




Fiscal Year 2020 Annual Report

BEYOND THE TAP

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.

BEYOND THE TAP

When our customers turn on their taps, they get the water that touches every aspect of their lives, from their morning coffee to their evening meal to washing their hands to prevent the spread of the coronavirus (COVID-19). Firefighters responding to a call and workers making everything from pharmaceuticals to beer all expect the same thing: clean, high-quality water where they need it, when they need it.

At the South Central Connecticut Regional Water Authority (RWA), we deliver that quality. But we also go beyond what's expected of us, whether we're serving our customers, investing in infrastructure, caring for the environment, giving back to our communities or responding to a pandemic.

We present this report at an extraordinary time for our organization and the nation as we adjust how we operate our business during the COVID-19 public health crisis.

As an essential service organization, having a higher purpose, mission, vision and values has kept us grounded in a time when uncertainty is the only certainty.

Our higher purpose has never been more important. We make life better for people with our high-quality water so they can use proper hygiene and stay hydrated and healthy. And that purpose-driven view supported our efforts to prioritize the health and safety of our customers and employees, kept our life-sustaining operations and systems running without interruption and helped our communities across the region battle the pandemic.

Our hearts go out to those affected by the virus, and we are committed to being part of a robust response to it in the communities we serve. We will continue to communicate with all of our stakeholders about our response as circumstances dictate in the coming months.





Meanwhile, this Fiscal Year 2020 report reflects the progress we made in the most recent leg of a responsible journey that first began in 1849 when our nonprofit corporation was born out of a purposeful mission by our founder, Eli Whitney II.

It also demonstrates how, more than 170 years later, we are positioning our organization for long-term, sustainable success as we push well beyond the traditional role of a water utility by transforming into a 21st-century environmental services company.

Our guiding principle is to serve our customers and the people of this region, never wavering in our commitment to manage the complex water system entrusted to us, while continuing to go well beyond the tap.

BEYOND THE STANDARDS

The RWA continues to excel in water quality. In Fiscal Year 2020, our team of laboratory technicians and scientists analyzed nearly 40,000 water samples and conducted more than 240,800 tests. The result: our drinking water continues to meet or is better than federal and state standards.

The experts in our lab test water for potential contaminants regulated under state and federal law, as well as for contaminants of emerging concern, such as perfluoroalkyl and polyfluoroalkyl substances, commonly called PFAS. While PFAS are not currently regulated, the RWA proactively tested for PFAS in our source waters in 2019-2020. We found that any presence in our source waters is well below Connecticut's health advisory limits, further reaffirming the safety and high quality of our water.

Through our watershed and aquifer inspection program, we updated our water supply plan inventory of land use activities to include potential PFAS generators in our watershed and aquifer areas to assist us in the identification of areas of concern, should they be close to one of our water sources. Those sites we identified as possible PFAS generators were prioritized for inspection.

Moreover, the RWA works with businesses, healthcare facilities and homeowners to prevent backflow from impacting drinking water in our region. In Fiscal Year 2020, our cross-connection control specialists ensured that more than 9,000 backflow prevention assemblies were tested and operating correctly. These backflow prevention devices prevent non-potable water from crossing into drinking water supplies.

BEYOND THE PIPES

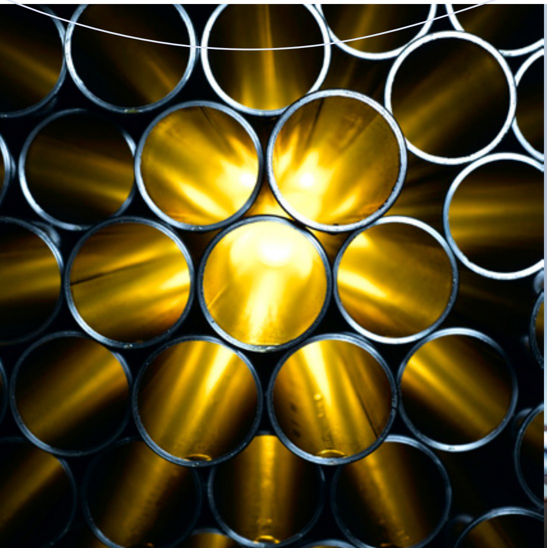
In Fiscal Year 2020, our employees working in the field met high standards for quality, safety and efficiency.

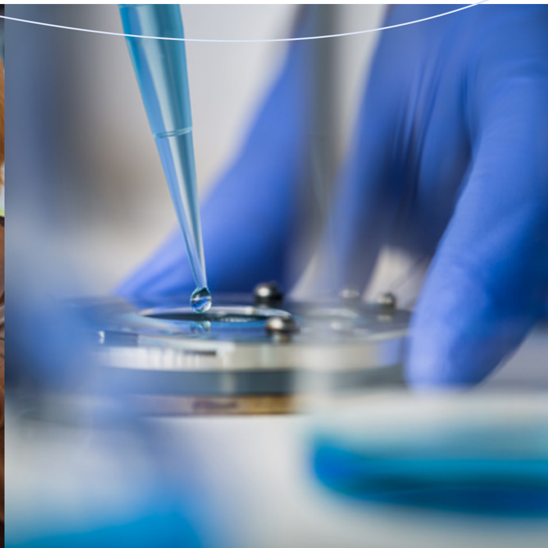
Work is essentially completed on our multi-year Advanced Metering Infrastructure (AMI) program, which involved upgrading traditional water meters with wireless equipment that securely sends data to our headquarters in New Haven.

Our customers are benefiting from AMI with the launch of our new Water Watch consumption portal. This portal provides customers with the ability to view their water use levels down to the hour and gives them the ability to set up personalized notifications of changes in their consumption patterns. More than 600 customers have already enrolled in Water Watch to learn about their consumption levels and conservation opportunities.

We invested $28 million in capital projects in Fiscal Year 2020, completing a variety of work to improve reliability and quality, including water treatment facilities and wellfields.

In addition to investing in infrastructure, we regularly seek opportunities to acquire and protect new parcels of open space. Approximately 21 acres





within the RWA watershed were preserved as open space in 2019-2020 at a cost of about $97,000. Since 2007, we have spent $12.6 million to protect 902 acres of land by acquisition or through legal agreements that guarantee the land is protected from development. This includes 233 acres acquired in the past six years. Owning property on active watersheds is the first layer of our multi-barrier approach to protecting water quality.

We also seek opportunities to work with state agencies and community organizations on projects that protect the environment in our region. For example, we collaborated with the Connecticut Department of Energy and Environmental Protection, Save the Sound and Trout Unlimited on a multi-year project to remove barriers to fish migration on the Farm River in North Branford and East Haven.

Over a 15-year period, we worked with these partners to plan and construct two fishways, one constructed in 2014 at an RWA dam and the other that was completed in Fiscal Year 2020 further upstream. Together, these fish ladders have restored access to 5.4 miles of aquatic habitat, enabling spawning migrations of diadromous fish such as alewife, blueback herring, sea lamprey and American eel.

BEYOND THE SOURCE

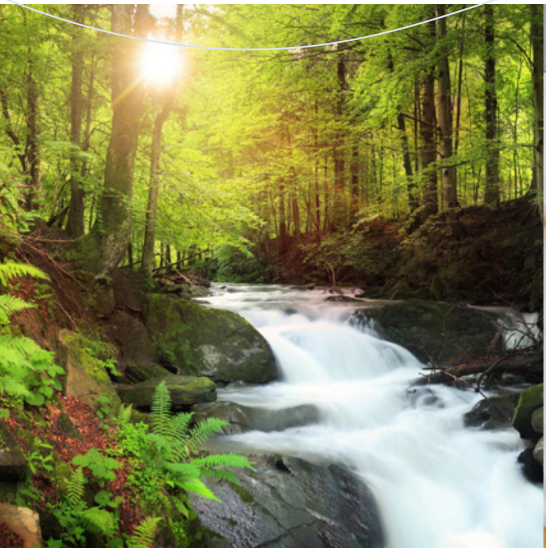
We are responsible for moving a precious natural resource from the source to the tap, and the sustainability of our business is inextricably tied to the sustainability of our water supply.

In addition to our efforts to reduce our carbon footprint by saving energy and tapping renewables, we encourage our customers to use water wisely. We do this to ensure we can meet customers' present and future water needs by protecting our water sources.

Our source water protection program focuses on pollution prevention and watershed management. Drinking water provided by the RWA comes from a network of reservoirs and wells that are replenished by water from surrounding watersheds and aquifers. In Fiscal Year 2020, we conducted over 1,000 inspections of business, residential and construction sites to identify potential sources of pollution. Moreover, we reviewed multiple site plans for development proposals within our watersheds and aquifers, and provided recommendations to local land use commissions and developers to proactively avoid any adverse impacts on drinking water sources.

For 30 years, the RWA has operated HazWaste Central, Connecticut's first permanent collection facility for household hazardous waste. In that time, the program has helped residents of member communities safely dispose of waste from more than 197,000 households. The landmark program helps divert that waste from being improperly disposed of in a landfill. In Fiscal Year 2020, we collaborated with the Drug Enforcement Administration to collect unwanted medicines. The collection event operated for three hours, collecting 127 pounds of surplus pharmaceuticals for safe and proper incineration.

Also celebrating a 30-year milestone in 2020, the RWA's Whitney Water Center has provided free, hands-on water science programs to schools within the RWA service district. This past year, over 7,600 students from 43 different schools participated in classroom programs, field trips, water science loan boxes or field experiences. Due to COVID-19, 3,600 student visits were cancelled. This rapid change in the teaching environment led to the development of a 25-part video series highlighting at-home water science activities for parents and teachers as a distance learning resource. These videos are available on our website and social media channels, and have been used by schools, libraries and other local organizations.



BEYOND THE CALL

One way we make a difference in our communities is by contributing to organizations that share our purpose of improving the quality of life for people. The RWA's employees gave back to the community in Fiscal Year 2020 by volunteering some 500 hours for various causes. These included a toy drive, a scholarship golf tournament, a Veterans Day collection of food and clothes, charity runs and walks on behalf of Special Olympics and more. And, through the Claire C. Bennitt Watershed Fund, we distributed $60,000 to area students studying environmental science.

Additionally, each year the RWA holds an employee fundraising campaign for the United Way of Greater New Haven. RWA employees contributed more than $36,000 to the United Way in Fiscal Year 2020. As part of this fundraising campaign, RWA employees volunteered in the United Way's Day of Caring. The event at Barnard Environmental Studies Interdistrict Magnet School in New Haven involved our employees improving gardens and outdoor learning spaces on the school property.

Since 2015, our RWAter to Go water wagon has been a key aspect of the RWA's community support efforts, helping schools and community organizations save money and keep event attendees hydrated. The water wagon holds 375 gallons of water and diverts 2,800 plastic bottles from the waste stream. Our RWAter to Go water wagon was used at community events such as school and sports functions that served more than 39,000 people in Fiscal Year 2020. In August, we deployed our RWAter to Go water wagon to a firehouse in North Haven so that people on private wells could fill containers with RWA water while their power was out following a tropical storm that severely impacted the region.

As a committed member of the business community, the RWA is active in local chambers of commerce and other industry organizations. We also seek opportunities to do business with local companies whenever possible in order to help strengthen an inclusive economy in our region.

In Fiscal Year 2020, the RWA funded a business development position with the Greater New Haven Chamber of Commerce to assist in job retention and economic growth. This unique initiative proactively connects with existing small and medium-sized businesses so we can better understand their needs and respond with resources. The goals of the program are to help businesses grow and thrive, remain in the region and encourage workforce development. In 2020, the Chamber's business retention and growth program specialist visited 83 area companies; provided 185 resources for information, education and advocacy; and discovered more than 250 new potential jobs.

BEYOND THE VALUE

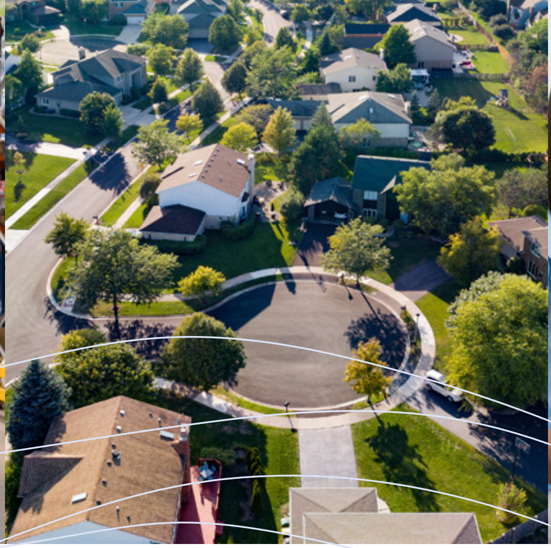
As important as water system improvements and water quality testing are, they tend to go unseen by the customer. What is seen by the customer is our service, and when it comes to service, we strive to deliver both excellence and affordability.

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 time, we've taken a number of steps to improve our operating and capital efficiency. Through Fiscal Year 2020, we achieved operating efficiencies and savings of about $24 million, which resulted in mitigating water rate increases by approximately 21 percent.

As a way to further lessen rate increases by reducing the cost of debt, we pursue low-cost Drinking Water State Revolving Fund (DWSRF) financing opportunities. Through Fiscal Year 2020, we secured nine DWSRF loans and grants. Grants totaled approximately $3 million, and we have additional DWSRF financings planned.

We also utilized cost-effective interim financing and refinanced twice in 2020. The combined refinancing will result in discounted savings of $12.8 million over the next several years.






Our ability to significantly increase our discretionary reserves over the last several years has positioned us to persevere and meet the challenges of COVID-19. For Fiscal Year 2020, we deposited additional funds into our General Fund, bringing the balance further above its target, allowing for increased flexibility in addressing uncertainties related to the pandemic.

In 2020, 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 bills. For qualifying households, we provide up to $175 annually to help customers pay their water bills. In recognition of the unique challenges facing many people as a result of the COVID-19 pandemic, we temporarily made this program available to more residential customers, as well as provisionally expanded the program to commercial and industrial customers.

A focus on developing alternative lines of revenue to tackle lower water sales continued in Fiscal Year 2020. Growth from laboratory services, fleet repair, our PipeSafe suite of protection programs and rental income resulted in revenue of $10.1 million.

