

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2025 AND 2024



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INDEPENDENT AUDITORS' REPORT

Members
South Central Connecticut Regional Water Authority
New Haven, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the South Central Connecticut Regional Water Authority, as of and for the years ended May 31, 2025 and 2024, 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, 2025 and 2024, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2025, on our consideration of the South Central Connecticut Regional Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Central Connecticut Regional Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Connecticut Regional Water Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
September 23, 2025

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

INTRODUCTION

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

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

The Authority's audited financial statements include the following:

- Statements of net position

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

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

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

- Statements of cash flows

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

- Statements of fiduciary net position

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

- Notes to financial statements

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

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.

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 on June 5, 2024, "non-core" activities were expanded to include "sustainable manufacturing support." At this time there were also other changes made to Special Act 77-98, as amended. Additionally, in the June 2024 Special Session, Special Act 24-01 was passed and signed into law in July. Special Act 24-01 created the Aquarion Water Authority (AWA) and allowed AWA to own and operate Aquarion Water Company, if AWA was a successful bidder, and subject to regulatory approvals.

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024

FINANCIAL HIGHLIGHTS

	<i>(In Thousands of Dollars)</i>		
	May 31,		
	2025	2024	2023
SUMMARY: REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
OPERATING REVENUES			
Water Revenues	\$ 138,830	\$ 135,660	\$ 131,968
Other	22,588	16,112	12,390
Total Operating Revenues	<u>161,418</u>	<u>151,772</u>	<u>144,358</u>
OPERATING EXPENSES			
Operating and Maintenance	67,107	62,299	58,480
Expenses Associated With Water and Other Revenue	14,861	9,821	8,648
Depreciation and Amortization	28,349	26,397	25,872
Payments in Lieu of Taxes (PILOT)	8,937	8,767	8,524
Total Operating Expenses	<u>119,254</u>	<u>107,284</u>	<u>101,524</u>
OPERATING INCOME	42,164	44,488	42,834
NONOPERATING INCOME AND EXPENSES			
Interest Income	9,697	10,932	8,115
Gain (Loss) on Disposal of Assets	(878)	(859)	(2,229)
Net Increase (Decrease) in the Fair Value of Investments	189	412	(255)
Interest Expense	(21,747)	(21,981)	(22,203)
Amortization of Bond Discount, Premium, Issuance Costs, Deferred Refunding Losses, and Goodwill	1,784	2,222	2,742
Intergovernmental Revenue	2,330	1,941	490
Other Income (Expense), Net	55	124	(237)
Total Nonoperating Expenses	<u>(8,570)</u>	<u>(7,209)</u>	<u>(13,577)</u>
Income Before Contributions	33,594	37,279	29,257
Capital Contributions	<u>3,689</u>	<u>4,240</u>	<u>1,781</u>
CHANGE IN NET POSITION	<u>\$ 37,283</u>	<u>\$ 41,519</u>	<u>\$ 31,038</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Operating revenues

The change in water revenues from fiscal 2024 to fiscal 2025 is primarily due to the rate increase that went into effect on January 3, 2025. The primary driver of the increase in other revenues is the Homeowner Safety Valve (HSV) transaction that occurred on July 1, 2024, and the full-year impact of the October 2023 acquisition by RWA Well Services.

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

Operating expenses

Operating and maintenance expenses from fiscal 2024 to fiscal 2025 increased by approximately \$4.8 million. The larger increases are due to payroll expense, employee benefits and electric services. The increase in electric services is primarily due to public benefit charges and the increase in employee benefits is impacted by the implementation of GASB 101, compensated absences. Pension expense, under GASB 68 decreased from fiscal 2024 to fiscal 2025. However, Other Post Employment Benefits (OPEB) expense, under GASB 75, increased. There are other net changes across multiple accounts.

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.

Depreciation and amortization expense increased from fiscal 2024 to fiscal 2025 primarily due to the increase in gross property plant and equipment. The fiscal 2025 increase in amortization is also attributable to the intangible asset amortization associated with the HSV transaction and Subscription-Based Information Technology Arrangements (SBITA).

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 and SBITA under GASB 96. Depreciation also includes amortization of intangible assets associated with RWA Well Services, LLC.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from fiscal 2024 to fiscal 2025 and increased between fiscal 2023 and fiscal 2024. PILOT variances are primarily due to changes in pipe and mill rates.

Nonoperating income and expenses

The decrease in interest income from fiscal 2024 to fiscal 2025 is primarily due to lower interest on arrears as well as a lower interest rate environment.

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

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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Due to market conditions, the realized and unrealized investment gain between May 2024 and May 2025 is approximately \$.2 million and the gain between May 2023 and May 2024 was approximately \$.4 million, excluding the Watershed Fund.

Disposal of assets

In fiscal 2025 and fiscal 2024, the Authority had a net loss on the retirement and disposition of certain assets. This net loss was due to the retirement of certain "plant" assets with a remaining book value partially offset by the proceeds associated with asset dispositions. In fiscal 2025, the net loss was partially offset by the proceeds associated with a land disposition. The net loss in fiscal 2025 is comparable to the net loss in 2024.

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.

Amortization

The amortization of bond discount, premium, issuance costs, and deferred refunding losses are more favorable in fiscal 2025 than in fiscal 2024. This is primarily due to the lower amortization of deferred refunding losses partially offset by lower premium amortizations.

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

The fiscal 2025 amortization of goodwill is higher due to the amortization of the goodwill associated with the July 2024 acquisition of HSV.

Intergovernmental revenues

Intergovernmental revenues in fiscal 2025 increased over fiscal 2024. In fiscal 2025, two reimbursements under a Congressional Directed Spending grant were recorded as well as one Drinking Water State Revolving Fund (DWSRF) grant.

Intergovernmental revenues in fiscal 2024 also increased over fiscal 2023. In fiscal 2024, two DWSRF grants were received. In fiscal 2023, two DWSRF grants were also received; however, the grant amounts were smaller.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(In Thousands of Dollars)

	May 31,		
	2025	2024	2023
SUMMARY: NET POSITION			
ASSETS			
Depreciable Utility Plant in Service, Net	\$ 574,950	\$ 559,524	\$ 532,521
Lease Assets, Net	413	478	516
SBITA Assets, Net	22,230	4,460	5,665
Land	28,172	28,086	28,038
Construction Work in Progress	21,491	32,554	36,883
Intangible Assets, Net	6,052	1,657	819
Nonutility Land	66,608	66,143	65,474
Other Assets:			
Current	75,521	76,716	73,019
Long-Term Note Receivable	500	500	500
Long-Term Lease Receivable	1,202	1,222	1,270
Restricted Assets	169,530	172,565	151,633
Regulatory Assets	29,954	9,073	9,346
Total Assets	<u>996,623</u>	<u>952,978</u>	<u>905,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	5,363	12,178	14,030
Deferred Outflows - Goodwill	16,877	11,914	11,412
Deferred Outflows Related to Pensions	1,083	1,232	5,660
Deferred Outflows Related to OPEB	1,653	2,328	2,218
Total Deferred Outflows of Resources	<u>24,976</u>	<u>27,652</u>	<u>33,320</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 1,021,599</u>	 <u>\$ 980,630</u>	 <u>\$ 939,004</u>
LIABILITIES			
Current Liabilities	\$ 57,954	\$ 43,422	\$ 40,523
Payable from Restricted Assets	13,578	13,577	11,228
Long-Term Debt Payable	509,598	518,615	513,411
Net Premiums and Discounts	39,881	40,637	42,294
Net Pension Liability	8,795	11,623	17,949
Net OPEB Liability	15,181	16,145	15,717
Long-Term SBITA Liability	5,662	3,221	4,320
Long-Term Lease Liability	318	402	445
Other Liability	40	163	-
Total Liabilities	<u>651,007</u>	<u>647,805</u>	<u>645,887</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,430	133	344
Deferred Inflows Related to OPEB	2,312	3,090	4,642
Deferred Inflows Related to Leases	1,337	1,372	1,420
Total Deferred Inflows of Resources	<u>5,079</u>	<u>4,595</u>	<u>6,406</u>
NET POSITION			
Net Investment in Capital Assets	138,221	110,393	94,877
Restricted:	167,053	166,360	145,335
Unrestricted	60,239	51,477	46,499
Total Net Position	<u>365,513</u>	<u>328,230</u>	<u>286,711</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 1,021,599</u>	 <u>\$ 980,630</u>	 <u>\$ 939,004</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

Capital assets

The increase in capital assets from fiscal 2024 to fiscal 2025 is primarily due to the increase in utility property plant and equipment in service. The reduction in Construction Work in Progress is less than the increase in SBITA assets.

The fiscal 2025 increase in intangible assets, net is due to the HSV transaction in July 2024.

The increase in capital assets from fiscal 2023 to fiscal 2024 is primarily due to the increase in Construction Work in Progress.

Current assets

The following itemizes the change in current assets between May 31, 2024 and 2025, and between May 31, 2023 and 2024, respectively:

	May 31,	
	2025	2024
Increase (Decrease) in Cash and Cash Equivalents	\$ (4,420,048)	\$ 3,822,050
Increase (Decrease) in Accounts Receivable, Net	2,905,660	(1,689,562)
Increase (Decrease) in Lease Receivable	(13,933)	(418)
Increase (Decrease) in Accrued Water Revenue	(961,118)	342,698
Increase (Decrease) in Interest Receivable	(15,161)	61,061
Increase (Decrease) in Materials and Supplies	(3,409)	695,452
Increase (Decrease) Watershed Fund Investments	97,200	4,232
Increase (Decrease) in Prepayments and Other Current Assets	1,213,640	461,253
	<u>\$ (1,197,169)</u>	<u>\$ 3,696,766</u>
Net Increase (Decrease) in Current Assets		

Cash and cash equivalents decreased due to the reduction in the Growth Fund partially offset by an increase in the General Fund, and a smaller increase in the Revenue Fund. During fiscal 2025, the Growth Fund was used to partially finance the July 2024 HSV transaction as well as temporarily fund certain expenses including those associated with the potential AWA transaction. Through the year-end disposition, the General Fund was increased by \$2.5 million and \$1.75 million was deposited into the Growth Fund to partially replenish this fund. Through the year-end disposition, approximately \$16.1 million was transferred to the Construction Fund. In addition, a contribution was made to the Construction Fund from RWA Well Services.

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. In addition, a contribution was made to the Construction Fund from RWA Well Services.

The increase in account receivable, net is primarily due to the disruption (e.g., auto-pay) with the transition to a new Customer Information System in the last two months of the fiscal year. While total accounts receivable increased, the allowance reserve was reduced due to the reduction in aged receivables from May 31, 2024, to May 31, 2025.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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The decrease in the accounts receivable, net 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.

The decrease in accrued revenue from fiscal 2025 and fiscal 2024 is primarily due to the timing of billing at year-end. The increase in accrued revenue from fiscal 2024 and fiscal 2023, is primarily due to the June 2023 and January 2022 rate increases.

