2018 Annual Report | **Forward Focused**

Regional Water Authority

Our Purpose

To make life better for people by delivering water for life.

Our Mission

To provide customers with high-quality water and services at a reasonable cost while promoting the preservation of watershed lands and aquifers.

Our Vision

An innovative water utility that sustains life, strengthens our communities and protects natural resources for future generations.

Our Values

STARS: Service, Teamwork, Accountability, Respect, Safety

Service: We provide prompt, courteous service to both our customers and our coworkers. We continually strive to make the customer experience better for all.

Teamwork: We build on each other's strengths. Through efficiency and innovation, we work together, operating as a team, in a spirit of mutual trust and openness, to achieve success.

Accountability: We are responsible for our actions. We are honest and ethical. Integrity is at the heart of everything we do.

Respect: We treat with respect everyone with whom we come in contact while doing our jobs. We promote diversity and embrace individuality.

Safety: We are a safe workforce. Safety is owned by each and every employee. We all benefit when safety is part of our daily lives.

Forward Focused **at the Waterfront**

In Fiscal Year 2018, we continued to strengthen our commitment to servicing our customers and produced sound operational and financial results that enabled us to fulfill our higher purpose to make life better for people by delivering water for life.

At the same time, we embarked on a journey to transform the South Central Connecticut Regional Water Authority (RWA) from a traditional water utility into a conscious 21st-century environmental services company.

In just a little more than 10 years, the RWA has become one of the country's best-run water utilities – serving as a model of purposeful, responsible regional water management. We're proud of our leadership position and how we serve our customers and the people of this region by meeting all of their water supply needs. We are also excited about what's ahead for our organization: a future that is more customer focused and supports a more sustainable environment through new innovation, technology and service offerings.

With that as a backdrop, here's a glimpse at an eventful 2018 and some highlights from our forward-focused journey.

Forward Focused **on Customers**

In 2018, the RWA's Customer Satisfaction Index was 91.9%, up 2.1 percentage points from 2017. Results of our customer satisfaction survey indicate that we are on the right track, but there's always more to do when it comes to enhancing the customer experience.

One of the ways we are enriching customer service and fulfilling our commitment to be good stewards of the environment is by continuing to use technology and innovation. In 2018, we entered the second year of our Advanced Metering Infrastructure (AMI) program – a first for Connecticut water utilities.

With AMI, a transmitter is attached to the customer's water meter, and the customer and the RWA receive more immediate information on water usage. AMI allows customers to understand the fluctuations of their water consumption and can help identify when a water leak occurs in real time versus when they receive their bill. For us, the completion of AMI in late 2019 will provide an opportunity for monthly billing, since the meters will no longer be manually read. Currently, we use AMI for approximately 63,000 of our customers in south central Connecticut, and that number is growing daily.

Combined with our ongoing commitment to the continuous improvement approach to our business, our tradition of technological innovation, training and development will keep us at the forefront of the industry in providing excellent customer service.

Providing high-quality water is an integral part of our service, and we continue to make customer health and safety our highest priority. In 2018, our state-of-the-art laboratory conducted more than 110,000 tests on over 10,000 water samples taken from taps, reservoirs and treatment plants. All results showed that our water continues to meet or is better than federal and state standards.

To achieve the highest-quality water, continuous investment in the infrastructure that delivers it efficiently to our customers is a priority. Keeping our treatment plants and pumping stations in good working order and updated with the latest technology is critical to maintaining an outstanding product. Last year, we devoted approximately $44 million to building and maintaining our region's water system, from installing and cleaning hundreds of miles of main to updating the filtration systems that sustain our infrastructure.

In addition, as part of our land management and source-protection programs, we invested more than $300,000 to acquire over 43 acres of land in our region. All of this property is within the watersheds of our reservoirs. We dedicate resources to acquire land, strengthening our multi-barrier approach to producing quality water for our customers. It also ensures that the land will remain as open space. The health of our waters is a measure of how we live on the land. Our land management and source-protection programs have helped us maintain excellent water quality both in our surface reservoirs and in the underground aquifers we tap as sources of drinking water.

Forward Focused **on Communities**

Our culture of service and quality also extends to our communities. Our employees are actively engaged in the communities of this region, volunteering thousands of hours each year.

Their outreach activities range from helping students at New Haven's Common Ground High School understand the impacts of pollution on sourcewater quality, to providing information about lead and drinking water to residents attending a community picnic.

Our touring RWAter to Go Water Wagon quenched the thirst of thousands of people at school and sport functions, walks, runs and community gatherings held throughout the year.

In 2018, our employees contributed over $35,000 to the RWA's United Way giving campaign. These funds benefit nonprofit organizations throughout Greater New Haven. In addition, our employees raised more than $10,000 for local service organizations and joined with dozens of other area associations that complement our company's mission.

More than 11,000 students from 125 area schools took part in school-based environmental education programs coordinated through the RWA's Whitney Water Center. Our science educator offers unique hands-on experiences to young people to show them how their actions impact the environment. The Center, along with

our curriculum, offers lasting environmental payoffs. Lifelong lessons are instilled in the participants about protecting water sources from pollution. They leave knowing that they are active contributors in maintaining a healthy environment.

For more than 35 years, our recreational program has offered the best water views and four seasons of fun for outdoor enthusiasts. For many, especially children, it is a hidden treasure waiting for discovery. Besides providing outdoor time for parents and kids to connect, we believe that we are helping to create the next generation of environmental stewards.

Nearly two decades ago, we established The Watershed Fund, a nonprofit charity dedicated to watershed preservation and environmental education. Since its formation in 1999, the Fund has awarded over $300,000 in environmental education grants. It has also awarded over $500,000 in college scholarships to more than 125 students who are pursuing environmental science.

And, to meet the region's workforce needs, we continued to collaborate with Gateway Community College and Southern Connecticut State University to advance a first-of-its-kind public utility management degree and certification program. In 2018, US Representative Rosa DeLauro of Connecticut and US Representative Paul Tonko of New York learned how educators at both institutions are working with the RWA and other state utilities to create a school-to-utility-work pipeline and ensure that a new generation of employees is trained and ready to fill the jobs left by retiring workers.

Forward Focused **on Operational Excellence**

A key feature of our asset management program is a tactical plan focused on the rehabilitation and replacement of aging infrastructure.

Additionally, continual upgrading of the distribution system, energy management and a strong capital improvement program keep us ahead of asset issues.

This past year, we successfully undertook one of the largest infrastructure projects in our organization's history. In late 2017, we detected a leak in one of our most critical pieces of infrastructure – the Great Hill Tunnel and pipeline system, which transports approximately 60 percent of our water supply. It was a complex emergency operation that required constructing a seven-mile temporary bypass system from Lake Gaillard, our largest surface water reservoir, through an active quarry and connecting back to our distribution system. All of this was needed to ensure that our customers would not experience any water quality or reliability issues. The Great Hill Tunnel and pipeline project was a marvel of engineering design and technology. Our employees were repeatedly faced with challenges for which there were no established solutions, requiring innovation, ingenuity and resilience at every step of the way. They devised, designed and implemented innovative solutions, and today we proudly stand by their success.

The bypass allowed us to safely rehabilitate the tunnel and pipeline, bringing it back online in May 2018, only seven months after the leak was first detected. Holding ourselves to a higher standard, we did not simply repair the leak in the existing infrastructure. We made strategic improvements to further harden our infrastructure for future reliability and enhanced the pipeline so that any future work can be executed more efficiently and safely. The Great Hill Tunnel and pipeline is only one example from the last year of our innovative approach to overcoming challenges and building toward the future.

In 2018, we teamed up with two contractors to replace an 85-year-old storage tank on an undersized site in West Haven. We developed a unique solution in which custom-built, 50-foot-high cement wall panels were cast off-site, transported to the tank site and assembled. By being flexible, inventive and committed to success, we replaced the water storage tank on schedule and on budget. Today, the tank helps us serve 33,000 area residents with our high-quality product.

In addition to building innovative infrastructure, preparing for the future also means establishing effective contingencies. We recently completed new interconnections in Wallingford and Southington that allow us to transfer water to their municipal systems in the event of an emergency, or vice versa. Both projects ensure that families and businesses can be more confident than ever that their water service will remain uninterrupted.

Forward Focused **on Fiscal Stewardship**

Water is vital to our life and our economy. We are committed to providing reliable, high-quality drinking water at an affordable price.

At less than a penny per gallon, our water provides considerable value to the Greater New Haven region.

We are able to mitigate costs and rate increases because, over the past years, we've taken a number of steps to improve our operating and capital efficiency. For example, since Fiscal Year 2009, we have achieved operating efficiencies and savings of about $20.3 million, which resulted in us mitigating water rate increases by approximately 18 percent.

Since 2011, we have taken actions to internally fund capital improvements. During the 2018 fiscal year, we self-funded about 20 percent, or approximately $8.3 million of our capital improvement program, mitigating debt service costs. Since Fiscal Year 2012, we have generated roughly $48.7 million of internal funds that have already been used to fund capital projects or are earmarked for supporting our capital improvement program. This includes approximately $10.8 million generated during 2018 that will be used to fund future capital projects.

In addition to fully meeting all required reserve fund balances, we have increased discretionary reserve balances by approximately $22.5 million from their lowest point in Fiscal Year 2010. This includes an increase

of approximately $1.9 million for 2018. These reserves serve to further strengthen our financial and operating flexibility.

As part of our fiscal stewardship, we are committed to honoring our pension obligations to all eligible employees. In order to accomplish this, working with our actuary, we have been making contributions to the pension plans far in excess of the annual actuarially required contribution. These efforts resulted in the RWA contributing $6.2 million in excess of the actuarial requirements over the last three fiscal years, including $2.1 million in Fiscal Year 2018.

As a way to further lessen rate increases by reducing the cost of debt, we pursue Connecticut Drinking Water State Resolving Fund (DWSRF) financing opportunities. In 2018, we secured additional DWSRF loans totaling approximately $11 million and $1.4 million in grants. As a result, this fiscal year we were able to fund three capital projects with DWSRF low-cost loans and grants, and have additional DWSRF financings planned. We are also utilizing cost-effective interim financing.

Despite our best efforts to keep water rates as reasonable as possible, some customers still have difficulty paying for water service. In 2018, we continued to offer our Residential Water Assistance Program – launched in Fiscal Year 2017 – to help customers who meet certain income guidelines and are struggling to pay their water bill. In order to further help customers having difficulty paying their bill, for Fiscal Year 2019 we increased the maximum grant amount from $80 up to $100 and modified the income guideline from 150 percent to at or below 175 percent of federal poverty parameters.

Forward Focused **on Sustainable Growth**

At the RWA, we have a key strategy of developing alternative lines of revenue to combat lower water sales and have achieved considerable success.

In 2018, growth in revenue from laboratory services, fleet repair, underground pipe protection programs and rental income resulted in non-core revenue of $7.8 million.

As we look toward the future, we are reinventing what a water utility can be. In 2017, we worked with the Connecticut General Assembly to amend the RWA's enabling legislation so that we can conduct and invest in appropriate non-core business activities, including agriculture, to generate income and offset future water rate increases.

Amendments to our enabling legislation have allowed us to broaden the way we are able to invest in the communities we serve. In 2018, we entered into an exciting partnership with Trifecta Ecosystems, a successful aquaponics company founded in Connecticut. Our investment will allow Trifecta to establish a regional aquaponics program in the Greater New Haven region. Aquaponics systems combine aquaculture – the raising of aquatic animals such as fish — with hydroponics — the growing of plants in water — in symbiotic, climate-controlled environments.

We believe the science of aquaponics holds real potential for Connecticut in addressing land management issues and overcoming resource challenges facing traditional agriculture. Trifecta's indoor aquaponics systems allow for efficient, healthy and environmentally friendly farming to occur in any community. With the RWA's support, Trifecta will ensure all families in Greater New Haven have access to healthy, farm-fresh produce.

Our investment in Trifecta will help us reaffirm our commitment to providing high-quality water and services at a reasonable cost. This wise investment fits into our broader efforts to increase our revenue diversity through non-core business opportunities. By continuing to expand our non-core revenues, we are able to provide a wide range of new products and solutions to our customers, expanding what we are able to do for the communities we serve while keeping water costs down. To that end, we are currently exploring ways to provide in-home plumbing services in emergencies, devices to detect water leaks and maintenance of private wells. These potential new services will allow us to further build on our core strengths.

Forward Focused **on the Future**

Focusing into the future, we see unending possibilities for the RWA and the Greater New Haven region.

It starts with our aspiration to push well beyond the traditional role of a water utility, the innovative thinking of our employees to make a positive impact on our communities, and all of us leading by example as a conscious business guided by the principles of Conscious Capitalism, a philosophy that recognizes the innate potential of a company to make a positive impact on society.

Through all of our progress and change, one thing remains constant – our customers. We're on this transformational journey for them because we want to continue delivering excellent service as well as innovative products and solutions that make life better for people and sustain a healthy environment.

Of course, none of our work would be possible without a talented and dedicated team. The RWA's employees are committed to excellence and continuous improvement. Additionally, we continue to improve our safety record. Since 2014, our recordable incident rate for safety continues to trend 50 percent below the national level for water utilities. This is an amazing accomplishment, and we are very proud of the safety culture that our employees embrace.