BEYOND THE PRESENT

Like businesses throughout the world, the RWA is hard at work navigating the uncertainty created by the COVID-19 pandemic. Since the virus first arrived in Connecticut, we have taken strong steps to ensure it does not interrupt our high-quality water and services. We made personal protective equipment available to all employees. Furthermore, we encouraged our employees to work remotely, and adopted alternate shift scheduling and other social distancing procedures for those employees who need to report to work.

At the outset of the pandemic, the RWA suspended all water service shutoffs due to nonpayment. We also suspended all collection activities, late payment charges and reconnection fees.

The limited availability of protective equipment has been a challenge throughout the COVID-19 pandemic for all essential workers, including members of the water industry. Several RWA employees took the lead in a statewide, collaborative effort to ensure that protective face coverings were available to those members of our industry who need them. RWA employees working with the American Water Works Association and the United States Environmental Protection Agency (EPA) successfully advocated for the Federal Emergency Management Agency to begin making its supply of face coverings available to the water industry and, working with Connecticut's Water/Wastewater Agency Response Network, organized and set up a statewide distribution network for the masks.

A few personal notes before we conclude: Executive Vice President and Chief Financial Officer Linda Discepolo retired after 11 years of service. Linda brought uncommon insight, intellect and professionalism to her role, and we will miss her dearly. We wish her the very best in her retirement.

In addition, in Fiscal Year 2020, we welcomed Peter DeSantis to the Representative Policy Board, representing the town of North Branford.

As a result of our continuous work to create a sustainable environmental services company, we received the Association of Metropolitan Water Agencies' 2020 Sustainable Water Utility Management Award. This honor recognizes the extraordinary performance of U.S. water agencies and further affirms that the RWA has achieved a balance of innovative and successful efforts in areas of economic, social and environmental endeavors, such as responsible management of resources, protection of public health, meeting responsibilities to the community and providing cost-effective services to our customers. The award is a tribute to our dedicated employees who work



hard to deliver high-quality, affordable water and responsive customer service, and focus on resource management and environmental protection.

In closing, over the last 17 decades, the RWA has shown itself to be resilient and adaptable, staying true to its customers through past pandemics, natural disasters and more, while always striving to do good for all its stakeholders.

With an eye to the future, we know the world will be a very different place when we emerge from the COVID-19 crisis. We are witnessing many of those changes already. We are embracing change as we prepare our business to meet tomorrow's customer and community needs. And we are becoming more efficient, more innovative and more agile – while maintaining our commitment to our customers and the communities we serve by staying true to our purpose and our values.

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

Mario Ricozzi
Chair,
Representative Policy Board

FISCAL YEAR 2020: RWA BY THE NUMBERS

270
Employees

430,073
Consumers served

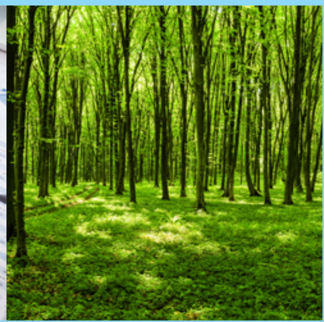
42.5 Million
Gallons of water a day delivered

7,607
Area students educated about water science

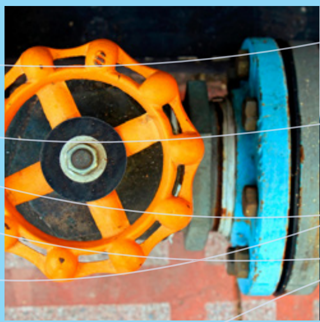
15
South Central Connecticut municipalities in service area

116,249
Metered customers in district

$847 Million
In assets

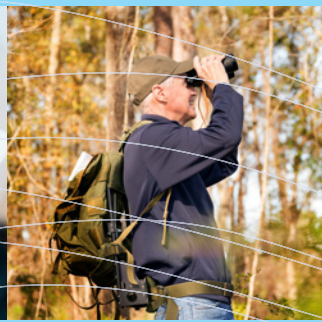


27,754.81
Acres of land owned



1,717.7
Miles of main

$518,320
In operating efficiencies



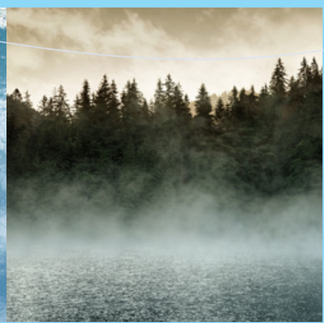
57.6
Miles of recreation trails

17.1
Miles of fishing areas

10,253
Hydrants owned

$130 Million
In operating revenue

15 Billion
Gallons of water treated



999.76
Acres of conservation easements

South Central Connecticut Regional Water Authority

Financial Statements as of and for the years ended May 31, 2020 and 2019, and Independent Auditors' Report

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Basic Financial Statements

Required Supplementary Information

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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules, as listed in the table of contents, 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 31, 2020 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 31, 2020

Management's Discussion and Analysis Year Ended May 31, 2020

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 Statements No. 68 and No. 75), the Authority's pension plans and other post-employment benefits (OPEB) are included in the financial statements.

- **Notes to financial statements**

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

The Authority's Business

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

During fiscal 2020, the Watershed Fund was renamed The Claire C. Bennitt Watershed Fund (the Watershed Fund) in honor of Claire C. Bennitt. The Watershed Fund was established by the Authority for the purpose of protecting land on the watershed through the acquisition of open space and promotion of environmental education. 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,	2020	2019	2018 (as Restated)
Operating revenues:			
Water revenues	$ 120,266	$ 116,067	$ 113,029
Other	10,146	9,128	7,836
Total operating revenues	130,412	125,195	120,865
Operating expenses:			
Operating and maintenance	54,942	55,518	51,779
Expenses associated with other revenue	5,618	4,514	3,869
Depreciation	24,228	23,809	22,335
Payments in lieu of taxes (PILOT)	8,388	8,242	7,947
Total operating expenses	93,176	92,083	85,930
Operating income	37,236	33,112	34,935
Nonoperating income and expenses:			
Interest expense–net	(20,102)	(20,701)	(22,171)
Gain (loss) on disposal of assets	30	(322)	(1,977)
Realized and unrealized gains (losses) on investments	43	284	(201)
Amortization of bond discount, premium, issuance costs and deferred refunding losses	3,368	3,732	3,664
Intergovernmental revenue	180	910	1,054
Total nonoperating expenses	(16,481)	(16,097)	(19,631)
Gain before contributions	20,755	17,015	15,304
Capital contributions	2,503	2,859	5,085
Change in Net Position	$ 23,258	$ 19,874	$ 20,389

Operating revenues

The change in the operating revenues from fiscal 2019 to fiscal 2020 is primarily attributable to the full-year impact of the increase in water rates and charges effective July 2, 2019, partially offset by decreased consumption. Year-over-year decreases in consumption are anticipated due to more water efficient appliances, installation of low-flow plumbing and devices as well as water conservation. Water revenues were also impacted by a decrease in forestry revenue and collections related fees. In the last few months of the fiscal year, collections related fees were impacted by COVID-19, due to the suspension of shut-offs for non-payment. Other revenue increased between fiscal 2019 to fiscal 2020, primarily due to the increased revenue from PipeSafe offerings and outside lab services.

The change in the operating revenues from fiscal 2018 to fiscal 2019 is primarily attributable to the full-year of the increased water rates and charges effective January 3, 2018 partially offset by decreased consumption. As mentioned above, year-over-year decreases in consumption are anticipated due to more water efficient appliances, installation of low-flow plumbing and devices as well as water conservation. However, in fiscal 2019 higher than average rainfall also contributed to the year-over-year decline in water consumption. Other revenue increased between fiscal 2018 to fiscal 2019, primarily due to the increased revenue from PipeSafe offerings and outside lab services. Other water revenue also increased year-over-year.

Operating expenses

Operating and maintenance expenses from fiscal 2019 to fiscal 2020 decreased by approximately $.6 million. There were decreases across multiple expense categories. The larger year-over-year decreases included outside services and maintenance and repair. Payroll was also one of the larger decreases primarily due the mix between labor costs related to operating and maintenance activities versus other activities. In addition, other-post-employment benefit expenses (OPEB), under GASB 75, decreased from fiscal 2019 to fiscal 2020. These decreases were partially offset by increases in a small number of categories including information technology related expenses and expenses related to pre-Captive requirements. Pension expense, under GASB 68, also increased from fiscal 2019 to fiscal 2020.

Operating and maintenance expenses from fiscal 2018 to fiscal 2019 increased by approximately $3.7 million. The larger operational increases included payroll, medical claims and maintenance and repair. In addition, pension expense under GASB 68 increased between fiscal 2018 and 2019. The increase in pension expense was only partially offset by the decrease in OPEB under GASB 75.

Depreciation expense increased from fiscal 2019 to fiscal 2020 and fiscal 2018 to fiscal 2019 primarily due to additions to utility plant and depreciation on in-service property, plant, and equipment.

Payments-in-Lieu-of-Taxes (PILOT) to municipalities increased from fiscal 2019 to fiscal 2020 and from fiscal 2018 to fiscal 2019 primarily as a result of pipe additions and mill rates.

Nonoperating income and expenses

Net interest expense decreased from fiscal 2019 to fiscal 2020 primarily due to refinancing activities as outlined below and lower interest expense on interim subordinate financing, partially offset by the issuance of the Thirty-fourth Series A Revenue Bonds and Series C (Green Bonds), one additional Drinking Water State Revolving Fund (DWSRF) project loan obligation, and the full year impact of DWSRF loans that closed in fiscal 2019 as well as lower interest income and interest on arrears.

Net interest expense decreased from fiscal 2018 to fiscal 2019 primarily due to higher interest income and the prior year refinancing activities, partially offset by the full-year impact of the Thirty-third Series A Revenue Bonds issued in January 2018, additional low interest rate Drinking Water State Revolving Fund (DWSRF) loans, and interest expense associated with interim subordinate financing.

Due to market conditions, the realized and unrealized investment gain, between May 31, 2020 and May 31, 2019, was approximately $43 thousand. Between May 31, 2018 and May 31, 2019, the realized and unrealized gain was approximately $.3 million.

Disposal of assets

In fiscal 2020, the Authority had a net gain on the retirement and disposition of certain assets. This net gain was primarily due to salvage and other disposition proceeds mostly offset by the retirement of certain "plant" assets with a remaining net book value and disposition costs.

In fiscal 2019, 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 the proceeds associated with asset dispositions and small net gains on land dispositions.

Amortization

The amortization of bond discount, premium, issuance costs and deferred refunding losses were less favorable in fiscal 2020 than in fiscal 2019 due to lower amortization of premiums, slightly lower amortization of refunding losses, and slightly higher amortization of cost of issuance. These year-over-year changes are primarily due to the Thirty-fourth Series B and Thirty-fifth Series taxable refinancing as well as the cost of issuance associated with the Thirty-fourth Series A and Series C.

The amortization of bond discount, premium, issuance costs and deferred refunding losses were slightly more favorable in fiscal 2019 than in fiscal 2018 primarily due to the amortization of the premiums associated with the Thirty-third Series and lower cost of issuance amortization, partially offset by deferred refunding losses associated with the Thirty-third Series B-1.

Intergovernmental revenue

Intergovernmental revenues between fiscal 2020 and fiscal 2019 decreased as there was only one DWSRF grant received in fiscal 2020.

Intergovernmental revenues between fiscal 2019 and fiscal 2018 decreased as there were two open space grants in fiscal 2018, and no open space grants were received in fiscal 2019. This was partially offset by the receipt of three DWSRF grants in fiscal 2019 in a total amount a higher than the DWSRF grants received in fiscal 2018.

Summary: Net Position (in thousands of dollars)

May 31,	2020	2019	2018 (as Restated)
Assets:			
Capital assets	$ 642,436	$ 639,160	$ 635,078
Other assets			
Current	72,629	61,424	59,230
Long-term note receivable	500	500	–
Restricted assets	121,046	118,704	122,723
Regulatory assets	10,590	11,099	11,038
Total assets	847,201	830,887	828,069
Deferred outflows of resources:			
Deferred charge on refunding	18,556	18,094	19,369
Deferred outflows–goodwill	14,424	14,424	14,424
Deferred outflows related to pensions	5,579	4,636	2,784
Deferred outflows related to OPEB	1,218	1,380	822
Total deferred outflows of resources	39,777	38,534	37,399
Total assets and deferred outflows of resources	$ 886,978	$ 869,421	$ 865,468
Liabilities:			
Current liabilities	$ 39,968	$ 50,158	$ 48,151
Payable from restricted assets	10,106	10,631	11,848
Other long-term liabilities	114	913	2,433
Long-term debt payable	537,293	517,572	526,835
Net premiums/discounts	45,498	58,449	63,871
Net pension liability	19,071	17,122	15,634
Net OPEB liability	18,345	20,030	23,652
Total liabilities	670,395	674,875	692,424
Deferred inflows of resources:			
Deferred inflows related to pensions	880	2,657	4,416
Deferred inflows related to OPEB	4,114	3,558	171
Total deferred inflows of resources	4,994	6,215	4,587
Net position:			
Net invested in capital assets	65,972	58,277	46,913
Restricted	111,440	108,573	106,320
Unrestricted	34,177	21,481	15,224
Total net position	211,589	188,331	168,457
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 886,978	$ 869,421	$ 865,468

Capital assets

The increase in capital assets from fiscal 2019 to fiscal 2020 and from fiscal 2018 to fiscal 2019 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.)

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, 2020 and 2019, no impairment of goodwill has occurred.

Current assets

The following itemizes the change in current assets between May 31, 2019 and 2020, and between May 31, 2018 and 2019, respectively:

May 31,	2020	2019
Increase in cash and cash equivalents and investments	$ 9,222,555	$ 1,005,466
Increase in accounts receivable, net	1,590,544	16,356
Increase (decrease) in accrued water revenue	(119,892)	513,529
Increase in interest receivable	(120,895)	65,005
Increase in materials and supplies	96,634	32,388
Increase (decrease) in prepayments and other current assets	536,310	560,942
Net Increase in Current Assets	$ 11,205,256	$ 2,193,686

Increase in current net position from May 31, 2019 to May 31, 2020

The increase in cash and cash equivalents and investments is primarily associated with the fiscal 2020 year-end disposition increasing the General Fund as well as the Growth Fund with less of the year-end disposition being transferred to the Construction Fund.

