

**SOUTHEASTERN CONNECTICUT
WATER AUTHORITY**

GALES FERRY, CONNECTICUT

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2022**

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT,

**GOVERNMENT AUDITING STANDARDS
REPORT**

AND

REQUIRED SUPPLEMENTARY INFORMATION



SOUTHEASTERN CONNECTICUT WATER AUTHORITY
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2022

	Page
INDEPENDENT AUDITORS' REPORTS	
Independent Auditors' Report	1
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Authority's Proportionate Share of the Net Pension Liability – CT Municipal Employees Retirement System	28
Schedule of Employer Contributions – CT Municipal Employees Retirement System	29

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southeastern Connecticut Water Authority
Gales Ferry, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Southeastern Connecticut Water Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, during the year ended June 30, 2022, the Southeastern Connecticut Water Authority adopted GASB Statement No. 87, *Leases*. As a result of the implementation of this standard, the Authority reported a restatement for the change in accounting principle. Our auditors' opinion was not modified with respect to the restatement.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10, and the pension information on pages 28-29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 January 6, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Authority's internal control over financial reporting and compliance.

Hoyt, Filippetti & Malashan, LLC

Groton, Connecticut

January 6, 2023

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

To the Board of Directors
Southeastern Connecticut Water Authority
Noank, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Southeastern Connecticut Water Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 6, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

January 6, 2023

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

BASIC FINANCIAL STATEMENTS

Our discussion and analysis of the Southeastern Connecticut Water Authority’s (the “Authority”) financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2022; as such, it should be read in conjunction with the Authority’s audited financial statements. The Authority is a special-purpose government engaged only in business-type activities. As such, the Authority’s financials consist only of the following statements required for enterprise funds as its basic financial statements:

- 1) Statement of Financial Position
- 2) Statement of Changes in Net Position
- 3) Statement of Cash Flows

These statements present a long-term view of the Authority’s finances by presenting all assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses on the *accrual basis of accounting*, which is similar to the accounting methods used by many private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$6,093,746 at June 30, 2022.
- The Authority reported an operating loss of \$89,738 as operating costs exceeded billings for water during the year.
- The Authority recognized a total of \$409,810 in capital contributions for the year ended June 30, 2022 as it received various water distribution capital assets from a developer.
- The Authority adopted GASB 87, *Leases*, as of July 1, 2021 and reported intangible right-to-use lease assets totaling \$221,950 and lease liabilities of the same amount on that date.

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CONDENSED FINANCIAL STATEMENTS

Presented below are condensed versions of the statement of net position and the statement of revenues, expenses, and changes in net position.

Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 1,201,884	\$ 1,156,269	\$ 45,615
Capital assets, net	<u>6,939,834</u>	<u>6,496,047</u>	<u>443,787</u>
Total assets	8,141,718	7,652,316	489,402
Deferred outflows of resources	<u>188,798</u>	<u>231,364</u>	<u>(42,566)</u>
Total assets and deferred outflows of resources	<u>\$ 8,330,516</u>	<u>\$ 7,883,680</u>	<u>\$ 446,836</u>
Current liabilities	\$ 764,041	\$ 688,146	\$ 75,895
Noncurrent liabilities	<u>1,207,041</u>	<u>1,395,906</u>	<u>(188,865)</u>
Total liabilities	1,971,082	2,084,052	(112,970)
Deferred inflows of resources	265,688	-	265,688
Net position			
Invested in capital assets	5,801,627	5,525,510	276,117
Unrestricted	<u>292,119</u>	<u>274,118</u>	<u>18,001</u>
Total net position	<u>6,093,746</u>	<u>5,799,628</u>	<u>294,118</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,330,516</u>	<u>\$ 7,883,680</u>	<u>\$ 446,836</u>

Current assets *increased* primarily due to an *increase* in combined restricted and unrestricted cash and cash equivalents at year end. Capital assets included in noncurrent assets *increased* primarily from the capital contributions and adoption of GASB 87, as described earlier.

