Annual Report 2024

175 Years of Making Life Better





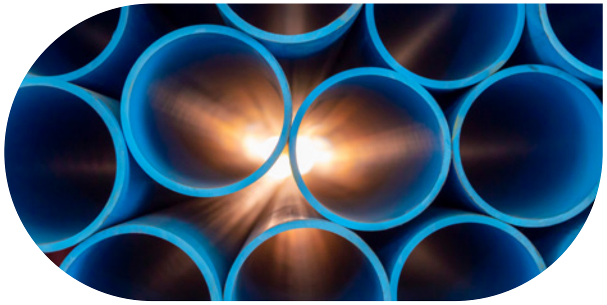





Regional Water Authority

In 2024, the RWA marked 175 years of making life better by delivering water for life. To honor our past and look to the future, throughout this annual report we put together a celebratory timeline of RWA firsts, breakthroughs and advancements that help make life better for the people and communities we proudly serve.

REGIONAL WATER AUTHORITY
175 YEARS
TRUSTED SINCE 1849



Many companies celebrate milestones, and in 2024, the South Central Connecticut Regional Water Authority (RWA) celebrated its dodransbicentennial (175th anniversary) of delivering high-quality drinking water and making life better for people. It's a noble purpose and part of the RWA's heritage. It may surprise you to know that the man who conceived the region's waterworks 175 years ago, Eli Whitney II, had a similar mission. From our humble beginnings in 1849, when Mr. Whitney introduced an unlimited supply of pure water for public and private purposes, to 1980, when the not-for-profit RWA acquired the investor-owned New Haven Water Company (NHWC), the RWA has endured, grown and transformed time and again as a leading, award-winning water utility recognized for excellence and committed to customers, communities, employees, and the environment. Yet, our founding principles of quality, service and value still guide us in delivering water for our customers and building social and economic value in the communities we serve. Nearly two centuries later, Mr. Whitney's vision lives on in every aspect of today's RWA and has led us on a journey to blaze new trails as a 21st-century water utility and environmental services company. We're modernizing a dam, transforming a legacy customer information system, updating our water distribution and production systems, using innovative sustainability practices in our operations and offering a broad array of commercial business services to more customers and clients. We are pleased to share highlights from fiscal 2024.

Customers and Communities

No company survives for 175 years without constantly adapting to suit the times and needs of its customers. In 2024, the RWA continued to make progress implementing a new, state-of-the-art Customer Information System (CIS) that will support and enhance our commitment to provide our customers with the best service experience and most sophisticated technology. The new CIS solution will capitalize on operational efficiencies to improve our service delivery to customers while also developing in-house expertise in the meter-to-cash cycle.

These are challenging economic times, and it's important that we assist customers who are having difficulty affording their monthly water bills. In 2024, we continued to offer our Residential Water Assistance Program to customers in need. We launched this affordability program in 2017, and by the end of fiscal 2024 we have provided approximately $185,000 in financial aid. Another source of help for our customers is the Low-Income Household Water Assistance Program. Through our participation, we helped customers receive more than $230,000 in 2024 alone.

Delivering safe drinking water is what we've been doing since the Civil War. Today, we focus on standards that measure water quality at levels so minute they could not have been

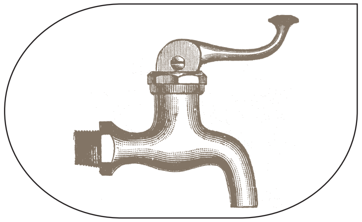
1849

With the expansion of business and the need for fire and public health protection, wells and streams were not adequate or reliable for water supply. A group of citizens approached the Connecticut legislature and received a charter for the NHWC.

1850s

People turned to Eli Whitney II to assist with building a waterworks on the Mill River at the foot of East Rock. In 1859, Whitney began construction of a dam that backed up the Mill River for 2+ miles and formed a reservoir named Lake Whitney.

1862

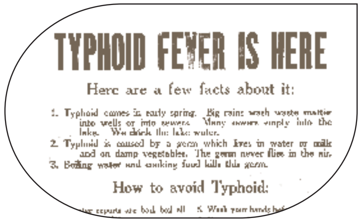


Water first flowed through pipes to residents of New Haven on January 1, 1862.

1876

The NHWC purchased the Fair Haven Water Company, which included the Maltby Lakes.

1901



In April 1901, over 400 people contracted typhoid fever. The contamination that caused the disease was traced to a reservoir. The company started to acquire property surrounding its reservoirs to protect them from pollution, but the epidemic encouraged NHWC to pioneer new water treatment methods.

imagined by Eli Whitney II and his peers. Our nationally and state-certified laboratory stands at the front line of our efforts to provide customers with safe drinking water.

In 2024, we collected nearly 8,000 water samples and conducted over 70,000 tests to ensure that high-quality water reached customers' taps. Our lab was the first in the state to be accredited to test for perfluoroalkyl and polyfluoroalkyl substances, commonly called PFAS. While PFAS are not currently regulated, we have tested extensively for them in our source waters before being required to do so. We found that any presence in our water supply is well below Connecticut's health-based action levels, further reaffirming the safety and high quality of our water, but our research in this area continues.