Before concluding, we must recognize the passing of two individuals whose dedication and counsel on the Representative Policy Board (RPB) will be deeply missed. John E. Leary, Jr. served as the representative from East Haven for 20 years, including one term as chairperson and one term as treasurer of the RPB. Richard W. Albrecht completed three terms as vice-chairperson, two terms as secretary and one term as treasurer of the RPB and was the representative from Killingworth for 34 years. Both men, from different perspectives, worked to ensure that the organization will meet the region's water needs now and long into the future.

In closing, Eli Whitney II's vision to make life better for people by bringing water from Lake Whitney in Hamden to the people of New Haven and beyond is in good hands more than 160 years later. At the RWA, we are uniquely positioned to build on our founder's legacy by continuing to make a positive difference in people's lives. And today, we are forward focused and passionate about the journey we are on to transform into a 21st-century environmental services company for our customers.

We invite you to join us on our journey and look forward to updating you on our progress and performance.

Larry L. Bingaman
President and Chief Executive Officer

Anthony DiSalvo
Chair, Regional Water Authority

Thomas P. Clifford III
Chair, Representative Policy Board

October 1, 2018

RWA BY THE NUMBERS

FY 2018

270
employees

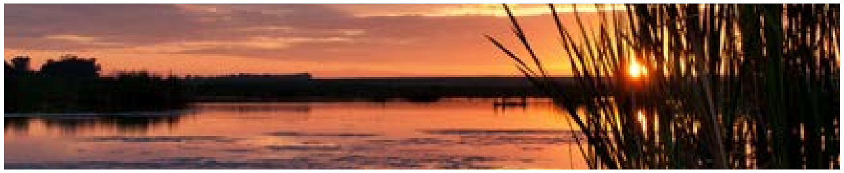
428,672
consumers served

45 million
gallons of water a day delivered

11,093
area students educated about water science

15
south central Connecticut municipalities in service area

115,784
metered customers within district



$843 million
in assets

27,735
acres of land owned

1,717 miles
of main

$1.4 million
in operating efficiencies

17 miles
of fishing areas

58 miles
of recreation trails

$121 million
in operating revenue

16.3 billion
gallons of water treated and distributed

110,000
water quality tests conducted

1,000
acres of conservation easements

$54,000
in community contributions

South Central Connecticut Regional Water Authority

Financial Statements as of and for the years ended May 31, 2018 and 2017, and Independent Auditors' Report

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Independent Auditors' Report

To the Members of the South Central Connecticut Regional Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority as of and for the years ended May 31, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of South Central Connecticut Regional Water Authority as of May 31, 2018 and 2017, the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As discussed in Note 17 and Note 15 to the financial statements, respectively, during the fiscal year ended May 31, 2018, South Central Connecticut Regional Water Authority adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and GASB Statement No. 82, *Pension Issues.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 23 and the pension and OPEB schedules on pages 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of South Central Connecticut Regional Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Central Connecticut Regional Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Connecticut Regional Water Authority's internal control over financial reporting and compliance.

Blum, Shapiro + Company, P.C.

West Hartford, Connecticut
August 27, 2018

Management's Discussion and Analysis Year Ended May 31, 2018

Introduction

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

Contents of the Audited Financial Statements

The Authority's audited financial statements include the following:

- **Statements of net position**
  These statements provide information about the Authority's investments in resources (assets) and its obligations to creditors (liabilities), with the difference between them reported as net position.
- **Statements of revenues, expenses and changes in net position**
  These statements demonstrate changes in net position from one fiscal period to another by accounting for revenues and expenditures and measuring the financial results of operations. The information may be used to determine how the Authority has funded its costs.
- **Statements of cash flows**
  These statements provide information concerning the Authority's cash receipts and payments, as well as net changes in cash resulting from operations, capital and related financing, and investing activities.
- **Statements of fiduciary net position**
  These statements provide information about net position available for benefits under the Authority's employee benefit plans and changes in net position available for benefits. In accordance with governmental accounting guidelines (GASB Statement No. 68), the Authority's pension plans are included in the financial statements.
- **Notes to financial statements**
  Notes to the audited financial statements contain information essential to understanding them, such as the Authority's accounting methods and policies.

The Authority's Business

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

The Watershed Fund was established by the Authority for the purpose of protecting land on the watershed through the acquisition of open space and promotion of environmental education. Financial information regarding the Watershed Fund can be found in the notes to the audited financial statements.

FINANCIAL HIGHLIGHTS

Summary: Revenues, expenses and changes in fund net position (in thousands of dollars)

May 31,	2018	2017	2016
Operating revenues:			
Water revenues	$ 113,029	$ 115,760	$ 108,887
Other	7,836	7,576	6,555
Total operating revenues	120,865	123,336	115,441
Operating expenses:			
Operating and maintenance	52,241	52,156	55,935
Expenses associated with other revenue	3,870	4,038	3,816
Depreciation	22,335	21,249	19,523
Payments in lieu of taxes (PILOT)	7,947	7,802	7,565
Total operating expenses	86,393	85,245	86,839
Operating income	34,472	38,091	28,602
Nonoperating income and expenses:			
Interest expense–net	(22,171)	(23,816)	(24,575)
Gain (loss) on disposal of assets	(1,977)	549	(716)
Realized and unrealized gains (losses) on investments	(201)	(73)	2
Amortization of bond discount, premium, issuance costs and deferred refunding losses	3,664	2,541	2,211
Intergovernmental revenue	1,054	1,168	732
Total nonoperating expenses	(19,630)	(19,630)	(22,347)
Gain before contributions	14,842	18,460	6,255
Capital contributions	5,085	2,390	1,849
Change in Net Position	$ 19,927	$ 20,851	$ 8,104

Operating revenues

The change in the operating revenues from FY 2017 to FY 2018 is primarily attributable to decreased water consumption. While a year-over-year decrease is anticipated due to more water efficient appliances, installation of low-flow plumbing and devices as well as water conservation, lower than average rainfall contributed to higher than anticipated consumption in FY 2017. The decreased consumption from FY 2017 to FY 2018 is partially offset by increased rates and charges effective January 3, 2018. Other revenue increased between FY 2017 to FY 2018, primarily due to the increase in PipeSafe Sewer revenues.

The change in the operating revenues from FY 2016 to FY 2017 is primarily attributable to the increased rates and charges, effective June 29, 2016. Also contributing to the increased water revenues in FY 2017 is higher billed consumption.

Operating expenses

Operating and maintenance expenses from FY 2017 to FY 2018 increased by $85 thousand. While there were increases in certain categories such as payroll, maintenance and repair, and general and administrative expense, there were offsetting decreases including lower pension expense under GASB 68 and lower medical claims under the Authority's self-insurance program.

Operating and maintenance expenses from FY 2016 to FY 2017 decreased by $3.8 million primarily due to the lower pension expense under GASB 68 and implementing operating efficiencies and savings. This was partially offset by the costs associated with the fund to assist qualified low income customers and increased expense related to information technology and training.

Depreciation expense increased from FY 2017 to FY 2018 and FY 2016 to FY 2017 primarily due to additions to utility plant.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from FY 2017 to FY 2018 and from FY 2016 to FY 2017 primarily as a result of pipe additions and mill rates.

Nonoperating income and expenses

Net interest expense decreased from FY 2017 to FY 2018 primarily due to higher interest income and refinancing activity. In December 2017 and January 2018, the Authority issued the Thirty-third Series B-1 and B-2 Revenue Bonds, a combined $58,095,000 (par value), refunding the Authority's 18 B Series and certain maturities of the Authority's Twenty-fifth and Twenty-sixth Series Revenue Bonds. This reduction was partially offset by the Authority's issuance of the Thirty-third Series A bonds of $10,900,000 (par value), issued in January 2018 as well as an additional Drinking Water State Revolving Fund (DWSRF) loan and a full-year impact of a DWSRF loan closed in FY 2017.

Net interest expense decreased from FY 2016 to FY 2017 primarily due to the interest expense reduction associated with the Authority's June 2016 issuance of the Thirty-second Series B Revenue Bonds. This issue of $147,115,000 (par value) refunded certain maturities of the Authority's Twentieth A, Twenty-first, Twenty-second, Twenty-third and Twenty-fourth Series Revenue Bonds. This reduction was partially offset by the Authority's issuance of the Thirty-second Series A bonds of $17,270,000 (par value), also in June 2016.

Realized and unrealized investment losses of $.2 million increased by approximately $.1 million from May 31, 2017 to May 31, 2018. This year-over-year change is due to market conditions. Between May 31, 2016 and May 31, 2017, the realized and unrealized loss was approximately $.1 million.

Disposal of assets

In FY 2018, 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 net book value partially offset by proceeds associated with asset dispositions and a small net gain on land dispositions. In FY 2017, the Authority had a net gain on the retirement and disposition of certain assets. This net gain was primarily due to a land disposition. In FY 2016, the Authority retired certain "plant" assets producing a net loss.

Amortization

The amortization of bond discount, premium, issuance costs and deferred refunding losses were more favorable in FY 2018 than in FY 2017 primarily due to the amortizations associated with the Thirty-second Series premiums and the premiums associated with the Thirty-third Series. This favorable impact is partially offset by the amortization of the deferred loss associated with the Thirty-third Series B-1 and the cost of issuance associated with the Thirty-second Series, the Thirty-third Series and additional DWSRF loans.

The amortization of bond discount, premium, issuance costs and deferred refunding losses were more favorable in FY 2017 than in FY 2016 primarily due to the amortizations associated with the Thirty-second Series premiums, partially offset by the amortization of the cost of issuance and the deferred losses associated with the Thirty-second Series B.

Intergovernmental revenue

Intergovernmental revenue decreased between FY 2018 and FY 2017, due to the lower DWSRF grants. In FY 2018, intergovernmental revenue includes DWSRF grants and open space grants. FY 2017 intergovernmental revenue relates to DWSRF grants, and FY 2016 revenue relates to open space grants.

Summary: Net Position (in thousands of dollars)

May 31,	2018	2017	2016
Assets:			
Capital assets	$ 635,078	$ 616,293	$ 608,884
Goodwill	14,424	14,424	14,424
Other assets			
Current	59,230	56,444	53,761
Restricted assets	122,723	117,940	97,869
Net OPEB asset	33	–	–
Regulatory assets	11,038	11,188	12,369
Total assets	842,526	816,289	787,307
Deferred outflows of resources:			
Deferred charge on refunding	19,369	18,205	7,524
Deferred pension related charges	2,784	3,717	3,776
Total deferred outflows of resources	22,153	21,922	11,300
Total assets and deferred outflows of resources	$ $864,679	$ 838,211	$ 798,607
Liabilities:			
Current liabilities	$ 48,150	$ 36,241	$ 28,114
Payable from restricted assets	11,848	12,592	11,759
Other long-term liabilities	2,434	3,233	2,693
Long-term debt payable	526,835	533,333	543,805
Net premiums/discounts	63,871	56,451	32,090
Net OPEB liability	–	10	9
Net pension liability	15,634	19,514	29,342
Total liabilities	668,772	661,373	647,812
Deferred inflows of resources:			
Deferred pension related inflows	4,416	5,274	82
Net position:			
Net invested in capital assets	46,913	35,558	37,892
Restricted	106,321	104,414	86,110
Unrestricted	38,257	31,592	26,712
Total net position	191,491	171,564	150,713
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 864,679	$ 838,211	$ 798,607

Capital assets

The increase in capital assets from FY 2017 to FY 2018 and from FY 2016 to FY 2017 is attributable to additions to plant, such as pumping structures and equipment, improvements to existing water treatment plants, upgrades to the distribution and transmission system, including new pipe, and general plant, including information technology related capital investment. (See Note 4, *Capital Assets*, for details.) The higher year-over-year increase in FY 2018 is primarily due to a relatively large tunnel and pipe restoration project.

Goodwill

Goodwill results from the Authority's acquisition of Birmingham Utilities on January 16, 2008. Goodwill is not amortized, but is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2018 and May 31, 2017, no impairment of goodwill has occurred.

Current assets

The following itemizes the change in current assets between May 31, 2017 and 2018, and between May 31, 2016 and 2017, respectively:

May 31,	2018	2017
Increase in cash and cash equivalents and investments	$ 2,780,909	$ 1,402,156
Increase in accounts receivable, net	71,840	411,646
Increase (decrease) in accrued water revenue	(2,775)	984,857
Increase in interest receivable	49,541	64,703
Increase in materials and supplies	69,769	35,241
Decrease in prepayments and other current assets	(182,964)	(216,060)
Net Increase in Current Assets	$ 2,786,320	$ 2,682,543

Increase in current net position from May 31, 2017 to May 31, 2018

The increase in cash and cash equivalents is primarily associated with the FY 2018 year-end disposition increasing the Growth Fund and the General Fund as well as net increases in Revenue Fund accounts.

The change in accounts receivable is primarily due to an increase in current receivables due, mostly offset by cash collections on aged receivables.

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

The increase in interest receivables is primarily due to the higher accrued interest in the Authority's debt reserve, capital contingency and operating reserve funds as well as debt service funds.

The increase in materials and supplies is related to general stores and is primarily due to material requirements and timing.