During the fiscal year, the Authority's net pension liability *decreased*, causing a *decrease* in non-current liabilities while at the same time causing an *increase* in pension-related deferred inflows of resources.

Significant capital outlays (>\$1,000) are being recorded as Authority capital assets and are being depreciated or amortized over their estimated useful lives. Capital assets presented here are shown net of their accumulated depreciation and amortization.

Net position has been separated into two categories on the Authority's financial statements: 1) Invested in capital assets and 2) Unrestricted net position. Because capital assets are not very liquid (i.e. easily converted to cash), the Authority's equity in these assets has been separated and labeled as such. Unrestricted net position, however, represents the liquid portion of the Authority's net position that can be used to finance daily operations without constraints.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

CONDENSED FINANCIAL STATEMENTS (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Revenues			
Operating revenues			
Sales of water	\$ 1,673,754	\$ 1,739,769	\$ (66,015)
Contract operations	1,503	2,328	(825)
Other income	-	10,207	(10,207)
Total operating revenues	<u>1,675,257</u>	<u>1,752,304</u>	<u>(77,047)</u>
Operating expenses			
Source of supply	20,080	41,597	(21,517)
Pumping	328,381	316,146	12,235
Treatment	190,502	155,556	34,946
Distribution	175,114	301,178	(126,064)
Customer accounts	84,570	85,496	(926)
Other operating expenses	65,337	105,343	(40,006)
Administrative salaries	139,322	141,420	(2,098)
Office expenses	41,672	39,516	2,156
Professional services	119,109	82,619	36,490
Employee benefits	284,383	261,987	22,396
Depreciation and amortization	273,742	244,531	29,211
Taxes	42,783	41,629	1,154
Total operating expenses	<u>1,764,995</u>	<u>1,817,018</u>	<u>(52,023)</u>
Non operating revenues (expenses)			
Interest income	207	58	149
Gain on sale of capital asset	1,817	-	1,817
Interest expense	(27,978)	(21,190)	(6,788)
Total non operating revenues (expenses)	<u>(25,954)</u>	<u>(21,132)</u>	<u>(4,822)</u>
Capital contributions	<u>409,810</u>	<u>-</u>	<u>409,810</u>
Change in net position	294,118	(85,846)	379,964
Net position,			
Beginning of year	<u>5,799,628</u>	<u>5,885,474</u>	<u>(85,846)</u>
End of year	<u>\$ 6,093,746</u>	<u>\$ 5,799,628</u>	<u>\$ 294,118</u>

The capital contributions recognized of \$409,810 turned an operating *loss* for the year into an *increase* in net position for the year ended June, 30, 2022.

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Authority had over \$12 million invested in different capital assets, including land, construction in progress, water permits and distribution systems, machinery and equipment, vehicles, right to use assets, and various miscellaneous intangibles (see below).

Land	\$	38,848
Construction in progress		198,479
Water diversion permits		161,112
Water distribution system		11,841,003
Machinery and equipment		176,948
Vehicles		164,744
Right of use - leased assets		221,950
Other intangible assets		124,717
Total		<u><u>\$ 12,927,801</u></u>

Capital asset additions consisted of purchases of \$93,952 and capital contributions of \$409,810. Additional information on the Authority's capital assets can be found in *Note 4* to the financial statements.

Noncurrent Liabilities

At June 30, 2022, the Authority had the following loans and bonds payable outstanding:

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Original</u> <u>Issue</u>	<u>Debt</u> <u>Outstanding</u>	<u>Year of</u> <u>Maturity</u>
Capital improvement bond	4.50%	\$ 1,530,000	\$ 475,000	FY27
Bond anticipation note	1.00%	270,000	270,000	FY23
Water revolving loan	2.00%	158,059	88,113	FY32
Water revolving loan	2.00%	15,771	9,910	FY33
Water revolving loan	2.00%	11,601	7,258	FY33
Water revolving loan	2.00%	157,020	94,948	FY28
Total loans and bonds		<u>\$2,142,451</u>	<u>\$ 945,229</u>	

The Authority's noncurrent liabilities also consisted of leases payable, compensated absences, and a net pension liability. Additional information on the Authority's noncurrent liabilities can be found in *Note 5* to the financial statements.