The decrease in interest receivables in fiscal 2025 is primarily due to the lower accrued investment earnings because of the lower interest rate environment. The increase in interest receivables in fiscal 2024 is primarily due to the higher accrued investment earnings because of the higher interest rate environment impacting earnings.

Materials and supplies in fiscal 2025 are comparable to the balance at the end of fiscal 2024, with a change of less than \$10 thousand.

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 prepayments and other current assets from fiscal 2024 to fiscal 2025 is primarily due to jobbing receivables.

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.

Watershed Fund Investments:

Between May 31, 2024, and May 31, 2025, the Watershed Fund investments reflect a small net increase in market value of approximately \$97 thousand.

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

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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 decreased by approximately \$3.0 million between May 31, 2025, and May 31, 2024. This reduction is primarily from the Construction Fund that decreased by approximately \$4.4 million. This decrease is primarily due to the year-end disposition and the grant reimbursements being a little lower than the internal funds used to support the capital program during fiscal 2025. A decrease in the Debt Service Fund and Restricted Accounts Receivable also contributed to the decrease in Restricted Assets. These decreases were partially offset by the Debt Reserve Fund that increased by approximately \$1.6 million due to the 39th Series and DWSRF financing, an increase in the Operating Reserve, as required under the *General Bond Resolution*, an increase in the PILOT Fund, and a small increase in the Capital Contingency through a DWSRF financing.

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

Other long-term assets

As of May 31, 2025, regulatory assets, excluding the AWA related regulatory assets, totaled approximately \$15.1 million, an increase of approximately \$6.1 million. This increase is primarily due to the \$5.8 million regulatory asset associated with the Lead and Copper Rule Revisions/Improvements as well as an increase in cost of issuance associated with the 38th and 39th Series partially offset by amortizations. At May 31, 2025, the cost of issuance regulatory assets totaled approximately \$4.8 million, and the deferred charges regulatory assets totaled approximately \$4.4 million. The AWA related regulatory assets totaled approximately \$14.8 million as of May 31, 2025. There is a corresponding due to RWA from AWA for this amount as this will be reimbursed by AWA, if the AWA transaction to acquire Aquarion receives regulatory approval and closes.

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, and other regulatory assets totaling \$.9 million.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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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. Additionally, in fiscal 2025 goodwill was recorded associated with the Authority's HSV transaction. In fiscal 2024, goodwill increased due to the October 2023 acquisition by RWA Well Services, LLC. 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, 2025 and 2024, no impairment of goodwill has occurred.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with refunding decreased by approximately \$6.8 million primarily due to the 38th Series as well as amortizations.

Between May 31, 2024, and May 31, 2023, deferred outflows associated with refunding decreased by approximately \$1.8 million primarily due to the 37th Series and amortizations.

Between May 31, 2025, and May 31, 2024, deferred outflows associated with Pension and OPEB decreased by approximately \$.8 million. This is due to a decrease in both pension and OPEB deferred outflows.

Between May 31, 2024, and May 31, 2023, deferred outflows associated with Pension and OPEB decreased by approximately \$4.3 million.

Current liabilities

The Authority's current liabilities, excluding liabilities associated with AWA, increased by approximately \$3.2 million between May 31, 2024 and May 31, 2025. This increase is primarily due to the increased deferred revenue due to HSV. The current liabilities also include approximately \$11.3 million associated with AWA. This amount includes the bridge commitment for the financing and professional fees incurred but not yet due or paid.

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.

Payables from restricted assets

Between May 31, 2024, and May 31, 2025, payables from restricted assets is virtually unchanged. There was an increase in accounts payable for construction, inclusive of retainage, however, this was offset by a decrease in customer advances. Accrued interest payable is virtually unchanged.

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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

Other long-term liabilities

The balance in other long-term liabilities associated with the Newhall Street site in Hamden remained zero as of May 31, 2025. The balance was also zero as of May 31, 2024. The May 31, 2025 balance relates to the Watershed Fund.

The May 31, 2024 balance relates to the October 2024 transaction by RWA Well Services, LLC.

Long-term debt

Between May 31, 2025, and May 31, 2024, long-term revenue bonds payable, at par, decreased by approximately \$9.1 million, excluding the current portion. This is due to the August 2024 payment and the 38th Series refunding partially offset by the 39th Series financing. Net premiums and discounts from revenue bonds payable decreased by approximately \$.8 million due to the 38th Series net reduction to premiums and amortizations, partially offset by the 39th Series premium.

There is also an increase in the non-current current portion of DWSRF project loan obligations in fiscal 2025. This is due to a DWSRF financing during fiscal 2025 for the Derby Water Storage Tank Project, partially offset by principal payments throughout the fiscal year.

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

There is also an increase in the non-current current portion of DWSRF project loan obligations in fiscal 2024. 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.

Net pension liability

Between May 31, 2024, and May 31, 2025, the net pension liability decreased by approximately \$2.8 million. The plan liability increased by less than the market value increased. In fiscal 2025, contributions were approximately \$1.0 million in excess of the actuarial required contribution, and this contributed to the reduction in the liability. Actual versus expected experience was higher for the salaried plan partially offsetting the higher investment earnings.

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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

Net other post-employment benefit liability

Between May 31, 2024, and May 31, 2025, the net other post-employment benefit liability decreased by approximately \$1.0 million. This decrease is due to the anticipated plan assumptions and investment earnings versus the actual experience and returns.

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.

Deferred Inflows

Between May 31, 2024, and May 31, 2025, deferred inflows are higher by approximately \$.5 million due to the increase in the pension deferred inflows being more than the decrease in the deferred inflows for OPEB.

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

Net Investment in Capital Assets

Between May 31, 2025, and May 31, 2024, 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.

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.

Net position, restricted

Restricted net position decreased, excluding the AWA regulatory assets net of related liabilities, being considered restricted for financial reporting, from May 31, 2024, to May 31, 2025. This small reduction is primarily due to the reduction in the Construction Fund as discussed above. Including the AWA related amount, there is a small increase.

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.

Unrestricted net position

Unrestricted net position increased from May 31, 2024, to May 31, 2025, 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.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MAY 31, 2025 AND 2024**

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.

THE AUTHORITY'S CUSTOMER BASE

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 121,100 customers, 116,500 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale, and fire service. Between May 31, 2024 and May 31, 2025, 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 2025 the Authority received approximately \$141.5 million in cash from operations and a combined \$5.7 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 2025 year-end disposition of the Revenue Fund, the Authority had approximately \$20.3 million available after funding required reserves. The Authority transferred \$2.5 million into the General Fund, approximately \$1.75 million into the Growth Fund and transferred approximately \$16.1 million to the Construction Fund, including the funding of depreciation. In addition, in fiscal 2025, the Authority contributed to the pension plans approximately \$1.0 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 December 2024, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services in December 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, 2025 and 2024. Comparable information for earlier years is available, as noted below.

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION
MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Utility Plant:		
Depreciable Property, Plant, and Equipment in Service	\$ 1,048,609,093	\$ 1,008,768,373
Accumulated Depreciation	<u>(473,658,539)</u>	<u>(449,245,390)</u>
Depreciable Utility Plant in Service	574,950,554	559,522,983
Lease Assets, Net	412,600	478,142
SBITA Assets, Net	22,230,251	4,460,454
Land	28,172,374	28,085,903
Construction Work in Progress	21,490,974	32,554,313
Intangible Assets, Net	<u>6,052,125</u>	<u>1,657,335</u>
Total Utility Plant, Net	653,308,878	626,759,130
 Nonutility Land	 66,608,007	 66,142,921
 Current Assets:		
Cash and Cash Equivalents	38,870,632	43,290,680
Accounts Receivable, Less Allowance for Doubtful Accounts of \$3,016,800 in 2025 and \$3,968,699 in 2024	12,972,052	10,066,392
Lease Receivable	75,439	89,372
Accrued Water Revenue	12,320,467	13,281,585
Accrued Interest Receivable	303,001	318,162
Materials and Supplies	3,590,604	3,594,013
Watershed Fund - Investment in Community Foundation Portfolio	1,884,991	1,787,791
Prepaid Expenses and Other Assets	<u>5,501,771</u>	<u>4,288,131</u>
Total Current Assets	75,518,957	76,716,126
 Note Receivable	 500,000	 500,000
Lease Receivable	1,202,435	1,221,518
Restricted Assets	169,529,790	172,564,533
Regulatory Assets	<u>29,954,495</u>	<u>9,073,313</u>
 Total Assets	 996,622,562	 952,977,541
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	5,363,437	12,177,953
Deferred Outflows - Goodwill	16,876,594	11,913,817
Deferred Outflows Related to Pensions	1,083,319	1,231,876
Deferred Outflows Related to OPEB	<u>1,652,734</u>	<u>2,328,425</u>
Total Deferred Outflows of Resources	24,976,084	27,652,071

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
MAY 31, 2025 AND 2024

	2025	2024
LIABILITIES		
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	\$ 472,985,000	\$ 482,130,000
Drinking Water Loans Payable	36,612,769	36,484,447
Net Premiums and Discounts from Revenue Bonds Payable	39,881,160	40,636,652
Net Pension Liability	8,795,429	11,622,449
Net OPEB Liability	15,181,074	16,145,432
SBITA Liability	5,661,670	3,221,293
Lease Liability	317,800	402,487
Other Liability	40,000	162,500
Total Noncurrent Liabilities	579,474,902	590,805,260
Current Liabilities:		
Current Maturities of Bonds Payable	22,895,000	23,170,000
Current Maturities of Drinking Water Loans Payable	2,193,400	2,053,602
Accounts Payable	17,086,477	5,573,059
Bond Anticipation Notes Payable	50,500	50,500
Customer Deposits and Advances	1,768,810	1,925,395
Other Accrued Liabilities	12,847,581	9,257,009
Current Maturities of SBITA Liability	1,027,437	1,296,063
Current Maturities of Lease Liability	84,316	96,315
Total Current Liabilities	57,953,521	43,421,943
Payable from Restricted Assets:		
Accounts Payable for Construction	5,350,245	5,145,827
Accrued Interest Payable	6,974,941	6,981,376
Customer Deposits and Advances	1,253,070	1,450,144
Total Liabilities Payable from Restricted Assets	13,578,256	13,577,347
Total Liabilities	651,006,679	647,804,550
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	1,429,552	132,401
Deferred Inflows Related to OPEB	2,312,063	3,090,279
Deferred Inflows Related to Leases	1,337,115	1,372,086
Total Deferred Inflows of Resources	5,078,730	4,594,766
NET POSITION		
Net Investment in Capital Assets	138,221,025	110,392,818
Restricted		
Construction	77,946,244	82,361,027
Debt	49,125,320	47,639,121
Payments-in-Lieu-of-Taxes (PILOT)	4,109,925	4,001,290
Operating Reserve	12,343,656	11,934,924
Capital Contingency	6,244,220	6,220,680
Rate Stabilization	10,000,000	10,000,000
Other Purposes	2,032,414	2,475,971
Watershed Fund	1,782,478	1,727,360
AWA	3,468,412	-
Unrestricted	60,239,543	51,477,105
Total Net Position	\$ 365,513,237	\$ 328,230,296