Our commitment to water quality extends well beyond our in-house laboratory. We expanded our water quality monitoring in 2024 by introducing high-tech buoys positioned at water reservoirs for two of our water treatment plants. Each buoy serves as a floating laboratory, collecting data on lake conditions around the clock and sending it to an online monitoring system. Our employees use the data to track parameters such as water temperature, pH, turbidity and dissolved oxygen in real time, enabling them to anticipate and respond to changes in lake water quality, well in advance of the water being drawn into a treatment plant.

Water pioneers knew New Haven had the potential to be a world-class city, but it couldn't do much without a reliable water supply. Eli Whitney II believed that access to water was critical for the health of the region's people and businesses. Following in his footsteps, the RWA continues to work closely with local businesses to help them grow and thrive.

Part of that growth comes from tapping counties outside of the region and state. In partnership with AdvanceCT, the company launched a multi-phase campaign in 2024 to attract water-intensive enterprises to South Central Connecticut, highlighting the value of water to key industries including food and beverage, manufacturing and life sciences. The campaign explained why water is the lifeline of Connecticut and how the RWA has the infrastructure, capacity, reliability and affordability necessary to meet regional business needs. The work AdvanceCT is doing complements our partnership with the Greater New Haven Chamber's business retention and expansion program.

For our business community to thrive, it needs access to a pool of educated and prepared applicants for new job openings. This year, we worked with Southern Connecticut State University's School of Business dean and faculty members to develop new courses for the Public Utility Management Degree Program that was conceived by the RWA in 2016. These first-in-the-nation programs are building a pipeline between the classroom and exciting careers at the RWA and other utilities in Connecticut.

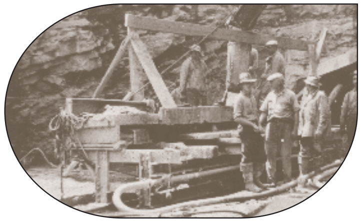
1902-1906

The first water treatment plant in New Haven was the Whitney Filtration Plant. The treatment plant was the first structure built in Connecticut of reinforced concrete.

1912

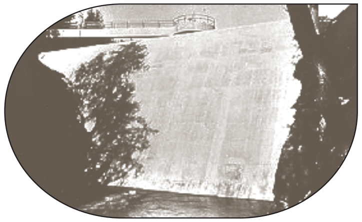
When the NHWC made its first report to the Public Utilities Commission, it served over 150,000 people in seven towns. Its system included more than 800 miles of mains, 1,000 fire hydrants, 11 reservoirs and a water storage capacity of 5.3 billion gallons.

1920-1931



The NHWC began construction of a 13-billion-gallon reservoir in North Branford. The project was the largest engineering effort undertaken in Connecticut at the time. Lake Gaillard began supplying water in 1931.

1950s



The Hammonasset Reservoir on the border of Madison and Killingworth was completed.

1959

The first well in the NHWC's system was installed in North Cheshire. Prior to that, NHWC used only surface water supplies.

We also continued our work to advance the Connecticut Alliance for Water Innovation (CTAWI) that we formed with Yale Ventures and ClimateHaven. The CTAWI aspires to be a nationally recognized leader in water innovation and research that enables sustainable water management as well as inclusive economic growth.

Planning and Infrastructure

Water system infrastructure provides the lifeblood of the communities we serve. We invest diligently in our infrastructure in order to deliver a safe, reliable water supply to our customers. In 2024, we invested approximately $45 million to build and maintain the region's water system, from installing and cleaning hundreds of miles of main to updating the filtration systems that sustain our infrastructure.

Throughout the years, we have followed Mr. Whitney's lead in planning for the future. In the late 1890s, our predecessors saw the benefits of filtering water drawn from Lake Whitney. In 1906, they built one of the first filtration plants in America, located a few feet from the Lake Whitney Reservoir and Dam, where our region's water system began in 1862. This year, we made progress with a project that will help preserve our historic Lake Whitney Dam so that it can continue to serve the region.

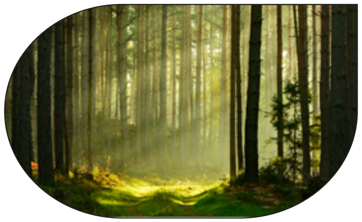
Built in the 1860s, the Lake Whitney Dam is one of the RWA's oldest pieces of infrastructure. It has received regular maintenance to maintain a high level of safety and performance, and the project we are advancing will ensure it remains strong and operational for another century. The design is nearly complete and the project is entering the permitting stages. We expect to begin the physical construction in 2026, pending approval by the Representative Policy Board.

In 2024, we commemorated a landmark infrastructure project in Derby, which was completed in late 2023 and improves service reliability and fire protection for approximately 13,000 customers, including a hospital and other critical facilities. The newly constructed million-gallon storage tank enables the RWA to better meet peak flows during periods of high water demand and increase the amount of water available for emergencies and firefighting. It also helps stabilize water pressure in the system, providing increased reliability for homes and businesses in the area. Construction on the 57-foot-tall cylindrical structure began in 2022, following years of planning and community and stakeholder outreach.