NEXT YEAR'S BUDGET

The Southeastern Connecticut Water Authority adopted its 2022-2023 fiscal year budget with an assumed 5% increase overall in customer rates resulting in a total of \$1,841,970 of expected revenues. Total expenses for the 2022-2023 fiscal year have been budgeted at \$1,802,650, leaving an expected surplus for the year of \$39,320.

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager at Southeastern Connecticut Water Authority, P.O. Box 415, Gales Ferry, CT 06339.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and cash equivalents	\$ 508,951
Restricted cash and cash equivalents	289,687
Receivables	374,024
Prepaid expenses	28,799
Total current assets	<u>1,201,461</u>
NONCURRENT ASSETS	
Security deposit	423
Capital assets, non-depreciable	237,327
Capital assets, net of accumulated depreciation and amortization	6,702,507
Total noncurrent assets	<u>6,940,257</u>
Total assets	8,141,718
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	83,054
Changes of assumptions - pension	57,498
Change in proportional share of pension	11,037
Difference between expected and actual pension experience	37,209
Total deferred outflows of resources	<u>188,798</u>
Total assets and deferred outflows of resources	<u>\$ 8,330,516</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 25,268
Accrued interest	7,500
Accrued expenses - other	17,621
Escrow deposits	289,687
Total current liabilities	<u>340,076</u>
NONCURRENT LIABILITIES	
Due within one year	423,965
Due in more than one year	1,207,041
Total noncurrent liabilities	<u>1,631,006</u>
Total liabilities	1,971,082
DEFERRED INFLOWS OF RESOURCES	
Change in proportional share of pension	20,093
Net difference between projected and actual investment earnings on pension	183,122
Difference between expected and actual pension experience	62,473
Total deferred inflows of resources	<u>265,688</u>
NET POSITION	
Invested in capital assets, net of related debt	5,801,627
Unrestricted	292,119
Total net position	<u>6,093,746</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,330,516</u>

The accompanying notes are an integral part of these financial statements

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Sales of water	\$ 1,673,754
Contract operations	1,503
Total operating revenues	1,675,257
OPERATING EXPENSES	
Source of supply	20,080
Pumping	328,381
Treatment	190,502
Distribution	175,114
Customer accounts	84,570
Other operating expenses	65,337
Administrative salaries	139,322
Office expenses	41,672
Professional services	119,109
Employee benefits	284,383
Depreciation and amortization	273,742
Taxes	42,783
Total operating expenses	1,764,995
Operating loss	(89,738)
NON OPERATING REVENUES (EXPENSE)	
Interest income	207
Gain on sale of capital asset	1,817
Interest expense	(27,978)
Total non operating revenue (expense)	(25,954)
Loss before capital contributions	(115,692)
CAPITAL CONTRIBUTIONS	
Change in net position	409,810
NET POSITION, beginning of year	5,799,628
NET POSITION, end of year	\$ 6,093,746

The accompanying notes are an integral part of these financial statements

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,712,796
Payments to suppliers	(740,546)
Payments to employees including benefits	(720,798)
Net cash provided by operating activities	251,452
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(93,952)
Proceeds from sale of capital assets	10,000
Proceeds from bond anticipation note	270,000
Bond and note principal payments	(297,816)
Lease principal payments	(26,464)
Interest paid on capital debt	(29,478)
Net cash used in capital and related financing activities	(167,710)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	207
Net cash provided by investing activities	207
Net increase in cash and cash equivalents	83,949
 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	
	714,689
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	
	\$ 798,638
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (89,738)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization expense	273,742
Change in receivables	23,544
Change in prepaid expenses	14,790
Change in deferred outflows of resources - pension amounts	42,566
Change in accounts payable	(18,073)
Change in accrued expenses -other	14,917
Change in escrow accounts	13,995
Change in deferred inflows of resources - pension amounts	265,688
Change in net pension liability	(293,224)
Change in compensated absences	3,245
Net cash provided by operating activities	\$ 251,452
 STATEMENT OF NET POSITION DETAIL:	
Cash and cash equivalents	\$ 508,951
Restricted cash and cash equivalents	289,687
	\$ 798,638