The increase in accounts receivable reflects the rate increase effective July 2, 2019. Increased balances include current receivables. The year-over-year increase is partially offset by an increase in the allowance for doubtful accounts.

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

The decrease in interest receivables is primarily due to the lower accrued investment earnings as a result of the lower interest rate environment impacting earnings.

The increase in materials and supplies is primarily related to an increase in fleet related materials partially offset by other net changes.

The increase in prepayments and other current assets is primarily due to increases in jobbing accounts receivable, HazWaste accounts receivable, the OPEB trust receivable, prepaid insurance, and other net increases. These increases are partially offset by decreases in the procurement card as well as other net decreases.

Increase in current net position from May 31, 2018 to May 31, 2019

The increase in cash and cash equivalents and investments is primarily associated with the fiscal 2019 year-end disposition increasing the Growth Fund and higher investment earnings.

The slight increase in accounts receivable is due to a small increase in receivable accounts, partially offset by an increase in the allowance for doubtful accounts.

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

The increase in interest receivables is primarily due to the higher accrued investment earnings 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 primarily related to chemical and fuel inventory partially offset by a reduction in other fleet related inventory.

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

Restricted assets (investments)

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

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

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

Restricted assets increased by approximately $2.3 million between May 31, 2020 and May 31, 2019. This is primarily due an increase in the Authority's Debt Reserve Fund and Debt Service Fund as well as an increase in Department of Transportation related receivables, and other small net increases. These increases are partially offset by a reduction in the Construction Fund, receivables related to land sales due to payments made, and other small net decreases. The reduction in the Construction Fund is primarily due to expenditures from internally generated funds associated with our capital improvement program and state redevelopment expenditures partially offset by the fiscal 2020 year-end disposition and other net changes.

Restricted assets decreased approximately $4.0 million between May 31, 2019 and May 31, 2018. This is primarily due to a $2.7 million reduction in miscellaneous receivables, a $2.1 million decrease in restricted interim financing proceeds, a $.5 million reduction in the Construction Fund, a $.3 million reduction in a PILOT receivable, and an approximately $.1 million reduction in land related receivables. These reductions are partially offset by increases in the Authority's debt reserve, capital contingency, PILOT, and operating reserve, totaling $1.4 million. In addition, the market value of restricted assets increased by approximately $.3 million between May 31, 2018 and May 31, 2019.

The decrease in miscellaneous receivables is primarily due to the subsequent event Drinking Water State Revolving Fund (DWSRF) loan and grant financing for which proceeds were received in July 2018 and lower Department of Transportation related receivables, the PILOT receivable has been depleted in accordance with the associated settlement, and the reduction in the land receivables is due to payments made. The relatively small reduction in the Construction Fund is primarily due to expenditures, from both bond proceeds and internally generated funds, associated with our capital improvement program largely offset by certain capital project reimbursements (e.g., DWSRF), the fiscal 2019 year-end disposition, state redevelopment reimbursements, and land disposition proceeds.

The increases in restricted assets were due to fiscal 2019 deposits into the debt reserve and capital contingency funds associated with DWSRF financings, the increase in the operating reserve is due to the fiscal 2019 year-end disposition, and the increase in the PILOT fund is due to higher projected fiscal 2020 payments.

Other long-term assets

As of May 31, 2020, regulatory assets totaled $10.6 million, net of amortizations, representing a decrease of approximately $.5 million over May 31, 2019. Regulatory assets include $4.7 million of bond issuance costs, $ 4.5 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 10, Pollution Remediation Obligation), $.1 million associated with a system-wide leak study completed to meet the requirements under a Connecticut Department of Energy & Environmental Protection (DEEP) permit, $.3 million associated with deferred repair at a site in New Haven, Connecticut, $.4 million cost associated with an interconnection in Wallingford, Connecticut, and $.6 million in other remediation costs.

As of May 31, 2019, regulatory assets totaled $11.1 million, net of amortizations, representing an increase of approximately $.1 million over May 31, 2018. Regulatory assets include $4.8 million of bond issuance costs, $ 4.6 million deferred charges of estimated environmental remediation costs of a site on Newhall Road in Hamden, Connecticut (See Note 10, 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, $.5 million associated with deferred repair at a site in New Haven, Connecticut, $.4 million cost associated with an interconnection in Wallingford and $.6 million in other remediation costs.

Current liabilities

The Authority's current liabilities decreased by approximately $10.2 million between May 31, 2019 and May 31, 2020. This decrease is primarily due to a decrease of $12.9 million in interim subordinate notes payable. These decreases are partially offset by increases of $2.1 million in the current portion of Water Revenue Bonds payable, a $.1 million increase in the current portion of DWSRF project loan obligations, and other net increases in accounts and other payables.

The Authority's current liabilities increased by approximately $2.0 million between May 31, 2018 and May 31, 2019. This increase is primarily due to an increase of $.6 million in interim subordinate notes payable, $.5 million in the current portion of Water Revenue Bonds payable, and $.4 million in the current portion of DWSRF project loan obligations. In addition, customer deposits, accounts and other payables, and other accrued short-term liabilities increased by a total of $.5 million.

Payables from restricted assets

Between May 31, 2019 and May 31, 2020, payable from restricted assets decreased $.5 million. This decrease is due to the decrease of $.8 million in accrued interest payable and $.1 million in restricted customer deposits and advances, partially offset by an increase of approximately $.4 million in accounts payable for construction.

Between May 31, 2018 and May 31, 2019, payable from restricted assets decreased $1.2 million. This decrease is due to the decrease of approximately $.5 million in accounts payable for construction, $.4 million decrease in accrued interest payable, and $.3 million in restricted customer deposits and advances.

Other long-term liabilities

Between May 31, 2019 and May 31, 2020, other long-term liabilities decreased by approximately $.8 million due to these costs being incurred during fiscal 2020. Between fiscal 2019 and fiscal 2020 there was an increase of approximately $66 thousand in the estimate of the total cost of remediation associated with the Newhall Road site in Hamden.

Between May 31, 2018 and May 31, 2019, other long-term liabilities decreased by approximately $1.5 million due to these remediation costs being incurred during fiscal 2019. Between fiscal 2018 and fiscal 2019 there was no change in the estimate of the total cost of remediation associated with the Newhall Road site in Hamden.

Long-term debt

Between May 31, 2019 and May 31, 2020, long-term Water Revenue Bonds payable, at par, increased by $20 million. The increase in Water Revenue Bonds payable at par is due to the issuance of the Thirty-fourth Series A and Series C as well as the taxable Series Thirty-fourth Series B and the Thirty fifth Series refunding bonds that increased the par value versus the defeased bonds. There was a $.3 million reduction in DWSRF project loan obligations, excluding the current portion. Net premiums/discounts decreased by approximately $13 million due to the adjustments associated with the issuance of Thirty-fourth Series B and the Thirty-fifth Series and amortizations.

Between May 31, 2018 and May 31, 2019, long-term Water Revenue Bonds payable at par decreased by approximately $17.1 million partially offset by an increase of approximately $8.4 million in additional DWSRF low cost project loan obligations. Net premiums/discounts decreased by approximately $5.4 million due to amortizations.

Net pension liability

Between May 31, 2019 and May 31, 2020, the net pension liability increased by approximately $1.9 million. The net pension liability increase is primarily due to the change in the mortality projections, the difference in expected versus actual experience, change in benefits, benefits earned by plan participants, and lower than anticipated investment returns, partially offset by pension contributions of approximately $1.4 million in excess of the actuarial required contribution.

Between May 31, 2018 and May 31, 2019, the net pension liability increased by approximately $1.5 million. The net pension liability increase is primarily due to lower than anticipated investment returns and change in benefits, partially offset by strong pension contributions of approximately $1.8 million in excess of the actuarial required contribution.

Net other post-employment benefit liability

Between May 31, 2019 and May 31, 2020, the net other post-employment benefit liability decreased by approximately $1.7 million, primarily due to lower than anticipated health care coverage costs partially offset by change in assumptions, and lower investment earnings and benefits earned by plan participants.

Between May 31, 2018 and May 31, 2019, the net other post-employment benefit liability decreased by approximately $3.6 million, primarily due to lower than anticipated health care coverage costs partially offset by change in assumptions and benefits earned by plan participants. The liability is also impacted by other net changes.

Invested in capital, net of related debt

Between May 31, 2019 and May 31, 2020, the amount of invested in capital, net of related debt, increased $7.7 million primarily due to the reduction in capital related debt and an increase in net plant.

Between May 31, 2018 and May 31, 2019, the amount of invested in capital, net of related debt, increased $11.4 million primarily due to the reduction in capital related debt and to a lesser degree the increase in net plant.

Net position, restricted

Restricted net position increased by approximately $2.9 million from May 31, 2019 to May 31, 2020, primarily due to the decrease in liabilities payable from restricted assets and an increase in restricted assets, as described above.

Restricted net position increased by approximately $2.3 million from May 31, 2018 to May 31, 2019, primarily due to the decrease in liabilities payable from restricted assets being more than the restricted asset reductions, as described above. The increase is also due to the $.5 million note receivable. While this note receivable is not governed by the Authority's *General Bond Resolution,* it represents an investment, in the form of a loan, convertible to equity under specified terms, to a Connecticut-based aquaponics company. Therefore, this note receivable is being classified as restricted for financial reporting purposes.

Unrestricted net position

Unrestricted net position increased by $12.7 million due to the increase in current assets and the reduction in unrestricted liabilities.

Between May 31, 2018 and May 31, 2019, the unrestricted net position increased by $6.3 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 119,700 customers, 115,800 are residential and commercial water customers. The customer base also includes industrial, public authority, wholesale and fire service. Between May 31, 2019 and May 31, 2020, there has been minimal growth in the Authority's customer base.

Liquidity and Capital Resources

Utilizing the Maintenance Test calculations as prescribed in the *General Bond Resolution*, in fiscal 2020 the Authority received approximately $121.5 million in cash from operations and a combined $2.4 million from earnings on investments and Build America Bond subsidy, these amounts being more than sufficient to pay for operations and maintenance, PILOT and to fund transfers associated with debt service. As part of the fiscal 2020 year-end disposition of the Revenue Fund, the Authority had approximately $14.8 million available after funding required reserves. The Authority increased the General Fund by $5.5 million, the Growth Fund by $.75 million, and also transferred approximately $8.6 million to the Construction Fund, including the funding of depreciation. Since the General Fund monies can be used for any lawful purpose, the increase in this fund provides flexibility to address uncertainties associated with COVID-19. In addition, in fiscal 2020, the Authority contributed to the pension plans approximately $1.4 million in excess of the actuarial requirement and also partially funded the capital improvement program with internally generated funds.

Credit Rating

In October 2019 and June 2019, 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-.

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, 2020 and 2019. 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 Vice President of Financial Services, South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut 06511.

STATEMENTS OF NET POSITION

May 31,	2020	2019
Assets:		
Utility plant		
Depreciable property, plant and equipment in service	$ 891,642,307	$ 873,171,912
Accumulated depreciation	(361,941,227)	(338,882,328)
Depreciable utility plant in service	529,701,080	534,289,584
Land	28,090,329	28,015,381
Construction work in progress	19,661,117	11,941,329
Total utility plant, net	577,452,526	574,246,294
Nonutility land	64,983,525	64,913,354
Current assets:		
Cash and cash equivalents	35,452,357	26,128,771
Investments	–	101,031
Accounts receivable, less allowance for doubtful accounts of $3,505,045 in 2020 and $3,270,701 in 2019	13,784,791	12,194,247
Accrued water revenue	18,159,741	18,279,633
Accrued interest receivable	94,563	215,458
Materials and supplies	1,676,190	1,579,556
Prepaid expenses and other assets	3,461,143	2,924,833
Total current assets	72,628,785	61,423,529
Long-term note receivable	500,000	500,000
Restricted assets	121,046,235	118,704,243
Regulatory assets	10,589,882	11,099,481
Total assets	847,200,953	830,886,901
Deferred Outflows of Resources:		
Deferred charge on refunding	18,555,950	18,094,420
Deferred outflows–goodwill	14,423,704	14,423,704
Deferred outflows related to pensions	5,578,762	4,635,876
Deferred outflows related to OPEB	1,218,060	1,379,620
Total deferred outflows of resources	39,776,476	38,533,620

STATEMENTS OF NET POSITION (continued)

May 31,	2020	2019
Liabilities:		
Noncurrent liabilities:		
Revenue bonds payable, less current portion	$ 516,180,000	$ 496,190,000
Drinking water loans payable	21,112,560	21,381,720
Net premiums and discounts from revenue bonds payable	45,498,237	58,449,138
Net pension liability	19,071,269	17,122,195
Net OPEB liability	18,344,539	20,030,271
Total noncurrent liabilities	620,206,605	613,173,324
Current liabilities:		
Current maturities of bonds payable	19,765,000	17,645,000
Current maturities of drinking water loans payable	1,038,795	985,953
Accounts payable	3,718,783	3,774,265
Bond anticipation notes payable	5,848,723	18,749,404
Customer deposits and advances	1,214,980	1,237,371
Other accrued liabilities	8,381,732	7,765,574
Total current liabilities	39,968,013	50,157,567
Payable from restricted assets:		
Accounts payable for construction	1,869,648	1,517,131
Accrued interest payable	7,473,554	8,272,295
Customer deposits and advances	762,447	841,109
Total liabilities payable from restricted assets	10,105,649	10,630,535
Pollution remediation obligation	114,000	912,544
Total liabilities	670,394,267	674,873,970
Deferred Inflows of Resources:		
Deferred inflows related to pensions	880,143	2,657,004
Deferred inflows related to OPEB	4,113,857	3,558,498
Total deferred inflows of resources	4,994,000	6,215,502
Net Position:		
Net investment in capital assets	65,972,390	58,276,557
Restricted	111,440,586	108,573,708
Unrestricted	34,176,186	21,480,784
Total Net Position	$ 211,589,162	$ 188,331,049

