



September 13, 2023

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: SOUTHEASTERN CONNECTICUT WATER AUTHORITY
\$380,000 General Obligation Bond Anticipation Notes
(Bank Qualified)
Dated: October 12, 2023 Due: October 2, 2024**

As per official Notice of Sale. Proposals may be submitted by telephone to:

Name:	Susan Caron, Vice President
Date:	Tuesday, September 26, 2023
Time:	Until 11:30 A.M. (Eastern Time)
Telephone:	(860) 372-1887

In addition, electronic bids may be submitted for the Notes via PARITY® until 11:30 A.M. (Eastern Time) on Tuesday, September 26, 2023 as described in the Notice of Sale.

An Official Statement has not been prepared by or on behalf of the Authority for this sale. This issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.

The audited “Basic Financial Statements” of the Southeastern Connecticut Water Authority, Gales Ferry, Connecticut, (the “Authority”) as of June 30, 2022 are included as Appendix B. Additional information regarding the Authority is included as Appendix A. A complete copy of the audited financial statements of the Authority is available upon request.

The Authority has retained Munistat Services, Inc. (the “Municipal Advisor”) to serve as its municipal advisor in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and, the other appendices hereto and makes no guarantee as to their completeness or accuracy. The Municipal Advisor’s fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes, and receipt by the Authority of payment therefor.

TERM SHEET
Dated September 13, 2023, for the Sale of the
Southeastern Connecticut Water Authority, Gales Ferry, Connecticut
Tax-Exempt General Obligation Bond Anticipation Notes

Date of Sale: **Tuesday, September 26, 2023, 11:30 A.M. (Eastern Time).**

Location of Sale: **Proposals may be submitted by telephone to Susan Caron, Vice President at 860-372-1887 or by electronic bid via Parity®.**

Issuer: Southeastern Connecticut Water Authority, Gales Ferry, Connecticut (the “Authority” or “SCWA”).

Issue: \$380,000 General Obligation Bond Anticipation Notes (the “Notes”).

Dated Date: October 12, 2023.

Interest Due: At maturity, October 2, 2024.

Principal Due: At maturity, October 2, 2024.

Purpose: The proceeds of the Notes will be used (i) to finance various capital projects, (ii) to retire Bond Anticipation Notes initially issued to finance various capital projects, and (iii) for cost of issuance.

Redemption: The Notes **are not** subject to redemption prior to maturity.

Security: The Notes will be general obligations of the Authority. See “Notice of Sale” attached as Appendix D.

Credit Rating: No application has been made for a rating on the Notes. The 2007 outstanding bonds of the Authority have a credit rating of “Aa3” from Moody’s Investors Service, Inc. (“Moody’s”) based on the guarantee of the State of Connecticut.

Basis of Award: Lowest Net Interest Cost (NIC), as of dated date.

Tax Exemption: Tax Exempt. See “Form of Opinion of Bond Counsel” attached as Appendix C.

Interest Calculation: Interest will be calculated on the basis of twelve 30-day months and a 360-day year. **In no event may interest per annum on the Notes exceed 5% under the Authority’s enabling legislation, Special Act No. 381.**

Continuing Disclosure: The undertaking to provide continuing disclosure under SEC Rule 15c2-12(b) does not apply to this issue of Notes. Therefore, the Authority will not be entering into a Continuing Disclosure Agreement with respect to the Notes.

Bank Qualification: The Notes **shall be** designated as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Notes.

Registrar, Certifying Agent, Transfer Agent and Paying Agent:

U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut, 06103 (unless the winning purchaser is designated as provided in “Option for Non-Book Entry” in the Notice of Sale). See “Notice of Sale” attached as Appendix D.

Legal Opinion:

Urdike, Kelly & Spellacy, P.C., Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment:

It is expected that delivery of the Notes in book-entry form will be made to the Depository Trust Company (unless the successful purchaser has requested no book entry as described in “Option for Non-Book Entry” in the “Notice of Sale”, then it is expected that delivery of the Notes will be made to the purchaser) on or about October 12, 2023 against payment in **Federal Funds**.

Issuer Official:

Questions concerning the Authority and this issue of Notes should be directed to Mr. Joseph Cansler, General Manager, Southeastern Connecticut Water Authority, 1649 Route 12, Gales Ferry, Connecticut, 06335. Telephone: 860-652-7586.

Municipal Advisor:

Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Susan Caron, Vice President, Telephone: 860-372-1887.