The accompanying notes are an integral part of these financial statements

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Connecticut Water Authority (the “Authority”) was created in 1967 by the General Assembly as a public purpose governmental organization. The Authority exists to plan, operate, maintain, and construct water supply systems, as needed, for the 18 southeastern Connecticut regional authorities of Bozrah, Colchester, East Lyme, Franklin, Griswold, Groton, Ledyard, Lisbon, Montville, New London, North Stonington, Norwich, Preston, Salem, Sprague, Stonington, Voluntown, and Waterford, and the three boroughs of Jewett City, Stonington, and the City of Groton. Appointed representatives from each municipality comprise the Authority’s Representative Advisory Board.

The Authority’s mission is to provide southeastern Connecticut with an ample supply of good quality drinking water at a reasonable cost. The direct mission is carried out through the 15 public water supply systems that the Authority owns and operates. The Authority promotes regional consideration of public water supply issues.

Special Act No. 04-2, approved on May 4, 2004, extended the period from 2016 to 2045 during which the State of Connecticut may guarantee Authority loans for up to a total of fifteen million dollars.

The Authority’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Authority are discussed below.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Authority is a special purpose government engaged in business-type activities. The Financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position.

Operating revenues and expenses, which are distinguished from non-operating items, generally result from producing and delivering water supply services. The principal operating revenues are derived from charges to customers for water use. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 amounts in order to conform the 2022 presentation.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are defined as highly liquid instruments with an original maturity of three months or less.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in *Note 2*.

ACCOUNTS RECEIVABLE

User charges and other receivables include amounts due from individuals, commercial and industrial customers, and other governments for services provided by the Authority. Receivables are recorded and revenues recognized as earned. Receivables are charged to bad debt expense when they are determined to be uncollectible based on periodic review of the accounts by Management. There was no allowance for uncollectible receivables as of June 30, 2022.

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 or more and an estimated useful life in excess of two years are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Intangible assets are assets that lack physical substance, are nonfinancial in nature, and their useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets, such as lease assets, are amortized over the shorter of their useful life or the related lease term.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives (expressed in years):

Water diversion permits	24
Supply and distribution mains	80
Pump structures	40-50
Pumping equipment	15
Treatment equipment	25
Wells and fences	20
Office furniture and equipment:	
General	16.5
Radios	10
Computers and miscellaneous	8
Computer software	5
Tools and equipment	10
Transportation equipment	5
Organization and engineering	20

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 the consumption of net position that applies to a future period and so it will not be recognized as an expense or expenditure until then. For the year ended June 30, 2022, the Authority had deferred outflows in conjunction with its participation in the Connecticut Municipal Employees Retirement Fund (“MERS”), a defined benefit pension plan. 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 and so it will not be recognized as revenue until then. For the year ended June 30, 2022, the Authority had deferred inflows in connection with its participation with MERS.

COMPENSATED ABSENCES

Employees of the Authority earn vacation leave, which can accumulate, based on the provisions of negotiated contracts or other personnel policies. Vacation leave vests with the employee and is payable upon termination of employment. Compensated absences are reported as noncurrent liabilities in the statement of net position.

LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET PENSION LIABILITY IN THE MUNICIPAL EMPLOYEE RETIREMENT SYSTEM (MERS)

The net pension liability represents the Authority's proportionate share of the net pension liability of the Connecticut Municipal Employees Retirement System (MERS). The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category represents constraints placed on net position used which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Authority has no funding in this category.

Unrestricted Net Position – This category represents the net position of the Authority, which is not restricted for any project or other purpose.