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Water Revenues:		
Residential and Commercial	\$ 112,635,564	\$ 110,735,863
Industrial	2,707,467	2,298,951
Fire Protection	14,059,323	13,695,496
Public Authority	3,379,670	3,266,497
Wholesale	1,099,386	987,999
Other Water Revenues	4,947,997	4,675,852
Other Revenue	22,588,382	16,111,647
Total Operating Revenues	<u>161,417,789</u>	<u>151,772,305</u>
OPERATING EXPENSES		
Operating and Maintenance Expense	67,106,825	62,298,731
Depreciation and Amortization	28,349,186	26,397,384
Payments in Lieu of Taxes	8,936,945	8,766,684
Other Water Expenses	2,652,942	2,051,643
Cost of Other Revenue	12,208,439	7,769,842
Total Operating Expenses	<u>119,254,337</u>	<u>107,284,284</u>
OPERATING INCOME	42,163,452	44,488,021
NONOPERATING INCOME (EXPENSE)		
Interest Income	9,696,570	10,932,348
Gain (Loss) on Disposal of Assets	(877,526)	(859,223)
Net Increase (Decrease) in the Fair Value of Investments	189,070	411,980
Interest Expense	(21,746,792)	(21,981,080)
Amortization of Bond Discount, Premium, Issuance		
Cost, Deferred Losses, and Goodwill	1,783,658	2,221,853
Intergovernmental Revenue	2,329,916	1,940,999
Other Income (Expense), Net	55,118	123,893
Total Nonoperating Expense	<u>(8,569,986)</u>	<u>(7,209,230)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	33,593,466	37,278,791
Capital Contributions	<u>3,689,475</u>	<u>4,240,498</u>
CHANGE IN NET POSITION	37,282,941	41,519,289
Net Position - Beginning of Year	<u>328,230,296</u>	<u>286,711,007</u>
NET POSITION - END OF YEAR	<u><u>\$ 365,513,237</u></u>	<u><u>\$ 328,230,296</u></u>

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Sales	\$ 137,271,503	\$ 137,664,181
Cash Received from Other Services	22,588,382	16,111,647
Cash Paid to Employees	(27,496,432)	(25,717,505)
Cash Paid to Suppliers for Operations	(48,210,420)	(42,791,368)
Cash Paid To Suppliers for Other Services	(10,552,989)	(6,475,871)
Cash Paid for Payments in Lieu of Taxes	(8,937,617)	(8,766,684)
Net Cash Provided by Operating Activities	64,662,427	70,024,400
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	9,711,732	10,871,287
Sale of Restricted Investments - Watershed Fund	80,595	196,472
Purchase of Restricted Investments	(245,670,950)	(217,024,630)
Sale of Restricted Investments	248,039,986	198,448,076
Other Investing Activities	(6,402,333)	-
Contributions to/from, Net	(800,000)	(1,444,159)
Net Cash Provided (Used) by Investing Activities	4,959,030	(8,952,954)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Utility Plant	(58,896,629)	(47,514,874)
Proceeds from Disposition of Assets	679,368	546,345
Proceeds from Issuance of Bond Anticipation Notes	3,400,500	50,500
Proceeds from Issuance of Drinking Water Loans	2,354,070	14,528,820
Proceeds from Issuance of Revenue Bonds	21,900,000	17,825,000
Proceeds from Issuance of Refunding Bonds	55,430,000	11,110,000
Premium on Bond Issuances	2,311,439	3,255,456
Premium on Refunding Bond Issuances	7,688,037	-
Principal Payments on Revenue Bonds	(23,170,000)	(22,565,000)
Payments on Drinking Water Loans	(2,085,950)	(1,438,924)
Payments on Bond Anticipation Notes	(3,400,500)	(50,500)
Payments for Retirement of Revenue Bonds	(63,580,000)	(13,000,000)
Interest Paid	(21,524,318)	(22,157,512)
Grant Proceeds	1,754,707	1,940,999
Capital Contributions, Net of Restricted Deposit	4,708,263	2,076,030
Lease Payments Received	35,377	93,635
Payments on SBITAs	(1,573,743)	(1,873,505)
Payments on Leases	(72,126)	(75,866)
Net Cash Used by Capital and Related Financing Activities	(74,041,505)	(57,249,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,420,048)	3,822,050
Cash and Cash Equivalents - Beginning of Year	43,290,680	39,468,630
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 38,870,632</u>	<u>\$ 43,290,680</u>

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 42,163,452	\$ 44,488,021
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	28,349,186	26,397,384
Bad Debt Expense	(540,229)	30,469
Other	186,888	820,171
Change in:		
Accounts Receivable and Accrued Water Revenue	(1,399,532)	1,316,395
Materials and Supplies	3,410	(695,452)
Prepaid Expenses and Other Assets	(1,098,173)	(461,253)
Regulatory Assets	(15,700,779)	(250,294)
Deferred Outflows of Resources - Pension	148,557	4,428,256
Deferred Outflows of Resources - OPEB	675,691	(110,477)
Accounts Payable	11,493,126	642,184
Net Pension Liability	(2,827,020)	(6,326,602)
Net OPEB Liability	(964,358)	428,564
Deferred Inflows of Resources - Pension	1,297,151	(211,504)
Deferred Inflows of Resources - OPEB	(778,216)	(1,552,050)
Deferred Inflows of Resources - Leases	(34,971)	(47,488)
Customer Deposits and Advances	(156,585)	433,234
Other Accrued Liabilities	3,844,829	694,842
Total Adjustments	<u>22,498,975</u>	<u>25,536,379</u>
Net Cash Provided by Operating Activities	<u>\$ 64,662,427</u>	<u>\$ 70,024,400</u>

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
PENSION TRUST FUND
MAY 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,402,608	\$ 1,611,400
Investments:		
U.S. Government Securities	6,746,916	2,667,763
U.S. Government Agencies	2,137,936	4,220,945
Corporate Bonds	8,433,858	7,895,538
Mutual Funds	60,738,437	58,931,623
Total Assets	<u>79,459,755</u>	<u>75,327,269</u>
NET POSITION		
Restricted for Pension Benefits	<u>\$ 79,459,755</u>	<u>\$ 75,327,269</u>

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –
PENSION TRUST FUND
YEARS ENDED MAY 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ADDITIONS		
Contributions:		
Employer	\$ 3,481,823	\$ 5,000,000
Employees	-	-
Total Contributions	<u>3,481,823</u>	<u>5,000,000</u>
Investment Earnings:		
Net Increase in the Fair Value of Investments	4,322,909	7,008,871
Investment Earnings	<u>2,618,057</u>	<u>2,221,056</u>
Net Investment Earnings	<u>6,940,966</u>	<u>9,229,927</u>
Total Additions	10,422,789	14,229,927
DEDUCTIONS		
Benefits	5,989,224	5,516,574
Expenses	323,649	352,884
Other	<u>(22,570)</u>	<u>23,108</u>
Total Deductions	<u>6,290,303</u>	<u>5,892,566</u>
CHANGE IN NET POSITION	4,132,486	8,337,361
Net Position - Beginning of Year	<u>75,327,269</u>	<u>66,989,908</u>
NET POSITION - END OF YEAR	<u><u>\$ 79,459,755</u></u>	<u><u>\$ 75,327,269</u></u>

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION –
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
MAY 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 80,107	\$ 213,204
Investments:		
Mutual Funds	<u>10,252,228</u>	<u>9,871,908</u>
Total Assets	<u>10,332,335</u>	<u>10,085,112</u>
NET POSITION		
Restricted for Retiree Benefits	<u>\$ 10,332,335</u>	<u>\$ 10,085,112</u>

See accompanying Notes to Financial Statements.

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –
RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND
YEARS ENDED MAY 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ADDITIONS		
Contributions:		
Employer	\$ 1,694,075	\$ 1,640,907
Retirees	<u>249,526</u>	<u>236,069</u>
Total Contributions	<u>1,943,601</u>	<u>1,876,976</u>
Investment Earnings (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	545,090	910,400
Investment Earnings	<u>368,254</u>	<u>304,069</u>
Net Investment Earnings (Loss)	<u>913,344</u>	<u>1,214,469</u>
Total Additions	2,856,945	3,091,445
DEDUCTIONS		
Benefits	2,562,780	2,213,576
Expenses	<u>46,942</u>	<u>51,078</u>
Total Deductions	<u>2,609,722</u>	<u>2,264,654</u>
CHANGE IN NET POSITION	247,223	826,791
Net Position - Beginning of Year	<u>10,085,112</u>	<u>9,258,321</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,332,335</u></u>	<u><u>\$ 10,085,112</u></u>

See accompanying Notes to Financial Statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

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 and in June 2024, these amendments passed. In addition, in the June Special Session, Special Act 24-01 was passed. This Act created the Aquarion Water Authority (AWA) and allowed for AWA to own and operate Aquarion Water Company if AWA was the successful bidder. Additionally, in July 2024, the Authority acquired the Homeowner Safety Valve protection plan offerings.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 1 ORGANIZATION (CONTINUED)

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 postretirement healthcare benefits (OPEB) plan to provide retirement benefits and postretirement healthcare benefits primary to employees and their beneficiaries. The Authority appoints the members of the Pension and Benefit Committee who govern the Pension and OPEB plans. The Authority contributes, at a minimum, the actuarial determined contribution.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Regulatory Accounting Policies

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Accounting Policies (Continued)

As of May 31, 2025, regulatory assets include approximately \$4.9 million of bond issuance costs and approximately \$10.2 million of deferred charges, net of amortization. Included in the \$10.2 million is approximately \$3.6 million associated with environmental remediation costs in the Town of Hamden, \$.5 million associated with a deferred repair and remediation costs, and \$.3 million of incurred costs associated with an interconnection. There is approximately \$5.8 million associated with compliance with the Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI). In addition, there are regulatory assets of approximately \$14.8 million for transaction related costs and costs of issuance associated with the Aquarion Water Authority (AWA) acquisition of Aquarion Water Company and a corresponding payable to the Authority. The Authority has a corresponding receivable from AWA. The Authority will be reimbursed for these costs if the transaction receives regulatory approval and the transaction closes. The year-over year regulatory asset increase is primarily due to the AWA related costs and the costs associated with LCRR and LCRI partially offset by amortization.

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 \$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.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant (Continued)

The estimated service lives of capital assets are as follows:

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

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

Subscription-Based Information Technology Arrangement (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received 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.

For purposes of the statement of cash flows, the Authority considers demand deposits and all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. In addition, because the State Short-Term Investment Fund (STIF) is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also considered a cash equivalent.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 postemployment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Goodwill is amortized and is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2025 and 2024, 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).

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

Bonds Premiums and Discounts

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

Net Pension Liability

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

Net OPEB Liability

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in fiscal year 2024 and through most of fiscal year 2025. However, starting in April of fiscal year 2025, balances after 28 days begin to be subject to interest.