The decrease in prepayments and other current assets is primarily due to decreases in pre-paid insurance, procurement card, and miscellaneous pre-payments as well as decreases in jobbing and HazWaste receivables. These decreases are partially offset by other prepayments primarily related to information technology and the OPEB receivable.

Increase in current net position from May 31, 2016 to May 31, 2017

The increase in cash and cash equivalents is primarily associated with the FY 2017 year-end disposition increasing the General Fund's cash and cash equivalents.

The change in accounts receivable is primarily due to the increase in receivables due to the rate increase in FY 2017, partially offset by cash collections on aged receivables.

The increase in accrued water revenue is primarily due to the impact of the June 29, 2016 rate increase.

The increase in interest receivables is primarily due to the accrued interest associated with the Authority's debt reserve, capital contingency and operating reserve funds.

The increase in materials and supplies is primarily due to timing.

The decrease in prepayments and other current assets is primarily due to a decrease in deferred jobbing and deferred land expenses as well as insurance. The reduction in deferred land costs is primarily due to the land dispositions that occurred in FY 2017.

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.

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.

The increase of approximately $4.8 million in restricted assets between May 31, 2018 and May 31, 2017 is primarily due to the increase in the construction fund of approximately $7.5 million. The increase in the construction fund is primarily due to the year-end disposition of approximately $10.8 million, approximately $3.6 million higher unspent bond proceeds, approximately $1.6 million in other restricted financing proceeds, partially offset by the use of internally generated funds, held within the Construction Fund, to finance approximately $8.3 million of the capital improvement program and other net changes of approximately $.2 million.

Restricted accounts receivable decreased by approximately $2.4 million. This receivable reduction is due to an approximately $2.0 million decrease in a May 31, 2017 receivable associated with a subsequent event DWSRF loan and grant financing for which proceeds were received in July 2017 and partially offset by an increase in Department of Transportation receivables, a reduction in land-related receivables of approximately $.1 million due to payments received and a $.3 million reduction in a PILOT related receivable.

Other restricted assets decreased approximately $.3 million. These decreases include an approximately $3.2 million reduction in proceeds from interim subordinate debt financing and a reduction in the market value of securities held in restricted funds of approximately $.2 million. These decreases are partially offset by increases in the debt reserve fund of approximately $1.3 million, the debt service funds of approximately $1.3 million, the capital contingency fund of $.2 million, the operating reserve of approximately $.2 million and the PILOT fund of approximately $.1 million.

The increase of approximately $20.1 million in restricted assets between May 31, 2017 and May 31, 2016 is primarily due to the increase in the Construction Fund (approximately $9.8 million). The increase in this fund is primarily due to the year-end disposition of approximately $13.1 million, approximately $.9 million higher unspent bond proceeds, approximately $.4 million in grant proceeds, approximately $.6 million associated with a land disposition, and other net changes, partially offset by the use of internally generated funds, held within the Construction Fund, to finance approximately $5.3 million of the capital improvement program. Restricted accounts receivable increased by approximately $4.6 million primarily due to a receivable associated with subsequent event from DWSRF loan and grant financing, a receivable associated with a land disposition, and reduction in other restricted receivables. Other restricted assets increased by approximately $4.5 million due to the increase in proceeds from interim subordinate debt financing, a decrease in a PILOT receivable and $1.2 million in other net changes primarily related to an increase in the debt service fund.

Other long-term assets

As of May 31, 2018, regulatory assets totaled $11.0 million, net of amortizations. This includes $4.8 million of bond issuance costs, $ 4.8 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 12, *Pollution Remediation Obligation*), $.2 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, and $.6 million associated with deferred repair at a site in New Haven, Connecticut, and $.6 million in other remediation costs.

As of May 31, 2017, regulatory assets totaled $11.2 million, net of amortizations. This includes $4.9 million of bond issuance costs, $5.2 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 12, *Pollution Remediation Obligation*), $.2 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, and $.7 million associated with deferred repair at a site in New Haven, Connecticut, and $.2 million in other remediation costs.

As of May 31, 2018 the other post-employment (OPEB) asset is $33 thousand.

Current liabilities

The Authority's current liabilities increased by approximately $12.0 million between May 31, 2017 and May 31, 2018, primarily due to the increase of $9.7 million in short-term subordinate notes payable and an $1.2 million increase in current maturities of revenue bonds payable as well as other net increases.

The Authority's current liabilities increased by approximately $8.1 million between May 31, 2016 and May 31, 2017, primarily due to the increase in a short-term subordinate note payable and an increase in current maturities of revenue bonds payable as well as other net changes.

Payables from restricted assets

Between May 31, 2017 and May 31, 2018, payables from restricted assets decreased by approximately $.7 million. This decrease is primarily due to the decrease of approximately $1 million in accounts payable for construction is partially offset by an increase in accrued interest payable and customer deposits and advances.

Between May 31, 2016 and May 31, 2017, payables from restricted assets increased by approximately $.8 million. This increase is primarily due to the increase in accounts payable for construction partially offset by a reduction in accrued interest payable and customer advances and deposits.

Other long-term liabilities

Between May 31, 2017 and May 31, 2018, other long-term liabilities decreased by approximately by $.8 million. This decrease is due to costs incurred during FY 2018 of approximately $.6 million and a reduction of approximately $150,000 in the estimate for the total cost of remediation associated with the Newhall Road site in Hamden.

Between May 31, 2016 and May 31, 2017, other long-term liabilities increased by approximately by $.5 million. This increase is due to a revised estimate for the total remediation costs associated with the Newhall Road site in Hamden, Connecticut, less the costs incurred during FY 2018.

As of May 31, 2018, there is no OPEB liability under GASB 45. As of May 31, 2017, the OPEB liability balance was approximately $10 thousand due to the change in the actuarial calculation of the implicit rate subsidy.

Long-term debt

Long-term bonds payable decreased by $6.5 million due to the December 2017 and January 2018 issuance of the Thirty-third Series B-1 and B-2 (refunding) and the August 2017 principal payment partially offset by the Thirty-third Series A bond issuance and additional DWSRF project loan obligations. Net premiums/discounts increased by approximately $7.4 million primarily due to the issuance of the Thirty-third Series A, B-1, and B-2. The Thirty-third Series A was issued in January 2018.

Long-term bonds payable decreased by $10.5 million due to the June 2016 issuance of the Thirty-second Series B (refunding) and the August 2016 principal payment partially offset by the issuance of the Thirty-second Series A bond issuance and DWSRF project loan obligations. Net premiums/discounts increased by approximately $24.4 million primarily due to the issuance of the Thirty-second Series A and B.

Net pension liability

Between May 31, 2017 and May 31, 2018, the net pension liability decreased by approximately $3.9 million primarily due to strong pension contributions, approximately $2.1 million in excess of the actuarial required contribution, higher net investment returns and change in assumptions (e.g., mortality projection), partially offset by expected versus actual experience, benefits earned by plan participants and other factors.

Between May 31, 2016 and May 31, 2017, the net pension liability decreased by approximately $9.8 million primarily due to strong pension contributions, approximately $2 million in excess of the actuarial required contribution, higher net investment returns and change in assumptions (e.g., mortality table and retirement rates), partially offset by benefits earned by plan participants and other factors.

Invested in capital, net of related debt

Between May 31, 2017 and May 31, 2018, the amount invested in capital, net of related debt, increased by $11.4 million primarily due to the increase in utility plant and deferred charge on refunding as well as lower revenue bonds payable at par, partially offset the increase in DWSRF loans, bond anticipation notes payable and increase in premiums on revenue bonds.

Between May 31, 2016 and May 31, 2017, the amount invested in capital, net of related debt, decreased by $2.3 million primarily due to the increases in DWSRF loans, bond anticipation note payable and increase in premiums on revenue bonds payable, partially offset by an increase in utility plant and deferred charge on refunding and reduction in revenue bonds payable at par.

Net position, restricted

Restricted net position increased by approximately $2 million from May 31, 2017 to May 31, 2018, primarily due to the increase in restricted assets, as described above and the decrease in liabilities payable from restricted assets of approximately $.9 million, partially offset by approximately $4.6 million in unspent bond proceeds as of May 31, 2018.

Restricted net position increased by approximately $18.3 million from May 31, 2016 to May 31, 2017, primarily due to the increase in restricted assets, as described above, partially offset by approximately $.9 million in unspent bond proceeds as of May 31, 2018 and $.8 million increase liabilities payable from restricted assets.

Unrestricted net position

Unrestricted net position increased by $6.5 million due to the increase in current assets by more than the increase in unrestricted liabilities.

Unrestricted net position increased by $4.9 million due to the increase in current assets by more than the increase in unrestricted liabilities.

The Authority's Customer Base

The Authority's customer base is primarily residential and commercial. Of the Authority's approximately 119,200 customers, 115,400 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale and fire service. Between May 31, 2017 and May 31, 2018, 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 FY 2018 the Authority received approximately $118 million in cash from operations and $1.1 million from earnings on investments and a Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the FY 2018 year-end disposition of the revenue fund, the Authority had approximately $12.7 million available after funding required reserves. The Authority increased the Growth Fund by $1.5 million and the General Fund by approximately $.4 million. The Authority also transferred approximately $10.8 million to the Construction Fund, including the funding of depreciation. In addition, in FY 2018, the Authority contributed to the pension plans approximately $2.1 million in excess of the actuarial requirement and also partially funded the capital improvement program with internally generated funds.

In July 2018, the Authority entered into one additional DWSRF project loan obligation. This additional obligation is reflected in the FY 2018 financial statements.

Credit Rating

In November 2017, Moody's Investor Services affirmed the Aa3 rating on outstanding debt and Standard & Poor's Rating Services also affirmed the Authority's credit rating of AA-.

In June 2016, Standard & Poor's Rating Services upgraded the Authority's credit rating to AA- from A+ and Moody's Investor Service affirmed the Aa3 rating on outstanding debt.

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, 2018 and 2017. Comparable information for earlier years is available, as noted below.

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

STATEMENTS OF NET POSITION

May 31,	2018	2017
Assets:		
Utility plant		
Depreciable property, plant and equipment in service	$ 851,800,289	$ 808,765,534
Accumulated depreciation	(317,864,825)	(302,753,355)
Depreciable utility plant in service	533,935,464	506,012,179
Land	27,766,213	27,766,264
Construction work in progress	8,566,433	17,702,273
Total utility plant, net	570,268,110	551,480,716
Nonutility land	64,809,815	64,812,464
Goodwill	14,423,704	14,423,704
Current assets:		
Cash and cash equivalents	25,023,305	22,225,244
Investments	201,031	218,183
Accounts receivable, less allowance for doubtful accounts of $3,183,126 in 2018 and $3,255,135 in 2017	12,177.891	12,106,051
Accrued water revenue	17,766,104	17,768,879
Accrued interest receivable	150,453	100,912
Materials and supplies	1,547,168	1,477,399
Prepaid expenses and other assets	2,363,891	2,546,855
Total current assets	59,229,843	56,443,523
Restricted assets	122,723,463	117,940,102
Net OPEB asset	33,021	–
Regulatory assets	11,038,207	11,188,448
Total assets	842,526,163	816,288,957
Deferred Outflows of Resources:		
Deferred charge on refunding	19,369,125	18,204,918
Deferred outflows related to pensions	2,783,720	3,717,174
Total deferred outflows of resources	$ 22,152,845	$ 21,922,092

Statements of Net Positions continued on next page

STATEMENTS OF NET POSITION (continued)

May 31,	2018	2017
Liabilities:		
Noncurrent liabilities:		
Revenue bonds payable, less current portion	$ 513,835,000	$ 528,095,000
Drinking water loans payable	12,999,697	5,237,627
Net premiums and discounts from revenue bonds payable	63,871,269	56,451,133
Net pension liability	15,633,774	19,514,247
Net OPEB obligation	–	9,753
Total noncurrent liabilities	606,339,740	609,307,760
Current liabilities:		
Current maturities of bonds payable	17,125,000	15,900,000
Current maturities of drinking water loans payable	572,971	214,736
Accounts payable	3,676,319	3,321,076
Bond anticipation notes payable	18,109,105	8,400,000
Customer deposits and advances	1,173,699	1,115,297
Other accrued liabilities	7,494,351	7,289,924
Total current liabilities	48,151,445	36,241,033
Payable from restricted assets:		
Accounts payable for construction	1,991,210	2,955,577
Accrued interest payable	8,735,309	8,590,612
Customer deposits and advances	1,121,027	1,045,317
Total liabilities payable from restricted assets	11,847,546	12,591,506
Pollution remediation obligation	2,433,567	3,232,743
Total liabilities	668,772,298	661,373,042
Deferred Inflows of Resources:		
Deferred inflows related to pensions	4,415,699	5,273,773
Net Position:		
Net investment in capital assets	46,912,606	35,557,806
Restricted	106,321,023	104,414,096
Unrestricted	38,257,382	31,592,332
Total Net Position	$ 191,491,011	$ 171,564,234

The accompanying notes are an integral part of these financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

