GREATER NEW HAVEN WATER POLLUTION CONTROL AUTHORITY

FINANCIAL REPORT
June 30, 2013 and 2012

CONTENTS

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater New Haven Water Pollution Control Authority
New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater New Haven Water Pollution Control Authority (the “Authority”) as of and for the years ended June 30, 2013 and 2012, and the related notes thereto which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Greater New Haven Water Pollution Control Authority as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As explained in Note 11 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred of Resources and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities effective July 1, 2011. GASB Statement No. 63 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 results in the reclassification of certain financial statement line items on the statement of net position andstatements of revenues and expenses and changes in net position.. In addition to reclassifications to these new categories, GASB No. 65 has also resulted in a change to the accounting treatment for certain items, including debt issuance costs and restated beginning net position.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 30, 2013 and December 20, 2012 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 these reports is 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 internal control over financial reporting or on compliance. These reports are 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.

McGladrey LLP

New Haven, Connecticut
December 30, 2013

Greater New Haven
Water Pollution Control Authority
Management's Discussion and Analysis - *unaudited*
For the Year Ended June 30, 2013

INTRODUCTION

The Greater New Haven Water Pollution Control Authority (the "GNHWPCA") was organized in 2005 as a political subdivision of the State of Connecticut established and created for the performance of an essential public and governmental function. It was created as a regional water pollution control authority under Connecticut Public Act 95-329, subsequently enacted as Title 22a, Sections 500 to 519 of the Connecticut General Statutes, as amended (the "Act"). The GNHWPCA was created pursuant to the Act by concurrent ordinances of the four Constituent Municipalities (the City of New Haven, and the Towns of Hamden, East Haven and Woodbridge). Under the Act, the GNHWPCA is empowered to purchase, own and operate a public sewer system; to levy assessments and sewer use fees; to place liens on real estate to secure such assessments; and to issue revenue bonds. The GNHWPCA is also eligible for grants and loans under the State of Connecticut Clean Water Fund program ("CWF"). Under the by-laws of the GNHWPCA, a governing Board of Directors comprised of representatives of the Constituent Municipalities was established.

On August 29, 2005, the GNHWPCA entered into an Asset Purchase Agreement ("regionalization") with the Constituent Municipalities and thereby acquired ownership of the wastewater system assets of the Constituent Municipalities which included CWF obligations.

In order to finance the acquisition of the wastewater system assets, the GNHWPCA issued $91,290,000 of revenue bonds (the "2005 Series A Bonds") subject to an Indenture of Trust (the "Indenture"). The Indenture constitutes a contract between the GNHWPCA, the Trustee and the holders of the 2005 Series A Bonds. The Indenture secures the 2005 Series A Bonds and the CWF loans assumed from the Constituent Municipalities.

The wastewater system assets acquired by the GNHWPCA included: the East Shore Wastewater Treatment Plant, located in New Haven; 30 pump stations; a collection system of approximately 560 miles of sanitary and combined sewers; and machinery and equipment. The system provides wastewater treatment services to approximately 50,000 customers throughout the four communities.

The Greater New Haven Water Pollution Control Authority operates on a fiscal year that starts on July 1 and ends on June 30.

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

CONTENTS OF THE AUDITED FINANCIAL STATEMENTS

Our financial statements are prepared using proprietary fund (enterprise fund) accounting that employs essentially the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting are used.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These statements are followed by notes to the financial statements.

The GNHWPCA's audited financial statements include the following:

- **Statements of net position**

  These statements provide information about the GNHWPCA's investments in resources (assets) and its obligations to creditors (liabilities), with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the GNHWPCA is improving or deteriorating.

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

  These statements demonstrate changes in net position from one period to another by accounting for operating and non-operating revenues and expenditures and measuring the financial results of operations combined with any capital contributions to determine the net change in position for the period. This change combined with the beginning of the period net position balance reconciles to the net position at the end of the period. The information may be useful to determine how the GNHWPCA has funded its costs.

- **Statements of cash flows**

  These statements report cash and cash equivalent activity for the year resulting from operating activities, non-capital financing activities, capital and related financial activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the year.

- **Notes to financial statements**

  Notes to the financial statements contain information essential to understanding the financial statements, such as the GNHWPCA accounting methods and policies.

THE GNHWPCA BUSINESS

The GNHWPCA was created pursuant to Sections 22a-500 to 22a-519, inclusive, of the Connecticut General Statutes to (a) operate the Treatment Plant and to (b) use, equip, re-equip, repair, maintain, supervise, manage, operate and perform any act pertinent to collection, transportation, treatment and disposal of sewage with respect to the Constituent Municipalities. Currently, the daily flow at the Treatment Plant is approximately 29 million gallons per day.