1960

The NHWC's 1,000th mile of main was laid, bringing reliable, high-quality water to more people and businesses.

1974



The Safe Drinking Water Act brought more government regulations. As a result, the NHWC had to consider selling more than 25,000 acres or raise water rates. They opted to sell land.

1974

The Lake Saltonstall Water Treatment Plant in East Haven went into service.

1977

Due to objections to selling land, a commission was formed to study the issue and recommended the formation of a publicly owned water authority. The Connecticut legislature created the RWA to serve the area's water and environmental needs.

1980

The RWA purchased the assets of the NHWC.

The RWA's West River Water Treatment Plant is one of four surface water treatment plants. In fiscal 2024, we completed construction of our new dissolved air flotation and on-site chlorination generation system building. These innovative process improvements increase treatment capacity, improve water quality and enhance the resilience of the RWA's ability to serve our customers with high-quality drinking water for years to come.

Replacing the chlorination system with newer technology and an on-site generation system increases safety as well as addresses our mitigation plan to reduce disinfectant byproduct concentrations in the water supply. Our Engineering team, along with coordination from our Water Treatment, Instrumentation & Control, and Environmental departments, united to achieve the plant improvements on schedule and under budget.

Water utilities across the US are focused on minimizing the risk of lead getting into drinking water. The RWA's drinking water does not contain lead when it leaves the treatment plants. The risk of lead getting into the water is from corrosion of plumbing materials made of lead. This includes pipes buried in the ground as part of the homeowner's plumbing.

The Environmental Protection Agency's Lead and Copper Rule outlines regulations to minimize the chance of lead contaminating drinking water. Recent revisions to the rule include efforts to remove privately owned lead and galvanized steel pipes, as well as increasing communication and educating the community about lead risks.

In fiscal 2024, the RWA reached out to nearly 7,000 property owners to determine the material of their private service lines and successfully completed its comprehensive plan to ensure compliance before the inventory submissions were due in October 2024.

Financial Resilience

From our earliest days, we have provided reliable, high-quality drinking water at an affordable price. Even today our water is about a penny a gallon. We pursue financing opportunities, introduce new commercial service offerings that generate additional revenue to mitigate water rate increases, and identify operating and capital efficiencies.

Accordingly, the RWA maintains and updates an annual Capital Improvements Program (CIP), which details projects that are necessary for system expansion and rehabilitation over a 10-year period. In 2024, we continued to fund our CIP in a way that is responsible to our customers. Since 2011, we have taken steps to generate capital funds internally. This

1980s

The RWA built water treatment plants at Lake Gaillard in North Branford and West River in Woodbridge.

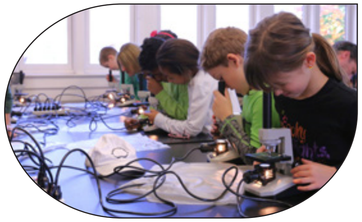
1983

The RWA's Land Use Plan was approved by the Representative Policy Board; Lake Saltonstall was reopened for fishing after a 20-year hiatus.

1990

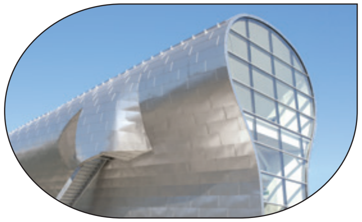
With support from the South Central Regional Council of Governments, the RWA created HazWaste Central, a facility for the safe collection and disposal of household hazardous waste.

1990



The RWA opened the Whitney Water Center, an innovative water science education hub located at the foot of the Lake Whitney Dam in Hamden.

2002-2004



Ground was broken for a new Lake Whitney Water Treatment Plant in Hamden; it was dedicated in September 2004.

year, we self-funded approximately $17.3 million of our CIP, mitigating debt service costs.

As part of our commitment to employees, in 2024 we continued to make contributions to closed pension plans in excess of the annual actuarially required contribution. This resulted in the RWA contributing approximately $8 million in excess of the actuarial requirements over the last five fiscal years, including approximately $2.1 million in fiscal year 2024.

As a public, not-for-profit water utility and environmental services company, part of our growth comes from investing in our infrastructure and diversifying our commercial services.

A focus on commercial business expansion and diversification led to the successful acquisition of Carboni Plumbing & Heating in fiscal 2024. It was the RWA's third commercial acquisition since 2020, joining two Connecticut-based plumbing and water treatment service companies.

Along with our new offerings operating under RWA Well Services, LLC, growth from our PipeSafe protection programs, environmental laboratory services, fleet repair, rental property and others resulted in revenues of approximately $16.1 million. In 2024, the RWA purchased the assets of Homeowner Safety Value. This protection plan, in conjunction with the RWA's popular PipeSafe program, offers more homeowners peace of mind if they have a water, sewer or home plumbing line emergency.