Other Revenue

Other revenue includes revenue from the Howeowner Safety Valve and 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. However, 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. The flow of funds under the General Bond Resolution for monies remaining in the Revenue Fund after making all required monthly transfers (e.g., to the Debt Service Fund, PILOT Fund, and, if required, to the Debt Reserve Fund) is to the Capital Contingency Fund, Operating Reserve, Rate Stabilization Fund Variable Rate Bonds Sub account, to meet any deficiency.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption (Continued)

If there are no deficiencies, remaining monies shall be transferred to the General Fund. Monies in the General funds can be transferred, at the option of the Authority, to the Construction Fund, Rate Stabilization Fund, or other discretionary funds. In April 2025, a General Bond Resolution was adopted for AWA.

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 April 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 99, *Omnibus 2022*. This statement aims to achieve a unified model for recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements, such as, derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to leases, public-private and public-public partnerships (PPP), and subscription-based information technology arrangements (SBITA). Accounting and financial reporting for financial guarantees are also addressed in this statement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Authority adopted the requirements of the guidance effective June 1, 2024. The implementation did not have any impact on the Authority's financial statements.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement clarifies the accounting and financial reporting requirements for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Authority adopted the requirements of the guidance effective June 1, 2024. The implementation did not have any impact on the Authority's financial statements.

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This statement aims to achieve a unified model for recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Authority adopted the requirements of the guidance effective June 1, 2024. The implementation did not have a material impact on the Authority's financial statements.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

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*, \$6,902,143 of the Authority's bank balance of \$15,080,844 was exposed to custodial credit risk as of May 31, 2025, as follows:

Uninsured and Uncollateralized	\$ 2,108,221
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Authority's Name	4,793,922
Total Amount Subject to Custodial Risk	<u><u>\$ 6,902,143</u></u>

As of May 31, 2024, \$11,858,548 of the Authority's bank balance of \$21,762,201 was exposed to custodial credit risk 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	<u><u>\$ 11,858,548</u></u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash Equivalents

As of May 31, 2025 and 2024, the Authority's cash equivalents amounted to \$192,843,468 and \$182,580,696, 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, 2025, 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	\$ 6,746,904	\$ 578,339	\$ 6,168,565	\$ -
U.S. Government Agencies	Aaa	3,385,236	1,517,617	1,867,619	-
Corporate Bonds	Aaa	346,080	-	346,080	-
Corporate Bonds	A1	1,496,549	323,946	1,172,603	-
Corporate Bonds	A2	973,682	-	973,682	-
Corporate Bonds	A3	614,089	-	614,089	-
Corporate Bonds	Aa3	837,578	-	837,578	-
Corporate Bonds	Baa1	1,242,208	298,437	943,771	-
Corporate Bonds	Baa2	2,246,746	137,000	2,109,746	-
Corporate Bonds	Baa3	676,926	324,494	352,432	-
Other Investments:					
Mutual Funds	No Rating	70,990,665			
Investment in Community Foundation Portfolio	No Rating	1,884,991			
Total Investments		<u>\$ 91,441,654</u>			

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			

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk – Investments

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

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys investments for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. As of May 31, 2025 and 2024, the Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2025:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	\$ 6,746,904	\$ -	\$ 6,746,904	\$ -
U.S. Government Agencies	3,385,236	-	3,385,236	-
Corporate Bonds	8,433,858	-	8,433,858	-
Mutual Funds	70,990,665	70,990,665	-	-
Investment in Community Foundation Portfolio	1,884,991	-	1,884,991	-
Total Investments by Fair Value Level	<u>\$ 91,441,654</u>	<u>\$ 70,990,665</u>	<u>\$ 20,450,989</u>	<u>\$ -</u>

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

	Total	Fair Value Measurements Using:		
		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	<u>\$ 96,433,809</u>	<u>\$ 68,803,533</u>	<u>\$ 27,630,276</u>	<u>\$ -</u>

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, 2025 and 2024.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 4 CAPITAL ASSETS

The following is a summary of utility plant for the year ended May 31, 2025:

	Ending Balance	Additions	Transfers	Adjustment and Retirements	Ending Balance
Capital Assets Not Being Depreciated/ Amortized:					
Land	\$ 28,085,903	\$ 86,471	\$ -	\$ -	\$ 28,172,374
Construction Work in Progress	32,554,313	53,567,300	(58,245,993)	(6,384,646)	21,490,974
Total Capital Assets Not Being Depreciated	60,640,216	53,653,771	(58,245,993)	(6,384,646)	49,663,348
Other Capital Assets:					
Source of Supply	62,076,430	-	2,260,535	(88,204)	64,248,761
Pumping Structures and Equipment	44,481,486	-	1,379,522	(8,500)	45,852,508
Water Treatment Plant and Equipment	233,124,546	-	14,402,500	-	247,527,046
Transmission and Distribution	556,040,458	-	19,905,781	(2,092,185)	573,854,054
General Plant	113,045,453	629,981	4,491,871	(1,040,581)	117,126,724
Right-to-Use - Lease Asset:					
Leased Equipment	67,039	-	-	(3,366)	63,673
Leased Facilities	640,901	36,750	-	(624)	677,027
SBITA Asset	7,322,790	3,696,279	15,805,784	(2,115,708)	24,709,145
Intangible Assets	1,887,700	5,123,152	-	-	7,010,852
Total Other Capital Assets	1,018,686,803	9,486,162	58,245,993	(5,349,168)	1,081,069,790
Less: Accumulated Depreciation/Amortization:					
Source of Supply	16,936,769	647,275	-	(22,695)	17,561,349
Pumping Structures and Equipment	29,731,029	1,422,326	-	(5,383)	31,147,972
Water Treatment Plant and Equipment	134,441,004	8,432,632	-	-	142,873,636
Transmission and Distribution	178,297,498	9,920,443	-	(639,862)	187,578,079
General Plant	89,839,090	5,458,382	-	(799,969)	94,497,503
Right-to-Use - Lease Asset:					
Leased Equipment	13,203	16,858	-	(3,366)	26,695
Leased Facilities	216,595	84,810	-	-	301,405
SBITA Asset	2,862,336	1,638,098	-	(2,021,540)	2,478,894
Intangible Assets	230,365	728,362	-	-	958,727
Total Accumulated Depreciation/ Amortization	452,567,889	28,349,186	-	(3,492,815)	477,424,260
Total Other Capital Assets - Net	566,118,914	(18,863,024)	58,245,993	(1,856,353)	603,645,530
Utility Plant - Net	<u>\$ 626,759,130</u>	<u>\$ 34,790,747</u>	<u>\$ -</u>	<u>\$ (8,240,999)</u>	<u>\$ 653,308,878</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

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

During fiscal years 2025 and 2024, the Authority retired assets with accumulated depreciation totaling approximately \$1.7 million and \$1.5 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 2082. During the year ended May 31, 2025, the Authority recognized \$96,634 and \$30,220 in lease revenue and interest revenue, respectively, pursuant to these contracts. 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 5 LEASE RECEIVABLES (CONTINUED)

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

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 75,439	\$ 28,635	\$ 104,074
2027	35,208	27,195	62,403
2028	29,425	26,265	55,690
2029	20,195	25,495	45,690
2030	20,868	24,942	45,810
Thereafter	1,096,739	550,225	1,646,964
Totals	<u>\$ 1,277,874</u>	<u>\$ 682,757</u>	<u>\$ 1,960,631</u>

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. In April 2025, AWA adopted its own General Bond Resolution. However, as of May 31, 2025 there are no restricted assets under this General Bond Resolution. Therefore, the descriptions below pertain to the Authority's *General Bond Resolution*, adopted July 31, 1980, as amended and supplemented.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 6 RESTRICTED ASSETS (CONTINUED)

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

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

Operating Reserve

The Authority is required to maintain an Operating Reserve Fund in an amount equal to at least one-sixth of the amount budgeted for operating expenses at the beginning of its fiscal year. Amounts in the Operating Reserve Fund may be used to pay operating expenses to the extent monies are not otherwise available.

Capital Contingency

The Authority must maintain a Capital Contingency Fund in an amount equal to or greater than 1% of outstanding bonds, less principal deposits at the time of calculation, to provide for the cost of capital projects made necessary by emergencies 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, 2025 and 2024, 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 6 RESTRICTED ASSETS (CONTINUED)

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

	2025	2024
Construction	\$ 77,946,244	\$ 82,361,027
Debt Reserve	24,794,046	23,013,693
Debt Service	31,306,215	31,606,804
Payments-in-Lieu-of-Taxes (PILOT)	4,109,925	4,001,290
Operating Reserve	12,343,656	11,934,924
Capital Contingency	6,244,220	6,220,680
Rate Stabilization	10,000,000	10,000,000
Other Purposes	2,785,484	3,426,115
Restricted Assets	<u>\$ 169,529,790</u>	<u>\$ 172,564,533</u>

The level of funds required by the General Bond Resolution was met on May 31, 2025 and 2024.

NOTE 7 THE CLAIRE C. BENNITT WATERSHED FUND

As discussed in Note 1, The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund) is a separate legal entity organized and operated exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, specifically for the purpose of protecting watershed land that has distinctive ecological significance through open space acquisition and environmental education. The Authority is the sole member of the Watershed Fund. The Watershed Fund is governed by a board of directors, which includes certain members of the Five-Member Authority and the Representative Policy Board (RPB), as well as an employee(s) of the Authority. The Five-Member Authority elects the board of directors.

The Authority made an initial donation of \$1,234,000 to establish the Watershed Fund. Additional contributions of \$452,000 and \$7,700 were made by the Authority in 2000 and 2020, respectively. In fiscal 2023, the Watershed Fund provided a \$20,000 grant to the Authority towards the purchase of land. This was recorded as a contribution from a related entity. The Watershed Fund had total net position of \$1,782,478 and \$1,727,630 as of May 31, 2025 and 2024, respectively. The Authority donated goods and services to the Watershed Fund totaling \$12,631 and \$12,879 for the years ended May 31, 2025 and 2024, respectively.

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES

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

2025	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	\$ 505,300,000	\$ 77,330,000	\$ (86,750,000)	\$ 495,880,000	\$ 22,895,000
Net Bond Premiums and Discounts	40,636,652	9,999,478	(10,754,970)	39,881,160	-
Total Bonds Payable	545,936,652	87,329,478	(97,504,970)	535,761,160	22,895,000
Drinking Water Loans - Direct Borrowing	38,538,049	2,354,070	(2,085,950)	38,806,169	2,193,400
Lease Payable	498,802	47,397	(144,083)	402,116	84,316
SBITA Payable	4,517,356	5,221,991	(3,050,240)	6,689,107	1,027,437
Net Pension Liability	11,622,449	-	(2,827,020)	8,795,429	-
Net OPEB Liability	16,145,432	-	(964,358)	15,181,074	-
Total	\$ 617,258,740	\$ 94,952,936	\$ (106,576,621)	\$ 605,635,055	\$ 26,200,153

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

* The beginning balance in fiscal year 2024 was restated due to the implementation of GASB Statement No. 96, Subscription Based Information Technology Arrangements.