INCOME TAXES

The Authority has been determined to be a municipal agency since its creation and, accordingly, is classified under Section 115(1) of the Internal Revenue Code, which provides that gross taxable income does not include income derived from any public utility and accruing to a state or any political subdivision. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

APPLICATION OF ACCOUNTING STANDARDS

For the year ended June 30, 2022, the following accounting pronouncements became effective and the Authority implemented such pronouncements, where applicable:

GASB Statement 87, Leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Upon implementation, the Authority recognized right-to-use lease assets totaling \$221,950 and lease liabilities in the same amount. Implementation had no impact on the Authority's beginning net position. Additional discussion of the lease is in *Note 6*.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through January 6, 2023, the date that the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

NOTE 2 – CASH AND CASH EQUIVALENTS

The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or in obligations of any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF).

The STIF is a money market investment pool managed by a division of the State of Connecticut's Treasurer's Office. Investments must be made in instruments authorized by the State's CGS using guidelines adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares and investments held by the fund and are stated at amortized cost. STIF is rated by Standard & Poor's at AAAm, its highest rating for money funds and investment pools.

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and State of Connecticut Treasurer's Short-Term Investment Fund. Restricted cash includes cash and cash equivalents which are restricted for the Thames River Interconnection agreement as discussed in *Note 3*.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority maintains cash with FDIC depository banks. Additional protection against loss is provided for deposits in excess of federally insured amounts by Chapter 656 of the Connecticut General Statutes. The Statutes require that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio. Such amounts are available to the State Banking Commissioner to meet losses in excess of deposit insurance for public deposits made in a qualified public depository. The Authority's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Authority does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Authority follows the limitations specified in the Connecticut General Statutes. Generally, the Authority's deposits cannot be 75% or more of the total capital of any one depository.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

The following is a summary of the carrying amount of cash and cash equivalents at June 30, 2022:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash			
Deposits with financial institutions	\$ 438,714	\$ 99,512	\$ 538,226
Cash equivalents			
Connecticut Short-Term Investment Fund	70,237	190,175	260,412
	<u>\$ 508,951</u>	<u>\$ 289,687</u>	<u>\$ 798,638</u>

The following is a summary of the bank balance of cash at June 30, 2022:

Covered by Federal Depository Insurance	\$ 430,279
Collateralized	14,573
Uninsured and uncollateralized	<u>131,511</u>
	<u>\$ 576,363</u>

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

At June 30, 2022, restricted cash and cash equivalents totaling \$289,687 consist of monies escrowed for specific purposes as outlined in agreements maintained by the Authority with third parties.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

Changes in capital assets are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 38,848	\$ -	\$ -	\$ 38,848
Construction in progress	183,706	14,773	-	198,479
Total capital assets, not being depreciated	<u>222,554</u>	<u>14,773</u>	<u>-</u>	<u>237,327</u>
Capital assets, being depreciated and amortized				
Water diversion permits	161,112	-	-	161,112
Water distribution system	11,377,930	480,073	(17,000)	11,841,003
Machinery and equipment	172,412	8,916	(4,380)	176,948
Vehicles	215,496	-	(50,752)	164,744
Right to use - Leased assets	221,950	-	-	221,950
Other intangible assets	124,717	-	-	124,717
Total capital assets, being depreciated and amortized	<u>12,273,617</u>	<u>488,989</u>	<u>(72,132)</u>	<u>12,690,474</u>
Less: accumulated depreciation and amortization				
Water diversion permits	85,208	6,700	-	91,908
Water distribution system	5,348,083	215,689	(8,817)	5,554,955
Machinery and equipment	166,585	3,160	(4,380)	165,365
Vehicles	178,298	14,231	(50,752)	141,777
Right to use - Leased assets	-	27,726	-	27,726
Other intangible assets	-	6,236	-	6,236
Total accumulated depreciation and amortization	<u>5,778,174</u>	<u>273,742</u>	<u>(63,949)</u>	<u>5,987,967</u>
Depreciable assets, net	<u>6,495,443</u>	<u>215,247</u>	<u>(8,183)</u>	<u>6,702,507</u>
Capital assets, net	<u>\$ 6,717,997</u>	<u>\$ 230,020</u>	<u>\$ (8,183)</u>	<u>\$ 6,939,834</u>