FINANCIAL HIGHLIGHTS

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years ended June 30,			Dollar Variance		Percentage Variance	
(Dollars in Thousands)	**2013**	2012	2011	13 vs. 12	12 vs. 11	13 vs. 12	12 vs. 11
Operating revenues	**$ 37,234**	**$ 35,157**	$ 33,890	$ 2,077	$ 1,267	5.9%	3.7%
Operating expenses	**21,219**	**21,142**	19,445	77	1,697	0.4%	8.7%
Depreciation and amortization	**4,580**	**4,499**	4,377	81	122	1.8%	2.8%
Total operating expenses, including depreciation	**25,799**	**25,641**	23,822	158	1,819	0.6%	7.6%
Operating income	**11,435**	**9,516**	10,068	1,919	(552)	20.2%	(5.5%)
Nonoperating (expense) income	**(4,651)**	**(4,650)**	(4,848)	(1)	198	0.0%	(4.1%)
Capital grants	**4,159**	**10,158**	5,724	(5,999)	4,434	(59.1%)	77.5%
Change in Accounting Principle	**-**	**(1,638)**	-	1,638	(1,638)	(100.0%)	100.0%
Change in net position	**$ 10,943**	**$ 13,386**	$ 10,944	$ (2,443)	$ 2,442	(18.3%)	22.3%

The following items highlight the condensed statements of revenues, expenses and changes in net position, shown above.

- **Operating Revenues**

Operating revenues of $37.2 million for fiscal year 2013 represent an increase of $2 million or 5.9% compared to $35.2 million in operating revenues for fiscal year 2012. The increase in operating revenue is primarily attributable to a rate increase of $0.24 per CCF from fiscal year 2012 to fiscal year 2013. The GNHWPCA approved a charge of $3.30 per CCF to meet the requirements of its Revenue Bond Indenture of trust and to fund capital improvements.

Operating revenues of $35.2 million for fiscal year 2012 represent an increase of $1.3 million or 3.7% compared to $33.9 million in operating revenues for fiscal year 2011. The increase in operating revenue is primarily attributable to a rate increase of $0.22 per CCF from fiscal year 2011 to fiscal year 2012. The GNHWPCA approved a charge of $3.06 per CCF to meet the requirements of its Revenue Bond Indenture of Trust and to fund capital improvements

- **Operating Expenses**

Operating expenses include all costs, including maintenance, necessary to deliver wastewater collection and treatment services. It also includes the administrative resources and billing and customer service costs employed to ensure efficient operations.

Operating expenses for fiscal year 2013 were consistent with fiscal year 2012 at $21.2 million and $21.1 million, respectively.

Operating expenses for fiscal year 2012 increased $1.7 million or 8.7% to $21.1 million from $19.4 million for fiscal year 2011. The increase of operating expenses is attributed to increases in salaries and benefits, operations & maintenance contractual services and outside engineering services.

- **Non-operating Income and Expense**

Non-operating income and expense includes revenue from investment income, reflective of market rates of return, which is used in the general operation of the entity; and interest expense which consists primarily of interest incurred on revenue bonds issued and outstanding and loans assumed in connection with the State of Connecticut Clean Water Fund Program.

Non-operating expenses in fiscal year 2013 were consistent with fiscal year 2012 at $4.7 million.

Non-operating expenses in fiscal year 2012 decreased $0.2 million or 4.1% to $4.6 million from $4.8 million for fiscal year 2011. The decrease in non operating income and expenses is directly related to a decrease in interest expense associated with outstanding debt.

Condensed Statements of Net Position

(Dollars in Thousands)	June 30,			Dollar Variance		Percentage Variance	
	2013	2012	2011	13 vs. 12	12 vs. 11	13 vs. 12	12 vs.11
Assets							
Current assets	**$ 34,493**	**$ 30,667**	$ 26,770	$ 3,826	$ 3,897	12.5%	14.6%
Capital assets, net	**165,452**	**155,248**	144,251	10,204	10,997	6.6%	7.6%
Noncurrent assets							
Restricted assets	**16,565**	**9,333**	9,586	7,232	(253)	77.5%	(2.6%)
Other (As Restated)	**7,853**	**8,591**	8,917	(738)	(326)	(8.6%)	(3.7%)
Total assets	**224,363**	**203,839**	189,524	20,524	14,315	10.1%	7.6%
Liabilities							
Current liabilities	**19,952**	**15,195**	14,985	4,757	210	31.3%	1.4%
Noncurrent liabilities	**134,245**	**129,420**	128,701	4,825	719	3.7%	0.6%
Total liabilities	**154,197**	**144,615**	143,686	9,582	929	6.6%	0.6%
Net Position							
Net investment in capital assets	**52,277**	**48,137**	38,395	4,140	9,742	8.6%	25.4%
Restricted	**1,169**	**968**	699	201	269	20.8%	38.5%
Unrestricted (as restated)	**16,721**	**10,119**	6,744	6,602	3,375	65.2%	50.0%
Total net position	**$ 70,167**	**$ 59,224**	$ 45,838	$ 10,943	$ 13,386	18.5%	29.2%

The following items highlight the condensed statements of net position shown above.

- **Current Assets**

The increase of $3.8 million in current assets between fiscal year-end 2012 and fiscal year-end 2013 resulted principally from an increase in cash and cash equivalents as a result of higher cash receipts.

- **Capital Assets**

The increase in capital assets is attributable to additions to equipment and sewer lines, such as acquisition and improvements of pumping equipment, water treatment facilities, the waste water collection system and information technology.

Capital assets are assets acquired for the use in operations that will benefit more than a single fiscal year. Capital assets are stated at cost. Normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets being constructed over a period of time are classified as construction in progress. No depreciation is computed on these assets until they are complete and placed into service. Depreciation is computed on a straight line basis over the estimated useful lives of the respective assets. Additional information on capital assets is presented in Note 4.