USE OF NOTE PROCEEDS

The Notes are being issued pursuant to the Authority’s enabling legislation, Special Act No. 381 of the January 1967 session of the General Assembly, as amended, the Connecticut General Statutes, as amended, and a borrowing resolution approved by the members of the Authority on December 9, 2019 and amended on April 12, 2021 and on September 13, 2021.

The Notes will be used to finance the following project authorized by the Authority:

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>Grants/ Other Funds</u>	<u>Notes Maturing 10/12/2023</u>	<u>New Money This Issue</u>	<u>Notes This Issue</u>
Various Capital Improvement Projects.....	\$1,500,000	\$0	\$0	\$285,000	\$95,000 ¹	\$380,000

¹ Includes \$20,000 for estimated cost of issuance.

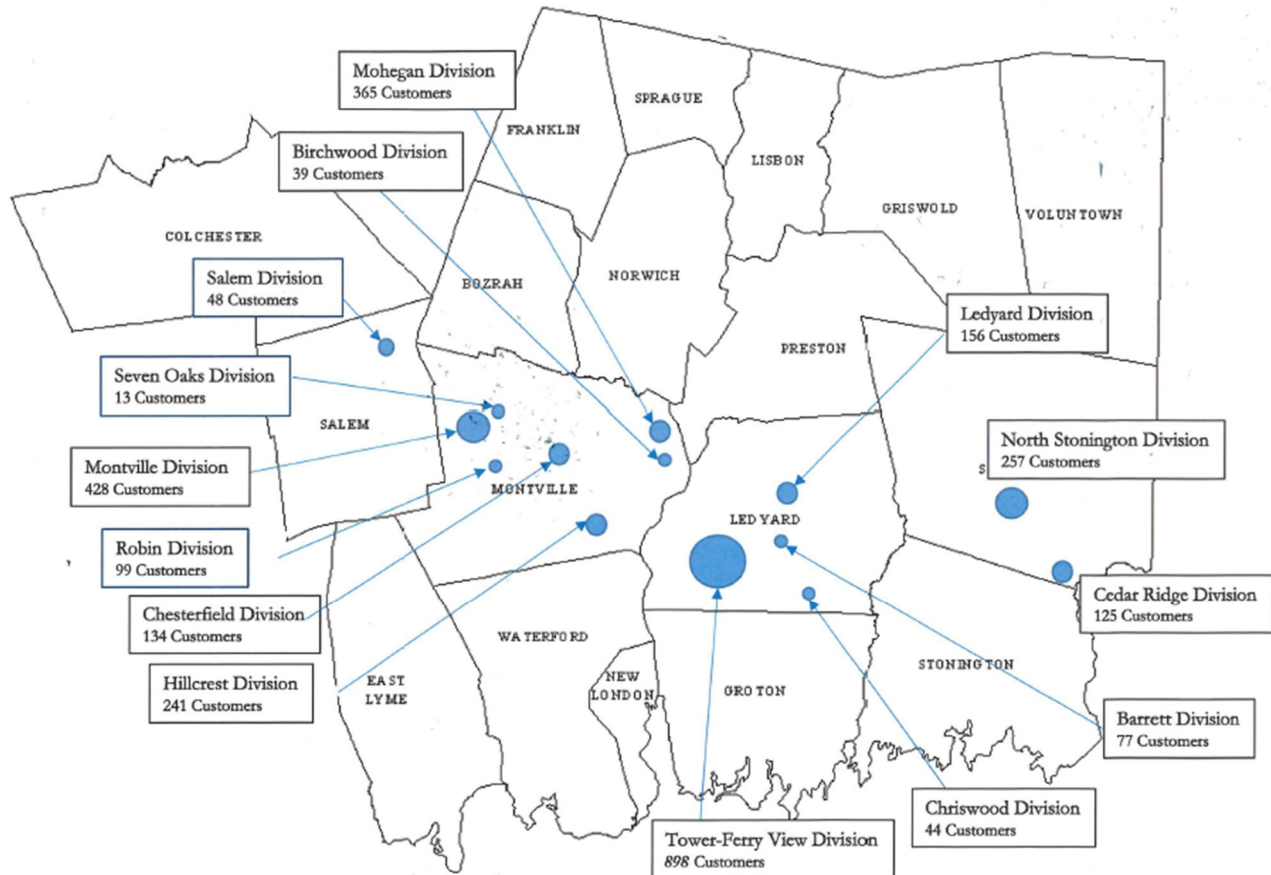
APPENDIX A

DESCRIPTION OF THE AUTHORITY

Southeastern Connecticut Water Authority (SCWA)

Division Locations Map

As of September 2023



CREATION AND POWERS OF THE AUTHORITY

In 1961, the General Assembly created the Eastern Connecticut Fresh Water Department Commission to investigate and report upon the future water supply alternatives for a group of Eastern Connecticut Towns centered about the Thames estuary. The report recommended establishing a Southeastern Connecticut Water Authority (“SCWA”) as the vehicle through which the long-range water supply requirements of the region would be met.