A total of \$409,810 of the capital additions for water distribution system were non-cash donations from a developer and are reported as capital contributions on the statement of revenues, expenses, and changes in net position.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – NONCURRENT LIABILITIES

A summary of noncurrent liabilities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Direct borrowings and direct placements					
Capital improvement bond	\$ 570,000	\$ -	\$ (95,000)	\$ 475,000	\$ 95,000
Bond anticipation notes (2)	175,000	270,000	(175,000)	270,000	270,000
Drinking water state notes (4)	225,537	-	(27,816)	197,721	25,807
Other noncurrent liabilities					
Leases payable (Note 6)	221,950	-	(26,464)	195,486	26,622
Compensated absences	62,111	3,245	-	65,356	6,536
Net pension liability	720,667	-	(293,224)	427,443	-
	<u>\$ 1,975,265</u>	<u>\$ 273,245</u>	<u>\$ (617,504)</u>	<u>\$ 1,631,006</u>	<u>\$ 423,965</u>

All debt is secured by full faith and credit of the Authority.

Direct borrowings and direct placements – During the year ended, the Authority incurred a new bond anticipation note related for construction projects and retired an existing bond anticipation note related to construction projects. As of June 30, 2022, the Authority had one (1) bond anticipation note outstanding. The Authority also had one (1) capital improvement bond outstanding and four (4) drinking water state revolving loan fund notes. A summary of direct borrowings and direct placements outstanding as of June 30, 2022 is as follows:

	Year of Issue	Original Amount	Year of Maturity	Interest Rate	Amount Outstanding
Capital improvement bond	2007	\$ 1,530,000	2027	4.50%	\$ 475,000
Bond anticipation notes:					
Bond anticipation note 2020	2020	175,000	2021	2.00%	-
Bond anticipation note 2021	2021	270,000	2022	1.00%	<u>270,000</u>
Total bond anticipation notes					270,000
Drinking water state notes:					
Revolving loan fund note 2012	2012	158,059	2032	2.00%	88,110
Revolving loan fund note 2014	2014	15,771	2033	2.00%	9,901
Revolving loan fund note 2014	2014	11,601	2033	2.00%	7,283
Revolving loan fund note 2018	2018	157,020	2027	2.00%	<u>92,427</u>
Total drinking water state notes					<u>197,721</u>
					<u>\$ 942,721</u>

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – NONCURRENT LIABILITIES (Continued)

Future maturities of principal and interest on bonds and notes are as follows:

Year ending June 30:	Principal	Interest	Total
2023	\$ 390,807	\$ 25,656	\$ 416,463
2024	121,328	18,160	139,488
2025	121,859	13,354	135,213
2026	122,401	8,537	130,938
2027	122,953	3,710	126,663
2028 and thereafter	63,373	3,002	66,375
	<u>\$ 942,721</u>	<u>\$ 72,419</u>	<u>\$ 1,015,140</u>

NOTE 6 – LEASES PAYABLE

The Authority leases office space and land for separate terms under long-term non-cancelable lease agreements, the longest of which ends in 2040.

During the fiscal year ended June 30, 2022, the Authority made lease payments totaling \$29,369 of which \$26,464 was a reduction in the lease liability and \$2,905 was interest. As of June 30, 2022, future minimum lease payments (annualized) are as follows:

Year ending June 30:	Lease Liability	Interest Portion	Total Payments
2023	\$ 26,622	\$ 2,647	\$ 29,269
2024	26,784	2,485	29,269
2025	26,948	2,321	29,269
2026	14,859	2,160	17,019
2027	6,241	2,028	8,269
2028 and thereafter	94,032	13,465	107,497
	<u>\$ 195,486</u>	<u>\$ 25,106</u>	<u>\$ 220,592</u>

At June 30, 2022. The right-to-use leased assets consisted of the following:

Asset Class	Cost	Accumulated Amortization	Net Carrying Balance
Office Building	\$ 92,334	\$ 20,906	\$ 71,428
Land	129,616	6,820	122,796
	<u>\$ 221,950</u>	<u>\$ 27,726</u>	<u>\$ 194,224</u>

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN

Connecticut Municipal Employee’s Retirement System

Plan Description

The Authority participates in the Municipal Employees’ Retirement System (“MERS”). This is a cost sharing multiple employer public employee retirement system (“PERS”) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating local government authorities. The plan was established in 1947 and is governed by Connecticut General Statutes Title 7, Chapter 113.