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

May 31,	2020	2019
Operating revenues:		
Water revenues:		
Residential and commercial	$ 98,972,732	$ 95,376,125
Industrial	2,183,348	1,715,445
Fire protection	12,053,939	11,271,061
Public authority	2,529,522	2,926,844
Wholesale	870,956	968,324
Other water revenues	3,655,628	3,809,435
Other revenue	10,145,911	9,127,866
Total operating revenues	130,412,036	125,195,100
Operating expenses:		
Operating and maintenance expense	54,942,025	55,518,108
Depreciation	24,228,043	23,809,377
Payments in lieu of taxes	8,388,114	8,242,210
Other water expenses	1,716,033	1,825,324
Cost of other revenue	3,901,227	2,688,529
Total operating expenses	93,175,442	92,083,548
Operating income	37,236,594	33,111,552
Nonoperating income (expense):		
Interest income	3,924,769	4,650,434
Gain (loss) on disposal of assets	30,003	(321,977)
Realized and unrealized gains on investments	42,736	284,316
Interest expense	(24,026,395)	(25,351,685)
Amortization of bond discount, premium, issuance cost and deferred losses	3,367,577	3,732,104
Intergovernmental revenue	179,513	910,000
Total nonoperating expense	(16,481,797)	(16,096,808)
Change in net position before capital contributions	20,754,797	17,014,744
Capital Contributions	2,503,316	2,858,939
Change in Net Position	23,258,113	19,873,683
Net Position – Beginning of Year	188,331,049	168,457,366
Net Position – End of Year	$ 211,589,162	$ 188,331,049

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

May 31,	2020	2019
Cash Flows from Operating Activities:		
Cash received from water sales	$ 113,967,536	$ 111,241,443
Cash received from other services	13,288,421	12,830,457
Cash paid to employees	(21,293,347)	(22,032,990)
Cash paid to suppliers for operations	(35,045,059)	(37,070,077)
Cash paid to suppliers for other services	(4,234,260)	(3,167,357)
Cash paid for payments in lieu of taxes	(8,388,114)	(7,939,024)
Net cash provided by operating activities	58,295,177	53,862,452
Cash Flows from Investing Activities:		
Interest received	4,045,664	4,560,168
Purchase of other investments	–	(500,000)
Sale of unrestricted investments	101,031	100,000
Purchase of restricted investments	(300,600,474)	(183,362,285)
Sale of restricted investments	299,066,011	185,812,382
Net cash provided by (used in) investing activities	2,612,232	6,610,265
Cash Flows from Capital and Related Financing Activities:		
Payments for utility plant	(28,113,643)	(31,024,520)
Proceeds from disposition of assets	224,757	303,724
Proceeds from issuance of bond anticipation notes	7,549,024	24,224,775
Proceeds from issuance of drinking water loans	791,233	9,537,470
Proceeds from issuance of revenue bonds	24,850,000	–
Proceeds from issuance of refunding bonds	137,915,000	–
Premium on bond issuance	4,939,820	–
Principal payments on revenue bonds	(140,655,000)	(17,125,000)
Payments on drinking water loans	(1,007,551)	(742,465)
Payments on bond anticipation notes	(20,449,705)	(23,584,476)
Payments for retirement of revenue bonds	(14,303,114)	–
Interest paid	(24,967,264)	(25,930,044)
Grant proceeds	179,513	910,000
Capital contributions, net of restricted deposit	1,463,107	4,063,285
Net cash used in capital and related financing activities	(51,583,823)	(59,367,251)
Net Increase in Cash and Cash Equivalents	9,323,586	1,105,466
Cash and Cash Equivalents – Beginning of Year	26,128,771	25,023,305
Cash and Cash Equivalents – End of Year	$ 35,452,357	26,128,771

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (continued)

May 31,	2020	2019
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	$ 37,236,594	$ 33,111,552
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	24,228,043	23,809,377
Bad debt expense	1,096,437	585,371
Other	1,387,241	2,226,405
PILOT settlement	–	303,186
Change in:		
Accounts receivable and accrued water revenue	(2,567,089)	(1,115,256)
Materials and supplies	(96,634)	(32,388)
Prepaid expenses and other assets	(536,310)	(580,072)
Regulatory assets	(387,386)	(443,636)
Deferred outflows of resources	(781,326)	(2,409,787)
Accounts payable	(55,482)	97,946
Pension liability	1,949,074	1,488,421
OPEB liability	(1,685,732)	(3,621,755)
Deferred inflows of resources	(1,221,502)	1,629,216
Customer deposits and advances	(22,391)	63,672
Other accrued liabilities	(248,360)	(1,249,800)
Total adjustments	21,058,583	20,750,900
Net Cash Provided by Operating Activities	$ 58,295,177	$ 53,862,452

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2020	2019
Assets:		
Cash and cash equivalents	$ 255,304	$ 1,354,234
Investments:		
U.S. Government securities	2,804,801	5,084,715
U.S. Government agencies	2,968,135	3,207,741
Corporate bonds	6,801,552	4,511,472
Mutual funds	45,010,099	40,931,650
Alternative investments	836,755	1,078,660
Other receivables	44,600	–
Total assets	58,721,246	56,168,472
Net Position:		
Restricted for Pension Benefits	$ 58,721,246	$ 56,168,472

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND

May 31,	2020	2019
Additions:		
Contributions:		
Employer	$ 4,615,109	$ 5,136,907
Employees	5,079	8,287
Other	19,856	–
Total contributions	4,640,044	5,145,194
Investment earnings:		
Net change in fair value of investments	1,356,138	(149,391)
Realized gain (loss) on sale of investments	(477,033)	(467,498)
Investment earnings and other income	1,842,257	1,978,330
Net investment earnings	2,721,362	1,361,441
Total additions	7,361,406	6,506,635
Deductions:		
Benefits	4,526,357	4,480,011
Expenses	282,275	279,523
Other	–	42,345
Total deductions	4,808,632	4,801,879
Change in Net Position	2,552,774	1,704,756
Net Position – Beginning of Year	56,168,472	54,463,716
Net Position – End of Year	$ 58,721,246	$ 56,168,472

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FIDUCIARY NET POSITION — RETIRED EMPLOYEES CONTRIBUTORY TRUST FUND

May 31,	2020	2019
Assets:		
Cash and cash equivalents	$ 526,245	$ 418,910
Investments:		
U.S. Government securities	124,990	422,316
Mutual funds	7,014,838	6,153,117
Total assets	7,666,073	6,994,343
Liabilities:		
Other payables	144,096	–
Net Position:		
Restricted for Retiree Benefits	$ 7,521,977	$ 6,994,343

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

May 31,	2020	2019
Additions:		
Contributions:		
Employer	$ 2,027,798	$ 2,310,104
Retirees	213,385	197,813
Total contributions	2,241,183	2,507,917
Investment earnings:		
Net change in fair value of investments	194,681	27,356
Realized gain (loss) on sale of investments	(112,190)	(60,200)
Investment earnings and other income	227,889	221,929
Net investment earnings	310,380	189,085
Total additions	2,551,563	2,697,002
Deductions:		
Benefits	1,988,168	1,749,662
Expenses	35,761	37,451
Total deductions	2,023,929	1,787,113
Change in Net Position	527,634	909,889
Net Position – Beginning of Year	6,994,343	6,084,454
Net Position – End of Year	$ 7,521,977	$ 6,994,343

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

As of and for the Years ended May 31, 2020 and 2019

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. In November 2019, the Authority approved a name change of the Watershed Fund to The Claire C. Bennitt Watershed Fund, Inc. (the Watershed Fund). The Watershed Fund 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, *The Claire C. Bennitt Watershed Fund*. Requests for complete financial statements for the Watershed Fund should be addressed in writing to President, The Claire C. Bennitt Watershed Fund, Inc., 90 Sargent Drive, New Haven, CT 06511.

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, 2020, regulatory assets include $4.7 million of bond issuance costs and $5.9 million of deferred charges, net of amortization. Included in the approximately $5.9 million is $4.5 million associated with estimated environmental remediation costs in the town of Hamden, $1.0 million associated with a required system-wide leak study, deferred repair and remediation costs, and $0.4 million of incurred costs associated with interconnection.

Utility Plant

Capital assets in utility plant are defined by the Authority as assets with an initial cost of more than $2,000 and an estimated life of more than one year. Such assets are recorded at cost if purchased or constructed, which includes material and direct labor, as well as indirect items, e.g., engineering, 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, 2020 and 2019 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, goodwill, and deferred outflows related to pension and other post-employment benefits (OPEB) in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB can result from differences between expected and actual experience, changes in assumptions, projected versus actual investment earnings or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (participating active employees and vested former employees).

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

Restricted Assets

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

Bonds Premiums and Discounts

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

Net Pension Liability

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

Net OPEB Liability

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

Customer Deposits and Advances

Cash advances to reimburse the Authority for costs to construct supply mains are contributed to the Authority by customers, real estate developers and builders in order to extend water service to their properties. The Authority makes refunds on these deposits and advances in accordance with the deposit and advance agreements. After making refunds, the Authority records the remaining balance in the customer advance account for which work has been completed as a capital contribution.

Operating Items

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for delivery of goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, payment in lieu of taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accrued Water Revenue

The Authority accrues revenue based on an estimate of water service provided to each customer, net of allowance for uncollectible accounts, from the last meter reading date to the statement of net position date. Interest is accrued on unpaid customer accounts after 30 days from the billing date. However, interest charges were suspended in March 2020 due to COVID-19 and are expected to resume during fiscal 2021.

Other Revenue

Other revenue includes revenue from the PipeSafe suite of offerings, including water, sewer and septic protection plans as well as protection plans bundled with home plumbing, 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 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, $5,911,890 of the Authority's bank balance of $6,411,890 was exposed to custodial credit risk as of May 31, 2020 as follows:

May 31,		2020
Uninsured and uncollateralized	$	502,830
Uninsured and collateral held by the pledging bank's trust department, not in the Authority's name		5,409,060
Total Amount Subject to Custodial Risk	$	5,911,890

Cash Equivalents

As of May 31, 2020 and 2019, the Authority's cash equivalents amounted to $134,243,817 and $103,586,137, 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, 2020, the Authority had the following investments:

Investment Type	Credit Rating	Fair Market Value	Investment Maturities (Years) Less Than 1	1-10	More Than 10
Interest-bearing investments:					
U.S. Government securities	Aaa	$ 2,929,791	$ 2,533,839	$ 395,952	$ –
U.S. Government agencies	Aaa	14,560,583	2,380,658	12,179,925	–
Corporate bonds	Aa1	352,202	–	352,202	–
Corporate bonds	A1	1,002,831	212,470	790,361	–
Corporate bonds	A2	1,663,351	654,368	1,008,983	–
Corporate bonds	A3	3,116,769	–	3,116,769	–
Corporate bonds	Baa1	666,399	–	666,399	–
Other investments:					
Mutual funds		52,412,725			
Alternative investments		836,755			
Total Investments		$ 77,541,406			

As of May 31, 2019, 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	$ 5,507,031	$ 3,998,234	$ 1,508,797	$ –
U.S. Government agencies	Aaa	36,782,089	2,166,568	34,615,521	–
Corporate bonds	Aa1	328,757	–	328,757	–
Corporate bonds	A1	324,808	–	324,808	–
Corporate bonds	A2	975,636	–	975,636	–
Corporate bonds	A3	1,930,212	–	1,930,212	–
Corporate bonds	Baa1	952,059	–	952,059	–
Other investments:					
Mutual funds		47,474,946			
Alternative investments		1,078,660			
Total Investments		$ 95,354,198			

Interest Rate Risk

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

Credit Risk – Investments

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

Concentration of Credit Risk

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

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, 2020, 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, 2020:

			Fair Value Measurements Using				
		May 31, 2020		Level 1		Level 2		Level 3
Investments by Fair Value Level								
U.S. Government securities	$	2,929,791	$	–	$	2,929,791	$	–
U.S. Government agencies		14,560,583		–		14,560,583		–
Corporate bonds		6,801,552		–		6,801,552		–
Mutual funds		52,412,725		52,412,725		–		–
Total investments by fair value level	$	76,704,651	$	52,412,725	$	24,291,926	$	–
Investments measured at the net asset value (NAV):								
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC–Series G		836,755						
Total Investments	$	77,541,406						

The Authority has the following recurring fair value measurements as of May 31, 2019:

			Fair Value Measurements Using				
		May 31, 2019		Level 1		Level 2		Level 3
Investments by Fair Value Level								
U.S. Government securities	$	5,507,031	$	–	$	5,507,031	$	–
U.S. Government agencies		36,782,089		–		36,782,089		–
Corporate Bonds		4,511,472				4,511,472		–
Mutual funds		47,474,946		47,474,946		–		–
Total investments by fair value level	$	94,275,538	$	47,474,946	$	46,800,592	$	–
Investments measured at the net asset value (NAV)								
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G		1,078,660						
Total Investments	$	95,354,198						

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, 2020 is presented on the following table:

2020		Fair Value		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$	836,755	$	7,986	Quarterly	65 days
Total Investments Measured at NAV	$	836,755	$	7,986		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of May 31, 2019 is presented on the following table:

2019		Fair Value		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	$	1,078,660	$	7,572	Quarterly	65 days
Total Investments Measured at NAV	$	1,078,660	$	7,572		

4. Capital Assets

The following is a summary of utility plant:

2020	June 1, 2019	Additions	Transfers	Adjustments and Retirements	May 31, 2020
Capital assets not being depreciated:					
Land	$ 28,015,381	$ 74,948	$ –	$ –	$ 28,090,329
Construction work in progress	11,941,329	28,623,959	(19,790,215)	(1,113,956)	19,661,117
Total capital assets not being depreciated	39,956,710	28,698,907	(19,790,215)	(1,113,956)	47,751,446
Other capital assets:					
Source of supply	59,226,732	–	–	(141,112)	59,085,620
Pumping structures and equipment	39,023,074	–	901,286	(22,216)	39,902,144
Water treatment plant and equipment	197,692,007	–	2,093,045	(42,857)	199,742,195
Transmission and distribution	491,305,018	–	15,274,415	(880,789)	505,698,644
General plant	85,925,081	44,079	1,521,469	(276,925)	87,213,704
Total other capital assets	873,171,912	44,079	19,790,215	(1,363,899)	891,642,307
Less accumulated depreciation:					
Source of supply	14,160,588	767,761	–	(136,526)	14,791,823
Pumping structures and equipment	23,960,986	1,348,564	–	(22,212)	25,287,338
Water treatment plant and equipment	104,919,745	6,183,730	–	(42,561)	111,060,914
Transmission and distribution	133,966,092	9,012,837	–	(693,503)	142,285,426
General plant	61,874,917	6,915,151	–	(274,342)	68,515,726
Total accumulated depreciation	338,882,328	24,228,043	–	(1,169,144)	361,941,227
Total other capital assets – net	534,289,584	(24,183,964)	19,790,215	(194,755)	529,701,080
Utility Plant – Net	$ 574,246,294	$ 4,514,943	$ –	$ (1,308,711)	$ 577,452,526