Our commercial business ventures allow us to expand our non-core services and solutions to more customers and clients. Furthermore, net income from our commercial offerings can be deposited into our Construction Fund to help fund utility infrastructure projects, reduce leverage and mitigate water rate increases.

As a way to further lessen rate increases by reducing the cost of debt, we pursue low-cost Drinking Water State Revolving Fund (DWSRF) financing opportunities. Through fiscal 2024, we secured DWSRF low-cost loans and grants totaling approximately $52 million, with additional DWSRF and Water Infrastructure Finance and Innovation Act financings planned. Furthermore, by refinancing, we achieved overall savings of nearly $1 million.

Environmental Stewardship

In 1911, NHWC engineers understood the value of buying land to protect water quality. Their vision led to us owning and protecting nearly 28,000 acres of land today. Promoting a healthy environment around the RWA's water sources allows for potential contaminants to be naturally filtered by trees and soil. This results in water that needs less treatment and is of a higher quality.

Our source-water protection program has been a principal part of our work to maintain high-quality water in our

2008

The RWA purchased the Birmingham Water Company. That acquisition included 1,600 acres around the Peat Swamp reservoir, several wells along the Housatonic River, 8,000 customers and its distribution system.

2011

The RWA won the Association of Metropolitan Water Agencies' (AMWA) Gold Award for Exceptional Utility Performance.

2011

The RWA began a weeklong careers summer camp for area high school students that continues today.

2015

The RWA launched a multi-year Advanced Metering Infrastructure program that deployed the water industry's latest metering technology. This technology reads water meters remotely and securely transmits the information back to our offices electronically.

2015

The RWA received the New England Water Works Association Utility of the Year Award and the Platinum Award for Utility Excellence from AMWA.

surface reservoirs and in the underground aquifers we tap as sources of drinking water. In 2024, we conducted more than 1,000 watershed inspections, helping communities, businesses and homeowners avoid contamination of surface or groundwater. Our inspectors look for potential chemical or bacterial contamination, sedimentation and erosion, as well as the illegal dumping of waste materials. Last year, we responded to nearly 40 hazardous material and erosion-control-related incidents in watersheds and aquifers that supply our drinking water.

Water conservation leadership is a key part of our environmental stewardship, and in 2024, we continued our partnership with the ABC affiliate, WTNH-TV, to broadcast Water Wise Ways. This on-air and on-line public service campaign features 15-second messages that offer outdoor and indoor ways people can reduce their water use to help ensure we are able to meet public water supply needs for customers, fire protection and the environment. This year, we added a new spot focused on creating less-thirsty gardens by choosing native or drought-tolerant plants that thrive with minimal water. All of the TV commercials have a call to action to visit our website for ways to reduce non-essential water use.

Furthermore, we held our annual rain barrel sale. For the fifth year running, rain barrels were offered at a discounted price. Rain barrels provide several benefits to the community including reducing stormwater runoff pollution from residential lots, allowing people to store and use rainwater for irrigation and gardening, as well as lowering water bills. This year, we sold a record 400 rain barrels.

Organizational Excellence

The RWA is committed to providing an inclusive and safe workplace. The company achieved several diversity, equity and inclusion milestones in 2024, including providing a myriad of community volunteer opportunities for employees. Established in 2021, the RWA's employee TIDE (Tapping Inclusion, Diversity & Equity) Council spearheads important discussions and activities about diversity and belonging with the goal of fostering a work culture in which all employees feel respected and are meaningfully engaged.

To continuously enrich the service we provide to customers and colleagues, in fiscal 2024, we launched an enterprise-wide training initiative called Delivering Service Excellence (DSX). The full-day training set new standards for service delivery and informed how the RWA interacts with customers, colleagues and all stakeholders. The training was customized for the RWA based on what employees told us through surveys and focus groups about what was needed to deliver consistent, outstanding service. The next phase of DSX is underway, which includes expanded training for leaders, function-specific standards and service-level agreements.

2016

The RWA signed the Connecticut Source Water Collaborative Charter and joined a stakeholder group that develops and supports strategies to preserve, protect and maximize the conservation of sources used for drinking water and the land that recharges those sources.

2016

The RWA collaborated with Gateway Community College and Southern Connecticut State University to pioneer the landmark Public Utility Management Degree Program, which provides career tracks in the water, electric, natural gas and wastewater industries.

2017

The RWA began a Residential Water Assistance Program to help customers who need financial aid to pay their water bill by providing an annual grant.

2017-2018

The Great Hill Tunnel and Pipeline was a complex operation that required constructing a seven-mile temporary bypass from Lake Gaillard through an active quarry and connecting back to the distribution system.

2019

The RWA issued its first-ever Green Bonds for people who wish to invest their money in environmentally friendly projects.

Building on 175 Years of Making Life Better

Our achievements in 2024 happened with our dedicated employees. We want to thank them for their commitment and hard work. At the board level, we would like to recognize Anthony Rescigno who retired from the Representative Policy Board after 20 years of representing the town of North Haven. Over the years, Tony's leadership and community outreach helped to advance the organization.