May 31,	2018	2017
Operating revenues:		
Water revenues:		
Residential and commercial	$ 92,667,917	$ 94,662,898
Industrial	1,802,916	2,204,516
Fire protection	10,915,978	10,779,284
Public authority	3,343,710	3,349,863
Wholesale	878,818	927,498
Other water revenues	3,419,826	3,835,795
Other revenue	7,835,990	7,576,390
Total operating revenues	120,865,155	123,336,244
Operating expenses:		
Operating and maintenance expense	52,241,375	52,156,459
Depreciation	22,335,102	21,249,019
Payments in lieu of taxes	7,947,013	7,801,958
Other water expenses	1,498,786	1,754,100
Cost of other revenue	2,370,753	2,284,038
Total operating expenses	86,393,029	85,245,574
Operating income	34,472,126	38,090,670
Nonoperating income (expense):		
Interest income	3,309,407	2,568,203
Gain (loss) on disposal of assets	(1,977,421)	548,667
Realized and unrealized gains on investments	(200,773)	(72,566)
Interest expense	(25,479,941)	(26,383,760)
Amortization of bond discount, premium, issuance cost and deferred losses	3,664,377	2,541,389
Intergovernmental revenue	1,054,031	1,167,850
Total nonoperating expense	(19,630,320)	(19,630,217)
Change in net position before capital contributions	14,841,806	18,460,453
Capital Contributions	5,084,971	2,390,296
Change in Net Position	19,926,777	20,850,749
Net Position – Beginning of Year	171,564,234	150,713,485
Net Position – End of Year	$ 191,491,011	$ 171,564,234

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

May 31,	2018	2017
Cash Flows from Operating Activities:		
Cash received from water sales	$ 109,046,494	$ 110,355,458
Cash received from other services	11,333,856	11,412,185
Cash paid to employees	(21,410,201)	(20,367,732)
Cash paid to suppliers for operations	(34,535,927)	(36,487,707)
Cash paid to suppliers for other services	(3,019,929)	(2,844,718)
Payments in lieu of taxes	(7,643,827)	(7,498,772)
Net cash provided by operating activities	53,770,466	54,568,714
Cash Flows from Investing Activities:		
Interest received	3,211,629	2,503,500
Sale of unrestricted investments	17,152	18,857
Purchase of restricted investments	(211,328,385)	(284,245,510)
Sale of restricted investments	206,109,617	268,812,729
Net cash provided by (used in) investing activities	(1,989,987)	(12,910,424)
Cash Flows from Capital and Related Financing Activities:		
Payments for utility plant	(45,275,893)	(29,401,536)
Proceeds from disposition of assets	360,746	1,025,960
Proceeds from issuance of bond anticipation notes	18,109,105	11,300,000
Proceeds from issuance of drinking water loans	7,588,218	1,878,486
Proceeds from issuance of revenue bonds	68,995,000	164,006,986
Premium on bond issuance	14,647,419	30,735,602
Principal payments on revenue bonds	(82,030,000)	(190,884,597)
Payments on drinking water loans	(292,097)	(26,078)
Payments on bond anticipation notes	(8,400,000)	(4,500,000)
Interest paid	(28,114,226)	(26,953,014)
Grant proceeds	1,449,196	735,959
Capital contributions, net of restricted deposit	3,980,114	1,917,521
Net cash used in capital and related financing activities	(48,982,418)	(40,164,711)
Net Increase in Cash and Cash Equivalents	2,798,061	1,493,579
Cash and Cash Equivalents – Beginning of Year	22,225,244	20,731,665
Cash and Cash Equivalents – End of Year	$ 25,023,305	$ 22,225,244

Statements of Cash Flows continued on next page

STATEMENTS OF CASH FLOWS (continued)

May 31,	2018	2017
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	$ 34,472,126	$ 38,090,670
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,335,102	21,249,019
Bad debt expense	552,182	409,305
Other	1,551,686	1,636,243
PILOT settlement	303,186	303,186
Change in:		
Accounts receivable and accrued water revenue	(621,247)	(1,818,828)
Materials and supplies	(69,769)	(35,241)
Prepaid expenses and other assets	143,210	23,456
OPEB asset	(42,774)	1,195
Regulatory assets	(1,017,039)	(810,228)
Deferred outflows of resources	933,545	58,638
Accounts payable	355,243	301,707
Pension liability	(3,880,473)	(9,827,512)
Deferred inflows of resources	(858,074)	5,191,976
Customer deposits and advances	58,402	250,227
Other accrued liabilities	(444,749)	(455,099)
Total adjustments	19,298,340	16,478,044
Net Cash Provided by Operating Activities	$ 53,770,466	$ 54,568,714

The accompanying notes are an integral part of these financial statements

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2018	2017
Assets:		
Cash and cash equivalents	$ 934,494	$ 1,622,071
Investments:		
U.S. Government securities	749,806	–
Mutual funds	51,734,651	46,283,346
Alternative investments	1,044,765	833,765
Total assets	54,463,716	48,739,182
Net Position:		
Restricted for Pension Benefits	$ 54,463,716	$ 48,739,182

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2018	2017
Additions:		
Contributions:		
Employer	$ 5,860,737	$ 7,176,418
Retirees	10,918	10,810
Other	22,116	134,166
Total contributions	5,893,771	7,321,394
Investment earnings:		
Net change in fair value of investments	1,966,451	3,585,284
Realized gain (loss) on sale of investments	162,163	(79,319)
Investment earnings and other income	1,900,118	1,326,633
Net investment earnings (loss)	4,028,732	4,832,598
Total additions	9,922,503	12,153,992
Deductions:		
Benefits	3,908,768	4,321,428
Expenses	289,201	237,944
Total deductions	4,197,969	4,559,372
Change in Net Position	5,724,534	7,594,620
Net Position – Beginning of Year	48,739,182	41,144,562
Net Position – End of Year	$ 54,463,716	$ 48,739,182

The accompanying notes are an integral part of these financial statements

STATEMENTS OF FIDUCIARY NET POSITION — RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND

May 31,	2018	2017
Assets:		
Cash and cash equivalents	$ 383,086	$ 156,668
Investments:		
Mutual funds	5,701,366	5,104,213
Total assets	6,804,454	5,260,881
Net Position:		
Restricted for Retiree Benefits	$ 6,084,454	$ 5,260,881

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

May 31,	2018	2017
Additions:		
Contributions:		
Employer	$ 2,289,292	$ 2,301,583
Retirees	187,448	167,152
Total contributions	2,476,740	2,468,735
Investment earnings:		
Net change in fair value of investments	212,439	362,061
Realized gain on sale of investments	20,026	2,611
Investment earnings and other income	209,501	136,933
Net investment earnings	441,966	501,605
Total additions	2,918,706	2,970,340
Deductions:		
Benefits	2,060,052	1,508,413
Expenses	35,081	28,696
Total deductions	2,095,133	1,537,109
Change in Net Position	823,573	1,433,231
Net Position – Beginning of Year	5,260,881	3,827,650
Net Position – End of Year	$ 6,084,454	$ 5,260,881

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

As of and for the Years Ended May 31, 2018 and 2017

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 twenty-one-member Representative Policy Board (RPB), which consists of a member from each of the twenty 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. The Watershed Fund is a separate legal entity from the Authority. It has been excluded from the Authority's financial statements due to the insignificance of its balances as compared with those of the Authority. Information regarding the Watershed Fund can be found in Note 6, *Watershed Fund*. Requests for complete financial statements for the Watershed Fund should be addressed in writing to President, The Watershed Fund, 90 Sargent Drive, New Haven, CT 06511.

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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

Regulatory Accounting Policies

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

As of May 31, 2018, regulatory assets include $4.8 million of bond issuance costs and $6.2 million of deferred charges, net of amortization. Included in the $6.2 million is $4.8 million associated with estimated environmental remediation costs in the town of Hamden and $1.4 million associated with a required system-wide leak study and deferred repair and remediation costs.

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

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

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

The estimated service lives of capital assets are as follows:

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

Goodwill

Goodwill is not amortized, but is reviewed for impairment at least annually by applying a fair value-based test. The Authority determined that for the years ended May 31, 2018 and 2017, no impairment of goodwill has occurred.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

Materials and Supplies

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The Authority reports a deferred charge on refunding and deferred outflows related to pension in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. These amounts are deferred and included in pension 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 plan (active employees and vested former employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions. A deferred inflow of resources related to pension can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earning, or other inputs. These amounts are deferred and included in pension 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 plan (active employees and vested former employees).

Restricted Assets

Pursuant to the Water System Revenue Bond Resolution, General Bond Resolution (the *General Bond Resolution*), the Authority maintains certain restricted assets, consisting principally of investments in U.S. Government and State of Connecticut obligations, which are carried at fair value. See Note 5, *Restricted Assets.*

Bonds Premiums and Discounts

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

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's 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.

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 services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accrued Water Revenue

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

Other Revenue

Other revenue includes revenue from the PipeSafe water, sewer and septic protection plans, laboratory testing services, fleet repairs, rental income and miscellaneous charges.

Capital Contributions

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

3. Deposits and Investments

The Authority's *General Bond Resolution* Section 404A requires Authority revenue to be processed daily and 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 overnight repurchase agreements and a treasury obligation sweep account for this purpose.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, $1,273,276 of the Authority's bank balance of $6,846,553 (of which $2,059,497 is associated with subordinate interim financing proceeds) was exposed to custodial credit risk as of May 31, 2018 as follows:

May 31,		2018
Uninsured and uncollateralized	$	1,081,557
Uninsured and collateral held by the pledging bank's trust department, not in the Authority's name		191,719
Total Amount Subject to Custodial Risk	$	1,273,276

Cash Equivalents

As of May 31, 2018 and 2017, the Authority's cash equivalents amounted to $98,394,794 and $90,634,707, respectively, and consisted of the State Short-Term Investment Fund (STIF), with a credit rating of AAAm by Standard & Poor's, United States Treasuries, cash portions of fiduciary funds held at custodial institutions and repurchase agreements.

Investments

As of May 31, 2018, 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	$ 749,805	$ 749,805	$ –	$ –
U.S. Government agencies	Aaa	$ 35,571,052	$ 1,918,430	$ 33,632,237	$ 20,385
Other investments:					
Mutual funds		57,436,016			
Hedge funds		1,044,765			
Total Investments		$ 94,801,638			

As of May 31, 2017, 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 agencies	Aaa	$ 31,437,132	$ 3,180,607	$ 28,178,344	$ 78,181
Other investments:					
Mutual funds		51,387,559			
Hedge funds		833,765			
Total Investments		$ 83,658,456			

Interest Rate Risk

The Authority typically limits its investment maturities to ten 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 has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments.

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, 2018, the Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or 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, 2018:

	May 31, 2018	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Government securities	$ 749,805	$ 749,805	$ –	$ –
U.S. Government agencies	$ 35,571,052	$ –	$ 35,571,052	$ –
Mutual funds	57,436,016	57,436,016	–	–
Total investments by fair value level	$ 93,756,873	$ 58,185,821	$ 35,571,052	$ –
Investments measured at the net asset value (NAV)				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	1,044,765			
Total Investments	$ 94,801,638			

The Authority has the following recurring fair value measurements as of May 31, 2017:

	May 31, 2017	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Government agencies	$ 31,437,132	$ –	$ 31,437,132	$ –
Mutual funds	51,387,559	51,387,559	–	–
Total investments by fair value level	$ 82,824,691	$ 51,387,559	$ 31,437,132	$ –
Investments measured at the net asset value (NAV)				
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	833,765			
Total Investments	$ 83,658,456			

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

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

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2018 is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$ 1,044,765	$ –	Quarterly	65 days
Total Investments Measured at NAV	$ 1,044,765	$ –		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2017 is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$ 833,765	$ 2,395	Quarterly	65 days
Total Investments Measured at NAV	$ 833,765	$ 2,395		

4. Capital Assets

The following is a summary of utility plant:

2018	June 1, 2017	Additions	Transfers	Adjustments and Retirements	May 31, 2018
Capital assets not being depreciated:					
Land	$ 27,766,264	$ –	$ –	$ (51)	$ 27,766,213
Construction work in progress	17,702,273	43,764,927	(51,761,237)	(1,139,530)	8,566,433
Total capital assets not being depreciated	45,468,537	43,764,927	(51,761,237)	(1,139,581)	36,332,646
Other capital assets:					
Source of supply	44,896,752	–	14,029,832	(223,300)	58,703,284
Pumping structures and equipment	38,538,014	–	274,563	(109,622)	38,702,955
Water treatment plant and equipment	189,278,334	–	6,094,139	(952,696)	194,419,777
Transmission and distribution	456,331,125	–	24,792,408	(4,757,764)	476,365,769
General plant	79,721,309	803,743	6,570,295	(3,486,843)	83,608,504
Total other capital assets	808,765,534	803,743	51,761,237	(9,530,225)	851,800,289
Less accumulated depreciation:					
Source of supply	12,862,160	692,278	–	(118,657)	13,435,781
Pumping structures and equipment	21,349,430	1,358,516	–	(71,559)	22,636,387
Water treatment plant and equipment	93,275,672	6,097,101	–	(624,354)	98,748,419
Transmission and distribution	123,077,627	7,762,351	–	(2,951,482)	127,888,496
General plant	52,188,466	6,424,856	–	(3,457,580)	55,155,742
Total accumulated depreciation	302,753,355	22,335,102	–	(7,223,632)	317,864,825
Total other capital assets – net	506,012,179	(21,531,359)	51,761,237	(2,306,593)	533,935,464
Utility Plant – Net	$ 551,480,716	$ 22,233,568	–	$ (3,446,174)	$ 570,268,110