2019	June 1, 2018	Additions	Transfers	Adjustments and Retirements	May 31, 2019
Capital assets not being depreciated:					
Land	$ 27,766,213	$ –	$ –	$ 249,168	$ 28,015,381
Construction work in progress	8,566,433	30,618,449	(24,601,388)	(2,642,165)	11,941,329
Total capital assets not being depreciated	36,332,646	30,618,449	(24,601,388)	(2,392,997)	39,956,710
Other capital assets:					
Source of supply	58,703,284	–	623,461	(100,013)	59,226,732
Pumping structures and equipment	38,702,955	–	339,758	(19,639)	39,023,074
Water treatment plant and equipment	194,419,777	–	3,283,964	(11,734)	197,692,007
Transmission and distribution	476,365,769	92,745	17,733,106	(2,886,602)	491,305,018
General plant	83,608,504	45,842	2,621,099	(350,364)	85,925,081
Total other capital assets	851,800,289	138,587	24,601,388	(3,368,352)	873,171,912
Less accumulated depreciation:					
Source of supply	13,435,781	764,162	–	(39,355)	14,160,588
Pumping structures and equipment	22,636,387	1,344,238	–	(19,639)	23,960,986
Water treatment plant and equipment	98,748,419	6,183,060	–	(11,734)	104,919,745
Transmission and distribution	127,888,496	8,473,796	–	(2,396,200)	133,966,092
General plant	55,155,742	7,044,121	–	(324,946)	61,874,917
Total accumulated depreciation	317,864,825	23,809,377	–	(2,791,874)	338,882,328
Total other capital assets – net	533,935,464	(23,670,790)	24,601,388	(576,478)	534,289,584
Utility Plant – Net	$ 570,268,110	$ 6,947,659	$ –	$ (2,969,475)	$ 574,246,294

During fiscal years 2020 and 2019, the Authority retired assets with accumulated depreciation totaling approximately $1.2 million and $2.8 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, bond proceeds and drinking water loans.

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

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

Operating Reserve

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

Capital Contingency

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

Insurance Reserve

The *General Bond Resolution* requires the Authority to keep its property insured and to carry general liability insurance (or maintain an insurance reserve fund). The Authority does not maintain an insurance reserve fund because it carries general liability coverage through a member-owned program of "captive" insurance and carries property insurance. The Authority also has other insurance coverage.

Rate Stabilization

The Authority established its Rate Stabilization Fund in 1996. The Rate Stabilization Fund includes a Variable Rate Bond Sub-account and a Surplus Sub-account. Per the *General Bond Resolution*, before the last day of the first month of each fiscal year, the Authority will deposit in the Rate Stabilization Fund Variable Rate Bonds Sub-account the amount, if any, by which the interest on variable rate bonds assumed for rate-making purposes or, if lower, the maximum amount of interest payable under an interest rate limitation contract, exceeded the amount of interest and related costs paid during the previous fiscal year. As of May 31, 2020 and 2019, there is no outstanding variable rate debt under the *General Bond Resolution*; therefore, no deposits were required.

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

The balances in the various funds as of May 31, 2020 and 2019 are as follows:

	2020	2019
Construction	$ 39,830,350	$ 41,640,584
Debt Reserve	20,696,855	18,798,051
Debt Service	28,711,485	27,413,316
Payments-in-Lieu-of-Taxes (PILOT)	3,675,811	3,639,838
Operating Reserve	10,207,821	10,178,962
Capital Contingency	6,006,314	5,999,284
Rate Stabilization	10,000,000	9,994,448
Other Purposes	1,917,599	1,039,760
Restricted Assets	$ 121,046,235	$ 118,704,243

The level of funds required by the *General Bond Resolution* was met on May 31, 2020 and 2019.

6. The Claire C. Bennitt Watershed Fund

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

The Authority made an initial donation of $1,234,000 to establish the Watershed Fund. Additional contributions of $452,000 and $7,700 were made by the Authority in 2000 and 2020, respectively. In fiscal 2020, the Watershed Fund provided a $4,000 grant to the Authority to be used toward the Environmental Careers Summer Camp. The Watershed Fund had total net assets of $1,811,657 and $1,753,085 as of May 31, 2020 and 2019, respectively. The Authority donated goods and services to the Watershed Fund totaling $25,085 and $31,605 for the years ended May 31, 2020 and 2019, 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. Long-Term Liabilities

Long-term liability activity for the years ended May 31, 2020 and 2019 was as follows:

2020	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 513,835,000	$ 162,765,000	$ (140,655,000)	$ 535,945,000	$ 19,765,000
Net bond premium and discounts	58,449,138	4,939,820	(17,890,721)	45,498,237	–
Total bonds payable	572,284,138	167,704,820	(158,545,721)	581,443,237	19,765,000
Drinking water loans	22,367,673	791,233	(1,007,551)	22,151,355	1,038,795
Net pension liability	17,122,195	1,949,074	–	19,071,269	–
Net OPEB liability	20,030,271	–	(1,685,732)	18,344,539	–
Total	$ 631,804,277	$ 170,445,127	$ (161,239,004)	$ 641,010,400	$ 20,803,795

2019	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 530,960,000	$ –	$ (17,125,000)	$ 513,835,000	$ 17,645,000
Net bond premium and discounts	63,871,269	–	(5,422,131)	58,449,138	–
Total bonds payable	594,831,269	–	(22,547,131)	572,284,138	17,645,000
Drinking water loans	13,572,668	9,537,470	(742,465)	22,367,673	985,953
Net pension liability	15,633,774	1,488,421	–	17,122,195	–
Net OPEB liability	23,652,026	–	(3,621,755)	20,030,271	–
Total	$ 647,689,737	$ 11,025,891	$ (26,911,351)	$ 631,804,277	$ 18,630,953

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*. Revenue bonds outstanding comprise the following:

2020	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2020
Twentieth A (Refunding bonds)	2007	2030	$ 63,330,000	4.000%-5.250%	$ 17,995,000
Twenty-second	2008	2038	77,965,000	3.000%-5.000%	4,470,000
Twenty-fifth	2010	2023	11,455,000	3.000%-5.000%	1,085,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	2.000%-5.000%	1,855,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	2.000%-5.000%	2,455,000
Twenty-eighth A	2013	2043	31,690,000	1.000%-5.000%	8,045,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	2.000%-5.000%	27,700,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	24,980,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	12,770,000
Thirtieth B (Refunding bonds)	2014	2035	15,790,000	2.000%-5.000%	2,855,000
Thirty-first (Refunding bonds)	2015	2028	11,090,000	2.000%-5.000%	8,815,000
Thirty-second A	2016	2045	17,270,000	2.000%-4.000%	16,175,000
Thirty-second B (Refunding bonds)	2016	2039	147,115,000	2.000%-5.000%	143,600,000
Thirty-third A	2018	2047	10,900,000	3.000%-5.000%	10,900,000
Thirty-third B-1 (Refunding bonds)	2017	2041	33,845,000	3.000%-5.000%	33,845,000
Thirty-third B-2 (Refunding bonds)	2018	2032	24,250,000	5.000%	24,250,000
Thirty-fourth A	2019	2039	11,725,000	3.000%-5.000%	11,725,000
Thirty-fourth B Taxable (Refunding bonds)	2019	2043	83,430,000	2.114%-3.500%	83,430,000
Thirty-fourth C (Green bonds)	2019	2049	13,125,000	5.000%	13,125,000
Thirty-fifth Taxable (Refunding bonds)	2020	2044	54,485,000	1.643%-3.262%	54,485,000
					$ 535,945,000

2019	Issuance Date	Original Maturity Date	Original Principal	Interest Rate	Balance May 31, 2019
Twentieth A (Refunding bonds)	2007	2030	$ 63,330,000	4.000%-5.250%	$ 20,515,000
Twenty-second	2008	2038	77,965,000	3.000%-5.000%	4,470,000
Twenty-fourth	2009	2039	33,730,000	2.000%-5.250%	800,000
Twenty-fifth	2010	2023	11,455,000	3.000%-5.000%	2,130,000
2010 Series A	2010	2040	31,385,000	6.243%-6.393%	31,385,000
Twenty-sixth	2011	2041	39,455,000	2.000%-5.000%	2,720,000
Twenty-seventh (Refunding bonds)	2012	2033	69,125,000	2.000%-5.000%	60,145,000
Twenty-eighth A	2013	2043	31,690,000	1.000%-5.000%	27,565,000
Twenty-eighth B (Refunding bonds)	2013	2029	62,305,000	2.000%-5.000%	35,135,000
Twenty-ninth (Refunding bonds)	2014	2029	44,880,000	3.000%-5.000%	44,880,000
Thirtieth A	2014	2044	30,270,000	2.000%-5.000%	28,240,000
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%	9,595,000
Thirty-second A	2016	2045	17,270,000	2.000%-4.000%	16,550,000
Thirty-second B (Refunding bonds)	2016	2039	147,115,000	2.000%-5.000%	145,385,000
Thirty-third A	2018	2047	10,900,000	3.000%-5.000%	10,900,000
Thirty-third B-1 (Refunding bonds)	2017	2041	33,845,000	3.000%-5.000%	33,845,000
Thirty-third B-2 (Refunding bonds)	2018	2032	24,250,000	5.000%	24,250,000
					$ 513,835,000

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 a low of 5.9%. A 6.2% reduction was effective for the Authority's August 2019 payment and a 5.9% reduction was applicable to the February 2020 payment. The percent is subject to further change. The interest subsidy received totaled $654,664 for the fiscal year ended May 31, 2020.

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

Fiscal Year Ending May 31	Principal	Interest
2021	$ 19,765,000	$ 21,996,619
2022	20,565,000	21,194,090
2023	21,475,000	20,277,862
2024	22,480,000	19,272,254
2025	23,580,000	18,176,655
2026–2030	133,405,000	75,129,371
2031-2035	145,880,000	46,490,403
2036-2040	106,000,000	20,507,068
2041-2045	33,555,000	4,961,696
2046-2050	9,240,000	1,027,700
Total	$ 535,945,000	$ 249,033,718

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 2020 and 2019. Depreciation expense and other terms are as defined in the *General Bond Resolution*. Also, collected revenues, less operating and maintenance expenses incurred, and depreciation expense must equal 125% of annual debt service before PILOT.

The Act provides that the rates and charges proposed by the Authority are subject to approval by the Representative Policy Board (RPB) following a public hearing. However, the Act also provides that the RPB shall approve such rates and charges proposed by the Authority unless it finds that such rates and charges will provide funds insufficient for, or significantly in excess of, the amounts required to meet expenses of the Authority and the requirements of the *General Bond Resolution*.

As of May 31, 2020 and 2019, 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 2020, the Authority authorized approximately $14.8 million of cash and cash equivalents to be transferred to the General Fund and, subsequently, approximately $8.6 million to be transferred from the General Fund to the Construction Fund and $0.8 million to be transferred to the Growth Fund.

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 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. The entire principal was paid on August 1, 2019.

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 reduced total debt service payments over the then 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 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, 2020, the remaining principal of the defeased debt was $36,130,000. The balance in escrow for the refunding issuance was $38,396,749 at May 31, 2020.

On July 2, 2019, the Authority issued $83,430,000 (par value) of Water System Revenue Bonds, Taxable Thirty-fourth Series B, to refund the outstanding principal amounts of $75,765,000 of certain maturities of the Authority's Twenty-seventh and Twenty-eighth Series A Bonds (the Refunded Bonds). The refunding reduced total debt service payments by $10,931,293 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $8,896,130. The Authority deposited proceeds of the refunding portion of the Taxable Thirty-fourth Series B Bonds and certain other cash amounts in escrow with the trustee and invested in U.S. Government securities and a security unconditionally guaranteed by the U.S. Government such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority 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, 2020, the remaining principal of the defeased debt was $75,765,000. The balance in escrow for the refunding issuance was $83,840,772 at May 31, 2020.

On February 20, 2020, the Authority issued $54,485,000 (par value) of Water System Revenue Bonds, Taxable Thirty-fifth Series, to refund the outstanding principal amounts of $47,245,000 of certain maturities of the Authority's Twenty-ninth, Thirtieth Series A and Thirtieth Series B Bonds (the Refunded Bonds). The refunding reduced total debt service payments by $5,091,658 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of $3,953,689. The Authority deposited proceeds of the refunding portion of the Taxable Thirty-fifth Series Bonds and certain other cash amounts in escrow with the trustee and invested in State and Local Government Series (SLGS) such that the earnings thereon, together with principal, will suffice solely for the purpose of paying principal and interest on the Refunded Bonds. In the opinion of bond counsel, by deposit of the investment securities with the trustee, the Authority affected a legal defeasance under the terms of its *General Bond Resolution*, and the Refunded Bonds will not be considered as outstanding for any purpose. Accordingly, the Refunded Bonds are considered extinguished, and the investment securities and Refunded Bonds do not appear on the Authority's statements of net position. As of May 31, 2020, the remaining principal of the defeased debt was $47,245,000. The balance in escrow for the refunding issuance was $53,908,730 at May 31, 2020.