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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

Revenue bonds outstanding comprise the following:

2025	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2025
2010 Series A	2010	2040	\$ 31,385,000	6.243%-6.393%	\$ 30,080,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	5,515,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	4,355,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,145,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	88,780,000
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%	22,100,000
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%	9,960,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	74,795,000
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%	39,040,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,210,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	9,855,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,335,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2029	11,110,000	5.00%	11,110,000
Thirty-Eighth (Refunding Bonds)	2025	2043	55,430,000	5.00%	55,430,000
Thirty-Ninth A	2025	2054	18,675,000	5.00%	18,675,000
Thirty-Ninth A (HSV)	2025	2039	3,225,000	5.00%	3,225,000
Total					<u>\$ 495,880,000</u>

2024	Issuance Date*	Original Maturity Date*	Original Principal	Original Interest Rate	Balance May 31, 2024
Twentieth A (Refunding Bonds)	2007	2030	\$ 63,330,000	4.000%-5.250%	\$ 6,420,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-Ninth (Refunding Bonds)	2014	2029	44,880,000	3.000%-5.000%	10,770,000
Thirty-First (Refunding Bonds)	2015	2028	11,090,000	2.000%-5.000%	5,330,000
Thirty-Second A	2016	2045	17,270,000	2.000%-4.000%	14,575,000
Thirty-Second B (Refunding Bonds)	2016	2039	147,115,000	2.000%-5.000%	132,455,000
Thirty-Third A	2018	2047	10,900,000	3.000%-5.000%	10,485,000
Thirty-Third B-1 (Refunding Bonds)	2017	2041	33,845,000	3.000%-5.000%	28,740,000
Thirty-Third B-2 (Refunding Bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-Fourth A	2019	2039	11,725,000	3.000%-5.000%	10,435,000
Thirty-Fourth B Taxable (Refunding Bonds)	2019	2043	83,430,000	2.114%-3.500%	80,710,000
Thirty-Fourth C (Green Bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-Fifth Taxable (Refunding Bonds)	2020	2044	54,485,000	1.643%-3.262%	51,750,000
Thirty-Sixth A-1	2022	2049	36,925,000	4.000%-5.000%	36,575,000
Thirty-Sixth A-1 (Refunding Bonds)	2022	2038	3,750,000	4.00%	3,750,000
Thirty-Sixth A-2 (Green Bonds)	2022	2051	3,430,000	4.00%	3,430,000
Thirty-Sixth B-1 (Refunding Bonds)	2022	2029	17,385,000	4.000%-5.000%	12,180,000
Thirty-Seventh A-1	2023	2051	15,595,000	5.00%	15,595,000
Thirty-Seventh A-2 (Green Bonds)	2023	2053	2,230,000	5.00%	2,230,000
Thirty-Seventh B-1 (Refunding Bonds)	2024	2034	11,110,000	5.00%	11,110,000
Total					<u>\$ 505,300,000</u>

*Dates are based on calendar year

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds Payable (Continued)

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs – Direct Payment). The General Obligation Bonds, Issue of 2010 were issued as Taxable BABs – Direct Payment on April 6, 2010, for \$31,385,000. Pursuant to the Recovery Act, at inception, the Authority received a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. The 35% equates to \$348,411 per payment, occurring twice a year. Such subsidy payment represents revenue to the Authority under the *General Bond Resolution*. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the Authority is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Issue of 2010 are subject to extraordinary optional redemption. Due to provisions within the Budget Control Act of 2011 and the implementation of sequestration, the amount of the subsidy has been reduced on payments made to issuers on or after March 1, 2013, resulting in a decrease to the Authority's August 1, 2013, payment, and the twice-annual payments through the current period. Reductions to the subsidy have ranged from a high of 8.7% to a low of 5.7%. A 5.7% reduction was effective for the payments received by the Authority in fiscal year 2024 and fiscal year 2025. The percent is subject to further change. The interest subsidy received totaled approximately \$644 thousand dollars for the fiscal year ended May 31, 2025, and \$657 thousand dollars for the fiscal year ended ending May 31, 2024, respectively. These amounts are adjusted for the over payment received in fiscal year 2024 and trued-up in fiscal year 2025 and excludes interest associated with payment processing delays.

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

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 22,895,000	\$ 20,748,142
2027	25,720,000	19,925,145
2028	26,775,000	18,864,313
2029	27,910,000	17,751,250
2030	29,140,000	16,492,822
2031-2035	153,060,000	62,431,545
2036-2040	117,040,000	33,297,046
2041-2045	49,620,000	14,736,092
2046-2050	29,660,000	6,724,225
2051-2055	14,060,000	1,410,100
Total	<u>\$ 495,880,000</u>	<u>\$ 212,380,680</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following represents the more significant requirements of the Authority's *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 2025 and 2024. 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, 2025 and 2024, 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:

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 84,316	\$ 8,342	\$ 92,658
2027	74,285	6,504	80,789
2028	71,432	4,633	76,065
2029	50,613	3,169	53,782
2030	46,181	2,119	48,300
Thereafter	75,289	1,247	76,536
Totals	<u>\$ 402,116</u>	<u>\$ 26,014</u>	<u>\$ 428,130</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Leases Payable (Continued)

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

	2025	2024
Equipment	\$ 63,673	\$ 67,039
Buildings	677,027	640,901
Less: Accumulated Amortization	(328,100)	(229,798)
Total	<u>\$ 412,600</u>	<u>\$ 478,142</u>

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:

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,027,437	\$ 204,887	\$ 1,232,324
2027	937,145	174,088	1,111,233
2028	917,175	144,549	1,061,724
2029	946,962	114,762	1,061,724
2030	977,824	83,900	1,061,724
Thereafter	1,882,564	81,895	1,964,459
Totals	<u>\$ 6,689,107</u>	<u>\$ 804,081</u>	<u>\$ 7,493,188</u>

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

	2025	2024
Subscription Based Information Technology Arrangements	\$ 24,709,145	\$ 7,322,790
Less: Accumulated Amortization	(2,478,894)	(2,862,336)
Total	<u>\$ 22,230,251</u>	<u>\$ 4,460,454</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

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 2025, the Authority authorized approximately \$20.3 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately \$16.1 million to be transferred from the General Fund to the Construction Fund and approximately \$1.8 million to be transferred to the Growth Fund. \$2.5 million of the approximately \$20.3 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.

On March 13, 2025, the Authority issued \$55,430,000 (par value) of Water System Revenue Refunding Bonds, Thirty-eighth Series, to tender refund certain maturities of the Authority's Thirty-second Series B, Thirty-third Series B-1, Thirty-fourth Series B Taxable, and Thirty-fifth Series Taxable Bonds. The tender refunding reduced debt service payments by \$5,098,014 and represents an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,122,308. This was a tender refunding with an immediate call.

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:

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,193,400	\$ 756,090
2027	2,237,674	711,818
2028	2,282,840	666,652
2029	2,328,916	620,574
2030	2,375,924	573,565
2031-2035	12,618,625	2,128,828
2036-2040	10,627,675	876,508
2041-2045	4,141,115	158,712
Total	<u>\$ 38,806,169</u>	<u>\$ 6,492,747</u>

**SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

Drinking Water Loans Payable – Direct Borrowing (Continued)

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

NOTE 9 BOND ANTICIPATION NOTES PAYABLE

In October 2020, a Series D draw down note was issued in an amount of \$5,000,000. On the same day \$50,500 was drawn. This note matured in October 2021 and a Series A draw down note was issued and \$50,500 was drawn. This note matured in April 2022 and \$50,500 was drawn. This note was re-issued in April 2023, 2024, and 2025 and each time \$50,500 has been drawn. The \$50,500 was drawn for temporary financing to be utilized for capital projects. In addition, in June 2024 \$3,350,000 was issued associated with the HSV transaction. This issuance was repaid in January 2025 with proceeds from the 39th Series debt issuance. The principal balance as of May 31, 2025, is \$50,500.

Bond anticipation note transactions for the year ended May 31, 2025, were as follows:

Outstanding, May 31, 2024	\$ 50,500
New Borrowings	3,400,500
Repayments	<u>(3,400,500)</u>
Outstanding, May 31, 2025	<u>\$ 50,500</u>

NOTE 10 HAZWASTE CENTRAL

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

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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NOTE 11 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, 2025, the Authority has an estimated \$12.6 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts. In addition, the agreement for the implementation and on-going support of a new Customer Information System has a termination fee of \$1.5 million during the first year-post go-live. A second agreement regarding a solar array contains a termination for convenience fee of approximately \$1.3 million. The Authority does not intend to terminate these agreements.

Prior to the closing of the AWA transaction to acquire Aquarion, RWA has certain responsibilities and obligations under executed agreements. If regulatory approval is obtained and the transaction closes, RWA will cease to have such obligations.

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 \$2,268,382 letter of credit that expires March 1, 2026. There were no borrowings on this letter of credit as of May 31, 2025 and 2024.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance

The Authority administers a program of self-insurance for certain medical and dental claims and provides for losses by charging operating expense as liabilities are incurred. The Authority records a liability, in accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss, and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2025 and 2024, were as follows:

2025	Beginning Balance	Claims and Expenses Paid	Additional Reserves	Ending Balance
Medical and Dental Claims	\$ 623,359	\$ (7,000,571)	\$ 6,941,652	\$ 564,440
Insurance Reserve for "Captive" (October 1, 2000 - Present)	2,109,805	(482,544)	446,364	2,073,625
Insurance Reserve (Pre October 1, 2000)	291,000	(179,937)	124,071	235,134
Total Liability	<u>\$ 3,024,164</u>	<u>\$ (7,663,052)</u>	<u>\$ 7,512,087</u>	<u>\$ 2,873,199</u>

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	<u>\$ 2,935,605</u>	<u>\$ (6,251,394)</u>	<u>\$ 6,339,953</u>	<u>\$ 3,024,164</u>

NOTE 12 DEFINED BENEFIT PENSION PLANS

Plan Description

The Authority's two retirement plans are single-employer defined benefit pension plans administered under a master trust agreement by the Five-Member Authority. The retirement plans provide retirement and disability benefits to the plans' members and their beneficiaries. Cost-of-living adjustments are not provided to members and beneficiaries but may be made at the discretion of the Authority. The Authority establishes and amends benefit provisions of the plans.

The pension plans are included in the Authority's financial reporting entity and accounted for in the Pension Trust Fund. The Authority does not issue a stand-alone financial report for the plans.