In 1967, the General Assembly created the SCWA as a not-for-profit, public purpose, governmental organization under Special Act SA-381 (the “Act”). The Authority exists to plan, operate, maintain and when needed, construct water supply systems for 21 Southeastern Connecticut municipalities and boroughs including: Towns of Bozrah, Colchester, East Lyme, Franklin, Griswold, Groton, City of Groton, Jewett City, Ledyard, Lisbon, Montville, New London, North Stonington, Norwich, Preston, Salem, Sprague, Stonington, Stonington Borough, Voluntown and Waterford.

The Authority is a statutorily established non-profit agency charged with the planning, coordination and development of potable water sources and delivery systems to adequately serve all the communities of Southeastern Connecticut.

The Authority endeavors to work with municipalities, the regional planning agency, tribal nations, and private water companies to periodically assist in updating the regional water supply plan to address future needs, and to provide recommendations for source and delivery system actions related to such needs.

The Authority has been serving the region of Southeastern Connecticut for over fifty years. SCWA'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 fifteen public water supply systems that the Authority owns and operates. Pursuant to Public Act No. 02-76, the Authority has adopted a water supply plan for the Southeastern Connecticut Planning Region.

Pursuant to the Act, as amended, the State of Connecticut may guarantee SWCA loans for up to a total of fifteen million dollars until 2045.

Over the past four years, five of the SCWA water systems in the Town of Ledyard were interconnected with the Ledyard water system. These emergency interconnections helped to provide back-up if one system should fail and were funded through the Connecticut Drinking Water State Revolving Fund. In 2020, Ledyard Division and Gray Farms Division were connected and the pump station at Gray Farms was eliminated producing a reduction in overall expenses for the Authority. Two years ago, SCWA crews installed a new water main, and back-up water main between the Tower Division pump stations and the main distribution located on East Drive in Gales Ferry. During the next year SCWA plans to upgrade the Ledyard Pump Station and the Spicer Hill Booster Station. The hydropneumatic pressure tanks at both stations will be replaced with variable speed pumps. SCWA is also waiting for final approval of the design/specification from the State of Connecticut and funding of a project to interconnect the Seven Oaks division and Montville division. This project will be funded primarily through assistance under the 2021 federal Infrastructure Investment and Jobs Act and from proceeds of general obligation bonds issued by the Authority. The project includes the installation of 2000 feet of new water main and a new booster pump station between the two divisions. This project will be constructed in 2024.

AUTHORITY MEMBERS

The seven-member Southeastern Connecticut Water Authority governing board is appointed by the 42-member Representative Advisory Board which is comprised of two members for each of the region's constituent municipalities. Two members of the Authority's governing board must be selected from a slate of no fewer than three nominees provided by the Southeastern Connecticut Regional Council of Governments. The Representative Advisory Board also monitors finances of the Authority through an annual audit. The Authority's statutory powers include the power of eminent domain, the authority to issue bonded debt, the ability to set service rates, the right to receive grants, and generally to do anything necessary or convenient to carry out its purposes. The members of the Authority's governing board and its Representative Advisory Board are set forth below.

Authority Board Members		
<u>Office</u>	<u>Name</u>	<u>Years of Service</u>
Chairman.....	Edward Monahan	20 Years
Vice-Chairman...	Harry Watson	15 Years
Treasurer.....	Paul B. Eccard	18 Years
Member.....	Nicholas Mullane	16 Years
Member.....	Claudia Koerting	5 Years
Member.....	Alex Masse	2 Years
Member.....	Vacant	N/A

**Representative Advisory Board
Servicing 2023-2024**

<u>Representative Town</u>	<u>Member</u>
Bozrah.....	Steven Coit, Jim Bonanno
Colchester.....	Vacancy, Vacancy
East Lyme.....	Kevin Seery, Carol Russell
Franklin.....	Thomas Seidel, Vacancy
Griswold.....	Vacancy, Vacancy
Groton, City.....	Martin Artale Jr., George Scully
Groton, Town.....	Mary Lou Smith, Vacancy
Jewitt City Borough.....	Vacancy, Vacancy
Ledyard.....	Mike Cherry, James Harris
Lisbon.....	Vacancy, Vacancy
Montville.....	Anthony Siragusa, Vacancy
New London.....	Barry J. Weiner, Vacancy
North Stonington.....	Michael Macina, Robert Boissevain
Norwich.....	Christopher Seery, Vacancy
Preston.....	Steven Colli, Vacancy
Salem.....	Leslie Hotary, Vacancy
Sprague.....	Vacancy, Vacancy
Stonington.....	Vacancy, Vacancy
Stonington Borough.....	Amy Nichols, Vacancy
Voluntown.....	Vacancy, Vacancy
Waterford.....	Vacancy, Vacancy

AUTHORITY EMPLOYEES

The following table illustrates the full and permanent part-time Authority employees for the last five fiscal years:

<u>Fiscal Year</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Employees	6	7	7	7	7

Source: Authority Officials.