Plan Membership

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers. Only teachers who are covered under the Connecticut State Teachers’ Retirement System are ineligible.

Plan Benefits

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are paid to disabled members and to non-disabled retirement benefit recipients and vary based on member age and date of retirement. For members that retired prior to January 1, 2002, increases between 3.0% and 5.0% are paid to those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are paid to those who have not yet reached age 65. For members that retired after December 31, 2001, increases between 2.5% and 6.0% are paid, regardless of age. Benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of final compensation times years of service
- If covered by Social Security: 1.5% of the average final compensation not in excess of the year’s breakpoint plus 2% of average final compensation in excess of the year’s breakpoint, times years of service.

Funding Policy

Covered employees are required by State Statute to contribute 3.75% of earnings upon which social security tax is paid plus 6% of earnings on which no social security tax is paid. Employees not covered by Social Security are required to contribute 6% of all earnings. Each participating municipality is required by State Statute to contribute the amounts necessary to finance the remaining costs of the plan. The annual contribution consists of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the MERS not met by member contributions.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN (Continued)

Funding Policy (Continued)

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit’s date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit’s date of participation and other factors. The required employer contribution rates for the year ended June 30, 2022 were:

General employees	
With social security	16.44%
Without social security	19.02%
Police and fire	
With social security	22.45%
Without social security	23.59%

The total amount contributed by the Authority for the fiscal year ended June 30, 2022 was \$83,054.

Obtaining a Report of the Plan

MERS is considered to be a part of the State of Connecticut’s financial reporting entity and is included in the State’s financial reports as a pension trust fund. The reports include information on the plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. More information can be obtained by contacting the Municipal Employees’ Retirement System - Fund B, Office of the State Comptroller or on their website (<http://www.osc.ct.gov/rbsd/cmers/plandoc/index.html>).

The Authority’s proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions

The following assumptions were used in the pension valuations, prepared as of June 30, 2021 (the Valuation Date) and June 30, 2021 (the Measurement Date) for use in the June 30, 2022 financial statements (Reporting Date):

Actuarial cost method	Entry Age Normal Cost method
Experience study dates	July 1, 2012 - June 30, 2017
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.50-10.00%, including inflation
Investment rate of return	7.00%, net of investment related expense, including inflation
Discount rate	7.00%
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.50% to 6% maximum.
Post-retirement mortality	RP-2014 Combined Mortality Table

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN (Continued)

Target Asset Allocation and Rates of Return

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future 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 plan’s target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate Of Return
Domestic equity	20.0%	5.3%
Developed market international	11.0%	5.1%
Emerging market international	9.0%	7.4%
Core fixed income	16.0%	1.6%
Inflation linked bond	5.0%	1.3%
Emerging market debt	5.0%	2.9%
High yield bond	6.0%	3.4%
Real estate	10.0%	4.7%
Private equity	10.0%	7.3%
Alternative investments	7.0%	3.2%
Liquidity fund	1.0%	0.9%

Sensitivity Analysis

The following presents the net pension liability (asset) of the Southeastern Connecticut Water Authority’s proportionate share of the plan, calculated using the current discount rate, as well as what the Authority’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net Pension Liability	<u>\$704,490</u>	<u>\$427,443</u>	<u>\$178,942</u>

Net Pension Liability for the Full Plan

Total pension liability	\$ 4,077,803,534
Plan fiduciary net position	<u>3,367,803,463</u>
Net pension liability	<u>\$ 710,000,071</u>

Plan fiduciary net position as a percentage of total pension liability 82.59%

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN (Continued)

Southeastern Connecticut Water Authority's Proportionate Share

Net Pension Liability	\$ 427,443
Net Pension Liability percentage of the total	0.180602%