- **Restricted Assets**

The term “restricted assets” refers primarily to certain funds established under various bond indentures, as well as funds acquired from the regionalization, whose use is restricted for the following purposes:

Debt Service
Debt Service Reserves
Construction
Maintenance Escrow

The increase of $7.2 million in restricted assets between fiscal year-end 2012 and fiscal year-end 2013 is primarily due to the funding of capital projects with the issuance of the 2012 Series B Revenue Bonds.

The GNHWPCA invests these restricted assets in investments as allowed by the Indentures, for example, depository accounts in direct obligations of the federal or state governments (or agencies) or in guaranteed investment contracts.

- **Other Non-Current Assets**

Other non-current assets decreased $.74 million or 8.6% to $7.9 million from $8.6 million for fiscal year-end 2013. The decrease is primarily due to payments by the City of New Haven as it relates to their share of State of CT Clean Water Fund bonds.

- **Current Liabilities**

The increase of $4.8 million in current liabilities from fiscal year-end 2012 to fiscal year-end 2013 is primarily attributed to an increase in the current portion of long term debt and an increase in accrued interest at June 30, 2013.

- **Non-Current Liabilities**

Non-current liabilities increased by $4.8 million between fiscal year-end 2012 to fiscal year-end 2013 primarily due to the closing of 2012 Series B Revenue Bonds offset by the shift in long-term debt from non-current to current; additional information of non-current liabilities is presented in Note 6.

- **Net Position**

  By far the largest portion of the GNHWPCA's net position of $70.2 million, 74.5% or $52.3 million reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) in the Constituent Municipalities served by the authority. An additional portion of the Authority's net position $1.2 million represents resources that are subject to external restrictions to meet the requirements of the indenture. The remaining balance of unrestricted net position $16.7 million may be used to meet the authority's ongoing obligations.

  Total net position increased by $11 million or 18.6% to $70.2 million for fiscal year-end 2013 from $59.2 million in 2012 as a result of the Authority's investment in capital assets.

THE GNHWPCA'S CUSTOMER BASE

The GNHWPCA serves a population of almost 200,000 users; the customer base is primarily residential and commercial. Of its approximately 50,000 customers, 40,000 are residential and approximately 10,000 are commercial, industrial and public authorities.

LIQUIDITY AND CAPITAL RESOURCES

In fiscal year 2013 the Authority generated $37.2 million in total operating revenues and $.46 million from investment and other earnings. These amounts were used to pay for operations and maintenance of $21.2 million and to fund debt service of $9.7 million.

The Authority funds its program of capital improvements largely through debt financing and capital contributions from the State of Connecticut's Clean Water Fund program and through the issuance of revenue bonds.

CREDIT RATING

Standard & Poor's, Moody's and Fitch Investors Service affirmed ratings of A, A1 and A+, respectively, on the GNHWPCA's outstanding debt.

FINANCIAL STATEMENT PRESENTATION

The GNHWPCA financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Greater New Haven Water Pollution Control Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Finance & Administration, Greater New Haven Water Pollution Control Authority, 260 East Street, New Haven, Connecticut 06511.

Basic Financial Statements

GREATER NEW HAVEN WATER POLLUTION CONTROL AUTHORITY

STATEMENTS OF NET POSITION
June 30, 2013 and 2012

		2013		2012
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	**$**	**26,948,303**	$	22,732,981
Accounts receivable, less allowance for doubtful accounts of $3,986,156 and $3,631,778 in 2013 and 2012, respectively		**6,770,932**		7,144,077
Receivable - City of New Haven (Note 3)		**773,861**		774,904
Other current assets		**-**		15,478
Total current assets		**34,493,096**		30,667,440
Capital Assets (Note 4)		**194,086,631**		179,302,525
Less accumulated depreciation		**28,635,020**		24,055,025
		165,451,611		155,247,500
Non-Current Receivable - City of New Haven (Note 3)		**7,853,829**		8,591,059
Restricted Assets (Note 5)		**16,564,702**		9,332,747
Total assets		**224,363,238**		203,838,746
LIABILITIES				
Current Liabilities				
Current portion of long-term debt (Note 6)		**13,919,178**		7,531,886
Accounts payable		**3,061,219**		5,359,657
Retainage payable		**646,804**		389,088
Accrued interest		**1,269,241**		974,512
Accrued expenses		**1,055,317**		939,721
Total current liabilities		**19,951,759**		15,194,864
Long-Term Debt, less current portion (Note 6)		**134,244,534**		129,419,603
Total liabilities		**154,196,293**		144,614,467
NET POSITION				
Net Investment in capital assets		**52,277,106**		48,137,344
Restricted:				
Debt service		**1,102,014**		901,455
Escrow		**66,500**		66,500
Unrestricted		**16,721,325**		10,118,980
Total net position	**$**	**70,166,945**	$	59,224,279

See Notes to Financial Statements.