Management of the plan rests with the Pension 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, 2025, 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

At January 1, 2025, 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	187	114
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	53	38
Current Active Members	64	55
Total Members	<u>304</u>	<u>207</u>

At January 1, 2024, 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	177	116
Vested Terminated Members Entitled to But Not Yet Receiving Benefits	60	37
Current Active Members	67	60
Total Members	<u>304</u>	<u>213</u>

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 contribution. For the year ended May 31, 2025, the Authority contributed approximately \$1.0 million in excess of the actuarial required contribution. In May 31, 2024, the Authority contributed approximately \$2.1 million in excess of the required contribution.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Funding Policy (Continued)

The individual plan net position at May 31, 2025, and changes in net position for the year then ended are as follows:

	Fiduciary Net Position		
	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
ASSETS			
Cash and Cash Equivalents	\$ 881,856	\$ 520,752	\$ 1,402,608
Investments:			
U.S. Government Securities	4,403,940	2,342,976	6,746,916
U.S. Government Agencies	1,320,353	817,583	2,137,936
Corporate Bonds	5,411,699	3,022,159	8,433,858
Mutual Funds	37,710,160	23,028,277	60,738,437
Total Assets	<u>49,728,008</u>	<u>29,731,747</u>	<u>79,459,755</u>
NET POSITION			
Restricted for Pension Benefits	<u>\$ 49,728,008</u>	<u>\$ 29,731,747</u>	<u>\$ 79,459,755</u>
ADDITIONS			
Contributions:			
Employer	\$ 2,397,959	\$ 1,083,864	\$ 3,481,823
Investment Earnings:			
Net Increase in the Fair Value of Investments	2,675,127	1,647,782	4,322,909
Investment Earnings	1,638,703	979,354	2,618,057
Net Investment Earnings	<u>4,313,830</u>	<u>2,627,136</u>	<u>6,940,966</u>
Total Additions	6,711,789	3,711,000	10,422,789
DEDUCTIONS			
Benefits	4,099,632	1,889,592	5,989,224
Expenses	217,391	106,258	323,649
Other	(7,380)	(15,190)	(22,570)
Total Deductions	<u>4,309,643</u>	<u>1,980,660</u>	<u>6,290,303</u>
CHANGE IN NET POSITION	2,402,146	1,730,340	4,132,486
Net Position - Beginning of Year	<u>47,325,862</u>	<u>28,001,407</u>	<u>75,327,269</u>
NET POSITION - END OF YEAR	<u>\$ 49,728,008</u>	<u>\$ 29,731,747</u>	<u>\$ 79,459,755</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Funding Policy (Continued)

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

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Investments

Investment Policy

The Five-Member Authority determines the asset allocation ranges and targets, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2025 and 2024, the associated targets were as follows:

Asset Class	Target Allocation	
	2025	2024
Fixed Income	30 %	30 %
U.S. Equity	37	37
Global	4	4
International Equity	14	14
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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.30% for the salaried plan and 9.59% for the bargaining unit plan.

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.

Net Pension Liability of the Authority

The components of the net pension liability of the Authority at May 31, 2025, were as follows:

	Salaried Plan	Bargaining Unit Plan
Total Pension Liability	\$ 56,204,869	\$ 32,050,315
Plan Fiduciary Net Position	49,728,008	29,731,747
Net Pension Liability	\$ 6,476,861	\$ 2,318,568
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.48%	92.77%

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability of the Authority (Continued)

The components of the net pension liability of the Authority at May 31, 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	<u>\$ 7,722,077</u>	<u>\$ 3,900,372</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.97%	87.77%

Actuarial Assumptions

The total pension liability as of May 31, 2025 was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, 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, 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

Mortality rates for the year ended May 31, 2025, for the Salaried Plan were based on the PubG.2016 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-2016 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2021 projection scale. Mortality rates for the year ended May 31, 2024, were based on the corresponding PubG-2010 tables with MP-2021 projection scale.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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, 2025, (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	8.5
Global	8.1
International Equity	7.4
Alternatives, Hedge, and Swing	6.2

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

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2025, 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, 2024, 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, 2025 and 2024, 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.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability

Changes in the net pension liability at May 31, 2025 were as follows:

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	\$ 55,047,939	\$ 47,325,862	\$ 7,722,077
Changes for the Year:			
Service Cost	490,576	-	490,576
Interest on Total Pension Liability	3,564,304	-	3,564,304
Differences Between Expected and Actual Experience	1,438,047	-	1,438,047
Changes in Assumptions	(236,365)	-	(236,365)
Employer Contributions	-	2,397,959	(2,397,959)
Net Investment Gain	-	4,313,830	(4,313,830)
Benefit Payments, Including Refund to Employee Contributions	(4,099,632)	(4,099,632)	-
Administrative Expenses	-	(217,391)	217,391
Other	-	7,380	(7,380)
Net Changes	1,156,930	2,402,146	(1,245,216)
Balances - May 31, 2025	\$ 56,204,869	\$ 49,728,008	\$ 6,476,861

	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2024	\$ 31,901,779	\$ 28,001,407	\$ 3,900,372
Changes for the Year:			
Service Cost	89,539	-	89,539
Interest on Total Pension Liability	2,076,288	-	2,076,288
Differences Between Expected and Actual Experience	(507,861)	-	(507,861)
Changes in Assumptions	(73,182)	-	(73,182)
Changes in Benefit Terms	453,344	-	453,344
Employer Contributions	-	1,083,864	(1,083,864)
Net Investment Gain	-	2,627,136	(2,627,136)
Benefit Payments, Including Refund to Employee Contributions	(1,889,592)	(1,889,592)	-
Administrative Expenses	-	(106,258)	106,258
Other	-	15,190	(15,190)
Net Changes	148,536	1,730,340	(1,581,804)
Balances - May 31, 2025	\$ 32,050,315	\$ 29,731,747	\$ 2,318,568

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Continued)

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

	Salaried Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2023	\$ 53,711,027	\$ 42,194,744	\$ 11,516,283
Changes for the Year:			
Service Cost	490,070	-	490,070
Interest on Total Pension Liability	3,473,849	-	3,473,849
Differences Between Expected and Actual Experience	1,005,788	-	1,005,788
Employer Contributions	-	3,194,706	(3,194,706)
Member Contributions	-	-	-
Net Investment Gain	-	5,790,716	(5,790,716)
Benefit Payments, Including Refund to Employee Contributions	(3,632,795)	(3,632,795)	-
Administrative Expenses	-	(213,153)	213,153
Other	-	(8,356)	8,356
Net Changes	1,336,912	5,131,118	(3,794,206)
Balances - May 31, 2024	\$ 55,047,939	\$ 47,325,862	\$ 7,722,077
	Bargaining Unit Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - June 1, 2023	\$ 31,227,932	\$ 24,795,164	\$ 6,432,768
Changes for the Year:			
Service Cost	102,166	-	102,166
Interest on Total Pension Liability	2,035,211	-	2,035,211
Differences Between Expected and Actual Experience	420,249	-	420,249
Employer Contributions	-	1,805,294	(1,805,294)
Net Investment Gain	-	3,439,211	(3,439,211)
Benefit Payments, Including Refund to Employee Contributions	(1,883,779)	(1,883,779)	-
Administrative Expenses	-	(139,731)	139,731
Other	-	(14,752)	14,752
Net Changes	673,847	3,206,243	(2,532,396)
Balances - May 31, 2024	\$ 31,901,779	\$ 28,001,407	\$ 3,900,372

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The following presents the net pension liability of the Authority for the year ended May 31, 2025, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	\$ 11,403,647	\$ 6,476,861	\$ 2,194,126
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	\$ 5,400,199	\$ 2,318,568	\$ (336,599)

The following presents the net pension liability of the Authority for the year ended May 31, 2024, calculated using the discount rate of 6.75% for the salaried plan and 6.75% for the bargaining unit plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Salaried Plan	\$ 12,635,178	\$ 7,722,077	\$ 3,464,963
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Bargaining Unit Plan	\$ 7,045,237	\$ 3,900,372	\$ 1,197,437

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
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MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the years ended May 31, 2025 and 2024, the Authority recognized pension expense of \$2,100,511 and \$2,890,150, respectively. At May 31, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

2025			
Deferred Outflows of Resources			
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	\$ 1,001,844	\$ 81,475	\$ 1,083,319
Deferred Inflows of Resources			
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	\$ -	\$ 273,283	\$ 273,283
Changes of Assumptions	134,746	39,380	174,126
Difference Between Projected and Actual Earning on Pension Plan Investments	588,698	393,445	982,143
Total	\$ 723,444	\$ 706,108	\$ 1,429,552
2024			
Deferred Outflows of Resources			
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	\$ 593,917	\$ 399,053	\$ 992,970
Changes of Assumptions	-	873	873
Difference Between Projected and Actual Earning on Pension Plan Investments	147,179	90,854	238,033
Total	\$ 741,096	\$ 490,780	\$ 1,231,876
Deferred Inflows of Resources			
	Salaried Plan	Bargaining Unit Plan	Total
Differences Between Expected and Actual Experience	\$ 132,401	\$ -	\$ 132,401

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2026	\$ 1,726,378
2027	(315,018)
2028	(1,357,162)
2029	(400,431)
Total	<u>\$ (346,233)</u>

NOTE 13 VOLUNTARY INVESTMENT PLAN

The Authority maintains a voluntary investment plan (a defined contribution 401(k) plan) covering eligible salaried employees. Salaried employees hired after January 1, 2011, receive an Authority contribution of 4.5% of their pay after six months of service. Salaried employees are not required to contribute to receive this contribution. In addition, beginning on June 1, 2025, for salaried employees hired after January 1, 2011, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution up to 2%. There is no change in the match for salaried employees hired before January 1, 2011. 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 before April 15, 2010, received a 0.5% Authority contribution for plan year 2024 and 1.25% effective June 1, 2024, with no change in the employer match. Bargaining unit employees hired after April 15, 2010, and before April 15, 2014, receive an Authority contribution of 4% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014, receive an Authority contribution of 4% 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. In addition, for bargaining unit employees hired after April 15, 2010, that contribute up to 4% of their base wages to the 401k plan, the Authority will make a 50% matching contribution, up to a maximum contribution of 2% of the participant's base wages. This contribution is in addition to the non-elective employer contribution. Cash contributions to the plan for the years ended May 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Employer Contributions	\$ 1,468,484	\$ 1,154,751
Employee Contributions	2,499,477	2,350,591

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE

Plan Description

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

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, 2025 and 2024, plan membership consisted of the following:

	Retiree Health Plan	
	2025	2024
Retired Members and Spouses	261	264
Active Plan Members	107	113
Members Death Benefits Only	208	172
Total Participants	576	549

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

Funding Policy

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

Union Employees and Spouses:

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

Nonunion Employees and Spouses:

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

Funding Policy (Continued)

The Authority's cash contribution to the trust was \$1,694,075 for the fiscal year ended May 31, 2025. 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, 2025 and 2024, the associated targets were as follows:

Asset Class	Target Allocation
Fixed Income	30 %
US Equity	37
Global Equities	4
International Equity	14
Alternatives, Hedge, and Swing	15
Total	<u>100 %</u>

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, 2025 and 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.37% and 13.40%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Net OPEB Liability of the Authority

The Authority's net OPEB liability was measured as of May 31, 2025 and 2024. The components of the net OPEB liability of the Authority at May 31, 2025, were as follows:

Total OPEB Liability	\$ 25,513,409
Plan Fiduciary Net Position	10,332,335
Net OPEB Liability	<u>\$ 15,181,074</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	40.50%
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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	<u>\$ 16,145,432</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.45%
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Actuarial Assumptions

The total OPEB liability for May 31, 2025, was determined by an actuarial valuation as of January 1, 2025, rolled forward to May 31, 2025, 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 4.00% Per Year

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates for the year ended May 31, 2025, were based on the 2016 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, 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.