The Authority has no union employees.

SERVICE AREA

The Authority serves approximately 2,907 customers through operation of 15 water systems it owns and 18 small water systems that it is contracted to operate. Over the past twenty years, the number of customers serviced by the Authority has increased by about 10%. The four primary service areas are the Towns of Ledyard, Montville, North Stonington, and Salem. Ledyard and Montville contain over 85% of the Authority’s customers.

LITIGATION

Suisman Shapiro provides general representation of the Southeastern Connecticut Water Authority in a variety of matters, including litigation that may occur in Connecticut courts and before the Department of Public Utility Control.

In the course of its representation of the Authority's activities, Suisman Shapiro has not become aware and has not been made aware of any pending or threatened litigation, claims or assessments against the Authority, which, if settled against the Authority, would result in a material and adverse effect on the Authority's finances.

FINANCIAL INFORMATION

FISCAL YEAR

The Authority's fiscal year begins July 1 and ends June 30.

ANNUAL AUDIT

Pursuant to Connecticut state law, the Authority is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2022, the examination was conducted by Hoyt Filippetti & Malaghan LLC, Certified Public Accountants, of Groton, Connecticut. For fiscal year ended June 30, 2023, the examination is also being conducted by Hoyt, Filippetti & Malaghan, LLC.

PENSION PLANS

All employees participate in the Connecticut Municipal Employees' Retirement System ("CMERS"). CMERS 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 municipalities. CMERS 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. CMERS issues a publicly available financial report, which may be obtained at www.ct.gov.

The Authority's required contribution to CMERS is currently 17.55% of covered payroll. Such contribution was \$92,426 for the year ended June 30, 2023, related to covered payroll of \$526,616 which the Authority paid for such fiscal year.

Please refer to Appendix B "Basic Financial Statements" under section "Notes to the Financial Statements", Note 7 herein for further information on the Authority's Pension Plans.

OTHER POST EMPLOYMENT BENEFITS

The Authority does not provide Other Post-Employment Benefits to its retirees.

STATEMENT OF OPERATING INCOME AND EXPENSES
Last Five Years and Current Budgets

	<u>Budget</u> <u>2023-24</u>	<u>Unaudited</u> <u>2022-23</u>	<u>Actual</u> <u>2021-22</u>	<u>Actual</u> <u>2020-21</u>	<u>Actual</u> <u>2019-20</u>	<u>Actual</u> <u>2018-19</u>
Operating Revenue:						
Sales of Water.....	\$1,962,750	\$2,066,005	\$1,673,754	\$1,739,769	\$1,615,692	\$1,524,895
Contract Operations.....	19,500	19,325	1,503	2,328	3,803	2,563
Other Income.....	5,800	0	0	10,207	17,669	0
Total Operating Revenues.....	\$1,988,050	\$2,085,330	\$1,675,257	\$1,752,304	\$1,637,164	\$1,527,458
Operating Expenses						
Operations.....	\$1,023,030	\$999,302	\$863,984	\$1,005,316	\$989,778	\$895,917
Administration.....	229,250	227,745	180,994	263,555	258,061	258,498
Employee Benefits.....	275,000	275,937	284,383	261,987	213,997	228,701
Professional Services.....	112,200	153,000	119,109	0	0	0
Depreciation ¹	238,000	241,979	273,742	244,531	249,635	260,006
Interest.....	33,000	24,904	0	0	0	0
Taxes.....	41,800	43,839	42,783	41,629	40,189	39,400
Total operating Expenses.....	\$1,952,280	\$1,966,706	\$1,764,995	\$1,817,018	\$1,751,660	\$1,682,522
Operating Results.....	\$35,770	\$118,624	(\$89,738)	(\$64,714)	(\$114,496)	(\$155,064)
Other Income (Loss).....	\$0	\$0	\$411,834 ²	\$58	\$436	\$1,676
Income (Loss) before						
Interest Charges.....	\$35,770	\$118,624	\$322,096	(\$64,656)	(\$114,060)	(\$153,388)
Interest Charges.....	\$0	\$0	(\$27,978)	(\$21,190)	(\$31,433)	(\$38,741)
Net Income (Loss).....	\$35,770	\$118,624	\$294,118	(\$85,846)	(\$145,493)	(\$192,129)

¹ Includes debt service payments.