2017		June 1, 2016		Additions		Transfers		Adjustments and Retirements		May 31, 2017
Capital assets not being depreciated:										
Land	$	27,993,947	$	–	$	–	$	(227,683)	$	27,766,264
Construction work in progress		16,410,056		30,213,963		(27,099,307)		(1,822,439)		17,702,273
Total capital assets not being depreciated		44,404,003		30,213,963		(27,099,307)		(2,050,122)		45,468,537
Other capital assets:										
Source of supply		41,507,193		–		3,548,893		(159,334)		44,896,752
Pumping structures and equipment		37,996,866		–		541,148		–		38,538,014
Water treatment plant and equipment		186,898,179		–		2,584,586		(204,431)		189,278,334
Transmission and distribution		442,739,270		–		14,892,707		(1,300,852)		456,331,125
General plant		74,615,736		749,667		5,531,973		(1,176,067)		79,721,309
Total other capital assets		783,757,244		749,667		27,099,307		(2,840,684)		808,765,534
Less accumulated depreciation:										
Source of supply		12,246,625		697,716		–		(62,181)		12,862,160
Pumping structures and equipment		19,987,821		1,361,609		–		–		21,349,430
Water treatment plant and equipment		87,467,059		5,954,936		–		(146,323)		93,275,672
Transmission and distribution		116,595,646		7,476,118		–		(994,137)		123,077,627
General plant		47,473,469		5,758,642		–		(1,043,645)		52,188,466
Total accumulated depreciation		283,770,620		21,249,021		–		(2,266,286)		302,753,355
Total other capital assets – net		499,986,624		(20,499,354)		27,099,307		(574,398)		506,012,179
Utility Plant – Net	$	544,390,627	$	9,714,609	$	–	$	(2,624,520)	$	551,480,716

During fiscal years 2018 and 2017, the Authority retired assets with accumulated depreciation totaling approximately $7.2 million and $2.3 million, respectively.

5. Restricted Assets

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

Construction

Bond proceeds and other amounts deposited in the Construction Fund may be applied only toward payment of the costs of water system capital projects upon submission of a requisition to the trustee.

Debt Service

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

Debt Reserve

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

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 have become due in that month.

Operating Reserve

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

Capital Contingency

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

Insurance Reserve

The *General Bond Resolution* requires the Authority both 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 property insurance and has coverage for general liability through a member-owned program of "captive" insurance.

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, 2018 and 2017, there is no outstanding variable rate debt; therefore no deposits were required.

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

The balances in the various funds as of May 31, 2018 and 2017, are as follows:

	2018	2017
Construction	$ 42,160,105	$ 34,580,344
Debt Reserve	18,027,188	16,841,990
Debt Service	27,462,322	26,208,953
Payments-in-Lieu-of-Taxes (PILOT)	3,746,765	3,963,911
Operating Reserve	9,631,309	9,541,839
Capital Contingency	5,848,956	5,686,937
Rate Stabilization	9,976,906	9,995,136
Other Purposes	5,869,912	11,120,992
Restricted Assets	$ 122,723,463	$ 117,940,102

The level of funds required by the *General Bond Resolution* was met on May 31, 2018 and 2017.

6. Watershed Fund

As discussed in Note 1, 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 employees 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. The most recent contribution to the Fund by the Authority was in 2000 for $452,000. The Watershed Fund had total net position (unrestricted and temporarily restricted) of $1,837,784 and $1,746,553 as of May 31, 2018 and 2017, respectively. The Authority donated goods and services to the Watershed Fund totaling $28,198 and $25,687 for the years ended May 31, 2018 and 2017, respectively.

As discussed in Note 1, the Watershed Fund has been excluded from the Authority's financial statements due to the insignificance of its balances as compared with those of the Authority.

7. 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.*

Activity in bonds payable for the years ended May 31, 2018 and 2017, was as follows:

2018	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 543,995,000	$ 68,995,000	$ (82,030,000)	$ 530,960,000	$ 17,125,000
Bond premium	56,451,255	14,647,419	(7,227,306)	63,871,368	–
Bond discount	(122)	–	25	(97)	–
Total Bonds Payable	$ 600,446,133	$ 83,642,419	$ (89,257,281)	$ 594,831,271	$ 17,125,000

2017	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 559,250,000	$ 164,385,000	$ (179,640,000)	$ 543,995,000	$ 15,900,000
Bond premium	32,240,545	30,735,602	(6,524,892)	56,451,255	–
Bond discount	(150,568)	–	150,446	(122)	–
Total Bonds Payable	$ 591,339,977	$ 195,120,602	$ (186,014,446)	$ 600,446,133	$ 15,900,000

Revenue bonds outstanding comprise the following:

2018	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2018
Twentieth A (Refunding bonds)	2007	2030	63,330,000	4.000%-5.250%	22,905,000
Twenty-second	2008	2038	77,965,000	4.250%-4.500%	5,720,000
Twenty-third	2008	2038	29,015,000	3.625%-3.750%	725,000
Twenty-fourth	2009	2039	33,730,000	4.000%	1,570,000
Twenty-fifth	2010	2023	11,455,000	3.125%-5.000%	3,130,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	3.000%-5.000%	3,540,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	3.000%-4.000%	60,870,000
Twenty-eighth A	2013	2043	31,690,000	2.000%-5.000%	28,235,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	3.000%-5.000%	42,220,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	44,880,000
Thirtieth A	2014	2044	30,270,000	3.000%-5.000%	28,810,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	15,325,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	10,350,000
Thirty-second A	2016	2035	17,270,000	2.000%-4.000%	16,915,000
Thirty-second B (Refunding bonds)	2016	2028	147,115,000	2.000%-5.000%	145,385,000
Thirty-third A	2018	2047	10,900,000	3.000%-5.000%	10,900,00
Thirty-third B-1 (Refunding bonds)	2017	2042	33,845,000	3.000%-5.000%	33,845,000
Thirty-third B-2 (Refunding bonds)	2018	2033	24,250,000	5.000%	24,250,000
					$ 530,960,000

2017	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2017
Eighteenth (Refunding and new money bonds)	2003	2033	$ 236,535,000	2.000%-5.250%	$ 30,000,000
Twentieth A (Refunding bonds)	2007	2030	63,330,000	4.000%-5.250%	22,905,000
Twenty-second	2008	2038	77,965,000	4.250%-4.500%	6,915,000
Twenty-third	2008	2038	29,015,000	3.625%-3.750%	1,420,000
Twenty-fourth	2009	2039	33,730,000	4.000%	2,310,000
Twenty-fifth	2010	2023	11,455,000	3.125%-5.000%	7,645,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	3.000%-5.000%	36,890,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	3.000%-4.000%	61,570,000
Twenty-eighth A	2013	2043	31,690,000	2.000%-5.000%	28,885,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	3.000%-5.000%	49,025,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	44,880,000
Thirtieth A	2014	2044	30,270,000	3.000%-5.000%	29,365,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	15,325,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	11,090,000
Thirty-second A	2016	2035	17,270,000	2.000%-4.000%	17,270,000
Thirty-second B (Refunding bonds)	2016	2028	147,115,000	2.000%-5.000%	147,115,000
					$ 543,995,000

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 6.6%. A 6.9% reduction was effective for the Authority's August 2017 payment and a 6.6% reduction was applicable to the February 2018 payment. The percent is subject to further change. The interest subsidy totaled $649,786 for the fiscal year ended May 31, 2018.

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

Fiscal Year Ending May 31	Principal	Interest
2019	17,125,000	25,131,502
2020	17,645,000	24,011,065
2021	18,385,000	23,171,906
2022	18,820,000	22,331,562
2023	19,690,000	21,462,393
2024-2028	113,840,000	91,917,323
2029-2033	141,115,000	61,707,779
2034-2038	119,330,000	29,010,691
2039-2043	54,880,000	6,958,995
2044-2048	10,130,000	611,750
Total	$ 530,960,000	$ 306,314,966

The following represents the more significant requirements of the *General Bond Resolution*:

Rate Covenants

The Authority shall have reasonable rates for each class of service and is required to establish rates and charges at levels sufficient to cover annual operating and maintenance expenses, PILOT, all debt service requirements, and any amounts necessary to meet reserve requirements established by the *General Bond Resolution*. In addition, collected revenues, less operating and maintenance expenses incurred, PILOT, and depreciation expense must equal 114% of annual debt service for fiscal years 2018 and 2017. 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 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, 2018 and 2017, the Authority was in compliance with the requirements of the *General Bond Resolution*.

Maintenance of Funds

The *General Bond Resolution* provides for the maintenance of certain funds as discussed in Note 5, which for financial reporting purposes are subparts of the Authority's overall enterprise fund. All revenues (as defined and governed by the *General Bond Resolution*) collected by the Authority are deposited into the Revenue Fund and applied first to the payment of operating expenses, as defined, and then deposited to restricted funds required to be maintained by the *General Bond Resolution*. Funds remaining in the Revenue Fund at the end of the year, after the above requirements are met, are to be transferred to the General Fund, which is available to the Authority for any lawful purpose of the Authority. In June 2018, the Authority authorized approximately $12.7 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $10.8 million to be transferred from the General Fund to the Construction Fund and $1.5 million to be transferred to the Growth Fund.

8. Drinking Water Loans Payable

The Authority participates in the State of Connecticut's Drinking Water (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. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*. Permanent loan obligations mature as follows:

Fiscal Year Ending May 31		Principal		Interest
2019	$	572,971	$	263,611
2020		590,227		254,603
2021		602,140		242,690
2022		614,294		230,536
2023		626,693		218,137
2024-2028		3,328,391		895,760
2029-2033		3,678,134		546,016
2034-2038		3,551,510		164,473
2039-2043		8,308		21
Total	$	13,572,668	$	2,815,847

9. Bond Anticipation Notes Payable

Bond Anticipation Notes were issued in January 2018 to temporarily finance a capital project in advance of the issuance of the authority issuing Water System Revenue Bonds. The notes mature in January 2019. The Series A Note was issued in the amount of $10,000,000 and bears an interest rate of 2.315%. The Series B Note was issued as a $5,000,000 draw-down note with a variable interest rate, and had a balance of $3,909,105 as of May 31, 2018. These notes are subordinate to the Water System Revenue Bonds.

A bond anticipation note totaling $4,200,000 was issued on February 23, 2018 to temporarily finance a capital project in advance of long-term DWSRF financing. The note matures on August 23, 2018 and bears an interest rate of 2.446%, and is subordinate to the Water System Revenue Bonds. Also, on February 23, 2018, a bond anticipation note maturing on March 14, 2018 totaling $8,400,000 was paid off.

Bond anticipation note transactions for the year ended May 31, 2018 were as follows:

Outstanding, May 31, 2017	$	8,400,000
New borrowings		18,109,105
Repayments		(8,400,000)
Outstanding, May 31, 2018	$	18,109,105

10. Defeasance Of Long-Term Debt

On June 29, 2016, the Authority issued $147,115,000 (par value) of Water System Revenue Bonds, Thirty-second Series B, to refund the outstanding principal amounts of $164,195,000 of certain maturities of the Authority's Twentieth A, Twenty-first, Twenty-second, Twenty-third and Twenty-fourth Series Water System Revenue Bonds (the Refunded Bonds). The Authority deposited proceeds of the refunding portion of the Thirty-second Series Bonds and certain other cash amounts in escrow with the trustee and invested in in U.S. Government securities such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority affected a legal defeasance under the terms of its *General Bond Resolution*, and the Refunded Bonds will not be considered as outstanding for any purpose. Accordingly, the Refunded Bonds are considered extinguished, and the investment securities and Refunded Bonds do not appear on the Authority's statements of net position. As of May 31, 2018, the remaining principal of the defeased debt was $120,345,000. The balance in escrow for the refunding issuance was $123,810,863 at May 31, 2018.

On December 19, 2017, the Authority issued $33,845,000 (par value) of Water System Revenue Bonds, Thirty-third Series B-1, to refund the outstanding principal amounts of $36,130,000 of certain maturities of the Authority's Twenty-fifth and Twenty-sixth Series Water System Revenue Bonds (the Refunded Bonds). The refunding will reduce total debt service payments over the next 24 years by $5,633,788 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $4,350,270. The Authority deposited proceeds of the refunding portion of the Thirty-third Series B-1 Bonds and certain other cash amounts in escrow with the trustee and invested in Government securities such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority affected a legal defeasance under the terms of its *General Bond Resolution*, and the Refunded Bonds will not be considered as outstanding for any purpose. Accordingly, the Refunded Bonds are considered extinguished, and the investment securities and Refunded Bonds do not appear on the Authority's statements of net position. As of May 31, 2018, the remaining principal of the defeased debt was $36,130,000. The balance in escrow for the refunding issuance was $39,061,331 at May 31, 2018.