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, 2025, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.8 %
US Equity	8.5
Global Equities	8.1
International Equity	7.4
Alternative, Hedge, and Swing	6.2

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2024 as summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% for the years ended May 31, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Changes in the Net Pension Liability

	2025		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances - June 1, 2024	\$ 26,230,544	\$ 10,085,112	\$ 16,145,432
Changes for the Year:			
Service Cost	210,047	-	210,047
Interest	1,691,038	-	1,691,038
Differences Between Expected and Actual			
Experience	69,201	-	69,201
Changes in Assumptions	(374,167)	-	(374,167)
Benefit Payments, Including Refund to			
Employee Contributions	(2,562,780)	(2,562,780)	-
Contributions - Employer	-	1,694,075	(1,694,075)
Contributions - Retiree	249,526	249,526	-
Net Investment Income	-	913,344	(913,344)
Administrative Expense	-	(46,942)	46,942
Net Changes	(717,135)	247,223	(964,358)
Balances - May 31, 2025	<u>\$ 25,513,409</u>	<u>\$ 10,332,335</u>	<u>\$ 15,181,074</u>
	2024		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(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
Differences Between Expected and Actual			
Experience	1,321,755	-	1,321,755
Changes in Assumptions	136,564	-	136,564
Benefit Payments, Including Refund to			
Employee Contributions	(2,213,576)	(2,213,576)	-
Contributions - Employer	-	1,640,907	(1,640,907)
Contributions - Retiree	236,069	236,069	-
Net Investment Income	-	1,214,469	(1,214,469)
Administrative Expense	-	(51,078)	51,078
Net Changes	1,255,355	826,791	428,564
Balances - May 31, 2024	<u>\$ 26,230,544</u>	<u>\$ 10,085,112</u>	<u>\$ 16,145,432</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2025, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 17,003,022	\$ 15,181,074	\$ 13,573,327

The following presents the net OPEB liability of the Authority for the year ended May 31, 2024 as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 18,054,998	\$ 16,145,432	\$ 14,460,703

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, 2025, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.00%)	1% Increase (7.50% Decreasing to 5.00%)
Net OPEB Liability	\$ 13,443,021	\$ 15,181,074	\$ 17,152,092

The following presents the net OPEB liability of the Authority for the year ended May 31, 2024 as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher the current healthcare cost trend rates:

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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

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

For the years ended May 31, 2025 and 2024, the Authority recognized OPEB expense of \$627,192 and \$406,943, respectively. At May 31, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 976,956	\$ 1,791,632
Changes of Assumptions	675,778	424,785
Net Difference Between Projected and Actual Earning on OPEB Plan Investments	-	95,646
Total	<u>\$ 1,652,734</u>	<u>\$ 2,312,063</u>

	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	<u>\$ 2,328,425</u>	<u>\$ 3,090,279</u>

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2026	\$ (78,006)
2027	(329,148)
2028	(389,261)
2029	104,248
2030	77,182
Thereafter	(44,344)
Total	<u>\$ (659,329)</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH CARE (CONTINUED)

Actuarial Valuations

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

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

In the January 1, 2025, 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 4.00% annually and a discount rate of 6.75%.

NOTE 15 BLENDED COMPONENT UNITS

The Watershed Fund and AWA, for fiscal 2025, have been included as part of the financial statements.

Prior to the closing of the AWA transaction to acquire Aquarion, RWA has certain responsibilities and obligations under executed agreements. If regulatory approval is obtained and the transaction closes, RWA will cease to have such obligations. The corresponding inter-entity balances for amounts payable from AWA and receivable for RWA are eliminated in consolidation.

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 15 BLENDED COMPONENT UNITS (CONTINUED)

In accordance with GASB 61, the following summarized information as of May 31, 2025 and 2024 is required:

Condensed Statement of Net Position at May 31, 2025

	RWA/AWA	AWA	The Watershed Fund	Eliminating Activities	Combined Financial Statements
Assets					
Utility Plant	\$ 653,308,878	\$ -	\$ -	\$ -	\$ 653,308,878
Nonutility Plant	66,608,007	-	-	-	66,608,007
Current Assets	73,544,359	-	1,974,598	-	75,518,957
Other Assets	201,186,720	14,811,692	-	(14,811,692)	201,186,720
Total Assets	994,647,964	14,811,692	1,974,598	(14,811,692)	996,622,562
Deferred Outflows of Resources	24,976,084	-	-	-	24,976,084
Liabilities					
Current Liabilities	57,801,401	14,811,692	152,120	(14,811,692)	57,953,521
Long-Term Liabilities	579,434,902	-	40,000	-	579,474,902
Liabilities from Restricted Assets	13,578,256	-	-	-	13,578,256
Total Liabilities	650,814,559	14,811,692	192,120	(14,811,692)	651,006,679
Deferred Inflows of Resources	5,078,730	-	-	-	5,078,730
Net Position					
Net Investment in Capital Assets	138,221,025	-	-	-	138,221,025
Restricted	165,270,191	-	1,782,478	-	167,052,669
Unrestricted	60,239,543	-	-	-	60,239,543
Total Net Position	\$ 363,730,759	\$ -	\$ 1,782,478	\$ -	\$ 365,513,237

Condensed Statement of Net Position at May 31, 2024

	RWA	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, As Restated			
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

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 15 BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position May 31, 2025

	RWA/AWA	AWA	The Watershed Fund	Combined Financial Statements
Operating Revenues				
Water Revenues:				
Residential and Commercial	\$ 112,635,564	\$ -	\$ -	\$ 112,635,564
Industrial	2,707,467	-	-	2,707,467
Fire Protection	14,059,323	-	-	14,059,323
Public Authority	3,379,670	-	-	3,379,670
Wholesale	1,099,386	-	-	1,099,386
Other Water Revenues	4,947,997	-	-	4,947,997
Other Revenues	22,588,382	-	-	22,588,382
Total Operating Revenues	161,417,789	-	-	161,417,789
Operating Expenses				
Operating and Maintenance	67,106,825	-	-	67,106,825
Depreciation and Amortization	28,349,186	-	-	28,349,186
Payments in Lieu of Taxes	8,936,945	-	-	8,936,945
Other Water Expenses	2,652,942	-	-	2,652,942
Cost of Other Revenue	12,208,439	-	-	12,208,439
Total Operating Expenses	119,254,337	-	-	119,254,337
Operating Income	42,163,452	-	-	42,163,452
Nonoperating Expense (Net)	(8,625,104)	-	55,118	(8,569,986)
Change in Net Position Before Capital Contributions	33,538,348	-	55,118	33,593,466
Capital Contributions	3,689,475	-	-	3,689,475
Change in Net Position	37,227,823	-	55,118	37,282,941
Net Position - Beginning of Year	326,502,936	-	1,727,360	328,230,296
Net Position - End of Year	<u>\$ 363,730,759</u>	<u>\$ -</u>	<u>\$ 1,782,478</u>	<u>\$ 365,513,237</u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 15 BLENDED COMPONENT UNITS (CONTINUED)

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

	RWA	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	<u>151,772,305</u>	<u>-</u>	<u>151,772,305</u>
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	<u>107,284,284</u>	<u>-</u>	<u>107,284,284</u>
Operating Income	44,488,021	-	44,488,021
Nonoperating Expense (Net)	<u>(7,333,123)</u>	<u>123,893</u>	<u>(7,209,230)</u>
Change in Net Position Before Capital Contributions	37,154,898	123,893	37,278,791
Capital Contributions	<u>4,240,498</u>	<u>-</u>	<u>4,240,498</u>
Change in Net Position	41,395,396	123,893	41,519,289
Net Position - Beginning of Year	<u>285,107,540</u>	<u>1,603,467</u>	<u>286,711,007</u>
Net Position - End of Year	<u><u>\$ 326,502,936</u></u>	<u><u>\$ 1,727,360</u></u>	<u><u>\$ 328,230,296</u></u>

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

NOTE 15 BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Cash Flows - May 31, 2025

	RWA/AWA	AWA	The Watershed Fund	Combined Financial Statements
Cash Flows from Operating Activities	\$ 64,662,427	\$ -	\$ -	\$ 64,662,427
Cash Flows from Investing Activities	5,014,922	-	(55,892)	4,959,030
Cash Flows from Capital and Related Financing Activities	<u>(74,041,505)</u>	<u>-</u>	<u>-</u>	<u>(74,041,505)</u>
Net Increase in Cash and Cash Equivalents	(4,364,156)	-	(55,892)	(4,420,048)
Cash and Cash Equivalents - Beginning of Year	<u>43,210,007</u>	<u>-</u>	<u>80,673</u>	<u>43,290,680</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 38,845,851</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,781</u></u>	<u><u>\$ 38,870,632</u></u>

Condensed Statements of Cash Flows - May 31, 2024

	RWA	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	<u>(57,249,396)</u>	<u>-</u>	<u>(57,249,396)</u>
Net Increase in Cash and Cash Equivalents	3,746,566	75,484	3,822,050
Cash and Cash Equivalents - Beginning of Year	<u>39,463,441</u>	<u>5,189</u>	<u>39,468,630</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 43,210,007</u></u>	<u><u>\$ 80,673</u></u>	<u><u>\$ 43,290,680</u></u>

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Pension Liability:										
Service Cost	\$ 681,501	\$ 656,669	\$ 748,940	\$ 729,789	\$ 606,804	\$ 507,879	\$ 519,885	\$ 503,924	\$ 490,070	\$ 490,576
Interest	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	3,564,304
Differences Between Expected and Actual Experience	592,405	979,655	166,471	1,923,819	1,090,249	808,104	1,098,396	(555,409)	1,005,788	1,438,047
Changes in Assumptions	494,742	(2,323,594)	(204,280)	(86,868)	279,005	914,472	83,789	-	-	(236,365)
Changes in Benefit Terms	-	10,131	-	140,281	-	236,540	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(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)	(4,099,632)
Other	-	-	-	(11,600)	-	-	-	-	-	-
Net Change in Total Pension Liability	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	1,156,930
Total Pension Liability - Beginning	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
Total Pension Liability - Ending	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	56,204,869
Plan Fiduciary Net Position:										
Contributions - Employer	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	2,397,959
Contributions - Member	14,693	10,810	10,918	8,287	5,079	4,865	5,721	966	-	-
Net Investment Income (Loss)	(287,080)	2,810,914	2,372,221	852,590	1,679,215	8,657,377	(2,179,281)	(70,953)	5,790,716	4,313,830
Benefit Payments, Including Refunds of Member Contributions	(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)	(4,099,632)
Administrative Expense	(133,601)	(136,687)	(165,402)	(168,432)	(173,577)	(194,562)	(210,893)	(206,201)	(213,153)	(217,391)
Other	(61,573)	87,206	11,846	(23,335)	11,129	(614)	25,446	(13,668)	(8,356)	7,380
Net Change in Plan Fiduciary Net Position	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	2,402,146
Plan Fiduciary Net Position - Beginning	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
Plan Fiduciary Net Position - Ending	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	49,728,008
Net Pension Liability - Ending	\$ 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	\$ 6,476,861
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.54%	66.56%	74.08%	73.24%	73.71%	86.22%	78.63%	78.56%	85.97%	88.48%
Covered Payroll	\$ 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	\$ 7,521,702
Net Pension Liability as a Percentage of Covered Payroll	232.03%	155.13%	121.12%	137.59%	152.79%	96.59%	157.94%	152.05%	105.63%	86.11%