² Includes capital contributions of \$409,810.

Source: Audited Financial Statements 2018-2022; Unaudited Financial Statement 2023; Budget 2024.

WATER RATES

The Authority has statutory authority to set fees and rates as necessary. The Authority's enabling legislation designates the Representative Advisory Board (the "Board") to serve in an advisory role. The Representative Advisory Board is the entity that conducts a public hearing on proposed changes in rates, and subsequently offers advice/comments on the proposed rates. The rates review procedure is described below:

Prior to adopting new service rates or changing any existing rates the Authority, through its members, will notify the Board. The Board will conduct a public hearing on the proposed rates and forward any advice or comments to the Authority, in accordance with the following rate review procedure:

1. The Authority notifies the Board of its intention to adopt new service rates or to change any existing rates.
2. The Board will call a public hearing on the proposed rates, within thirty (30) days, with notice of the time and place of the public hearing published in a newspaper having a substantial circulation in the affected area, at least once, not more than 14 days, nor less than 5 days prior to the public hearing. The Authority will assist the Board with administrative aspects of noticing and advertising the public hearing. The Board chairman will preside over the public hearing.
3. The Board Finance Committee will work with the Board officers, especially its chairman, in reviewing the proposed rates and reporting to the full Board.

4. The Board will address the proposed rates as the subject of a Special Meeting and/or as an agenda item at a regular meeting.
5. Within 90 days of receipt of the proposed rates and following the public hearing, the Board shall forward to the Authority any advice or comments on the proposed rates. Such advice or comments may include a formal statement resulting from action taken by the Board.
6. Failure of the Board to act within 90 days of receipt of the Authority's proposed rates shall constitute concurrence in the proposed rates.

The foregoing procedures are not required by the Act or any other State statute but rather have been followed by the Authority and the Board for approximately thirty years.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY HISTORY OF RESIDENTIAL RATES

Start of Fiscal Year	Per Qtr. Minimum	Cost per		Gross Per 18,000	CPI
		Thousand 3,000	Net Cost Per 18,000		
FY 77	10.29	1.44	30.30	31.89	170.1 ¹
FY 80	10.56	1.48	31.12	32.76	216.9 ¹
FY 81	11.31	1.58	33.26	35.01	247.8 ¹
FY 82	12.09	1.69	35.57	37.44	271.4 ¹
FY 83	12.93	1.83	38.36	40.38	290.1 ¹
FY 84	18.30	1.92	44.75	47.10	297.2 ¹
FY 85	19.22	2.02	47.04	49.52	306.2 ¹
FY 86	20.18	2.12	49.38	51.98	318.7 ¹
FY 89	21.94	2.23	52.62	55.39	347.6 ¹
FY 90	22.25	2.34	54.48	57.35	365.9 ¹
FY 91	24.48	2.57	59.88	63.03	382.1 ¹
FY 92	26.93	2.83	65.91	69.38	399.6 ¹
FY 93	27.79	2.92	68.01	71.59	411.4 ¹
FY 94	29.46	3.10	72.16	75.96	417.8 ¹
FY 95 ³	31.23	3.29	76.55	80.58	433.2 ¹
FY 99 ³	32.01	3.37	78.43	82.56	479.7 ¹
FY 02	33.13	3.49	81.21	85.48	520.0 ¹
FY 05 ³	34.46	3.63	84.46	88.91	551.9 ¹
FY 06 ³	36.53	3.85	89.57	94.28	566.2 ¹
FY 07 ³	37.63	3.97	92.32	97.18	590.5 ¹
FY 10	49.75	5.24	121.93	128.35	170.7 ²
FY 11	54.48	5.74	133.55	140.58	400.0 ²
FY 12	57.20	6.03	140.27	147.65	426.9 ²
FY 13	61.87	6.52	151.69	159.67	448.2 ²
FY 16	64.96	6.85	159.32	167.71	513.4 ²
FY 18	68.21	7.19	167.26	176.06	549.5 ²
FY 20	71.62	7.55	175.63	184.87	583.2 ²
FY 21	71.62	7.93	181.04	190.57	743.3 ²
FY 23	75.2	8.33	190.10	200.10	857.9 ²
FY 24	78.96	8.75	199.60	210.21	911.0 ²

¹ Consumer Price Index: 1967 = 100; June 30 of each year.