On January 3, 2018, the Authority issued $24,250,000 (par value) of Water System Revenue Bonds, Thirty-third Series B-2, to refund the outstanding principal amounts of $30,000,000 of certain maturities of the Authority's

Eighteenth Series B Water System Revenue Bonds (the Refunded Bonds). The refunding will reduce total debt service payments over the next 15 years by $10,510,582 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $8,206,078. The Authority deposited proceeds of the refunding portion of the Thirty-third Series B-1 Bonds and certain other cash amounts in escrow with the trustee. The entire principal was paid on April 1, 2018.

11. Leases

Capital Leases

The Authority has entered into a lease agreement as lessee for financing the acquisition of fleet management equipment. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The gross amount of the asset acquired under the capital lease is shown below.

	2018
Equipment	$ 91,684
Less accumulated depreciation	(29,033)
	$ 62,651

Future minimum lease payments and the net present value of the minimum lease payments as of May 31, 2018 were as follows:

Year Ending May 31	
2019	$ 19,101
Capital Lease Obligation	$ 19,101

The capital lease obligation is included in the accompanying statements of net position in other accrued liabilities.

Operating Leases

The Authority has entered into operating leases involving certain equipment and IT infrastructure support. At May 31, 2018, there is no minimum annual future rental commitment under operating leases that have initial or remaining noncancelable lease terms in excess of one year. Rent expense for the years ended May 31, 2018 and 2017, was $102,157 and $75,190, respectively.

The Authority executed coterminous 56-month agreements in May 2018 for hosting and network support for the SAP system. Based on the contract terms, if the agreements were cancelled as of May 31, 2018 the termination fee would be $355,523.

12. Pollution Remediation Obligation – Newhall Street Property, Hamden

In July 2001, the Connecticut Department of Energy & Environmental Protection (DEEP) issued Order No. SRD-128 to the Authority, the Olin Corporation, the Town of Hamden and the State of Connecticut Board of Education to investigate and remediate certain environmental conditions and to conduct a public participation program with respect to a number of properties, including the former Hamden Middle School property, in the Newhall Street area of Hamden. Subsequently, the parties and DEEP conducted investigations of the areas subject to the order and negotiated a Consent Order dated April 16, 2003. Under the Consent Order, the Authority is required to investigate and remediate areas identified as the former Hamden Middle School and associated athletic field, a portion of the former Newhall Community Center and two residential properties owned by the Hamden Housing Authority (Consent Order Area).

VOC and PCB Focused Remediation

The Authority submitted Focused Remedial Plans (FRPs) to address isolated "hotspots" of polychlorinated biphenyls (PCBs) and volatile organic compounds (VOCs) on the site in 2007 and 2009, respectively. In July 2013, the Authority submitted a report to DEEP stating that compliance with DEEP remediation standards for the VOC hotspot on the HMS site could be demonstrated through a combination of statistical methods and land use restrictions, and that active remediation of the VOC hotspot, as outlined in the 2009 VOC FRP plan, is not necessary. DEEP, in a September 2013 letter, concurred with this conclusion. Therefore, no remediation of the VOC hotspot will be required. Also in July 2013, the Authority submitted a revised PCB FRP to DEEP, which was approved in September 2013. PCB remediation was completed in fiscal year 2014. A final report summarizing the remediation was submitted to the DEEP in June 2014.

Alternative Cleanup Criteria Submittal

In June 2014, the Authority submitted a formal request to DEEP for consideration of alternative site-wide cleanup criteria to clarify and simplify site remediation requirements. DEEP approved this request in letters dated June 27, 2014 and July 28, 2014, and by virtue of accepting the Remediation Action Plan (RAP) for the former Newhall Community Center, approved in January 2015, as described below.

Hamden Economic Development Corporation

In December 2013, the Hamden Economic Development Corporation (HEDC) took title to a portion of the property assigned to the Authority in the Consent Order known as the former Newhall Community Center from the Town of Hamden. HEDC is developing the site for a small business incubator and will be renovating the building and creating paved parking. In August 2014, the RWA submitted a RAP to remediate this portion of the Consent Order Area in accordance with DEEP's Remediation Standards Regulations. DEEP approved the RAP in January 2015. Physical remediation of the HEDC property was subsequently completed in May 2015. A status report summarizing the remediation action was filed with DEEP in June 2015. Following completion of pending site redevelopment by HEDC, the Authority will record an Environmental Land Use Restriction (ELUR) on the town land records and file a final remediation action report with DEEP.

Status of Site-Wide Remediation

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

Full implementation of the above remedial actions will result in contaminated soils on the site being rendered "inaccessible," as defined in Connecticut's Remediation Standards Regulations (RSRs), utilizing existing buildings and pavement, or covering with a minimum four feet of clean fill. Following completion of site remedial actions, ELURs will be recorded on the Town of Hamden's land records to demonstrate compliance with the RSRs and to ensure that future site users can identify the nature and physical boundaries of contaminants legally buried in place at concentrations above the RSRs.

The Authority believes that the estimated present value of future outlays for which the Authority is responsible under the Consent Order is coverable as part of its multi-year Capital Improvement Program.

The Authority recognized a pollution remediation remaining obligation of $2.0 million as of December 31, 2002 based on information available at that time and continues to update the estimated cost of remediation. At the end of fiscal 2016 the estimated cost was $3.1 million. In fiscal 2017, the estimate of the cost to remediate was increased by $1.1 million to $4.2 million. The $4.2 million less the amount of costs already incurred against the obligation resulted in a provision of $3.2 million as of May 31, 2017. In fiscal 2018, approximately $.6 million of additional costs were incurred, and the estimate of $4.2 million was revised slightly downward by $150,000. Therefore, as of May 31, 2018, the recorded provision for the remaining obligation was $2.4 million.

As the remediation costs are to be recovered through future rates, $4.8 million in incurred costs and future estimated remediation costs, net of amortization through May 31, 2018, have been recognized as a regulatory asset.

13. HazWaste Central

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

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

14. Commitments and Contingencies

In the opinion of the Authority and its legal counsel, various legal matters in which the Authority is currently involved will not materially affect the Authority's financial position.

Litigation

A number of claims and suits are pending against the Authority for alleged damages to persons and properties and for other alleged liabilities arising out of its operations. The probable outcome of such matters cannot be determined at this time; however, in the opinion of management, any ultimate liability that may arise from these actions is not expected to materially affect the Authority's financial position.

Capital Commitments

As of May 31, 2018, the Authority has capital expenditures of approximately $.8 million associated with ongoing projects under binding contracts. In addition, as of May 31, 2018, the Authority has approximately $10.2 million projected remaining capital expenditures associated with a multi-year capital project, under two cancellable binding agreements.

Risk Management

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

Letter of Credit

The Authority has available to them a $3,082,607 letter of credit for the benefit of a financial institution.

Self-Insurance

The Authority administers a program of self-insurance for certain medical and dental claims and provides for losses by charging operating expense as liabilities are incurred. The Authority records a liability, in 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, 2018 and 2017, were as follows:

2018	June 1, 2017	Claims and Expenses Paid	Additional Reserves	May 31, 2018
Medical and dental claims	$ 467,700	$ (4,812,355)	$ 4,829,655	$ 485,000
Insurance reserve for "captive" (October 1, 2000 - present)	2,645,249	(529,962)	707,386	2,822,673
Insurance reserve (pre October 1, 2000)	130,000	(55,488)	55,488	130,000
Total Liability	$ 3,242,949	$ (5,397,805)	$ 5,592,529	$ 3,437,673

2017	June 1, 2016	Claims and Expenses Paid	Additional Reserves	May 31, 2017
Medical and dental claims	$ 348,950	$ (5,398,853)	$ 5,517,603	$ 467,700
Insurance reserve for "captive" (October 1, 2000 - present)	2,765,327	(714,982)	594,904	2,645,249
Insurance reserve (pre October 1, 2000)	130,000	(89,766)	89,766	130,000
Total Liability	$ 3,244,277	$ (6,203,601)	$ 6,202,273	$ 3,242,949

15. 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 consist of all five members of the Five-Member Authority. As of May 31, 2018, the Vice President, Employee Services, Executive Vice President and Chief Financial Officer and the Vice President of Finance and Controller are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

At January 1, 2018, which is the date of the latest actuarial valuation, membership consisted of the following:

	Salaried Plan	Bargaining Unit Plan
Retirees, disabled and beneficiaries currently receiving benefits	154	112
Vested terminated members entitled to but not yet receiving benefits	70	36
Current active members	97	100
Total members	321	248

Both plans have been closed to new entrants. The salaried plan was closed to new entrants as of January 1, 2011, and the bargaining unit plan was closed to new entrants as of April 15, 2010.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

Valuation of Investments

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

Funding Policy

The Authority contributes, at a minimum, the actuarially determined rate. For the year ended May 31, 2018, the Authority contributed approximately $2.1 million in excess of the actuarial required contribution, and for the year ended May 31, 2017, the Authority contributed approximately $2.0 million in excess of the required contribution.

The individual plan net position at May 31, 2018 and 2017, and changes in net position for the years then ended are as follows:

2018 Fiduciary Net Position		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Assets:						
Cash and cash equivalents	$	637,069	$	297,425	$	934,494
Investments:						
U.S. Government securities		749,806		–		749,806
Mutual Funds		30,787,241		20,947,410		51,734,651
Alternative investments		625,347		419,418		1,044,765
Total assets		32,799,463		21,664,253		54,463,716
Net Position:						
Restricted for Pension Benefits	$	32,799,463	$	21,664,253	$	54,463,716

		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Additions:						
Contributions:						
Employer	$	4,341,521	$	1,519,216	$	5,860,737
Employees		10,918		–		10,918
Other		11,846		10,270		22,116
Total contributions		4,364,285		1,529,486		5,893,771
Investment earnings:						
Net change in fair value of investments		1,168,851		797,600		1,966,451
Realized gain on sale of investments		76,015		86,148		162,163
Investment earnings and other income		1,127,355		772,763		1,900,118
Net investment earnings		2,372,221		1,656,511		4,028,732
Total additions		6,736,506		3,185,997		9,922,503
Deductions:						
Benefits		2,462,467		1,446,301		3,908,768
Expenses		165,402		123,799		289,201
Total deductions		2,627,869		1,570,100		4,197,969
Change in Net Position		4,108,637		1,615,897		5,724,534
Net Position – Beginning of Year		28,690,826		20,048,356		48,739,182
Net Position – End of Year	$	32,799,463	$	21,664,253	$	54,463,716

2017 Fiduciary Net Position		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Assets:						
Cash and cash equivalents	$	1,038,505	$	583,566	$	1,622,071
Investments:						
Mutual Funds		27,168,200		19,115,146		46,283,346
Alternative investments		484,121		349,644		833,765
Total assets		28,690,826		20,048,356		48,739,182
Net Position:						
Restricted for Pension Benefits	$	28,690,826	$	20,048,356	$	48,739,182

		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Additions:						
Contributions:						
Employer	$	5,001,252	$	2,175,166	$	7,176,418
Employees		10,810		–		10,810
Other		87,206		46,960		134,166
Total contributions		5,099,268		2,222,126		7,321,394
Investment earnings:						
Net change in fair value of investments		2,086,037		1,499,248		3,585,285
Realized loss on sale of investments		(46,099)		(33,220)		(79,319)
Investment earnings and other income		770,974		555,658		1,326,632
Net investment earnings		2,810,912		2,021,686		4,832,598
Total additions		7,910,180		4,243,812		12,153,992
Deductions:						
Benefits		2,992,794		1,328,634		4,321,428
Expenses		136,687		101,257		237,944
Total deductions		3,129,481		1,429,891		4,559,372
Change in Net Position		4,780,699		2,813,921		7,594,620
Net Position – Beginning of Year		23,910,126		17,234,436		41,144,562
Net Position – End of Year	$	28,690,825	$	20,048,357	$	48,739,182

Investments

The Five-Member Authority determines the asset allocation target 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, 2018 and 2017, the target allocations were 55% for equities, 27% for fixed income and 18% for alternative investments.

2018 Asset Class	Target Allocation
Fixed Income	27%
U.S. Equity	38
Global	4
International Equity	13
Alternative/Hedge/Balanced	18
Total	100%

2017 Asset Class	Target Allocation
Fixed Income	27%
U.S. Equity	38
Global	4
International Equity	13
Alternative/Hedge/Balanced	18
Total	100%

The asset allocation targets for the years ended May 31, 2018 and 2017, were approved by the Five-Member Authority at the February 18, 2016 meeting. Effective January 29, 2018 the Five-Member Authority authorized revised ranges for the asset categories.