Drinking Water Loans Payable

The Authority participates in the State of Connecticut's Drinking Water State Revolving Fund (DWSRF) programs, which provide low-interest loans currently bearing 2% interest for eligible drinking water projects. Qualified projects are financed by subordinate interim financing, revenue bonds and/or internally generated funds, until such projects are complete and there is an executed project loan obligation. Proceeds received at the execution of the project loan obligation are used to reimburse Authority funds previously used and/or pay-off interim subordinate financing as well as to fund associated reserve requirements. Project loan obligations are at parity with the Authority's revenue bonds under the *General Bond Resolution*. Long-term loan obligations mature as follows:

Fiscal Year Ending May 31	Principal	Interest
2021	$ 1,038,795	$ 433,539
2022	1,059,762	412,572
2023	1,081,152	391,181
2024	1,102,975	369,369
2025	1,125,238	347,096
2026-2030	5,976,181	1,385,488
2031-2035	6,604,151	757,518
2036-2040	4,163,101	134,026
Total	$ 22,151,355	$ 4,230,779

8. Bond Anticipation Notes Payable

Bond Anticipation Notes issued in January 2018, to temporarily finance a capital project, matured in January 2019 and were refinanced in advance of the Authority issuing Water System Revenue Bonds in July 2019. These interim notes are subordinate to the Authority's Water System Revenue Bonds. In July 2019, the Series A Note in the amount of $10,000,000 bearing an interest rate of 2.868% and the Series B Note issued as a $5,000,000 draw-down note with a variable interest rate and having a principal balance of $4,704,229 were paid off with proceeds of the Thirty-fourth Series C Green Bonds.

A Bond Anticipation Note of $4,200,000 with an interest rate of 2.446%, issued to temporarily finance a multi-year capital project, matured in August 2018 and was paid off through long-term DWSRF financing. In August 2018, a Bond Anticipation Note of $5,000,000, at an interest rate of 2.662%, was issued to continue to temporarily finance this capital project, and in February 2019, this note was paid off through long-term DWSRF financing. In February 2019, a Series A Bond Anticipation Note of $3,650,000, with an interest rate of 2.726%, maturing in February 2020, was issued. In addition, in February 2019, a $3,750,000 Series B draw-down note was issued with a variable interest rate. The Series A Note and the Series B draw-down note were refinanced in February 2020, maturing in August 2020. The Series A note of $3,650,000 has an interest rate of 1.904% and the Series B draw-down note had a balance of $2,198,723 as of May 31, 2020, respectively. Both the Series A and Series B notes were issued to temporarily fund this multi-year capital project in advance of long-term DWSRF financing.

See Subsequent Events note for further information.

Bond anticipation note transactions for the year ended May 31, 2020 were as follows:

Outstanding, May 31, 2019	$	18,749,404
New borrowings		7,549,024
Repayments		(20,449,705)
Outstanding, May 31, 2020	$	5,848,723

9. Leases

Capital Leases

The Authority has entered into a lease agreement as lessee for financing the acquisition of fleet management equipment and in fiscal 2020 entered a second twelve-month renewal period. 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.

		2020
Equipment	$	176,316
Less accumulated depreciation		(101,465)
	$	74,851

Future minimum lease payments and the net present value of the minimum lease payments as of May 31, 2020 were as follows:

Year Ending May 31		
2021	$	18,366
Capital Lease Obligation	$	18,366

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

Operating Leases

The Authority has entered into operating leases involving certain equipment and Information Technology infrastructure support. At May 31, 2020, 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, 2020 and 2019 was $63,837 and $73,412, 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, 2020 the termination fee would be $105,559.

10. Pollution Remediation Obligation - Newhall Street Property, Hamden

In July 2001, the Connecticut Department of Energy & Environmental Protection (DEEP) issued Order No. SRD-128 to the Authority, the Olin Corporation, the Town of Hamden and the State of Connecticut Board of Education to investigate and remediate certain environmental conditions and to conduct a public participation program with respect to a number of properties, including the former Hamden Middle School 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 currently developing the site for a small business incubator, including 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. Site redevelopment was completed by HEDC in 2019. The, Authority is working on an application to DEEP for an Environmental Land Use Restriction (ELUR) to be filed on the town land records.

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. 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 proceeded 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.

Physical remediation of the remaining portions of the Consent Order Area by the Authority was completed 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 on the northwest and northern portions of the former Hamden Middle School property was completed in fiscal 2018. Phase 3 encompassing areas east of the former classroom building was completed in fiscal 2019, with the fourth and final phase completed in fiscal 2020.

The above remedial actions resulted in contaminated soils on the site being rendered "inaccessible", as defined in Connecticut's Remediation Standards Regulations (RSRs), utilizing existing buildings and pavement, or covering with a minimum four feet of clean fill. ELURs for each of the four properties are in various stages of preparation and execution. Upon DEEP approval, they 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 will be proposing a groundwater monitoring plan for small portion of the site where groundwater flows toward the Lake Whitney public water supply reservoir. Upon DEEP approval of the plan, monitoring wells will be installed and sampled on a regular basis until it is determined that groundwater quality complies with the RSRs for GAA areas, as defined in the Connecticut Water Quality Standards. It is estimated that this monitoring will cost approximately $20,000 annually until compliance is demonstrated.

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

The 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. In fiscal 2018, the estimate of $4.2 million was revised slightly downward by $150,000. As of May 31, 2019, the projected total cost to remediate was unchanged and an additional approximately $1.5 million was expended during fiscal 2019. Therefore, as of May 31, 2019, the remaining obligation was approximately $0.9 million. In fiscal 2020, costs of approximately $0.9 million have been incurred, and the cost estimate was revised upward by approximately $61,000 to $4.1 million. Therefore, as of May 31, 2020 the remaining obligation is approximately $0.1 million.

As the remediation costs are to be recovered through future rates, $4.5 million in incurred costs and future estimated remediation costs, net of amortization through May 31, 2020, have been recognized as a regulatory asset.

11. 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.

12. Commitments and Contingencies

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

Litigation

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

Capital Commitments

As of May 31, 2020, the Authority has an estimated $4.1 million projected remaining capital expenditures associated with ongoing projects under cancellable binding contracts.

Risk Management

The Authority is subject to certain business risks common to the utility industry. Most of these risks are mitigated by traditional insurance coverage obtained by the Authority. For risks associated with 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 $2,880,610 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 accounts and other payables, and other accrued liabilities, when it is probable that it has incurred an uninsured loss and it can reasonably estimate that loss. The Authority's liability for unpaid claims is based upon the estimated cost of settling the claims after a review of estimated recoveries. Changes in the amounts recorded for liabilities for the years ended May 31, 2020 and 2019 were as follows:

2020		June 1, 2019		Claims and Expenses Paid		Additional Reserves		May 31, 2020
Medical and dental claims	$	590,909	$	(5,704,261)	$	5,675,355	$	562,003
Insurance reserve for "captive" (October 1, 2000 - present)		2,600,864		(276,234)		82,799		2,407,429
Insurance reserve (pre October 1, 2000)		183,210		(80,548)		376,864		479,526
Total Liability	$	3,374,983	$	(6,061,043)	$	6,135,018	$	3,448,958

2019		June 1, 2018		Claims and Expenses Paid		Additional Reserves		May 31, 2019
Medical and dental claims	$	485,000	$	(5,125,480)	$	5,231,389	$	590,909
Insurance reserve for "captive" (October 1, 2000 - present)		2,822,673		(587,245)		365,436		2,600,864
Insurance reserve (pre October 1, 2000)		130,000		(77,940)		131,150		183,210
Total Liability	$	3,437,673	$	(5,790,665)	$	5,727,975	$	3,374,983

13. Defined Benefit Pension Plans

Plan Description

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

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

Management of the plan rests with the Pension and Benefit Committee of the Five-Member Authority. The Pension and Benefit Committee consists of all five members of the Five-Member Authority. As of May 31, 2020, three members of senior management are authorized and empowered to act as management's Pension Review Committee for the Authority's Salaried Employees' Retirement Plan and Retirement Plan (Union), with instructions to defer final action on nonroutine or discretionary matters until they have consulted with the Pension and Benefits Committee.

At January 1, 2020, 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	162	108
Vested terminated members entitled to but not yet receiving benefits	71	40
Current active members	84	83
Total members	317	231

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, 2020, the Authority contributed approximately $1.4 million in excess of the actuarial required contribution, and for the year ended May 31, 2019, the Authority contributed approximately $1.8 million in excess of the required contribution.

The individual plan net position at May 31, 2020 and 2019, and changes in net position for the years then ended are as follows:

2020 Fiduciary Net Position	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Assets:			
Cash and cash equivalents	$ 100,959	$ 154,345	$ 255,304
Investments:			
U.S. Government securities	1,661,367	1,143,434	2,804,801
U.S. Government agencies	1,836,209	1,131,926	2,968,135
Corporate bonds	4,293,739	2,507,813	6,801,552
Mutual funds	27,845,793	17,164,306	45,010,099
Alternative investments	500,733	336,022	836,755
Other receivables	24,423	20,177	44,600
Total assets	36,263,223	22,458,023	58,721,246
Net Position:			
Restricted for Pension Benefits	$ 36,263,223	$ 22,458,023	$ 58,721,246

	Salaried Plan	Bargaining Unit Plan	Total Pension Trust Fund
Additions:			
Contributions:			
Employer	$ 3,301,077	$ 1,314,032	$ 4,615,109
Employees	5,079	–	5,079
Other	11,129	8,727	19,856
Total contributions	3,317,285	1,322,759	4,640,044
Investment earnings:			
Net change in fair value of investments	845,773	510,365	1,356,138
Realized loss on sale of investments	(300,044)	(176,989)	(477,033)
Investment earnings and other income	1,133,486	708,771	1,842,257
Net investment earnings	1,679,215	1,042,147	2,721,362
Total additions	4,996,500	2,364,906	7,361,406
Deductions:			
Benefits	3,056,951	1,469,406	4,526,357
Expenses	173,577	108,698	282,275
Total deductions	3,230,528	1,578,104	4,808,632
Change in Net Position	1,765,972	786,802	2,552,774
Net Position – Beginning of Year	34,497,251	21,671,221	56,168,472
Net Position – End of Year	$ 36,263,223	$ 22,458,023	$ 58,721,246

2019 Fiduciary Net Position		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Assets:						
Cash and cash equivalents	$	1,080,092	$	274,142	$	1,354,234
Investments:						
U.S. Government securities		3,133,847		1,950,868		5,084,715
U.S. Government agencies		1,975,893		1,231,848		3,207,741
Corporate bonds		2,742,168		1,769,304		4,511,472
Mutual Funds		24,919,757		16,011,893		40,931,650
Alternative investments		645,494		433,166		1,078,660
Total assets		34,497,251		21,671,221		56,168,472
Net Position:						
Restricted for Pension Benefits	$	34,497,251	$	21,671,221	$	56,168,472

		Salaried Plan		Bargaining Unit Plan		Total Pension Trust Fund
Additions:						
Contributions:						
Employer	$	3,897,275	$	1,239,632	$	5,136,907
Employees		8,287		–		8,287
Total contributions		3,905,562		1,239,632		5,145,194
Investment earnings:						
Net change in fair value of investments		(53,267)		(96,124)		(149,391)
Realized loss on sale of investments		(291,048)		(176,450)		(467,498)
Investment earnings and other income		1,196,905		781,425		1,978,330
Net investment earnings		852,590		508,851		1,361,441
Total additions		4,758,152		1,748,483		6,506,635
Deductions:						
Benefits		2,868,597		1,611,414		4,480,011
Expenses		168,432		111,091		279,523
Other		23,335		19,010		42,345
Total deductions		3,060,364		1,741,515		4,801,879
Change in Net Position		1,697,788		6,968		1,704,756
Net Position – Beginning of Year		32,799,463		21,664,253		54,463,716
Net Position – End of Year	$	34,497,251	$	21,671,221	$	56,168,472

Investments

Investment Policy

The Five-Member Authority determines the asset allocation ranges and targets, and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2020 and 2019, the associated targets were as follows:

2020 Asset Class	Target Allocation
Fixed Income	30%
Equities	55
Alternative/Hedge/Balanced	15
Total	100%

2019 Asset Class	Target Allocation
Fixed Income	27%
Equities	55
Alternative/Hedge/Balanced	18
Total	100%

The asset allocation targets were approved by the Five-Member Authority on February 15, 2018. Effective July 18, 2019, the Five-Member Authority authorized revised targets and ranges for the asset categories.

Rate of Return

For the year ended May 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.86% for the salaried plan and 4.84% for the bargaining unit plan. For the year ended May 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.59% for the salaried plan and 2.41% 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, 2020 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 49,198,441	$ 28,594,074
Plan fiduciary net position	36,263,223	22,458,023
Net Pension Liability	$ 12,935,218	$ 6,136,051
Plan fiduciary net position as a percentage of the total pension liability	73.71%	78.54%

The components of the net pension liability of the Authority at May 31, 2019 were as follows:

	Salaried Plan	Bargaining Unit Plan
Total pension liability	$ 47,100,993	$ 26,189,674
Plan fiduciary net position	34,497,251	21,671,221
Net Pension Liability	$ 12,603,742	$ 4,518,453
Plan fiduciary net position as a percentage of the total pension liability	73.24%	82.75%

Actuarial Assumptions

The total pension liability as of May 31, 2020 was determined by an actuarial valuation as of January 1, 2020 rolled forward to May 31, 2020, 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	7.00%, net of pension plan investment expense, including inflation

The total pension liability as of May 31, 2019 was determined by an actuarial valuation as of January 1, 2019 rolled forward to May 31, 2019, 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	7.00%, net of pension plan investment expense, including inflation

Mortality rates for the year ended May 31, 2020 for the Salaried Plan were based on the PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 projection scale. Mortality rates for the Bargaining Unit Plan were based on the PubG-2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 projection scale.