² Consumer Price Index: 1997 = 100; June 30 of each year.

³ Effective January 1 (One-half year).

Explanation of "Net" and "Gross" amounts: Bills are mailed every three months. At the bottom of the bill, there are two boxes entitled "Net Bill" and "Gross Bill". A 5% discount is allowed if the bill is paid on or before the due date. This discounted amount due is the "Net Bill". All customers have the opportunity to pay the net amount, and the vast majority do so.

Note: Fiscal year listed correspond to the years when the rate increases occurred. The rates remained constant during the years not listed.

APPENDIX B – BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Appendix B - Basic Financial Statements - is taken from the Annual Report of Southeastern Connecticut Water Authority for the Fiscal Year ended June 30, 2022 as presented by the Auditors and does not include all of the schedules. A copy of the complete report is available upon request to the General Manager, Southeastern Connecticut Water Authority, Gales Ferry, Connecticut.

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>\$ 12,927,801</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>Original Issue</u>	<u>Debt Outstanding</u>	<u>Year of 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	1,201,461
 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	6,940,257
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	188,798
Total assets and deferred outflows of resources	\$ 8,330,516

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	340,076
 NONCURRENT LIABILITIES	
Due within one year	423,965
Due in more than one year	1,207,041
Total noncurrent liabilities	1,631,006
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	265,688
 NET POSITION	
Invested in capital assets, net of related debt	5,801,627
Unrestricted	292,119
Total net position	6,093,746
Total liabilities, deferred inflows of resources, and net position	\$ 8,330,516

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	<u>251,452</u>
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	<u>(167,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>207</u>
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	<u>714,689</u>
CASH AND CASH EQUIVALENTS AND	
RESTRICTED CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 798,638</u></u>
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	<u><u>\$ 251,452</u></u>
STATEMENT OF NET POSITION DETAIL:	
Cash and cash equivalents	\$ 508,951
Restricted cash and cash equivalents	289,687
	<u><u>\$ 798,638</u></u>

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:

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

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	131,511
	\$ 576,363

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**

	2015	2016	2017	2018	2019	2020	2021	2022
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

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

	2015	2016	2017	2018	2019	2020	2021	2022
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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, 2016 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, 2016 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

APPENDIX C – FORM OF OPINION OF BOND COUNSEL

October 12, 2023

Southeastern Connecticut Water Authority
1649 Route 12
Gales Ferry, CT 06335

RE: Southeastern Connecticut Water Authority
\$380,000 General Obligation Bond Anticipation Notes, dated October 12, 2023
and due on October 2, 2024

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Southeastern Connecticut Water Authority (the "Issuer") of \$380,000 General Obligation Bond Anticipation Notes, dated October 12, 2023 (the "Notes").

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Issuer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Issuer authorized to issue the Notes, in connection with the issuance and delivery of the Notes, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Notes and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of _____, the Notes will be the valid and binding general obligations of the Issuer payable from any moneys, contracts, earnings and revenues of the Issuer, including, without

limitation, water system supply revenues, subject only to any agreements with the holders of any particular bonds or notes pledging any particular moneys, earnings or revenues.

2. Under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax; however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The opinions set forth in the preceding paragraphs are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Under existing law, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

The Issuer has designated the Notes as, and the Notes are qualified to be, "qualified tax-exempt obligations" of the Issuer in accordance with Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinions are based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may effect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in the gross income of the owners thereof for purposes of federal income taxation, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

Appendix D - NOTICE OF SALE

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

\$380,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

PROPOSALS will be received by the SOUTHEASTERN CONNECTICUT WATER AUTHORITY (the “Authority”), by TELEPHONE BID by Susan Caron, Vice President, Munistat Services, Inc., the Authority’s Municipal Advisor at (860) 372-1887, and by ELECTRONIC BID via PARITY®, until 11:30 A.M. (Eastern Time) on TUESDAY,

SEPTEMBER 26, 2023

for the purchase, when issued, of all, or any part of, the Authority’s \$380,000 General Obligation Bond Anticipation Notes, dated October 12, 2023 and due October 2, 2024 (the “Notes”).

The Notes are due and payable as to both principal and interest at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are **not** subject to redemption prior to maturity.

Nature of Obligation. The Notes will constitute general obligations of the Authority, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. The Notes are payable from any moneys, contracts, earnings and revenues of the Authority, including, without limitation, water system supply revenues, subject only to any agreements with the holders of any particular bonds or notes pledging any particular moneys, earnings or revenues.