Rate of Return

For the year ended May 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.03% for the salaried plan and 8.32% for the bargaining unit plan. For the year ended May 31, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 11.29% for the salaried plan and 11.47% for the bargaining unit plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Authority

The components of the net pension liability of the Authority at May 31, 2018 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 44,277,048	$ 25,820,442
Plan fiduciary net position	32,799,463	21,664,253
Net Pension Liability	$ 11,477,585	$ 4,156,189
Plan fiduciary net position as a percentage of the total pension liability	74.08%	83.90%

The components of the net pension liability of the Authority at May 31, 2017 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 43,103,145	$ 25,150,284
Plan fiduciary net position	28,690,826	20,048,356
Net Pension Liability	$ 14,412,319	$ 5,101,928
Plan fiduciary net position as a percentage of the total pension liability	66.56%	79.71%

Actuarial Assumptions

The total pension liability as of May 31, 2018 was determined by an actuarial valuation as of January 1, 2018 rolled forward to May 31, 2018, 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	7.00%, net of pension plan investment expense, including inflation	6.97%, net of pension plan investment expense, including inflation

The total pension liability as of May 31, 2017 was determined by an actuarial valuation as of January 1, 2017 rolled forward to May 31, 2017, 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	7.00%, net of pension plan investment expense, including inflation	6.95%, net of pension plan investment expense, including inflation

Mortality rates for the year ended May 31, 2018 for the Salaried Plan were based on the RP 2014 White Collar and RP 2014 White Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2017 projection scale. Mortality rates for the Bargaining Unit Plan were based on the RP 2014 Blue Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2017 projection scale.

Mortality rates for the year ended May 31, 2017 for the Salaried Plan were based on the RP 2014 White Collar and RP 2014 White Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 projection scale. Mortality rates for the Bargaining Unit Plan were based on the RP 2014 Blue Collar Mortality for Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 projection scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of May 31, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	4.8%
U.S. Equity	9.2
Global	9.2
International Equity	9.2
Alternative/Hedge/Balanced	6.4

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3.0%
U.S. Equity	10.0
Global	10.0
International Equity	10.0
Alternative/Hedge/Balanced	7.0

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2018 for the salaried plan was 7.00% and for the bargaining unit plan 6.97%. The discount rate used to measure the total pension liability as of May 31, 2017 for the salaried plan was 7.00% and for the bargaining unit plan 6.95%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2018 and 2017, the Authority contributed above the actuarial required contribution. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

2018 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2017	$ 43,103,145	$ 28,690,826	$ 14,412,319
Changes for the year:			
Service cost	$ 748,940	–	$ 748,940
Interest on total pension liability	2,925,239	–	2,925,239
Differences between expected and actual experience	166,471	–	166,471
Changes in assumptions	(204,280)	–	(204,280)
Changes in benefit terms	–	–	–
Employer contributions	–	4,341,521	(4,341,521)
Member contributions	–	10,918	(10,918)
Net investment gain	–	2,372,221	(2,372,221)
Benefit payments, including refund to employee contributions	(2,462,467)	(2,462,467)	–
Administrative expenses	–	(165,402)	165,402
Other	–	11,846	(11,846)
Net changes	1,173,903	4,108,637	(2,934,734)
Balances as of May 31, 2018	$ 44,277,048	$ 32,799,463	$ 11,477,585

2018 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2017	$ 25,150,284	$ 20,048,356	$ 5,101,928
Changes for the year:			
Service cost	$ 143,110	–	$ 143,110
Interest on total pension liability	1,695,294	–	1,695,294
Differences between expected and actual experience	520,588	–	520,588
Changes in assumptions	(242,533)	–	(242,533)
Changes in benefit terms	–	–	–
Employer contributions	–	1,519,216	(1,519,216)
Net investment gain	–	1,656,511	(1,656,511)
Benefit payments, including refund to employee contributions	(1,446,301)	(1,446,301)	–
Administrative expenses	–	(123,799)	123,799
Other	–	10,270	(10,270)
Net changes	670,158	1,615,897	(945,739)
Balances as of May 31, 2018	$ 25,820,442	$ 21,664,253	$ 4,156,189

2017 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2016	$ 43,842,318	$ 23,910,126	$ 19,932,192
Changes for the year:			
Service cost	$ 656,669	–	$ 656,669
Interest on total pension liability	2,930,761	–	2,930,761
Differences between expected and actual experience	979,655	–	979,655
Changes in assumptions	(2,323,594)	–	(2,323,594)
Changes in benefit terms	10,131	–	10,131
Employer contributions	–	5,001,252	(5,001,252)
Member contributions	–	10,810	(10,810)
Net investment loss	–	2,810,914	(2,810,914)
Benefit payments, including refund to employee contributions	(2,992,795)	(2,992,795)	–
Administrative expenses	–	(136,687)	136,687
Other	–	87,206	(87,206)
Net changes	(739,173)	4,780,700	(5,519,873)
Balances as of May 31, 2017	$ 43,103,145	$ 28,690,826	$ 14,412,319

2017 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 1, 2016	$ 26,644,003	$ 17,234,436	$ 9,409,567
Changes for the year:			
Service cost	$ 155,949	–	$ 155,949
Interest on total pension liability	1,799,197	–	1,799,197
Differences between expected and actual experience	406,966	–	406,966
Changes in assumptions	(2,619,404)	–	(2,610,404)
Changes in benefit terms	83,206	–	83,206
Employer contributions	–	2,175,166	(2,175,166)
Net investment loss	–	2,021,684	(2,021,684)
Benefit payments, including refund to employee contributions	(1,328,633)	(1,328,633)	–
Administrative expenses	–	(101,257)	101,257
Other	–	46,960	(46,960)
Net changes	(1,493,719)	2,813,920	(4,307,639)
Balances as of May 31, 2017	$ 25,150,284	$ 20,048,356	$ 5,101,928

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, 2018, calculated using the discount rate of 7.00% for the salaried plan and 6.97% 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 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan	$ 15,725,861	$ 11,477,585	$ 7,809,515

	1% Decrease (5.97%)	Current Discount Rate (6.97%)	1% Increase (7.97%)
Bargaining Unit Plan	$ 7,049,302	$ 4,156,189	$ 1,700,061

The following presents the net pension liability of the Authority for the year ended May 31, 2017, calculated using the discount rate of 7.00% for the salaried plan and 6.95% 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 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan	$ 18,599,407	$ 14,412,319	$ 10,804,815

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Bargaining Unit Plan	$ 8,042,163	$ 5,101,928	$ 2,616,150

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

For the year ended May 31, 2018 and 2017, the Authority recognized pension expense of $2,055,644 and $2,599,520, respectively. At May 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

2018	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 661,688	$ 601,726	$ 1,263,414
Changes of assumptions	67,134	63,958	131,092
Difference between projected and actual earning on pension plan investments	810,868	578,346	1,389,214
Total	$ 1,539,690	$ 1,244,030	$ 2,783,720

2018	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 23,411	$ 23,411
Changes of assumptions	1,240,942	1,531,385	2,772,327
Difference between projected and actual earning on pension plan investments	935,043	684,918	1,619,961
Total	$ 2,175,985	$ 2,239,714	$ 4,415,699

2017	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 971,340	$ 308,641	$ 1,279,981
Changes of assumptions	209,670	143,704	353,374
Net difference between projected and actual earning on pension plan investments	1,216,301	867,518	2,083,819
Total	$ 2,397,311	$ 1,319,863	$ 3,717,174

2017	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 52,604	$ 52,604
Changes of assumptions	1,708,398	1,979,719	3,688,117
Net difference between projected and actual earning on pension plan investments	895,020	638,032	1,533,052
Total	$ 2,603,418	$ 2,670,355	$ 5,273,773

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

Year Ended May 31, 2018		
2019	$	(447,783)
2020		(556,497)
2021		(512,224)
2022		(115,475)
Thereafter		–
	$	(1,631,979)

16. Voluntary Investment Plan

The Authority maintains a voluntary investment plan (a defined contribution 401(k) plan) covering eligible salaried employees. Salaried employees hired after January 1, 2011 receive an Authority contribution of 4.5% of their pay after six months of service. Salaried employees are not required to contribute in order to receive a match. Authority contributions vest immediately. Effective January 1, 1997, eligible bargaining unit employees were allowed to participate in the voluntary investment plan. Bargaining unit employees hired after April 15, 2010 and before April 15, 2014 receive an Authority contribution of 3.5% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014 receive an Authority contribution of 3.5% of their pay after six months of employment under the following vesting schedule: 50% after three years of service, 75% after four years of service, and 100% after five years of service. Contributions to the plan for the years ended May 31, 2018 and 2017, were as follows:

	2018	2017
Employer contributions	$ 761,944	$ 708,304
Employee contributions	1,601,936	1,489,871

17. Other Post-Employment Benefits – Retiree Health Care

Plan Description

The Authority's other post-employment benefits (OPEB) include health benefits to retirees and qualifying dependents as well as a death benefit of $12,000 and increasing 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. Death benefits are funded on a pay-as-you-go basis. Eligibility is stated in the funding policy section below.

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

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

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

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

At January 1, 2018 plan membership consisted of the following:

	Retiree Health Plan
Retired members	166
Spouses of retired members	82
Active plan members	175
Members death benefits only	95
Total participants	518

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

Funding Policy

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

Union employees and spouses:

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

Nonunion employees and spouses:

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

The Authority's cash contribution to the trust was $2,289,292 for the fiscal year ended May 31, 2018. 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 ranges and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. The Five-Member Authority authorized the following associated ranges on April 19, 2018:

Asset Class	Target Allocation
Fixed Income	27%
Equities	55
Alternatives/Hedge/Balanced	18
Total	100%

Rate of Return

As of May 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.11%. 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.

Net OPEB Liability of the Authority

During the year, the Authority implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The components of the net OPEB liability of the Authority at May 31, 2018, were as follows:

Total OPEB liability	$	29,736,480
Plan fiduciary net position		6,084,454
Net OPEB liability	$	23,652,026
Plan fiduciary net position as a percentage of the total OPEB liability		20.46%

Actuarial Assumptions

The total OPEB liability for May 31, 2018 was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Investment rate of return	7.00%, net of OPEB plan investment expense
Healthcare cost trend rates	7.50% per year graded down using the Getzen Model to an ultimate rate of 3.84% per year

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant with Scale MP-2017 generational improvements from 2006 (Male/Female).

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, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.80%
Global Equities	9.20
Alternatives/Hedge/Balanced	6.40

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0% for the year ended May 31, 2018. 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.

The discount rate of 7.0% is the same as of May 31, 2018 and as of May 31, 2017.

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 25,952,422	$ 23,652,026	$ 21,610,099

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 2.84%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.84%)	1% Increase (8.5% decreasing to 4.84%)
Net OPEB Liability	$ 21,366,590	$ 23,652,026	$ 26,255,193

Annual OPEB Cost and Net OPEB Obligations

The Authority's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The ARC is determined using the 30-year closed amortization beginning June 1, 2008. As of the January 1, 2018 valuation, the amortization period for 2018 is 20 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan and changes in the Authority's net OPEB obligation:

	2018	2017
Annual required contribution (ARC)	$ 2,509,764	$ 2,486,586
Interest on net OPEB obligation	683	599
Adjustment to annual required contribution	(900)	(774)
Annual OPEB cost	2,509,547	2,486,411
Contributions made	(2,289,292)	(2,301,583)
Allocations for Implicit Rate Subsidy	(263,029)	(183,633)
Change in net OPEB obligation	(42,774)	1,195
Net OPEB obligation (asset), beginning of year	9,753	8,558
Net OPEB Obligation, End of Year	$ (33,021)	$ 9,753

Three-Year Trend Information

The Authority's annual OPEB cost (AOC), the percentage of annual OPEB cost contributed to the plan and the net OPEB asset for each of the last three fiscal years are presented below:

Year Ended	Annual OPEB Cost	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
5/31/2018	$ 2,509,547	101.7%	$ (33,021)
5/31/2017	2,486,411	100.0%	9,753
5/31/2016	2,506,924	99.1%	8,558

The AOC represents the annual required contribution adjusted for interest and other actuarial adjustments.

Actuarial Valuations

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

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

In the January 1, 2018 actuarial valuation, the frozen entry age normal actuarial funding method was used with a health care cost trend of 7.5% graded down by the Getzen Model to an ultimate rate of 3.84% annually and a discount rate of 7.0%.

Funded Status

As of January 1, 2018, the most recent actuarial valuation date, the plan was 19.6% funded. The actuarial accrued liability for benefits was $30,298,232, and the actuarial value of assets was $5,925,435, resulting in an unfunded actuarial accrued liability (UAAL) of $24,372,797. The covered payroll is not relevant to this plan. Funded status as of May 31, 2018 is noted above.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

18. Subsequent Events

In June 2018, the Authority entered into an agreement with a Connecticut-based aquaponics company. Aquaponics systems combine aquaculture, the raising of aquatic animals such as fish, with hydroponics, the growing of plants in water, in a symbiotic climate controlled environment.

Under the agreement, as of June 29, 2018, the Authority provided a $500,000 loan and recorded a long-term note receivable. This loan has a 48-month term with interest compounded annually. Under the executed agreement, the loan is convertible to equity, under specified terms.

Pending the approval of the Authority's Representative Policy Board and Five-Member Authority, the Authority can lend to the aquaponics company up to an additional $1.5 million in one or more increments, subject to it meeting certain performance criteria. Such additional loans would also be convertible to equity.

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

On August 21, 2018, the Authority closed on an additional DWSRF project loan obligation of $3,258,240 at 2% interest with a 20-year maturity. Associated with this financing, the Authority received a grant of $300,000.

On August 23, 2018, proceeds from the above-mentioned DWSRF project loan obligation and grant, less proceeds used for reserve requirements and cost of issuance, were used, along with other available funds, to pay a maturing $4,200,000 bond anticipation note.