As remarkable as our evolution has been, there is so much more that we will do in the future for our customers, communities and employees. At the RWA, there's inspiration and innovation around every corner, and we're on a mission to move it forward. For example, we are advancing an exciting regional supply strategy to acquire the operations of the Aquarion Water Company (AWC), and convert it to a not-for-profit authority like the RWA. While this chapter remains to be written, if our bid is successful, we are confident public ownership will bring significant benefits to employees, customers and the communities served by AWC, as well as ensure continued local control of a critical resource.

As we march toward our bicentennial, we will continue to create a company that is high performing and focused on executing well to take advantage of the opportunities that lie ahead to generate long-term, sustainable value. You can count on us to build on our rich history, stay true to our higher purpose to make life better for people and honor our commitments to our customers, communities, employees and all stakeholders. We invite you to join us on our journey.

Larry L. Bingaman

Larry L. Bingaman
President & Chief Executive Officer

David J. Borowy

David J. Borowy
Chair, Regional Water Authority

Robert E. Harvey, Jr.

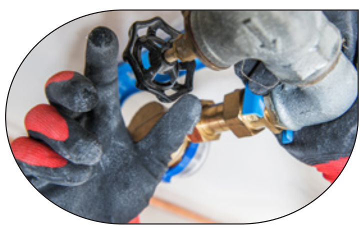
Robert E. Harvey, Jr.
Chair, Representative Policy Board

October 15, 2024

2020

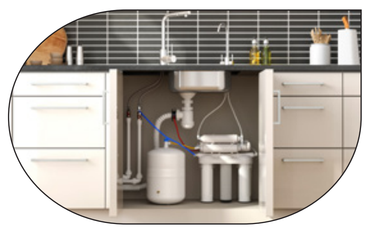
The RWA received AMWA's Sustainable Water Utility Management Award for extraordinarily responsible management of resources and environmental protection.

2021



The RWA acquired Roach Plumbing, which provides plumbing, well and water treatment services to residential and business customers. The acquisition builds on the RWA's commercial strengths in water-related services.

2022



The RWA purchased Water System Specialties, specializing in drinking water operations and treatment, related service inspections, maintenance and repair.

2023

The RWA deployed the innovative NODES closed-loop water main cleaning equipment, which reduces discolored water concerns and preserves the water within our distribution system during flushing activities.

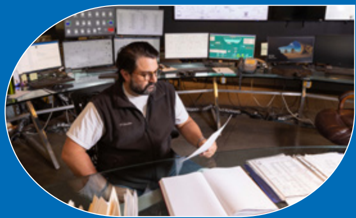
2024

REGIONAL WATER AUTHORITY 175 YEARS TRUSTED SINCE 1849

The RWA marks a major milestone—175 years of making life better for people by delivering water for life. Team RWA is excited and ready for the future, inspired by the company's proud and storied history.

Our Fiscal Year by the Numbers

(June 1, 2023–May 31, 2024)



285
employees worked on behalf of our 431,000 customers

15.4
billion gallons of treated water produced

42
million gallons of water treated per day

~1 cent
price per gallon of treated water

7,887
water quality samples collected

70,257
water quality analyses or tests performed

0
reportable water quality citations or violations

81,321
calls to our customer care team

94.7%
consumer callers who rated RWA as good or excellent in transaction surveys

15,114
customer service field visits completed

10,123
children served by our water education programs

$693M
value of net capital assets and land

South Central Connecticut Regional Water Authority

Financial Statements as of and for the years ended May 31, 2024, and 2023, and Independent Auditors' Report

Table of Contents

Basic Financial Statements

Required Supplementary Information

Independent Auditors' Report

To the Members of the South Central Connecticut Regional Water Authority

Report on the Audit of 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 post-employment 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

Management's Discussion and Analysis Years Ended May 31, 2024, and 2023

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

Summary: Revenues, Expenses and Changes in Fund Net Position (in Thousands of Dollars)

May 31,	2024	2023	2022
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, LLC, 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 $3.8 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 $1.6 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 in 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.

Summary: Net Position (in Thousands of Dollars)

May 31,	2024	2023	2022
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	403	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) in 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 were 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 and 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, bringing 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 noncurrent 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 $.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 to 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 37th Series proceeds were fully expended. There were 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 36th 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 were 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.

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.

STATEMENTS OF NET POSITION

For the Years Ended May 31,	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.

STATEMENTS OF NET POSITION (continued)

For the Years Ended May 31,	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

See accompanying Notes to Financial Statements.

STATEMENTS OF NET POSITION (continued)

For the Years Ended May 31,	2024	2023
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.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended May 31,	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.

STATEMENTS OF CASH FLOWS

For the Years Ended May 31,	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 Investment 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.

STATEMENTS OF CASH FLOWS (continued)

For the Years Ended May 31,	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.

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND

For the Years Ended May 31,	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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND

For the Years Ended May 31,	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 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.