Mortality rates for the year ended May 31, 2019 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-2018 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-2018 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, 2020 (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	3.5%
Equity	7.5
Alternative/Hedge/Balanced	5.9

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, 2019 (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	3.7%
Equity	7.6
Alternative/Hedge/Balanced	5.9

Discount Rate

The discount rate used to measure the total pension liability as of May 31, 2020 for the salaried plan was 7.00% and for the bargaining unit plan 6.98%. The discount rate used to measure the total pension liability as of May 31, 2019 for the salaried plan was 7.00% and for the bargaining unit plan 6.97%. The projection of cash flows used to determine the discount rate was made at the actuarially determined contribution. For the years ended May 31, 2020 and 2019, 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

2020 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2019	$ 47,100,993	$ 34,497,251	$ 12,603,742
Changes for the year:			
Service cost	606,804	–	606,804
Interest on total pension liability	3,178,341	–	3,178,341
Differences between expected and actual experience	1,090,249	–	1,090,249
Changes in assumptions	279,005	–	279,005
Changes in benefit terms	–	–	–
Employer contributions	–	3,301,077	(3,301,077)
Member contributions	–	5,079	(5,079)
Net investment gain	–	1,679,215	(1,679,215)
Benefit payments, including refund to employee contributions	(3,056,951)	(3,056,951)	–
Administrative expenses	–	(173,577)	173,577
Other	–	11,129	(11,129)
Net changes	2,097,448	1,765,972	331,476
Balances as of May 31, 2020	$ 49,198,441	$ 36,263,223	$ 12,935,218

2020 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2019	$ 26,189,674	$ 21,671,221	$ 4,518,453
Changes for the year:			
Service cost	120,416	–	120,416
Interest on total pension liability	1,766,348	–	1,766,348
Differences between expected and actual experience	277,635	–	277,635
Changes in assumptions	1,533,894	–	1,533,894
Changes in benefit terms	175,513	–	175,513
Employer contributions	–	1,314,032	(1,314,032)
Member contributions	–	–	–
Net investment gain	–	1,042,147	(1,042,147)
Benefit payments, including refund to employee contributions	(1,469,406)	(1,469,406)	–
Administrative expenses	–	(108,698)	108,698
Other		8,727	(8,727)
Net changes	2,404,400	786,802	1,617,598
Balances as of May 31, 2020	$ 28,594,074	$ 22,458,023	$ 6,136,051

2019 Salaried Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2018	$ 44,277,048	$ 32,799,463	$ 11,477,585
Changes for the year:			
Service cost	$ 729,789	–	$ 729,789
Interest on total pension liability	2,997,121	–	2,997,121
Differences between expected and actual experience	1,923,819	–	1,923,819
Changes in assumptions	(86,868)	–	(86,868)
Changes in benefit terms	140,281	–	140,281
Employer contributions	–	3,897,275	(3,897,275)
Member contributions	–	8,287	(8,287)
Net investment loss	–	852,590	(852,590)
Benefit payments, including refund to employee contributions	(2,868,597)	(2,868,597)	–
Administrative expenses	–	(168,432)	168,432
Other	(11,600)	(23,335)	11,735
Net changes	2,823,945	1,697,788	1,126,157
Balances as of May 31, 2019	$ 47,100,993	$ 34,497,251	$ 12,603,742

2019 Bargaining Unit Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balances as of June 1, 2018	$ 25,820,442	$ 21,664,253	$ 4,156,189
Changes for the year:			
Service cost	$ 129,285	–	$ 129,285
Interest on total pension liability	1,745,484	–	1,745,484
Differences between expected and actual experience	(41,862)	–	(41,862)
Changes in assumptions	(50,037)	–	(50,037)
Changes in benefit terms	207,281	–	207,281
Employer contributions	–	1,239,632	(1,239,632)
Net investment loss	–	508,851	(508,851)
Benefit payments, including refund to employee contributions	(1,611,414)	(1,611,414)	-
Administrative expenses	–	(111,091)	111,091
Other	(9,505)	(19,010)	9,505
Net changes	369,232	6,968	362,264
Balances as of May 31, 2019	$ 26,189,674	$ 21,664,253	$ 4,518,453

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, 2020, calculated using the discount rate of 7.00% for the salaried plan and 6.98% 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	$ 17,659,332	$ 12,935,218	$ 8.865,506

	1% Decrease (5.98%)	Current Discount Rate (6.98%)	1% Increase (7.98%)
Bargaining Unit Plan	$ 9,268,260	$ 6,136,051	$ 3,471,034

The following presents the net pension liability of the Authority for the year ended May 31, 2019, 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	$ 17,123,843	$ 12,603,742	$ 8,710,310

	1% Decrease (5.97%)	Current Discount Rate (6.97%)	1% Increase (7.97%)
Bargaining Unit Plan	$ 9,265,654	$ 4,518,453	$ 3,456,265

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

For the years ended May 31, 2020 and 2019, the Authority recognized pension expense of $3,844,436 and $3,014,477, respectively. At May 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

2020	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 1,561,839	$ 344,253	$ 1,906,092
Changes of assumptions	192,492	1,091,339	1,283,831
Difference between projected and actual earning on pension plan investments	1,433,466	955,373	2,388,839
Total	3,187,797	$ 2,390,965	$ 5,578,762

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 19,222	$ 19,222
Changes of assumptions	69,944	172,626	242,570
Difference between projected and actual earning on pension plan investments	355,645	262,706	618,351
Total	$ 425,589	$ 454,554	$ 880,143

2019	Deferred Outflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ 1,628,466	$ 374,223	$ 2,002,689
Net difference between projected and actual earning on pension plan investments	1,557,957	1,075,230	2,633,187
Total	$ 3,186,423	$ 1,449,453	$ 4,635,876

	Deferred Inflows of Resources		
	Salaried Plan	Bargaining Unit Plan	Total
Differences between expected and actual experience	$ –	$ 30,542	$ 30,542
Changes of assumptions	630,282	877,024	1,507,306
Net difference between projected and actual earning on pension plan investments	645,344	473,812	1,119,156
Total	$ 1,275,626	$ 1,381,378	$ 2,657,004

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	
2021	$ 1,673,940
2022	1,733,493
2023	1,057,459
2024	233,727
	$ 4,698,619

14. Voluntary Investment Plan

The Authority maintains a voluntary investment plan (a defined contribution 401(k) plan) covering eligible salaried employees. Salaried employees hired after January 1, 2011 receive an Authority contribution of 4.5% of their pay after six months of service. Salaried employees are not required to contribute in order to receive a match. Authority contributions vest immediately. Effective January 1, 1997, eligible bargaining unit employees were allowed to participate in the voluntary investment plan. Bargaining unit employees hired after April 15, 2010 and before April 15, 2014 receive an Authority contribution of 4.0% of pay with 100% vesting. Bargaining unit employees hired after April 15, 2014 receive an Authority contribution of 4.0% of their pay after six months of employment under the following vesting schedule: 50% after three years of service, 75% after four years of service and 100% after five years of service. Contributions to the plan for the years ended May 31, 2020 and 2019 were as follows:

	2020	2019
Employer contributions	$ 877,199	$ 804,800
Employee contributions	1,889,195	1,743,846

15. 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, 2020, plan membership consisted of the following:

	Retiree Health Plan
Retired members	170
Spouses of retired members	78
Active plan members	145
Members death benefits only	130
Total participants	523

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Valuation of Investments

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

Funding Policy

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

Union employees and spouses:

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

Nonunion employees and spouses:

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

The Authority's cash contribution to the trust was $2,027,798 for the fiscal year ended May 31, 2020. The Authority's contribution was based on the actuarially calculated recommended cash contribution.

Investments

Investment Policy

The Five-Member Authority determines the asset allocation target and the associated ranges and the investment advisor has discretion to invest within the authorized ranges and to select the specific investments within an asset category. As of May 31, 2020 and 2019, the associated targets were as follows:

2020 Asset Class	Target Allocation
Fixed Income	30%
Equities	55
Alternatives/Hedge/Balanced	15
Total	100%

2019 Asset Class	Target Allocation
Fixed Income	27%
Equities	55
Alternatives/Hedge/Balanced	18
Total	100%

The asset allocation targets were approved by the Five-Member Authority on April 19, 2018. Effective July 18, 2019, the Five-Member Authority authorized revised ranges for the asset categories.

Rate of Return

As of May 31, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.37% and 2.93%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, was determined based on an assumption of contributions and expenses being paid in the middle of the plan year.

Net OPEB Liability of the Authority

The Authority's net OPEB liability was measured as of May 31, 2020 and 2019. The components of the net OPEB liability of the Authority at May 31, 2020 were as follows:

Total OPEB liability	$	25,866,516
Plan fiduciary net position		7,521,977
Net OPEB liability	$	18,344,539
Plan fiduciary net position as a percentage of the total OPEB liability		29.08%

The components of the net OPEB liability of the Authority at May 31, 2019 were as follows:

Total OPEB liability	$	27,024,614
Plan fiduciary net position		6,994,343
Net OPEB liability	$	20,030,271
Plan fiduciary net position as a percentage of the total OPEB liability		25.88%

Actuarial Assumptions

The total OPEB liability for May 31, 2020 was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	4.00%
Investment rate of return	7.00% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.71% per year graded down using the Getzen Model to an ultimate rate of 4,04% per year

The total OPEB liability for May 31, 2019 was determined by an actuarial valuation as of January 1, 2019, 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, including inflation
Healthcare cost trend rates	7.00% per year graded down using the Getzen Model to an ultimate rate of 3.84% per year

Mortality rates for the year ended May 31, 2020 were based on the 2010 Public Sector Retirement Plans Mortality table for above average salary general employee populations with MP-2019 mortality improvement scale.

Mortality rates for the year ended May 31, 2019 were based on the 2010 Public Sector Retirement Plans Mortality table for above-average salary general employee populations with MP-2018 mortality improvement scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset as of May 31, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.5%
Global Equities	7.5
Alternatives/Hedge/Balanced	5.9

The best estimates of arithmetic real rates of return for each major asset as of May 31, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Fixed Income	3.7%
Global Equities	7.6
Alternatives/Hedge/Balanced	5.9

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0% for the years ended May 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

	2020 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 1, 2019	$ 27,024,614	$ 6,994,343	$ 20,030,271
Changes for the year:			
Service cost	237,267	–	237,267
Interest	1,820,624	–	1,820,624
Difference between expected and actual experience	(1,439,393)	–	(1,439,393)
Changes in assumptions	(1,813)	–	(1,813)
Benefit payments, including refunds of member contributions	(1,988,168)	(1,988,168)	–
Contributions – employer	–	2,027,798	(2,027,798)
Contributions – retiree	213,385	213,385	–
Net investment income	–	310,380	(310,380)
Administrative expense	–	(35,761)	35,761
Net changes	(1,158,098)	527,634	(1,685,732)
Balances as of May 31, 2020	$ 25,866,516	$ 7,521,977	$ 18,344,539

	2019 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 1, 2018	$ 29,736,480	$ 6,084,454	$ 23,652,026
Changes for the year:			
Service cost	269,556	–	269,556
Interest	2,004,070	–	2,004,070
Difference between expected and actual experience	(4,053,660)	–	(4,053,660)
Changes in assumptions	620,017	–	620,017
Benefit payments, including refunds of member contributions	(1,749,662)	(1,749,662)	
Contributions – employer	–	2,310,104	(2,310,104)
Contributions – retiree	197,813	197,813	
Net investment income	–	189,085	(189,085)
Administrative expense	–	(37,451)	37,451
Net changes	(2,711,866)	909,889	(3,621,755)
Balances as of May 31, 2019	$ 27,024,614	$ 6,994,343	$ 20,030,271

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2020, 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	$ 20,326,593	$ 18,344,539	$ 16,592,840

The following presents the net OPEB liability of the Authority for the year ended May 31, 2019, 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	$ 22,153,978	$ 20,030,271	$ 18,154,319

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

The following presents the net OPEB liability of the Authority for the year ended May 31, 2020, 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 (5.71% decreasing to 3.04%)	Healthcare Cost Trend Rates (6.71% decreasing to 4.04%)	1% Increase (7.71% decreasing to 5.04%)
Net OPEB Liability	$ 16,412,340	$ 18,344,539	$ 20,547,214

The following presents the net OPEB liability of the Authority for the year ended May 31, 2019, 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 (6.0% decreasing to 2.84%)	Healthcare Cost Trend Rates (7.0% decreasing to 3.84%)	1% Increase (8.0% decreaing to 4.84%)
Net OPEB Liability	$ 17,949,543	$ 20,030,271	$ 22,406,089

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

For the years ended May 31, 2020 and 2019, the Authority recognized OPEB expense of $1,058,984 and $1,518,629, respectively. At May 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 502,895	$ 4,013,939
Changes of assumptions	427,405	73,160
Net difference between projected and actual earning on OPEB plan investments	287,760	26,758
Total	$ 1,218,060	$ 4,113,857

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 662,442	$ 3,424,014
Changes of assumptions	523,711	94,347
Net difference between projected and actual earning on OPEB plan investments	193,467	40,137
Total	$ 1,379,620	$ 3,558,498

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

Year Ending May 31		
2021	$	(545,962)
2022		(545,963)
2023		(532,585)
2024		(696,973)
2025		(453,702)
Thereafter		(120,612)
	$	(2,895,797)

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, 2020 actuarial valuation, the frozen entry age normal actuarial funding method was used with a health care cost trend of 6.71% graded down by the Getzen Model to an ultimate rate of 4.04% annually and a discount rate of 7.0%.

16. Subsequent Events

Subsequent events have been evaluated through August 31, 2020, the date the financial statements were available to be issued.

On August 20, 2020, the Authority paid off the Series A Bond Anticipation Note of $3,650,000 and the Series B Bond Anticipation Note draw-down note of $3,750,000 having a principal balance of $2,198,873. On this same date, the Authority issued a draw down Series C Bond Anticipation Note with a variable interest rate in the amount of $7,400,000 and drew $5,883,656. The draw was used to pay off the Series A and Series B notes. The Series C note was issued in advance of long-term DWSRF financing.

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. The Authority's fiscal 2021 budget, approved in May 2020, was revised to reflect reduced revenues due to anticipated economic impacts on the Authority's customer base and, therefore, on the capital and operating expenditures of the Authority. To date, any impacts have not been as severe as projected. However, the situation creates considerable uncertainty about the impact on future revenues and cash receipts from the Authority's customer base.

17. 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 83 - Certain Asset Retirement Obligations

The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2019.

GASB Statement 87 — Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2020.

GASB Statement 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2020.