GREATER NEW HAVEN WATER POLLUTION CONTROL AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Residential	$ 22,104,879	$ 20,870,476
Commercial and industrial	9,622,542	8,236,808
Municipal	1,192,442	1,213,065
Delinquent interest and lien fees	1,426,360	1,313,513
Outside sludge disposal	1,116,368	1,027,168
Other	2,134,475	2,799,294
Provision for bad debts	(363,215)	(303,148)
Total operating revenues	37,233,851	35,157,176
Operating Expenses		
Operation and maintenance (Notes 8, 9 and 10)	21,219,266	21,141,681
Depreciation and amortization	4,579,995	4,498,847
Total operating expenses	25,799,261	25,640,528
Operating income	11,434,590	9,516,648
Nonoperating Income (Expense)		
Other income	180,068	173,870
Interest income	281,048	278,166
Interest expense (Note 7)	(5,111,904)	(5,101,786)
Total nonoperating income (expense)	(4,650,788)	(4,649,750)
Income before capital contributions	6,783,802	4,866,898
Capital contributions	4,158,864	10,157,583
Change in net position	10,942,666	15,024,481
Net Position, beginning, as restated (note 11)	59,224,279	44,199,798
Net Position, ending	$ 70,166,945	$ 59,224,279

See Notes to Financial Statements.

GREATER NEW HAVEN WATER POLLUTION CONTROL AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Receipts from customers and users	**$ 37,606,996**	$ 34,014,087
Payments to suppliers	**(19,126,067)**	(14,352,196)
Payments to employees	**(4,002,847)**	(3,921,885)
Net cash provided by operating activities	**14,478,082**	15,740,006
Cash Flows From Capital and Related Financing Activities		
Proceeds from notes payable	**16,009,726**	3,723,249
Principal payments on debt	**(4,716,452)**	(5,197,046)
Bond issuance costs and discounts	**-**	111,146
Interest paid on debt	**(4,898,225)**	(5,556,261)
Proceeds from City of New Haven	**773,909**	1,006,880
Proceeds received from capital contributions	**3,543,984**	5,129,021
Acquisition and construction of capital assets	**(14,204,863)**	(12,839,429)
Net cash used in capital and related financing activities	**(3,491,921)**	(13,622,440)
Cash Flows From Non-Capital Activities		
Other income	**180,068**	173,870
Cash Flows From Investing Activities		
Interest received	**281,048**	278,166
Net increase in cash and cash equivalents	**11,447,277**	2,569,602
Cash and Cash Equivalents		
Beginning	**32,065,728**	29,496,126
Ending	**$ 43,513,005**	$ 32,065,728
Reported on Statement of Net Position as follows:		
Unrestricted cash and cash equivalents	**$ 26,948,303**	$ 22,732,981
Restricted assets	**$ 16,564,702**	$ 9,332,747
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	**$ 11,434,590**	$ 9,516,648
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**4,579,995**	4,498,847
Provision for bad debts	**363,215**	303,148
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	**9,930**	(1,446,237)
Decrease in other assets	**15,478**	10,420
Increase (decrease) in accounts payable	**(2,040,722)**	2,737,286
Increase in accrued expenses	**115,596**	119,894
Net cash provided by operating activities	**$ 14,478,082**	$ 15,740,006
Noncash Investing, Capital and Financing Activities		
Contributed capital assets	**$ 3,579,621**	$ 2,656,168
Conversion of interim obligation to permanent	**$ 656,236**	$ 5,213,941
City of New Haven Share of Clean Water Fund	**$ -**	$ 2,372,394

See Notes to Financial Statements.

Note 1. Reporting Entity and Summary of Significant Accounting Policies

Reporting entity

The Greater New Haven Water Pollution Control Authority (the “GNHWPCA”) or (the “Authority”) was organized in 2005 as a political subdivision of the State, established and created for the performance of an essential public and governmental function. It was created as a regional water pollution control authority under Connecticut Public Act 95-329, subsequently enacted as Title 22a, Sections 500 to 519 of the Connecticut General Statutes, as amended (the “Act”). The GNHWPCA was created pursuant to the Act by concurrent ordinances of the City of New Haven and the Towns of Hamden, East Haven and Woodbridge (the “Constituent Municipalities”). Under the Act, the GNHWPCA is empowered to purchase, own and operate a public sewer system; to levy assessments and sewer use fees; to place liens on real estate to secure such assessments; and to issue revenue bonds. The GNHWPCA is also eligible for grants and loans under the State of Connecticut Clean Water Fund (“CWF”) program. Under the by-laws of the GNHWPCA, a governing Board of Directors comprised of representatives of the Constituent Municipalities was established.

Accounting principles require that the reporting entity include organizations for which the nature and significance of their relationship with the primary entity are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This criterion has been considered and as a result, there are no agencies or entities that should be, but are not, combined with the financial statements of the GNHWPCA.

In 2005, the GNHWPCA entered into an Asset Purchase Agreement with the Constituent Municipalities. Under the agreement, the Authority acquired ownership of their wastewater system assets and assumed certain obligations of the Constituent Municipalities.

Significant accounting policies are as follows:

Basis of accounting

The GNHWPCA utilizes the accrual basis of accounting, as required of proprietary funds under generally accepted accounting principles, under which revenues are recognized when earned and expenses are recognized when incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of reporting cash flows, the GNHWPCA considers all unrestricted and restricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

Accounts receivable are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Capital assets

Property, plant and equipment are stated at cost when purchased and fair value when contributed. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets being constructed over a period of time are classified as construction in progress. No depreciation is computed on these assets until they are complete and placed into service. Property, plant and equipment are depreciated utilizing the following estimated useful lives:

	Years
Land improvements	15-50
Buildings and improvements	40
Machinery and equipment	5-20
Sewer lines	10-50
Vehicles	5

GNHWPCA capitalizes interest during the period of construction.