STATEMENTS OF FIDUCIARY NET POSITION — RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND

For the Years Ended May 31,	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

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

For the Years Ended May 31,	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 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.

Notes to Financial Statements

May 31, 2024 and 2023

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.

Fiduciary Component Units

The Authority has established two single-employer Public Retirement Systems (PERS) and one post-retirement healthcare benefits (OPEB) plan to provide retirement benefits and post-retirement healthcare benefits primarily 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.

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)
Source of Supply and Supply Mains	100
Wells and Springs	30
Other Water Source Structures	10
Power and Pumping Structures	30
Pumping Equipment	20
Water Treatment Plant Structure	43
Water Treatment Equipment	23
Distribution Tanks	50
Distribution Mains	85
Services	50
Meters	15
Hydrants	60
Hydraulic Shovel and Front Loader	8
Hydraulic Backhoe	6
Compressors	10
Computer Equipment	5
Computer Software	5 to 15
General Structures	10 to 32
Furniture and Fixtures	12
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.

Subcription-Based Information Technology Arrangements (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 from 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.

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 post-employment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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.

Bond Premiums and Discounts

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

Net Pension Liability

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

Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current participating active employees and vested former employees that is attributed to past periods of service (total OPEB liability), less the amount of the OPEB plans' fiduciary net position. The OPEB plans' 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.

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

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 Type	Credit Rating	Fair Market Value	Investment Maturities (Years) Less Than 1	1-10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 2,667,763	$ 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 Type	Credit Rating	Fair Market Value	Investment Maturities (Years) Less Than 1	1-10	More Than 10
Interest-Bearing Investments:					
U.S. Government Securities	Aaa	$ 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			

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		
2024	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	$ –

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

		Fair Value Measurements Using		
2023	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:

2024	Beginning Balance as Restated*	Additions	Transfers	Adjustments 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:

2023	Beginning Balance	Additions	Transfers	Adjustments 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	5,335,745	–	(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.

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.

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.

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 toward 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 as Restated*	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.

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	4.000%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.000%	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	5.000%	15,595,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.000%	2,230,000
Thirty-Seventh B1 (Refunding Bonds)	2024	2034	11,110,000	5.000%	11,110,000
Total					$ 505,300,000

* Dates are based on calendar year.

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	4.000%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.000%	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.

Revenue Bonds Payable

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

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

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

Maintenance of Funds

The *General Bond Resolution* provides for the maintenance of certain funds as discussed in Note 6, which for financial reporting purposes are subparts of the Authority's overall enterprise fund. All revenues (as defined and governed by the *General Bond Resolution*) collected by the Authority are deposited into the Revenue Fund and applied first to the payment of operating expenses, as defined, and then deposited to restricted funds required to be maintained by the *General Bond Resolution*. Funds remaining in the Revenue Fund at the end of the year, after the above requirements are met, are to be transferred to the General Fund, which is available to the Authority for any lawful purpose of the Authority. In June 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-seventh 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.

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 termination 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 drawdown 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 drawdown note was issued and $50,500 was drawn. This note matured in April 2022 and $50,500 was drawn. This note was reissued 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 "hot spots" 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 hot spot 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 hot spot 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 redeveloping 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.

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 had 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.

Four consecutive quarters of sampling demonstrated that the groundwater quality complies with applicable RSRs groundwater 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, there 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 cancelable 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.

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.

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.

The individual plan net position at May 31, 2024, and changes in net position for the year then ended are as follows:

2024 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 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

The individual plan net position at May 31, 2023, and changes in net position for the year then ended are as follows:

2023 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 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.

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%
U.S. 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%

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

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%
U.S. 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%
U.S. 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.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
2024 Salaried Plan	**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

	Increase (Decrease)		
2024 Bargaining Unit Plan	**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

Changes in the Net Pension Liability (continued)

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

2023 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

2023 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

Sensitivity of 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:

2024 Salaried Plan	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	$ 12,635,178	$ 7,722,077	$ 3,464,963

2024 Bargaining Unit Plan	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	$ 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:

2023 Salaried Plan	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	$ 16,428,232	$ 11,516,283	$ 7,264,315

2023 Bargaining Unit Plan	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	$ 9,625,088	$ 6,432,768	$ 3,699,215

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:

	Deferred Outflows of Resources		
2024	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 593,917	$ 399,053	$ 992,970
Changes of Assumptions	–	873	873
Differences 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		
2024	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 132,401	$ –	$ 132,401

	Deferred Outflows of Resources		
2023	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
Differences 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		
2023	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	$ 343,905	$ –	$ 343,905

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,		
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 Post-Employment Benefits – Retiree Healthcare

Plan Description

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

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

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

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

Administration of the plan rests with the Pension and Benefit Committee of the 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.

Funding Policy

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

Union Employees and Spouses

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

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

Nonunion Employees and Spouses:

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

The Authority's cash contribution to the trust was $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%
U.S. 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, and was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

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

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%
U.S. Equity	8.4
Global	8.0
International Equity	7.3
Alternatives, Hedge, and Swing	6.1

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

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8%
U.S. 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 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.