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

SALARIED PLAN	2015	2016	2017	2018	2019	2020
Total pension liability:						
Service cost	$ 675,452	$ 681,501	$ 656,669	$ 748,940	$ 729,789	$ 606,804
Interest	2,611,307	2,930,309	2,930,761	2,925,239	2.997,121	3,178,341
Differences between expected and actual experience	714,740	592,405	979,655	166,471	1,923,819	1,090,249
Changes in assumptions	3,703,809	494,742	(2,323,594)	(204,280)	(86,868)	279,005
Changes in benefit terms	–	–	10,131	–	140,281	–
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)	(2,868,597)	(3,056,951)
Other	–	–	–	–	(11,600)	–
Net change in total pension liability	5,608,836	1,991,336	(739,173)	1,173,903	2,823,945	2,097,448
Total pension liability – beginning	36,242,146	41,850,982	43,842,318	43,103,145	44,277,048	47,100,993
Total pension liability – ending	41,850,982	43,842,318	43,103,145	44,277,048	47,100,993	49,198,441
Plan fiduciary net position:						
Contributions – employer	2,689,635	4,385,524	5,001,252	4,341,521	3,897,275	3,301,077
Contributions – member	15,624	14,693	10,810	10,918	8,287	5,079
Net investment income (loss)	712,038	(287,080)	2,810,914	2,372,221	852,590	1,679,215
Benefit payments, including refunds of member contributions	(2,096,472)	(2,707,621)	(2,992,795)	(2,462,467)	(2,868,597)	(3,056,951)
Administrative expense	(30,552)	(133,601)	(136,687)	(165,402)	(168,432)	(173,577)
Other	–	(61,573)	87,206	11,846	(23,335)	11,129
Net change in plan fiduciary net position	1,290,273	1,210,342	4,780,700	4,108,637	1,697,788	1,765,972
Plan fiduciary net position – beginning	21,409,511	22,699,784	23,910,126	28,690,826	32,799,463	34,497,251
Plan fiduciary net position – ending	22,699,784	23,910,126	28,690,826	32,799,463	34,497,251	36,263,223
Net Pension Liability – Ending	$ 19,151,198	$ 19,932,192	$ 14,412,319	$ 11,477,585	$ 12,603,742	$ 12,935,218
Plan fiduciary net position as a percentage of the total pension liability	54.24%	54.54%	66.56%	74.08%	73.24%	73.71%
Covered-employee payroll	$ 8,694,151	$ 8,590,395	$ 9,290,589	$ 9,475,823	$ 9,160,530	$ 8,465,818
Net pension liability as a percentage of covered-employee payroll	220.28%	232.03%	155.13%	121.12%	137.59%	152.79%

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

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

BARGAINING UNIT PLAN	2015	2016	2017	2018	2019	2020
Total pension liability:						
Service cost	$ 171,017	$ 166,226	$ 155,949	$ 143,110	$ 129,285	$ 120,416
Interest	1,718,773	1,802,098	1,799,197	1,695,294	1,745,484	1,766,348
Differences between expected and actual experience	(311,677)	(110,990)	406,966	520,588	(41,862)	277,635
Changes of assumptions	1,292,075	303,196	(2,610,404)	(242,533)	(50,037)	1,533,894
Changes in benefits	–	120,432	83,206	–	207,281	175,513
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)	(1,611,414)	(1,469,406)
Other	–	–	–	–	(9,505)	–
Net change in total pension liability	1,766,519	1,068,737	(1,493,719)	670,158	369,232	2,404,400
Total pension liability – beginning	23,808,747	25,575,266	26,644,003	25,150,284	25,820,442	26,189,674
Total pension liability – ending	25,575,266	26,644,003	25,150,284	25,820,442	26,189,674	28,594,074
Plan fiduciary net position:						
Contributions – employer	1,708,765	2,212,476	2,175,166	1,519,216	1,239,632	1,314,032
Net investment income (loss)	374,669	(198,733)	2,021,684	1,656,511	508,851	1,042,147
Benefit payments, including refunds of member contributions	(1,103,669)	(1,212,225)	(1,328,633)	(1,446,301)	(1,611,414)	(1,469,406)
Administrative expense	(23,872)	(98,084)	(101,257)	(123,799)	(111,091)	(108,698)
Other	–	(24,768)	46,960	10,270	(19,010)	8,727
Net change in plan fiduciary net position	955,893	678,666	2,813,920	1,615,897	6,968	786,802
Plan fiduciary net position – beginning	15,599,877	16,555,770	17,234,436	20,048,356	21,664,253	21,671,221
Plan fiduciary net position – ending	16,555,770	17,234,436	20,048,356	21,664,253	21,671,221	22,458,023
Net Pension Liability – Ending	$ 9,019,496	$ 9,409,567	$ 5,101,928	$ 4,156,189	$ 4,518,453	$ 6,136,051
Plan fiduciary net position as a percentage of the total pension liability	64.73%	64.68%	79.71%	83.90%	82.75%	78.54%
Covered-employee payroll	N/A	N/A	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	N/A	N/A

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

RSI-2 SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST TEN FISCAL YEARS

SALARIED PLAN	2011	2012	2013	2014	2015
Actuarially determined contribution	$ 1,170,786	$ 1,350,489	$ 1,758,700	$ 2,329,754	$ 2,689,635
Contributions in relation to the actuarially determined contribution	1,170,786	1,350,489	1,758,700	2,329,754	2,689,635
Contribution Excess	$ –	$ –	$ –	$ –	$ –
Covered-employee payroll	$ 9,699,911	$ 9,543,816	$ 9,653,830	$ 9,254,742	$ 8,694,151
Contributions as a percentage of covered-employee payroll	12.07%	14.15%	18.22%	25.17%	30.94%

SALARIED PLAN	2016	2017	2018	2019	2020
Actuarially determined contribution	$ 2,749,435	$ 3,356,514	$ 2,648,702	$ 2,379,603	$ 2,390,534
Contributions in relation to the actuarially determined contribution	4,385,524	5,001,252	4,341,521	3,897,275	3,301,077
Contribution Excess	$ (1,636,089)	$ (1,644,738)	$ (1,692,819)	$ (1,517,672)	$ (910,543)
Covered-employee payroll	$ 8,590,395	$ 9,290,589	$ 9,475,823	$ 9,160,530	$ 8,465,818
Contributions as a percentage of covered-employee payroll	51.05%	53.83%	45.82%	42.54%	38.99%

Notes to Schedule

Valuation date: January 1, 2020

Measurement date: May 31, 2020

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Aggregate actuarial cost method

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

Rule of 80 Retirement Rates

55-60	8%
61-70	As noted above

Mortality: In the 2020 actuarial valuation, assumed life expectancies were updated from RP-2014 White Collar Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2018 generational mortality improvement to PubG.2010 Above Median Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 generational mortality improvement.

BARGAINING UNIT PLAN	2011	2012	2013	2014	2015
Actuarially determined contribution	$ 812,344	$ 926,931	$ 1,114,700	$ 1,454,957	$ 1,708,765
Contributions in relation to the actuarially determined contribution	812,344	926,931	1,114,700	1,454,957	1,708,765
Contribution Excess	$ –	$ –	$ –	$ –	$ –
Covered-employee payroll	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

BARGAINING UNIT PLAN	2016	2017	2018	2019	2020
Actuarially determined contribution	$ 1,707,164	$ 1,815,386	$ 1,126,333	$ 918,295	$ 840,922
Contributions in relation to the actuarially determined contribution	2,212,476	2,175,166	1,519,216	1,239,632	1,314,032
Contribution Excess	$ (505,312)	$ (359,780)	$ (392,883)	$ (321,337)	$ (473,110)
Covered-employee payroll	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

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Notes to Schedule

Valuation date: January 1, 2020

Measurement date: May 31, 2020

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

Methods and assumptions used to determine contribution rates:

- **Actuarial cost method:** Aggregate actuarial cost method
- **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	Rate
55-64	2%
65-69	20%
70	100%

Rule of 80 Retirement Rates

55-60	9%
61-70	As noted above

Mortality: In the 2020 actuarial valuation, assumed life expectancies were updated from RP-2014 White Collar Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2018 generational mortality improvement to PubG.2010 Total Employee, Healthy Annuitant, and Disabled Retiree (Male/Female) with MP-2019 generational mortality improvement.

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

SALARIED PLAN	2015	2016	2017	2018	2019	2020
Annual money-weighted rate of return, net of investment expense	3.28%	(1.22)%	11.29%	8.03%	2.59%	4.86%

BARGAINING UNIT PLAN	2015	2016	2017	2018	2019	2020
Annual money-weighted rate of return, net of investment expense	2.36%	(1.17)%	11.47%	8.32%	2.41%	4.84%

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

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

	2018	2019	2020
Total OPEB liability:			
Service cost	$ 248,822	$ 269,556	$ 237,267
Interest	1,939,224	2,004,070	1,820,624
Differences between expected and actual experience	981,536	(4,053,660)	(1,439,393)
Changes in assumptions	(139,795)	620,017	(1,813)
Benefit payments, including refunds of member contributions	(2,060,052)	(1,749,662)	(1,988,168)
Contributions - retiree	–	197,813	213,385
Net change in total OPEB liability	969,735	(2,711,866)	(1,158,098)
Total OPEB liability – beginning	28,766,745	29,736,480	27,024,614
Total OPEB liability – ending	29,736,480	27,024,614	25,866,516
Plan fiduciary net position:			
Contributions – employer	2,289,292	2,310,104	2,027,798
Contributions – retiree	187,448	197,813	213,385
Net investment income	441,966	189,085	310,380
Benefit payments, including refunds of member contributions	(2,060,052)	(1,749,662)	(1,988,168)
Administrative expense	(35,081)	(37,451)	(35,761)
Net change in plan fiduciary net position	823,573	909,889	527,634
Plan fiduciary net position – beginning	5,260,881	6,084,454	6,994,343
Plan fiduciary net position – ending	6,084,454	6,994,343	7,521,977
Net OPEB Liability – ending	$ 23,652,026	$ 20,030,271	$ 18,344,539
Plan fiduciary net position as a percentage of the total OPEB liability	20.46%	25.88%	29.08%
Covered payroll**	$ 23,217,114	$ 23,941,245	$ 24,118,465
Net OPEB liability as a percentage of covered payroll	101.87%	83.66%	76.06%

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

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

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

	2011	2012	2013	2014	2015
Actuarially determined contribution (1)	$ 1,330,510	$ 1,427,435	$ 1,717,500	$ 2,727,659	$ 2,604,191
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)
Contribution Deficiency (Excess)	$ –	$ –	$ –	$ 461,659	$ 205,391
Covered-employee payroll	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

	2016	2017	2018	2019	2020
Actuarially determined contribution (1)	$ 2,506,691	$ 2,486,586	$ 2,143,071	$ 2,175,583	$ 1,851,431
Contributions in relation to the actuarially determined contribution	2,290,882 (3)	2,301,583 (3)	2,289,292 (3)	2,310,104 (3)	2,027,798 (3)
Contribution Deficiency (Excess)	$ 215,809	$ 185,003	$ (146,221)	$ (134,521)	$ (176,367)
Covered-employee payroll	N/A	N/A	$ 23,217,114 (4)	$ 23,941,245 (5)	$ 24,118,465 (6)
Contributions as a percentage of covered-employee payroll	N/A	N/A	9.86%	9.65%	8.41%

(1) Actuarially determined contributions prior to fiscal year ended May 31, 2019 are based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.
(2) The Authority amortized $263,603 of the OPEB asset towards the ARC.
(3) Contributions are the actuarial recommended cash contributions.
(4) Includes covered payroll of $7,250,466 associated with death benefit only participants.
(5) Includes covered payroll of $8,599,668 associated with death benefit only participants.
(6) Includes covered payroll of $10,883,465 associated with death benefit only participants.

Notes to Schedule

Valuation date: January 1, 2020

Measurement date: May 31, 2020

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.

Salary Scale: 4.0%

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. Pre-age 65 retirements based on percentages.

Mortality: In the 2020 actuarial valuation, assumed life expectancies were updated from 2010 Public Sector Retirement Plans Mortality table for above-average salary general employee populations with MP-2018 mortality improvement to 2010 Public Sector Retirement Plans Mortality table for above average salary general employee populations with MP-2019 mortality improvement.

RSI-6 SCHEDULE OF INVESTMENT RETURNS — OPEB LAST THREE FISCAL YEARS*

	2018	2019	2020
Annual money-weighted rate of return, net of investment expense	8.11%	2.93%	4.37%

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

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Beth F. Nesteriak
Executive Vice President & Chief Operating Officer

Edward O. Norris III
Vice President, Asset Management

Jeanine F. Reckdenwald
Senior Vice President, Corporate Services

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

General Counsel:
Murtha Cullina LLP
Hartford, CT

Auditors:
Blum, Shapiro & Company, P.C.
West Hartford, CT

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

Regional Water Authority Statistics — May 31, 2020

	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	18,004	3	71.1	5,418	450	96.41	—	—	—
Beacon Falls	—	—	—	—	—	21.50	—	—	—
Bethany	10	5	1.3	6	2	3,945.10	22.49	8.4	2.0
Branford	27,870	6	143.3	8,605	774	1,174.57	34.87	4.0	2.5
Cheshire	23,615	4	151.8	6,776	1,157	149.21	272.70	—	—
Derby	10,808	2	40.9	3,245	280	1.90	—	—	—
Durham[B]	—	—	—	—	—	249.33	11.07	—	—
East Haven	27,989	6	112.8	8,547	551	859.50	—	3.7	0.5
Guilford	—	4	—	—	—	3,295.28	—	6.5	—
Haddam[B]	—	—	—	—	—	103.65	—	—	—
Hamden	54,503	10	216.2	15,061	1,055	1,322.45	288.19	—	5.1
Killingworth	—	2	—	—	—	1,377.17	64.63	3.2	0.1
Madison	—	6	—	—	—	4,716.42	24.26	13.5	0.6
Milford	52,869	11	241.5	18,305	1,436	4.23	—	—	—
New Haven	123,468	13	264.1	22,665	1,986	24.30	—	0.3	—
North Branford	5,005	8	43.3	1,522	242	6,069.26	81.55	5.6	0.8
North Haven	21,067	5	149.0	7,859	778	54.02	—	—	1.5
Orange	10,806	3	103.2	4,004	553	587.35	—	1.9	0.8
Prospect	—	1	0.1	—	1	822.43	—	—	—
Seymour	805	1	7.1	334	23	708.02	—	2.0	—
West Haven	51,872	8	151.1	13,432	853	274.73	—	2.9	1.5
Wolcott[B]	—	—	2.5	—	24	1.15	—	—	—
Woodbridge	1,382	3	18.4	470	88	1,896.83	200.00	5.6	1.7
Governor's Representative		1							
Totals	430,073	102	1,717.7	116,249	10,253	27,754.81	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
90 Sargent Drive, New Haven, CT 06511-5966