Debt issuance costs and bond premium

Costs incurred in connection with issuance of long-term debt, consisting primarily of legal fees, are expensed as incurred with the adoption of GASB No. 65. Bond premiums have been deferred and are being amortized over the life of the related debt.

Net position

Net position is classified in the following categories:

Net Investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted net position - This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents the amount not restricted for any project or other purpose.

Revenues

Revenues are based on the GNHWPCA authorized minimum charges and rates per hundred cubic feet (CCF) applied to customer consumption of water. Revenues are recognized when utility services are provided.

The GNHWPCA bills customers based on actual water consumption used during the period from April 1 through March 31 of the previous year, with an adjustment for seasonal use for residential customers who use less than 300 CCF's per year.

Interest is levied on accounts that are 30 days past due. The GNHWPCA has the authority to file liens on past due accounts.

Operating revenues and expenses

The GNHWPCA distinguishes operating revenues and expenses from non-operating. Operating revenues result from charges to customers for wastewater disposal and related services. Operating expenses include the cost of operations, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating or capital contributions.

Capital contributions

Capital contributions are recognized when eligibility requirements are met. Capital contributions consist principally of grant funding received under the State of Connecticut's Clean Water Fund Program, contributions received from the City of New Haven under a cost sharing agreement for Clean Water Fund projects and contributions received from the State of Connecticut Department of Transportation for costs incurred to move infrastructure.

Compensated absences

Under the terms of two collective bargaining agreements, employees are awarded vacation on January 1 of each year based on years of service, and can accumulate up to 40 days of unused vacation. Employees are also allowed sick leave, which is earned monthly, and can accumulate up to 150 days. Upon termination of employment without eligibility for retirement, each employee is paid for unused vacation. Retiring employees are paid for 100 percent of their unused vacation and unused sick leave up to 90 days.

Vested sick leave and accumulated vacation leave is recognized as an expense and liability as the benefits accrue to employees.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority had no deferred outflows/inflows of resources that met the above definition.

Change in Accounting Principle

Effective July 1, 2012, the Authority adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement requires reporting of deferred outflows and inflows of resources separately from assets and liabilities and replace net assets with net position. In addition, certain items previously reported as assets and liabilities are now recognized as outflows or inflows of resources. Other than renaming net assets with net position, GASB No. 63 had no impact on the Authority's financial position or results of operation.

The Authority also adopted *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of that element in Concepts Statements No. 4, *Elements of Financial Statements*. As of July 1, 2011, the Authority wrote off all bond issuance costs. See Note 11.

Note 2. Cash, Cash Equivalents and Investments

Deposits: The GNHWPCA's custodial credit risk policy for deposits conforms tothe State of Connecticut requirement that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The GNHWPCA does not have a formal credit risk policy for investments; however, the GNHWPCA adheres to State of Connecticut statutes which, in general, allows the GNHWPCA to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investments in Guaranteed Investment Contracts are recorded at cost, which approximate fair value.

Interest Rate Risk: The GNHWPCA does not have a policy for interest rate risk. This is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The guaranteed investment contract matures August 15, 2035.

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The guaranteed investment contract is not rated.

Concentrations: The GNHWPCA's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer. The guaranteed investment contract is with one issuer.

Custodial Credit Risks

Deposits: The GNHWPCA is subject to custodial credit risk. This is the risk that, in the event of failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2013 and 2012, $18,672,575 and $13,334,017 of the GNHWPCA's bank balance of $37,939,071 and $26,536,931 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

A summary of balances as of June 30, 2013 and 2012 consist of the following:

	2013		
	Unrestricted	**Restricted**	**Total**
Deposits	**$ 26,948,303**	**$ 10,668,202**	**$ 37,616,505**
Guaranteed Investment Contract	**-**	**5,896,500**	**5,896,500**
	$ 26,948,303	**$ 16,564,702**	**$ 43,513,005**

	2012		
	Unrestricted	Restricted	Total
Deposits	$ 22,732,981	$ 3,436,247	$ 26,169,228
Guaranteed Investment Contract	-	5,896,500	5,896,500
	$ 22,732,981	$ 9,332,747	$ 32,065,728