Changes in the Net OPEB Liability

	Increase (Decrease)		
2024	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances – June 1, 2023	$ 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
Difference Between Expected and Actual Experience	1,321,755	–	1,321,755
Changes in Assumptions	136,564	–	136,564
Benefit Payments, Including Refunds 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, 2024	$ 26,230,544	$ 10,085,112	$ 16,145,432

2023	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
	Increase (Decrease)		
Balances – June 1, 2022	$ 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
Difference Between Expected and Actual Experience	(2,124,593)	–	(2,124,593)
Changes in Assumptions	431,098	–	431,098
Benefit Payments, Including Refunds 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, 2023	$ 24,975,189	$ 9,258,321	$ 15,716,868

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:

2024	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:

2023	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 than the current healthcare cost trend rates:

2024	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 than the current healthcare cost trend rates:

2023	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

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

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

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

Condensed Statement 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

Condensed Statement 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

	The Authority	The Watershed Fund	Combined Financial Statements
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

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

RSI-1A SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

SALARIED PLAN	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%

RSI-1B SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

BARGAINING UNIT PLAN	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

RSI-2A SCHEDULE OF EMPLOYER CONTRIBUTIONS — PENSION SALARIED PLAN LAST TEN FISCAL YEARS

SALARIED PLAN	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 2,689,635	$ 2,749,435	$ 3,356,514	$ 2,648,702	$ 2,379,603
Contributions in Relation to the Actuarially Determined Contribution	2,689,635	4,385,524	5,001,252	4,341,521	3,897,275
Contribution Excess	$ –	$ (1,636,089)	$ (1,644,738)	$ (1,692,819)	$ (1,517,672)
Covered Payroll	$ 8,694,151	$ 8,590,395	$ 9,290,589	$ 9,475,823	$ 9,160,530
Contributions as a Percentage of Covered Payroll	30.94%	51.05%	53.83%	45.82%	42.54%

SALARIED PLAN	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 2,390,534	$ 2,089,386	$ 2,142,513	$ 1,924,696	$ 1,858,865
Contributions in Relation to the Actuarially Determined Contribution	3,301,077	3,110,873	3,124,817	3,620,498	3,194,706
Contribution Excess	$ (910,543)	$ (1,021,487)	$ (982,304)	$ (1,695,802)	$ (1,335,841)
Covered Payroll	$ 8,465,818	$ 7,388,009	$ 7,236,172	$ 7,574,236	$ 7,310,563
Contributions as a Percentage of Covered Payroll	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.

RSI-2B PENSION BARGAINING UNIT PLAN LAST TEN FISCAL YEARS	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 1,708,765	$ 1,707,164	$ 1,815,386	$ 1,126,333	$ 918,295
Contributions in Relation to the Actuarially Determined Contribution	1,708,765	2,212,476	2,175,166	1,519,216	1,239,632
Contribution Excess	$ –	$ (505,312)	$ (359,780)	$ (392,883)	$ (321,337)
Covered Payroll	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

BARGAINING UNIT PLAN	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 840,922	$ 1,081,857	$ 1,077,926	$ 912,974	$ 1,062,438
Contributions in Relation to the Actuarially Determined Contribution	1,314,032	1,154,931	1,229,525	1,556,441	1,805,294
Contribution Excess	$ (473,110)	$ (73,074)	$ (151,599)	$ (643,467)	$ (742,856)
Covered Payroll	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

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.

RSI-3 SCHEDULE OF INVESTMENT RETURNS – PENSION LAST TEN FISCAL YEARS

SALARIED PLAN	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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%

RSI-4 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.

RSI-5 SCHEDULE OF PLAN EMPLOYER CONTRIBUTIONS — OPEB LAST TEN FISCAL YEARS

	2015	2016	2017	2018	2019
Actuarially Determined Contribution [1]	$ 2,604,191	$ 2,506,691	$ 2,486,586	$ 2,143,071	$ 2,175,583
Contributions in Relation to the Actuarially Determined Contribution	2,398,800	2,290,882	2,301,583	2,289,292	2,310,104
Contribution Deficiency (Excess)	$ 205,391	$ 215,809	$ 185,003	$ (146,221)	$ (134,521)
Covered Payroll	N/A	N/A	N/A	$ 23,217,114[2]	$ 23,941,245[3]
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	9.86%	9.65%

	2020	2021	2022	2023	2024
Actuarially Determined Contribution [1]	$ 1,851,431	$ 1,662,556	$ 1,598,057	$ 1,543,626	$ 1,394,564
Contributions in Relation to the Actuarially Determined Contribution	2,027,798	1,855,418	1,734,198	1,737,894	1,640,907
Contribution Deficiency (Excess)	$ (176,367)	$ (192,862)	(136,141)	(194,268)	(246,343)
Covered Payroll	$ 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	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: 4.0%

Investment Rate of Return: 6.75%, net of OPEB Plan Investment Expense, including inflation

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

Mortality: In the 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.

RSI-6 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.