Bank Qualification. The Notes **shall be** designated by the Authority as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available federal funds through the facilities of The Depository Trust Company, New York, New York on October 12, 2023, unless the option for non-book-entry is exercised, in which case payment shall be made in immediately available federal funds to the Authority in accordance with the Authority’s instructions.

Book-Entry. Except as provided below, the Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued, except as set forth below under “Option for Non-Book-Entry”, to The Depository Trust Company (“DTC”), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the

Notes in principal amounts of \$5,000, or any integral multiples thereof, with transfers of ownership affected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Authority or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Authority will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. Upon receipt from the Authority, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the noteholder.

Option For Non-Book-Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all of the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Authority as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Bank, Registrar, Transfer Agent and Paying Agent for such Notes, shall indicate this preference to the Authority at the time of the submission of the bid. The Authority reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the winning bidder as Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the winning bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Authority any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes if the winning bidder is so designated. The terms and covenants of the Notes issued in non-book-entry form shall be the same as if the Notes were issued in book-entry form, except as required to reflect that the Notes are non-book-entry and the designation of the purchaser as Certifying Bank, Registrar, Transfer Agent and Paying Agent.

Bid Terms and Basis of Award. Except as otherwise provided herein, bidders may submit proposals for all or any part of the Notes, but any proposal for a part must be for a minimum of \$100,000 of principal amount or integral multiples of \$5,000 in excess thereof. A separate proposal is required for each part of the Notes for which a separate stated interested rate is bid. Bidders are to name one rate of interest in a multiple of one hundredths (1/100ths) of one per cent for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected, the Notes will be awarded to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest cost to the Authority, which will be determined for each interest

rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest cost, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified. No bid for less than par and accrued interest, if any, will be considered. The Authority reserves the right to award to any bidder all or any part of the Notes bid in its proposal. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The right is reserved to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Authority further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Authority will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Authority by telephone call to Susan Caron, the Authority's Municipal Advisor, at (860) 372-1887. All telephone bids must be completed by 11:30 A.M. (Eastern Time) on Tuesday, September 26, 2023, and shall be submitted in the form of the Bid Form attached hereto as Attachment A. All telephone bids shall be deemed to incorporate the provisions of this Notice of Sale.

For the purpose of the bidding process, the time maintained by the Authority's Municipal Advisor shall constitute the official time.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of **PARITY®** by 11:30 A.M. (Eastern Time) on Tuesday, September 26, 2023. Any prospective bidder must be a subscriber of Ipreo's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o Ipreo LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@ihsmarkit.com). The Authority neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe. All bids shall be deemed to incorporate the provisions of this Notice.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Authority, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Authority. By submitting a bid for the Notes via **PARITY®**, the bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Authority will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY®**

facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.

Disclaimer. Each of *PARITY*® prospective electronic bidders shall be solely responsible to make necessary arrangements to access *PARITY*® for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Authority nor *PARITY*® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Authority or *PARITY*® shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Authority is using *PARITY*® as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Notes. The Authority is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY*® are the sole responsibility of the bidders; and the Authority is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone *PARITY*® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by *PARITY*®, this Notice shall control.

For the purpose of the sealed proposals bidding procedure and the electronic proposals bidding procedure, the time maintained on *PARITY*® shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent. Unless the winning bidder on the Notes is designated as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes as provided in "Option For Non-Book-Entry" above, the Notes will be certified by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, National Association will also act as Registrar, Paying Agent and Transfer Agent.

Bond Counsel Opinion. The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form attached as Appendix C to the Term Sheet. The opinion will appear on each Note certificate and will state that the Notes are valid and binding obligations of the Authority. Absent special circumstances preventing compliance, Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it a completed "issue price" certificate regarding public offering prices with respect to the Notes awarded to such bidder, as described below under "Establishment of Issue Price".

Establishment of Issue Price. In order to provide the Authority with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Authority at or prior to the delivery of the Notes an "issue price" or similar certificate setting

forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Michael Botelho, Esq., Updike, Kelly & Spellacy, P.C., 225 Asylum Street, 20th floor, Hartford, CT 06103, Telephone: (860) 548-2637, E-mail: mbotelho@uks.com and (2) the Municipal Advisor at Susan Caron, Vice President, Munistat Services, Inc., 129 Samson Drive, Suite A, Madison, CT 06443, Telephone: (860) 372-1887, E-mail: susan.caron@munistat.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Authority and the Municipal Advisor may act on behalf of the Authority.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Authority that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Notes, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes, and understands that upon award by the Authority that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Authority.