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Pension Liability:										
Service Cost	\$ 166,226	\$ 155,949	\$ 143,110	\$ 129,285	\$ 120,416	\$ 125,901	\$ 129,241	\$ 112,296	\$ 102,166	\$ 89,539
Interest	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	2,076,288
Differences Between Expected and Actual Experience	(110,990)	406,966	520,588	(41,862)	277,635	4,344	131,988	560,843	420,249	(507,861)
Changes in Assumptions	303,196	(2,610,404)	(242,533)	(50,037)	1,533,894	528,267	61,809	-	-	(73,182)
Changes in Benefit Terms	120,432	83,206	-	207,281	175,513	187,272	194,495	-	-	453,344
Benefit Payments, Including Refunds of Member Contributions	(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)	(1,889,592)
Other	-	-	-	(9,505)	-	-	-	-	-	-
Net Change in Total Pension Liability	1,068,737	(1,493,719)	670,158	369,232	2,404,400	1,104,345	733,721	795,792	673,847	148,536
Total Pension Liability - Beginning	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
Total Pension Liability - Ending	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	32,050,315
Plan Fiduciary Net Position:										
Contributions - Employer	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	1,083,864
Contributions - Member	-	-	-	-	-	450	-	-	-	-
Net Investment Income (Loss)	(198,733)	2,021,684	1,656,511	508,851	1,042,147	5,370,416	(1,316,436)	(30,364)	3,439,211	2,627,136
Benefit Payments, Including Refunds of Member Contributions	(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)	(1,889,592)
Administrative Expense	(98,084)	(101,257)	(123,799)	(111,091)	(108,698)	(125,230)	(128,392)	(117,849)	(139,731)	(106,258)
Other	(24,768)	46,960	10,270	(19,010)	8,727	848	18,815	(9,558)	(14,752)	15,190
Net Change in Plan Fiduciary Net Position	678,666	2,813,920	1,615,897	6,968	786,802	4,724,575	(1,922,909)	(464,525)	3,206,243	1,730,340
Plan Fiduciary Net Position - Beginning	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
Plan Fiduciary Net Position - Ending	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	29,731,747
Net Pension Liability - Ending	\$ 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	\$ 2,318,568
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.68%	79.71%	83.90%	82.75%	78.54%	91.53%	83.00%	79.40%	87.77%	92.77%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 2,749,435	\$ 3,356,514	\$ 2,648,702	\$ 2,379,603	\$ 2,390,534	\$ 2,089,386	\$ 2,142,513	\$ 1,924,696	\$ 1,858,865	\$ 1,709,097
Contributions in Relation to the Actuarially Determined Contribution	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	2,397,959
Contribution Excess	<u>\$ (1,636,089)</u>	<u>\$ (1,644,738)</u>	<u>\$ (1,692,819)</u>	<u>\$ (1,517,672)</u>	<u>\$ (910,543)</u>	<u>\$ (1,021,487)</u>	<u>\$ (982,304)</u>	<u>\$ (1,695,802)</u>	<u>\$ (1,335,841)</u>	<u>\$ (688,862)</u>
Covered Payroll	\$ 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	\$ 7,521,702
Contributions as a Percentage of Covered Payroll	51.05%	53.83%	45.82%	42.54%	38.99%	42.11%	43.18%	47.80%	43.70%	31.88%

Notes to Schedule:

Valuation Date January 1, 2025
Measurement Date May 31, 2025
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 Determined in the aggregate equal to the actuarial present value of future normal cost divided by a temporary annuity. The actuarial present value of future normal cost equals the actuarial present value of future benefits less the adjusted actuarial value of plan assets. The temporary annuity equals the total actuarial present value of future compensation divided by the total compensation for all participants who have not reached 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	<u>Age</u>	<u>Rate</u>
	55-59	5%
	60-64	10%
	65-69	20%
	70	100%
	<u>Rule of 80 Retirement Rates:</u>	
	55-60	8%
	61-70	8%

Mortality Assumed life expectancies were calculated using the PubG-2016 Above Median Employee / Above Median Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection (Prior: PubG-2010 Above Median Employee / Above Median Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection)

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 1,707,164	\$ 1,815,386	\$ 1,126,333	\$ 918,295	\$ 840,922	\$ 1,081,857	\$ 1,077,926	\$ 912,974	\$ 1,062,438	\$ 771,946
Contributions in Relation to the Actuarially Determined Contribution	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	1,083,864
Contribution Excess	<u>\$ (505,312)</u>	<u>\$ (359,780)</u>	<u>\$ (392,883)</u>	<u>\$ (321,337)</u>	<u>\$ (473,110)</u>	<u>\$ (73,074)</u>	<u>\$ (151,599)</u>	<u>\$ (643,467)</u>	<u>\$ (742,856)</u>	<u>\$ (311,918)</u>
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date January 1, 2025
Measurement Date May 31, 2025
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 Determined in the aggregate equal to the actuarial present value of future benefits less assets less present value of projected employee contributions less unfunded liability divided by a temporary annuity. The temporary annuity equals the actuarial present value of future service divided by the current number for those active participants who have not reached 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	<u>Age</u>	<u>Rate</u>
	55-64	2%
	65-69	20%
	70	100%
	<u>Rule of 80 Retirement Rates:</u>	
	55-60	9%
	61-70	9%

Mortality Assumed life expectancies were calculated using the PubG-2016 Total Employee / Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection (Prior: PubG-2010 Total Employee / Healthy Annuitant / Disabled Retiree Mortality Tables, with MP-2021 Generational Projection)

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
SALARIED PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	(1.22)%	11.29%	8.03%	2.59%	4.86%	23.96%	(4.90)%	(0.17)%	13.83%	9.30%
BARGAINING UNIT PLAN										
Annual Money-Weighted Rate of Return, Net of Investment Expense	(1.17)%	11.47%	8.32%	2.41%	4.84%	24.26%	(4.90)%	(0.12)%	13.93%	9.59%

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

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability:								
Service Cost	\$ 248,822	\$ 269,556	\$ 237,267	\$ 221,700	\$ 201,622	\$ 193,996	\$ 159,742	\$ 210,047
Interest	1,939,224	2,004,070	1,820,624	1,737,439	1,763,676	1,697,088	1,614,801	1,691,038
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	69,201
Changes in Assumptions	(139,795)	620,017	(1,813)	1,932,640	(266,012)	431,098	136,564	(374,167)
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)	(2,562,780)
Contributions - Retiree	-	197,813	213,385	209,092	207,483	220,215	236,069	249,526
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	(717,135)
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	26,230,544
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	25,513,409
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	1,694,075
Contributions - Retiree	187,448	197,813	213,385	209,092	207,483	220,215	236,069	249,526
Net Investment Income	441,966	189,085	310,380	1,788,634	(500,640)	(35,715)	1,214,469	913,344
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)	(2,562,780)
Administrative Expense	(35,081)	(37,451)	(35,761)	(42,645)	(46,975)	(44,553)	(51,078)	(46,942)
Net Change in Plan Fiduciary Net Position	823,573	909,889	527,634	1,991,590	(421,712)	166,466	826,791	247,223
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	10,085,112
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	10,332,335
Net OPEB Liability - Ending	<u>\$ 23,652,026</u>	<u>\$ 20,030,271</u>	<u>\$ 18,344,539</u>	<u>\$ 17,772,589</u>	<u>\$ 17,176,905</u>	<u>\$ 15,716,868</u>	<u>\$ 16,145,432</u>	<u>\$ 15,181,074</u>
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%	40.50%
Covered Payroll **	\$ 23,217,114	\$ 23,941,245	\$ 24,118,465	\$ 23,405,010	\$ 25,767,991	\$ 24,864,685	\$ 27,208,819	\$ 31,277,327
Net OPEB Liability as a Percentage of Covered Payroll	101.87%	83.66%	76.06%	75.93%	66.66%	63.21%	59.34%	48.54%

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

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Actuarially Determined Contribution (1)	\$ 2,506,691	\$ 2,486,586	\$ 2,143,071	\$ 2,175,583	\$ 1,851,431	\$ 1,662,556	\$ 1,598,057	\$ 1,543,626	\$ 1,394,564	\$ 1,478,632
Contributions in Relation to the Actuarially Determined Contribution	<u>2,290,882</u>	<u>2,301,583</u>	<u>2,289,292</u>	<u>2,310,104</u>	<u>2,027,798</u>	<u>1,855,418</u>	<u>1,734,198</u>	<u>1,737,894</u>	<u>1,640,907</u>	<u>1,694,075</u>
Contribution Deficiency (Excess)	<u>\$ 215,809</u>	<u>\$ 185,003</u>	<u>\$ (146,221)</u>	<u>\$ (134,521)</u>	<u>\$ (176,367)</u>	<u>\$ (192,862)</u>	<u>\$ (136,141)</u>	<u>\$ (194,268)</u>	<u>\$ (246,343)</u>	<u>\$ (215,443)</u>
Covered Payroll	N/A	N/A	\$ 23,217,114 (2)	\$ 23,941,245 (3)	\$ 24,118,465 (4)	\$ 23,405,010 (5)	\$ 25,767,991 (6)	\$ 24,864,685 (7)	\$ 27,208,819 (8)	\$ 31,277,327 (9)
Contributions as a Percentage of Covered Payroll	N/A	N/A	9.86%	9.65%	8.41%	7.93%	6.73%	6.99%	6.03%	5.42%

(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.

(9) Includes covered payroll of \$19,388,804 associated with death benefit only participants.

Notes to Schedule:

Valuation Date January 1, 2025

Measurement Date May 31, 2025

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 4.00%

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 Assumed life expectancies were calculated using the 2016 Public Sector Retirement Plans Mortality table for Above average salary general employee populations with MP-2021 mortality improvement scale. (Prior: 2010 Public Sector Retirement Plans Mortality table for Above average salary general employee populations with MP-2021 mortality improvement)

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.11%	2.93%	4.37%	23.46%	-5.24%	-0.39%	13.40%	9.37%

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



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