Members of the Authority Board

David J. Borowy
Chair

Kevin J. Curseaden
Vice Chair

Catherine E. LaMarr
Secretary/Treasurer

Mario Ricozzi
Suzanne C. Sack

Members of the Representative Policy Board

Thomas P. Clifford III
Ansonia

Peter Betkoski
Chair, Land Use Committee
Beacon Falls

Brian Eitzer
Bethany

Vacant
Branford

Tim Slocum
Treasurer
Cheshire

Frank Pepe
Derby

Michelle Verderame
East Haven

Charles Havrda
Guilford

Stephen A. Mongillo
Vice Chair
Hamden

Jamie Mowat Young
Secretary
Killingworth

Joseph A. Oslander
Madison

Richard Smith
Milford

Naomi Campbell
New Haven

Peter DeSantis
North Branford

Anthony P. Rescigno
North Haven

Jasper J. Jaser
Orange

Robert E. Harvey, Jr.
Chair
Prospect

Michael H. Horbal
Seymour

T. Gregory Malloy
West Haven

Mark Levine
Chair, Consumer Affairs Committee
Woodbridge

Vincent M. Marino
Chair, Finance Committee
Governor's Representative

Regional Water Authority Management

Larry L. Bingaman
President &
Chief Executive Officer

Elizabeth Calo
General Manager, Head of
Human Resources

James Hill
General Manager, Head of Operations

Rochelle Kowalski
Vice President & Chief Financial Officer

Sunder Lakshminarayanan
Vice President, Engineering &
Environmental Services

Premjith Singh
Vice President,
Customer Care &
Chief Information and
Digital Officer

Auditors:
CliftonLarsonAllen, LLP
West Hartford, CT

General Counsel:
Murtha Cullina LLP
Hartford, CT

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

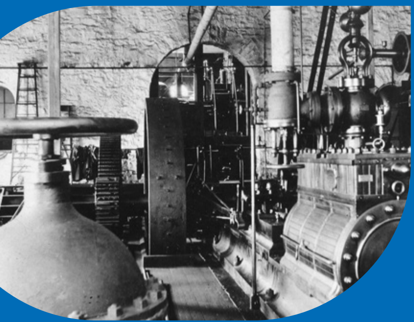
Regional Water Authority Statistics — May 31, 2024

	Estimated Population Served	RPB Votes	Miles of Main	Customers [A]	Hydrants	Landholdings (Acres) [B]	Conservation Easements (Acres) [B]	Miles of Recreation Trails [B]	Miles of Fishing Areas [B]
Ansonia	18,140	3	71	5,459	451	96	—	—	—
Beacon Falls	—	—	—	—	—	22	—	—	—
Bethany	10	5	1	6	2	3,947	22	15	3
Branford	28,031	6	143	8,701	776	1,178	35	6	3
Cheshire	24,304	4	156	6,974	1,205	149	318	—	—
Derby	10,854	2	41	3,259	279	2	—	—	—
Durham [C]	—	—	—	—	—	249	11	1	—
East Haven	27,533	6	113	8,573	557	860	—	4	—
Guilford	—	4	—	1	—	3,295	—	10	—
Haddam [C]	—	—	—	—	—	104	—	—	—
Hamden	54,684	10	216	15,111	1,067	1,333	288	1	4
Killingworth	—	2	—	—	—	1,381	65	3	—
Madison	—	6	—	—	—	4,716	24	16	2
Milford	52,087	10	242	18,387	1,443	4	—	—	—
New Haven	124,340	13	264	22,825	1,987	24	—	—	—
North Branford	5,159	8	43	1,569	245	6,069	82	8	1
North Haven	21,491	5	150	8,017	792	54	—	—	—
Orange	11,019	3	103	4,083	557	580	—	3	1
Prospect	—	1	—	—	1	866	—	2	—
Seymour	805	1	7	334	23	706	—	2	2
West Haven	51,980	8	151	13,460	856	275	—	3	—
Wolcott [C]	—	—	3	—	20	1	—	—	—
Woodbridge	1,483	3	18	504	97	1,895	200	7	—
Governor's Representative		1	—	—	—	—	—	—	—
Totals	**431,920**	**101**	**1,722**	**117,263**	**10,358**	**27,806**	**1,045**	**81**	**16**

A - Metered customers within district   B - Calculated using GIS data   C - Not within district

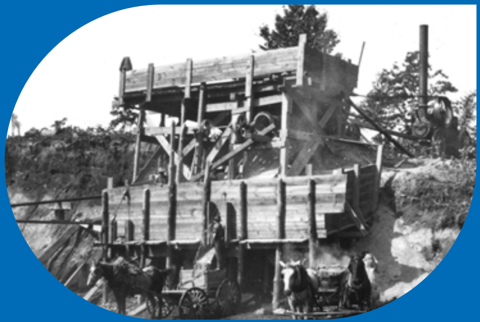
Regional Water Authority
Tapping the Possibilities™

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, CT 06511-5966










REGIONAL WATER AUTHORITY
175 YEARS
TRUSTED SINCE 1849