Note 3. Receivable – City of New Haven

The Authority has a receivable from the City of New Haven with respect to a cost sharing agreement entered into in conjunction with the State of Connecticut's Clean Water Fund Program for sewer separation projects. Under the terms of the cost sharing agreement, the City of New Haven agreed to reimburse the GNHWPCA for 40% of the debt service costs associated with the funding received. Included in the balance at June 30, 2013, are certain outstanding obligations assumed pursuant to the Asset Purchase Agreement. The terms associated with this receivable mirror the underlying terms of the Clean Water Fund obligations of the GNHWPCA. The total receivable at June 30, 2013 is $8,627,690, of which $773,861 is current. The City of New Haven made principal payments of $773,909 and $1,006,880 during the years ended June 30, 2013 and 2012, respectively.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	2013				
	Beginning Balance	Additions	Disposals	Transfers	**Ending Balance**
Capital assets, not being depreciated:					
Land	$ 2,578,488	$ -	$ -	$ -	**$ 2,578,488**
Construction in progress	19,853,020	12,836,489	-	(2,495,853)	**30,193,656**
Total capital assets, not being depreciated	22,431,508	12,836,489	-	(2,495,853)	**32,772,144**
Capital assets, being depreciated:					
Buildings and improvements	39,546,206	145,687	-	1,062,374	**40,754,267**
Machinery and equipment	18,942,515	611,708	-	988,752	**20,542,975**
Furniture and fixtures	2,211,894	15,485	-	-	**2,227,379**
Infrastructure	95,470,846	1,174,737	-	444,727	**97,090,310**
Vehicles	699,556	-	-	-	**699,556**
Total capital assets, being depreciated	156,871,017	1,947,617	-	2,495,853	**161,314,487**
Less accumulated depreciation for:					
Buildings and improvements	8,686,040	1,358,758	-	-	**10,044,798**
Machinery and equipment	3,990,381	987,614	-	-	**4,977,995**
Furniture and fixtures	1,017,686	239,832	-	-	**1,257,518**
Infrastructure	10,088,416	1,941,806	-	-	**12,030,222**
Vehicles	272,502	51,985	-	-	**324,487**
Total accumulated depreciation	24,055,025	4,579,995	-	-	**28,635,020**
Total capital assets, being depreciated, net	132,815,992	(2,632,378)	-	2,495,853	**132,679,467**
Total capital assets, net	$ 155,247,500	$ 10,204,111	$ -	$ -	**$ 165,451,611**

Capital assets activity for the year ended June 30, 2012 was as follows:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	**Ending Balance**
Capital assets, not being depreciated:					
Land	$ 2,578,488	$ -	$ -	$ -	**$ 2,578,488**
Construction in progress	9,087,093	11,844,870	-	(1,078,943)	**19,853,020**
Total capital assets, not being depreciated	11,665,581	11,844,870	-	(1,078,943)	**22,431,508**
Capital assets, being depreciated:					
Buildings and improvements	39,468,854	77,352	-	-	**39,546,206**
Machinery and equipment	18,188,697	606,099	-	147,719	**18,942,515**
Furniture and fixtures	2,147,632	64,262	-	-	**2,211,894**
Infrastructure	91,646,114	2,893,508	-	931,224	**95,470,846**
Vehicles	690,051	9,505	-	-	**699,556**
Total capital assets, being depreciated	152,141,348	3,650,726	-	1,078,943	**156,871,017**
Less accumulated depreciation for:					
Buildings and improvements	7,367,550	1,318,490	-	-	**8,686,040**
Machinery and equipment	3,069,929	920,452	-	-	**3,990,381**
Furniture and fixtures	719,184	298,502	-	-	**1,017,686**
Infrastructure	8,178,999	1,909,417	-	-	**10,088,416**
Vehicles	220,517	51,985	-	-	**272,502**
Total accumulated depreciation	19,556,179	4,498,846	-	-	**24,055,025**
Total capital assets, being depreciated, net	132,585,169	(848,120)	-	1,078,943	**132,815,992**
Total capital assets, net	$ 144,250,750	$ 10,996,750	$ -	$ -	**$ 155,247,500**

The State of Connecticut Department of Transportation contributed $91,871 and $1,985,207 in infrastructure required for various State sponsored construction at June 30, 2013 and 2012, respectively. Included in construction in progress is $508,669 and $302,901 of capitalized interest at June 30, 2013 and 2012, respectively.

Note 5. Restricted Assets

Pursuant to the 2005 Series A Bond Indenture and the Asset Purchase Agreement, and the 2008 Series A Bond Indenture, as well as certain legal settlements, certain funds are required to be maintained for purposes specified in the applicable agreement.

At June 30, GNHWPCA's restricted assets were being maintained for the following purposes:

	2013	2012
Debt service reserve fund - Revenue Bonds*	**$ 9,490,534**	$ 7,146,025
Debt service reserve fund - CWF Bonds*	**5,905,653**	1,218,767
Debt service fund	**1,102,014**	901,455
Maintenance escrow	**66,500**	66,500
	$ 16,564,701	$ 9,332,747

* Unspent bond proceeds

Note 6. Long-Term Debt and Subsequent Event

Long-term debt consists of the following at June 30:

	2013	2012
2005 Series A Revenue Bonds		
$44,895,000 Serial Bonds, issued August 2005, interest payable semi-annually at 3.25% - 5.0%, due in annual principal amounts, beginning in 2007, of $1,580,000 to $3,485,000, through 2025.	**$ 34,555,000**	$ 36,440,000
$20,310,000 Term Bonds, issued August 2005, interest payable semi-annually at 5.0%, due November 15, 2030.	**20,310,000**	20,310,000
$26,085,000 Term Bonds, issued August 2005, interest payable semi-annually at 5.0%, due August 15, 2035.	**26,085,000**	26,085,000
2008 Series A Revenue Bonds		
$7,185,000 Serial Bonds, issued March 2008, interest payable semi-annually at 4.0%-5.0%, due in annual principal amounts, beginning in 2010, of $355,000 to $635,000.	**6,075,000**	6,460,000
$2,860,000 Term Bonds, issued March 2008, interest payable semi-annually at 4.75%, due November 15, 2028.	**2,860,000**	2,860,000
$8,930,000 Term Bonds, issued March 2008, interest payable semi-annually at 5.00%, due November 15, 2037.	**8,930,000**	8,930,000
2008 Series B Revenue Bonds		
$2,500,000 Term Bonds, issued April 2008, interest payable quarterly at 3.3% - 5.73%, due in annual principal amounts, beginning December 2008, of $166,667, through December 2022.	**1,666,666**	1,833,333
2012 Series B Revenue Bonds		
$9,295,000 of Revenue Bonds, issued July 12, 2012. The bonds bear interest of 2.00% to 4.180% and mature from July 12, 2013 to July 12, 2042.	**9,295,000**	-