In addition, on August 23, 2018, a bond anticipation note payable of $5,000,000 at 2.662% interest was issued to temporarily finance a capital project. This short-term note is in advance of long-term financing. This note payable is subordinate to the Authority's Water System Revenue Bonds.

19. Future Governmental Accounting Standards Board (GASB) Statements

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

GASB Statement No. 75 - OPEB Accounting for Employers and Nonemployer Contributing Entities

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers and quasi-government organizations. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

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

SALARIED PLAN	2015	2016	2017	2018
Total pension liability:				
Service cost	$ 675,452	$ 681,501	$ 656,669	$ 748,940
Interest	2,611,307	2,930,309	2,930,761	2,925,239
Differences between expected and actual experience	714,740	592,405	979,655	166,471
Changes in assumptions	3 ,703,809	494,742	(2,323,594)	(204,280)
Changes in benefit terms	–	–	10,131	–
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)
Net change in total pension liability	5,608,836	1,991,336	(739,173)	1,173,903
Total pension liability – beginning	36,242,146	41,850,982	43,842,318	43,103,145
Total pension liability – ending	41,850,982	43,842,318	43,103,145	44,277,048
Plan fiduciary net position:				
Contributions – employer	2,689,635	4,385,524	5,001,252	4,341,521
Contributions – member	15,624	14,693	10,810	10,918
Net investment income (loss)	712,038	(287,080)	2,810,914	2,372,221
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)
Administrative expense	(30,552)	(133,601)	(136,687)	(165,402)
Other	–	(61,573)	87,206	11,846
Net change in plan fiduciary net position	1,290,273	1,210,342	4,780,700	4,108,637
Plan fiduciary net position – beginning	21,409,511	22,699,784	23,910,126	28,690,826
Plan fiduciary net position – ending	22,699,784	23,910,126	28,690,826	32,799,463
Net Pension Liability – Ending	$ 19,151,198	$ 19,932,192	$ 14,412,319	$ 11,477,585
Plan fiduciary net position as a percentage of the total pension liability	54.24%	54.54%	66.56%	74.08%
Covered-employee payroll	$ 8,692,467	$ 8,590,395	$ 9,290,589	$ 9,475,823
Net pension liability as a percentage of covered-employee payroll	220.32%	232.03%	155.13%	121.12%

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

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

BARGAINING UNIT PLAN	2015	2016	2017	2018
Total pension liability:				
Service cost	$ 171,017	$ 166,226	$ 155,949	$ 143,110
Interest	1,718,773	1,802,098	1,799,197	1,695,294
Differences between expected and actual experience	(311,677)	(110,990)	406,966	520,588
Changes of assumptions	1,292,075	303,196	(2,610,404)	(242,533)
Changes in benefits	–	120,432	83,206	–
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)
Net change in total pension liability	1,766,519	1,068,737	(1,493,719)	670,158
Total pension liability – beginning	23,808,747	25,575,266	26,644,003	25,150,284
Total pension liability – ending	25,575,266	26,644,003	25,150,284	25,820,442
Plan fiduciary net position:				
Contributions – employer	1,708,765	2,212,476	2,175,166	1,519,216
Net investment income (loss)	374,669	(198,733)	2,021,684	1,656,511
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)
Administrative expense	(23,872)	(98,084)	(101,257)	(123,799)
Other	–	(24,768)	46,960	10,270
Net change in plan fiduciary net position	955,893	678,666	2,813,920	1,615,897
Plan fiduciary net position – beginning	15,599,877	16,555,770	17,234,436	20,048,356
Plan fiduciary net position – ending	16,555,770	17,234,436	20,048,356	21,664,253
Net Pension Liability – Ending	$ 9,019,496	$ 9,409,567	$ 5,101,928	$ 4,156,189
Plan fiduciary net position as a percentage of the total pension liability	64.73%	64.68%	79.71%	83.90%
Covered-employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

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

RSI-2 SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST EIGHT FISCAL YEARS*

SALARIED PLAN	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	$ 1,170,786	$ 1,350,489	$ 1,758,700	$ 2,329,754	$ 2,689,635	$ 2,749,435	$ 3,356,514	$ 2,648,702
Contributions in relation to the actuarially determined contribution	1,170,786	1,350,489	1,758,700	2,329,754	2,689,635	4,385,524	5,001,252	4,341,521
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ –	$ –	$ (1,636,089)	$ (1,644,738)	$ (1,692,819)
Covered-employee payroll	$ 9,699,911	$ 9,543,816	$ 9,653,830	$ 9,254,742	$ 8,694,151	$ 8,590,395	$ 9,290,589	$ 9,475,823
Contributions as a percentage of covered-employee payroll	12.07%	14.15%	18.22%	25.17%	30.94%	51.05%	53.83%	45.82%

Notes to Schedule

Valuation date: January 1, 2018

Measurement date: May 31, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Aggregate actuarial cost method

Amortization method: The aggregate actuarial cost method does not amortize gains and losses and therefore there is no amortization period as the method itself allocates costs over the future service of employees.

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

Inflation: 3.0%

Salary increases: 4%, average, including inflation

Investment rate of return: 7.00%, net of pension plan investment expense, including inflation.

Retirement age: In the 2018 actuarial valuation, expected retirement ages of general plan members was age 55 with 3 continuous years of service. Actual retirement ages have been monitored for several years and past rates still appear to be appropriate.

Mortality: In the 2018 actuarial valuation, assumed life expectancies were updated from the RP-2014 White Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 generational mortality improvement to RP-2014 White Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2017 generational mortality improvement (Projected from 2006).

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

BARGAINING UNIT PLAN	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	$ 812,344	$ 926,931	$ 1,114,700	$ 1,454,957	$ 1,708,765	$ 1,707,164	$ 1,815,386	$ 1,126,333
Contributions in relation to the actuarially determined contribution	812,344	926,931	1,114,700	1,454,957	1,708,765	2,212,476	2,175,166	1,519,216
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ –	$ –	$ (505,312)	$ (359,780)	$ (392,883)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: January 1, 2018

Measurement date: May 31, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Aggregate actuarial cost method

Amortization method: The aggregate actuarial cost method does not amortize gains and losses and therefore there is no amortization period as the method itself allocates costs over the future service of employees.

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

Inflation: 3.0%

Salary increases: N/A

Investment rate of return: 7.00%, net of pension plan investment expense, including inflation.

Retirement age: In the 2018 actuarial valuation, expected retirement ages of general plan members was age 55 with 3 continuous years of service. Actual retirement ages have been monitored for several years and past rates still appear to be appropriate.

Mortality: In the 2018 actuarial valuation, assumed life expectancies were updated from the RP-2014 Blue Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2016 general mortality improvement (Projected from 2006) to the RP-2014 Blue Collar Employee, Healthy Annuitant and Disabled Retiree (Male/Female) with MP-2017 generational mortality improvement (Projected from 2006).

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

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

SALARIED PLAN	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment expense	3.28%	(1.22)%	11.29%	8.03%

BARGAINING UNIT PLAN	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment expense	2.36%	(1.17)%	11.47%	8.32%

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

RSI-4 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST FISCAL YEAR*

	2018
Total OPEB liability:	
Service cost	$ 248,822
Interest	1,939,224
Differences between expected and actual experience	981,536
Changes in assumptions	(139,795)
Benefit payments, including refunds of member contributions	(2,060,052)
Net change in total pension liability	969,735
Total OPEB liability – beginning	28,766,745
Total OPEB liability – ending	29,736,480
Plan fiduciary net position:	
Contributions – employer	2,289,292
Contributions – retiree	187,448
Net investment income	441,966
Benefit payments, including refunds of member contributions	(2,060,052)
Administrative expense	(35,081)
Net change in plan fiduciary net position	823,573
Plan fiduciary net position – beginning	5,260,881
Plan fiduciary net position – ending	6,084,454
Net OPEB Liability – ending	$ 23,652,026
Plan fiduciary net position as a percentage of the total OPEB liability	20.46%
Covered-employee payroll	$ 23,217,114
Net OPEB liability as a percentage of covered-employee payroll	101.87%

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

RSI-5 SCHEDULE OF PLAN CONTRIBUTIONS – OPEB LAST EIGHT FISCAL YEARS*

	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution (1)	$ 1,330,510	$ 1,427,435	$ 1,717,500	$ 2,727,659	$ 2,604,191	$ 2,506,691	$ 2,486,586	$ 2,143,071
Contributions in relation to the actuarially determined contribution	1,330,510	1,427,435	1,717,500	2,266,000(2)	2,398,800(3)	2,290,882(3)	2,301,583(3)	2,289,292(3)
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ 461,659	$ 205,391	$ 215,809	$ 185,003	$ (146,221)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 23,217,114(4)
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.86%

(1) Actuarially determined contributions prior to fiscal year ended May 31, 2018 are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.
(2) The Authority amortized $263,603 of the OPEB asset towards the ARC.
(3) Contributions are the actuarial recommended cash contributions.
(4) Includes covered payroll of $7,250,466 associated with death benefit only participants.

Notes to Schedule

Valuation date: January 1, 2018

Measurement date: May 31, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Actuarial Cost Method

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

Inflation: 3.0%

Investment rate of return: 7.00%, 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.

Mortality: In the 2018 actuarial valuation, assumed life expectancies were updated from the RP-2014 Employees and Healthy Annuitant with scale MP-2016 generational improvements from 2006 (Male/Female) to the RP-2014 Employee and Healthy Annuitant with Scale MP-2017 generational improvements from 2006 (Male/Female).

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

RSI-6 SCHEDULE OF INVESTMENT RETURNS – OPEB LAST FISCAL YEAR*

	2018
Annual money-weighted rate of return, net of investment expense	8.11%

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

RSI-7 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO RETIREE HEALTH CARE

Year Ended May 31	Annual Required Contribution	Annual Percentage Contributed
2013	1,717,500	100%
2014	2,727,659	89%
2015	2,604,191	102%
2016	2,506,691	99%
2017	2,486,411	100%
2018	2,509,764	102%

RSI-7 SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE

Actuarial Valuation Date January 1	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
Retiree Health Care						
2013	$ 1,032,349	$ 27,977,940	(26,945,591)	3.7%	N/A	N/A
2014	1,433,279	27,296,080	(25,862,801)	5.3%	N/A	N/A
2015	2,294,000	27,432,000	(25,138,000)	8.4%	N/A	N/A
2016	3,186,726	28,031,383	(24,844,657)	11.4%	N/A	N/A
2017	4,642,736	29,284,275	(24,641,539)	15.9%	N/A	N/A
2018	5,925,435	30,298,232	(24,372,797)	19.6%	N/A	N/A

The actuarial cost method used for the retiree health care calculation is the frozen entry age actuarial cost method. Therefore, an actuarial accrued liability is not relevant. Also the assets do not affect the unfunded actuarial accrued liability.

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Regional Water Authority Statistics – May 31, 2018

	Estimated Population Served	RPB Votes	Miles of Main	Customers[A]	Hydrants	Landholdings (Acres)[C]	Conservation Easements (Acres)	Miles of Recreation Trails	Miles of Fishing Areas
Ansonia	17,878	3	71.0	5,388	449	96.41	–	–	–
Beacon Falls	–	–	–	–	–	21.50	–	–	–
Bethany	8	5	1.4	5	2	3,945.80	22.49	8.4	2.0
Branford	27,754	6	142.6	8,548	766	1,174.60	34.87	4.0	2.5
Cheshire	23,472	4	151.6	6,716	1,143	149.16	272.70	–	–
Derby	10,782	2	40.9	3,235	280	1.90	–	–	–
Durham[B]	–	–	–	–	–	249.32	11.07	–	–
East Haven	27,845	6	112.6	8,489	553	859.47	–	3.7	0.5
Guilford	–	4	–	–	–	3,295.28	–	6.5	–
Haddam[B]	–	–	–	–	–	103.65	–	–	–
Hamden	54,521	10	216.1	15,089	1,058	1,301.11	288.19	–	5.1
Killingworth	–	2	–	–	–	1,377.12	64.63	3.2	0.1
Madison	–	6	–	–	–	4,717.75	24.26	13.5	0.6
Milford	52,595	10	240.7	18,189	1,426	4.23	–	–	–
New Haven	123,244	13	264.1	22,672	1,977	24.30	–	0.3	–
North Branford	4,976	8	43.2	1,507	238	6,069.37	81.55	5.6	0.8
North Haven	20,887	5	149.1	7,773	769	53.74	–	–	1.5
Orange	10,655	3	103.1	3,892	550	587.35	–	1.9	0.8
Prospect	–	1	0.3	–	1	822.41	–	–	–
Seymour	800	1	7.1	332	23	708.02	–	2.0	–
West Haven	51,879	8	152.0	13,482	852	274.73	–	2.9	1.5
Wolcott[B]	–	–	2.5	–	21	1.15	–	–	–
Woodbridge	1,376	3	18.4	467	91	1,897.07	200.00	5.6	1.7
Governor's Representative	–	1	–	–	–	–	–	–	–
Totals	428,672	101	1,716.7	115,784	10,199	27,735.44	999.76	57.6	17.1

A - Metered customers within district B - Not within district C - Acres were calculated using GIS data

Regional Water Authority
Tapping the Possibilities™

South Central Connecticut Regional Water Authority

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