By submitting a bid, the bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Authority intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Rule”) because:

- (1) the Authority shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Authority anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Authority anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Authority, or the Municipal Advisor on behalf of the Authority, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment B. If the winning bidder is purchasing any Maturity (as hereinafter defined) of the Notes for its own account and not with a view to distribution or resale of such Maturity to the Public, then the winning bidder shall provide Bond Counsel and the Municipal Advisor a completed “Certificate as to Issue Price” (in form satisfactory to Bond Counsel) for such Maturity or Maturities of the Notes.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Authority, or the Municipal Advisor on behalf of the Authority, shall at the time of award advise the winning bidder. The Authority may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Notes (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Notes as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 3:30 p.m. (Eastern Time) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (A)(I) of the first price at which ten percent (10%) of each Maturity of Notes has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Notes that satisfy the Actual Sales Rule as of the Sale Date, and (B) those Maturities of the Notes that the winning bidder is purchasing for its own account and not with a view to distribution or resale of such Maturity to the Public. After such receipt, the Authority, or Bond Counsel on behalf of the Authority, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Notes shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Notes subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Notes (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Notes to the Public on or before the date of award at the Initial Offering

Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell unsold Notes of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third party distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such third party distribution agreement to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third party distribution agreement participating in the initial sale of the Notes to the Public).

No Continuing Disclosure or Official Statement. Since the principal amount of the Notes is less than \$1,000,000, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Authority will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

Delivery, Payment and Closing Requirements. At or prior to the delivery of the Notes, the winning bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut (see “Bond Counsel Opinion” above); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Authority to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes.

The Authority will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Authority’s costs of issuance except to the extent specifically stated in this Notice of Sale. The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Authority shall have no responsibility for such clearance, exemption or preparation.

CUSIP Numbers. Unless the winning bidder requests the non-book-entry option, the Notes will be delivered to DTC or its agent on or about October 12, 2023. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. The Authority’s Municipal Advisor will apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on

the Notes shall be paid by the Authority provided, however, that the Authority assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

SOUTHEASTERN CONNECTICUT
WATER AUTHORITY

By: EDWARD MONAHAN
Chairman

By: PAUL B. ECCARD
Treasurer

September 13, 2023

(See attached form of Proposal for Notes)

ATTACHMENT A

BID FORM – PROPOSAL FOR NOTES

Edward Monahan, Chairman
Paul B. Eccard, Treasurer
Southeastern Connecticut Water Authority
1649 Route 12
Gales Ferry, CT 16335

Southeastern Connecticut Water Authority Officials:

Subject to the provisions of the Notice of Sale dated September 13, 2023, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$380,000 General Obligation Bond Anticipation Notes of the Southeastern Connecticut Water Authority (the “Issuer”) and to pay therefor par and pay the premium specified below, if any, as follows:

For \$ _____ of \$380,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 12, 2023 and maturing on October 2, 2024, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

For \$ _____ of \$380,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 12, 2023 and maturing on October 2, 2024, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

For \$ _____ of \$380,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 12, 2023 and maturing on October 2, 2024, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in immediately available federal funds on the date of the Notes.

Dated: September 26, 2023

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)

We request that the Notes not be issued in book-entry form, but be registered in the name of the bidder, as provided in the Notice of Sale.

Only if submitting request that Notes not be issued in book-entry form: We request to be designated as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes, as provided in the Notice of Sale.

ATTACHMENT B

ISSUE PRICE CERTIFICATE

Southeastern Connecticut Water Authority
\$[Par] General Obligation Bond Anticipation Notes
Dated and Issued October 12, 2023

The undersigned, on behalf of [Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Notes”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [Short Name of Underwriter], the purchaser of the Notes.

2. ***Purchase Price.*** The Southeastern Connecticut Water Authority (the “Issuer”) sold to [Short Name of Underwriter], for delivery on or about October 12, 2023 (the “Issue Date”), the Notes at a price of par (\$[Par]), plus an aggregate net premium of \$_____ and less an underwriter’s discount of \$_____, resulting in an aggregate net purchase price of \$_____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of September 26, 2023 (the “Sale Date”), the reasonably expected initial offering price(s) of the Notes to the Public by [Short Name of Underwriter] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Notes used by [Short Name of Underwriter] in formulating its bid to purchase the Notes. Attached as **Schedule B** is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Notes.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Notes.

4. ***Defined Terms.***

(a) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or

more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of the selling group or a party to a third party distribution agreement participating in the initial sale of the Notes to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Notes under the Code and with respect to compliance with the federal income tax rules affecting the Notes. Updike, Kelly & Spellacy, P.C., bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Notes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Notes. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of October 12, 2023.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

<u>Maturity Date</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
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Schedule B to Issue Price Certificate

[Copy of Bid]