		2013		2012
Notes Payable and Other				
State of Connecticut Clean Water Fund obligation, due in monthly principal amounts of $32,000 to $146,000, plus interest at 2%, through 2026(A).		**16,727,756**		18,578,004
State of Connecticut Clean Water Fund obligation, due in annual principal payments amounts of $169,000 to $233,000, plus interest at 2%, through 2029 (A)		**3,151,337**		3,324,143
State of Connecticut Clean Water Fund obligation, due in annual principal payment amounts of $183,000 to $361,000, plus interest at 2%, through 2030 (A)		**5,432,482**		5,689,213
State of Connecticut Clean Water Fund obligation, due in annual principal payments amounts of $27,613 to 50,916, plus interest of 2%, through 2032.		**656,236**		-
State of Connecticut Clean Water Fund Interim obligations, bearing interest at 2% (A).		**8,873,925**		2,815,435
Total long-term debt		**144,618,402**		133,325,128
Unamortized bond:				
Premium		**3,686,497**		3,776,867
Discount		**(141,187)**		(150,506)
		148,163,712		136,951,489
Less current portion		**13,919,178**		7,531,886
	$	**134,244,534**	$	129,419,603

(A) Pursuant to the Asset Purchase Agreement, the GNHWPCA assumed outstanding obligations in connection with the State of Connecticut's Clean Water Fund Program for sewer separation projects. Additionally, the GNHWPCA entered into a cost sharing agreement with the City of New Haven with respect to Clean Water Fund Program obligations issued to the GNHWPCA.

The Series A 2005 Revenue Bonds are subject to mandatory sinking fund redemption requirements prior to maturity at a redemption price equal to the principal amount plus accrued interest to the date upon which the redemption takes place. For purposes of the $20,310,000 and $26,085,000 Term Bonds, the annual date of redemption begins on November 15, 2026 and August 31, 2031, respectively. Mandatory sinking fund redemption requirements range from $3,665,000 to $5,750,000.

The Series A 2008 Revenue Bonds are subject to mandatory sinking fund redemption requirements prior to maturity at a redemption price equal to the principal amount plus accrued interest to the date upon which this redemption takes place. For purposes of the $2,860,000 and $8,930,000 Term Bonds, the annual date of redemption begins on November 15, 2025 and November 15, 2029, respectively. Mandatory sinking fund redemption requirements range from $665,000 to $1,200,000.

Additionally, both the 2005 and 2008 bond indentures contain certain restrictive and financial covenants, including a rate covenant which requires the GNHWPCA to set rates to provide for 100% of operating expenses and a Debt Service Coverage ratio of 115%.

The annual debt service requirements on the above debt at June 30, 2013, are as follows:

	Principal	Interest	Total
2014	$ 13,919,178	$ 5,619,648	$ 19,538,826
2015	5,108,833	5,463,180	10,572,013
2016	5,218,565	5,289,549	10,508,115
2017	4,946,255	5,113,751	10,060,005
2018	5,063,732	4,934,422	9,998,155
2019-2023	27,903,514	21,833,380	49,736,894
2024-2028	26,809,015	16,491,757	43,300,772
2029-2033	29,424,310	10,043,605	39,467,915
2034-2038	23,840,000	2,647,600	26,487,600
2039-2043	2,385,000	245,900	2,630,900
Total	$ 144,618,402	$ 77,682,793	$ 222,301,195

* The 2014 principal figure of $13,919,178 includes interim funding obligations (IFO) of $8,873,925 that are planned to convert to a permanent loan obligation (PLO) by 06/30/14.

Long-term liability activity for the year ended June 30, 2013 and 2012 was as follows:

	2013				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	$ 102,918,333	$ 9,295,000	$ 2,436,667	$ 109,776,666	$ 2,531,667
Notes payable	27,591,360	656,236	2,279,784	25,967,812	2,513,586
Interim obligations	2,815,435	6,704,111	645,621	8,873,925	8,873,925
Total long-term liabilities	$ 133,325,128	$ 16,655,347	$ 5,362,072	$ 144,618,403	$ 13,919,178

	2012				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	$ 105,260,000	$ -	$ 2,341,667	$ 102,918,333	$ 2,436,667
Notes payable	24,324,984	6,121,755	2,855,379	27,591,360	2,279,784
Interim obligations	5,213,941	2,815,435	5,213,941	2,815,435	2,815,435
Total long-term liabilities	$ 134,798,925	$ 8,937,190	$ 10,410,987	$ 133,325,128	$ 7,531,886

Note 7. Interest Cost

The total interest cost incurred during the years ended June 30, 2013 and 2012 was $5,620,573 and $5,290,515, respectively, of which $508,669 and $188,729, respectively, were capitalized as part of the cost of various capital projects and offset by amortization of debt issuance costs and bond premiums and discounts, respectively.

