,486,586	$ 2,143,071	$ 2,175,583	$ 1,851,431	$ 1,662,556	$ 1,598,057	$ 1,543,626	$ 1,394,564
Contributions in Relation to the Actuarially Determined Contribution	2,398,800	2,290,882	2,301,583	2,289,292	2,310,104	2,027,798	1,855,418	1,734,198	1,737,894	1,640,907
Contribution Deficiency (Excess)	$ 205,391	$ 215,809	$ 185,003	$ (146,221)	$ (134,521)	$ (176,367)	$ (192,862)	$ (136,141)	$ (194,268)	$ (246,343)
Covered Payroll	N/A	N/A	N/A	$ 23,217,114 (2)	$ 23,941,245 (3)	$ 24,118,465 (4)	$ 23,405,010 (5)	$ 25,767,991 (6)	$ 24,864,685 (7)	$ 27,208,819 (8)
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	9.86%	9.65%	8.41%	7.93%	6.73%	6.99%	6.03%

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

Notes to Schedule:

Valuation Date	January 1, 2024
Measurement Date	May 31, 2024

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 2024 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 SEVEN FISCAL YEARS*

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

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

INDEPENDENT
NETWORK MEMBER

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

FEDERAL SINGLE AUDIT REPORT

YEAR ENDED MAY 31, 2024

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SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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YEAR ENDED MAY 31, 2024

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Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited South Central Connecticut Regional Water Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on South Central Connecticut Regional Water Authority's major federal program for the year ended May 31, 2024. South Central Connecticut Regional Water Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Connecticut Regional Water Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect its major federal program for the year ended May 31, 2024.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements*, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Connecticut Regional Water Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of South Central Connecticut Regional Water Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to South Central Connecticut Regional Water Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Central Connecticut Regional Water Authority 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Central Connecticut Regional Water Authority's compliance with the requirements of the major federal program as a whole.

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

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

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Central Connecticut Regional Water Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of South Central Connecticut Regional Water Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Members
South Central Connecticut Regional Water Authority

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

We have audited the financial statements of the business-type activities and fiduciary activities of South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise South Central Connecticut Regional Water Authority's basic financial statements. We have issued our report thereon dated September 17, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 17, 2024

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2024

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Project Name	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Environmental Protection Agency					
Passed Through the State of Connecticut Department of Public Health:					
Drinking Water State Revolving Fund (DWSRF) Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds:					
	66.468	RTU & Hardware Upgrades - Subsidy	DWSRF No. 2023-7114	$ -	$ 440,999
	66.468	RTU & Hardware Upgrades - Loan	DWSRF No. 2023-7114	-	1,238,300
	66.468	West River Water Treatment Plant - Subsidy	DWSRF No. 2023-7116	-	1,500,000
	66.468	West River Water Treatment Plant - Loan	DWSRF No. 2023-7116	-	13,290,515
Total Drinking Water State Revolving Funds (DWSRF) Cluster:				-	16,469,814
Total Drinking Water State Revolving Funds (DWSRF) Cluster:				-	16,028,815
Total Environmental Protection Agency:				-	16,469,814
Total Expenditures of Federal Awards				$ -	$ 16,469,814

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MAY 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of South Central Connecticut Regional Water Authority, under programs of the federal government for the year ended May 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

Basis of Accounting

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

NOTE 2 INDIRECT COST RECOVERY

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

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

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of South Central Connecticut Regional Water Authority, as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the South Central Connecticut Regional Water Authority's basic financial statements, and have issued our report thereon dated September 17, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
September 17, 2024

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2024

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported

3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported

2. Type of auditors' report issued on compliance for federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee? ______ yes __x__ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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NETWORK MEMBER

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