Deferred outflows and (deferred inflows) of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (183,122)
Difference between expected and actual experience	37,209	(62,473)
Changes in assumptions	57,498	-
Changes in proportional share	11,037	(20,093)
Authority contributions after the measurement date	83,054	-
Total	\$ 188,798	\$ (265,688)

Pension expense	\$ 99,384
Proportion Basis	Reported payroll

The contributions subsequent to the measurement date, shown as deferred outflows of resources, will be recognized as a reduction of the net pension liability in future years. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

June 30,		
2023	\$	17,795
2024		(62,848)
2025		(53,203)
2026		(61,688)
2027		-
Thereafter		-
Total	\$	(159,944)

NOTE 8 – CONTINGENT LIABILITIES AND RISK MANAGEMENT

LITIGATION

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – CONTINGENT LIABILITIES AND RISK MANAGEMENT (*Continued*)

RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage for each of the past three fiscal years. All risk management activities are accounted for.

NOTE 9 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Authority's year ending June 30, 2023).

GASB Statement 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Authority's year ending June 30, 2023).

GASB Statement 99, Omnibus 2022. This statement address both select practice issues that have been identified during implementation and accounting and financial reporting for financial guarantees. Portions of the statement are effective upon issuance (April 2022), while other are effective for years beginning after June 15, 2022 or June 15, 2023 (the Authority's fiscal years ending June 30, 2023 and 2024, respectively).

GASB Statement 100, Accounting Changes and Error Corrections. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (the Authority's fiscal year ending June 30, 2024).

GASB Statement 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences. The requirements of this statement is effective for fiscal years beginning after December 15, 2023 (the Authority's fiscal year ending June 30, 2025).

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Authority's proportion of the net pension liability	18.474700%	18.474700%	18.524000%	18.524000%	17.204400%	17.851600%	18.351500%	18.060200%
Authority's proportionate share of the net pension liability	\$ 190,045	\$ 252,939	\$ 363,584	\$ 306,203	\$ 651,113	\$ 658,869	\$ 720,667	\$ 427,443
Authority's covered-employee payroll	\$ 409,965	\$ 385,114	\$ 429,097	\$ 440,250	\$ 458,914	\$ 469,861	\$ 489,038	\$ 505,196
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	46.36%	65.68%	84.73%	69.55%	141.88%	140.23%	147.36%	84.61%
Plan fiduciary net position as a percentage of the total pension liability	90.48%	92.72%	88.29%	91.68%	73.60%	72.69%	71.18%	82.59%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	Rates of Inflation, Real Investment Return Mortality Withdrawal, Disability, Retirement, and Salary Increases
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period	21 years
Asset valuation method	5-year smoothed market

See independent auditors' report

**SOUTHEASTERN CONNECTICUT WATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	\$ 49,114	\$ 43,826	\$ 48,831	\$ 51,685	\$ 53,877	\$ 64,512	\$ 73,111	\$ 83,054
Contributions in relation to the actuarially determined contribution	49,114	43,826	48,831	51,685	53,877	64,512	73,111	83,054
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 409,965	\$ 385,114	\$ 429,097	\$ 440,250	\$ 458,914	\$ 469,861	\$ 489,038	\$ 505,196
Contributions as a percentage of covered-employee payroll	11.98%	11.38%	11.38%	11.74%	11.74%	13.73%	14.95%	16.44%

Notes to Schedule

Valuation date:	June 30, 2014	June 30, 2014	June 30, 2016	June 30, 2016	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement Date:	June 30, 2015	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021

Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date

Actuarial cost method	Entry age, normal cost method
Amortization method	Level dollar, closed
Amortization period	20 years
Asset valuation method	5-year smoothed market (20% write up)
Inflation	2.50%
Salary increases	3.5%-10%, average, including inflation
Investment rate of return	7.0% net of investment expense, including inflation
Changes in assumptions	Rates of Inflation, Real Investment Return Mortality Withdrawal, Disability, Retirement, and Salary Increases

See independent auditors' report