Note 8. Risk Management

The GNHWPCA maintains commercial insurance for various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims have not exceeded coverage amounts in the last three fiscal years.

Note 9. Retirement Plan

The GNHWPCA employees participate in the Connecticut Municipal Employees' Retirement System (MERS). MERS is the administrator of 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. 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 Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the State of Connecticut Retirement and Benefit Services Division, Office of the State Controller, 55 Elm Street, Hartford, CT 06106.

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 between 3% and 5% are paid to disabled members and nondisabled retired members who have reached age 65. Effective January 1, 2002, all other retired members will receive a 2.5% annual adjustment until age 65, at which point they will receive the same cost of living adjustment as those currently age 65. For those retiring after December 31, 2001, annual cost of living increases will be between 2.5% and 6.0%. All benefits vest after 5 years of continuous service or 15 years of 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 earnings for the three highest paid years of service.
- If covered by Social Security: 1-1/2% of the three-year average of earnings not in excess of the year's breakpoint, plus 2% of the three-year average of earnings in excess of the year's breakpoint.

Covered employees are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid, plus 5% earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by social security are required to contribute 5% of all earnings.

The GNHWPCA's required and actual contributions for the years ended June 30, 2013, 2012 and 2011 were $373,853, $356,665 and $298,471, respectively.

Note 10. Commitments and Contingencies

The GNHWPCA is a defendant in various litigation, principally involving property damage and other miscellaneous claims. Based upon the advice of legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial condition or the results of operations of the GNHWPCA.

The GNHWPCA has a long-term agreement, which commenced January 1999 and expires January 2014, with a private company under which the company has assumed the day-to-day management of its treatment plant, pump stations and sewer collection system while the GNHWPCA retained its billing and customer relations responsibilities. The GNHWPCA paid the company an operation and maintenance fee totaling $5,135,296 and $5,197,910 for the years ended June 30, 2013 and 2012, respectively. The operation and maintenance fee for each of the remaining years of the agreement will approximate $4,000,000, adjusted for changes in the consumer price index. The GNHWPCA can terminate the above agreement without cause, but must pay the company $1,000,000 if terminated in the fifth year, reduced pro rata for each year thereafter, plus the book value of unreimbursed capital costs and the costs to demobilize its management team. If the company terminates the agreement due to default by the GNHWPCA, it will be paid $2,000,000 if terminated in the first year, reduced pro rata for each year thereafter.

The GNHWPCA has an agreement with an independent sewage treatment company, which commenced August 1995 and expires September 2014, for sludge disposal. The agreement is for upgrading and operating the GNHWPCA's incinerator facility as well as for current sludge disposal. The term of the agreement is for twenty years. The agreement calls for on-site incineration at a cost of approximately $2.8 million per year. In the event the agreement is terminated early, the GNHWPCA must pay for the remaining unamortized balance of the capital costs incurred by the company to make the facility operational. This balance is calculated using straight-line amortization over the remaining term of the agreement with the total capital costs not to exceed $3.3 million. In the event the agreement is terminated within five years of receiving the permit, the GNHWPCA must also reimburse the company for its lost profit over the remaining term. The GNHWPCA currently has no plans to terminate the agreement early.

At June 30, 2013, the GNHWPCA has approximately $646,804 of unbilled, ongoing contracts for construction and improvements of its sewer systems. Funding for these projects is primarily being provided by the State of Connecticut’s Clean Water Fund in the form of loans and grants and through excess revenue bond proceeds.

Note 11. Implementation of New Pronouncements

The Authority has implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred of Resources and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities effective July 1, 2011. GASB Statement No. 63 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 results in the reclassification of certain financial statement line items on the statement of net position and balance sheet. In addition to reclassifications to these new categories, GASB No. 65 has also resulted in a change to the accounting treatment for certain items, including debt issuance costs.

Net position as of July 1, 2011 has been restated as follows:

	2012
Net position - beginning as originally reported, July 1, 2011	$ 45,838,363
Expense unamoritized bond issuance costs	(1,638,565)
Net position - beginning, as restated, July 1, 2011	44,199,798

Note 12. Pronouncements Issued, Not Yet Effective

The GASB issued pronouncements that have an effective date 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 of GNHWPCA:

- **GASB Statement No. 66, *Technical Corrections—2012,* was issued in March 2012.** *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the Authority beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, was issued in June 2012.** The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Authority beginning with its year ending June 30, 2014.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,*** was issued in January 2013. This Statement provides guidance for:
    - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
    - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
    - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
    - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*** This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.
- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68.*** The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.

Note 13. Subsequent Events

On May 14 2013, the Board of Directors of the Authority approved entering into a 15 Year contract with New Haven Residuals, LP. (“Synagro Technologies”) under which Synagro Technologies assumes the day to day management of the Maintenance of the Treatment Plant and Pump Stations. On October 2, 2013 this contract was executed and signed.

Effective January 4, 2014, the Authority will assume responsibility for the day to day management of the Operations at the Treatment Plant and of the Collection System, which has been contracted out to a private company since 1999.

The Authority has been planning for the transition for the past 14 months and determined that it is in the best interest of the Authority to handle the operations in house and continue to contract the Maintenance of the Treatment Plant and major line cleaning. Savings achieved through this change will be invested in Capital Projects and Infrastructure Renewal.