Greater New Haven Water Pollution Control Authority

Financial Report
June 30, 2017 and 2016

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Independent Auditor's Report

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

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, 2017 and 2016, and the related notes to the financial statements, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
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, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3–8, the Schedule of Contributions – Municipal Employees' Retirement System on page 33 and the Schedule of the Authority's Proportionate Share of the Net Pension Liability – Municipal Employees' Retirement System on page 34 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 28, 2017, 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.

RSM US LLP

New Haven, Connecticut
November 28, 2017

Greater New Haven
Water Pollution Control Authority
Management's Discussion and Analysis - *Unaudited*
For the Year Ended June 30, 2017

INTRODUCTION

The Greater New Haven Water Pollution Control Authority (the GNHWPCA or the Authority) 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 municipalities (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 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 majority of these bonds were refinanced in 2014.

The wastewater system assets acquired by the GNHWPCA included: the East Shore Wastewater Treatment Plant (the Treatment Plant), located in New Haven; 30 pump stations; a collection system of approximately 560 miles of sanitary and combined sewers (the Collection System); 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 deferred outflows of resources, and its obligations to creditors (liabilities) and deferred inflows of resources, 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 and required supplementary information**

  Notes to the financial statements contain information essential to understanding the financial statements, such as the GNHWPCA accounting methods and policies. Required supplementary information contains information on the GNHWPCA's pension plan.

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 25 million gallons per day with a wet weather capacity of 100 million gallons per day.

The Authority assumed responsibility for the day to day management of the operations of the Treatment Plant and the Collection System in January 2014, this work was previously contracted out since 1999. The Authority currently has 62 full-time equivalent (FTE) employees.

FINANCIAL HIGHLIGHTS

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)	Years ended June 30, 2017	2016	2015	Dollar Variance 17 vs. 16	16 vs. 15	Percentage Variance 17 vs. 16	16 vs. 15
Operating revenues	$ 41,670	$ 39,696	$ 39,794	$ 1,974	$ (98)	5.0%	(0.2%)
Operating expenses	22,384	24,129	23,179	(1,745)	950	(7.2%)	4.1%
Depreciation and amortization	9,303	5,554	5,353	3,749	201	67.5%	3.8%
Total operating expenses, including depreciation	31,687	29,683	28,532	2,004	1,151	6.8%	4.0%
Operating income	9,983	10,013	11,262	(30)	(1,249)	(0.3%)	(11.1%)
Nonoperating (expense) income	(3,338)	2,232	(3,745)	(5,570)	5,977	(249.6%)	(159.6%)
Capital grants	2,019	4,832	7,337	(2,813)	(2,505)	(58.2%)	(34.1%)
Change in net position	$ 8,664	$ 17,077	$ 14,854	$ (8,413)	$ 2,223	(49.3%)	15.0%

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

- **Operating Revenues**

  Operating revenue of $41.7 million for fiscal year 2017 represents an increase of $2 million or 5% compared to $39.7 million in operating revenues for fiscal year 2016. The increase in operating revenue is primarily attributed to a rate increase of $0.15 per centum cubic feet (CCF) from fiscal year 2016 to fiscal year 2017. The GNHWPCA Board approved a charge of $4.12 per CCF to meet the requirements of the indenture and to fund capital improvements. Other contributing factors include an increase in connection fees, contract operators' reimbursements of utilities and a reduction in the provision for bad debt.

  Operating revenues of 39.7 million for fiscal year 2016 represents a decrease of $0.1 million or .025 % compared to $39.8 million in operating revenues for fiscal year 2015. The decrease in operating revenues is primarily attributable to a rate increase of $0.22 per centum cubic feet ('CCF") from fiscal year 2015 to fiscal year 2016, offset by lower non rate revenue collected for connection fees, outside sludge revenue as well as an increase in provisions for bad debt.

- **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 including depreciation and amortization for fiscal year 2017 increased to $31.7 million an increase of $2 million over fiscal year 2016 with a total of 29.7 million. The increase is mainly due to an increase in depreciation expense of $3.7 million as a result of the completion of the treatment plant upgrade project offset by a decrease in operation and maintenance expenses from $24.1 million to $22.4 million in fiscal year 2017. A decrease of $1.7 million. Contributing factors for the decrease were the reduction of legal and lawyer fees, retirement fund expenses, workers compensation savings and waste and ash disposal cost.

Operating expenses for fiscal year 2016 increased to $24.1 million, an increase of $1.0 million over fiscal year 2015, with a total of $23.2 million. The increase is mainly due to an increase of salaries, benefits and pension payable requirements.

- **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 CWF Program.

  Non-operating income and (expenses) in fiscal year 2017 decreased $5.6 million or 250% from $2.2 million in fiscal year 2016. The decrease in non-operating incomes and (expenses) is directly related to the settlement received in 2016, the non-operating expense of $3.3 million is comprised of interest expense net of interest income received.

  Non-operating income & (expenses) in fiscal year 2016 increased $6.0 million or 159% to $2.2 million from ($3.7) million for fiscal year 2015. The increase in non-operating income & (expenses) is directly related to the settlement of a lawsuit with the former contract operator.

Condensed Statements of Net Position

(Dollars in Thousands)	June 30,			Dollar Variance		Percentage Variance	
	2017	2016	2015	17 vs. 16	16 vs. 15	17 vs. 16	16 vs. 15
Assets							
Current assets	$ 46,682	$ 47,124	$ 46,983	$ (442)	$ 141	(0.9%)	0.3%
Capital assets, net	231,347	224,874	204,413	6,473	20,461	2.9%	10.0%
Noncurrent assets							
Restricted assets	12,781	12,274	12,076	507	198	4.1%	1.6%
Other	9,604	11,355	8,471	(1,751)	2,884	(15.4%)	34.0%
Total assets	300,414	295,627	271,943	4,787	23,684	1.6%	8.7%
Deferred Outflows of Resources	7,364	5,864	3,191	1,500	2,673	25.6%	83.8%
Liabilities							
Current liabilities	16,473	21,610	20,644	(5,137)	966	(23.8%)	4.7%
Noncurrent liabilities	170,627	167,607	159,074	3,020	8,533	1.8%	5.4%
Total liabilities	187,100	189,217	179,718	(2,117)	9,499	(1.1%)	5.3%
Deferred Inflows of Resources	388	650	867	(262)	(217)	(40.3%)	(25.0%)
Net Position							
Net investment in capital assets	91,092	81,391	68,371	9,701	13,020	11.9%	19.0%
Restricted	2,791	2,320	1,387	471	933	20.3%	67.3%
Unrestricted	25,717	27,225	24,101	(1,508)	3,124	(5.5%)	13.0%
Unrestricted - designated	690	690	690	-	-	-	-
Total net position	$ 120,290	$ 111,626	$ 94,549	$ 8,664	$ 17,077	7.8%	18.1%

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

- **Current Assets**

  The decrease of $0.4 million in current assets between fiscal year 2016 and fiscal year 2017 resulted primarily from the reduction in accounts receivable for sewer use billing at June 30, 2017.

- **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 whose use is restricted for the following purposes:

  Debt Service
  Debt Service Reserves
  Construction
  Maintenance Escrow
  Solids Handling Sinking Fund

  The increase of $0.5 million in restricted assets between fiscal year 2016 and fiscal year 2017 is due to an increase to the debt service fund related to revenue bonds and an increase in the Solid Handling fund for capital expenditures at the incinerator.

  The GNHWPCA invests these restricted assets in investments as allowed by the Indenture, 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 $1.8 million or 15.4% to $9.6 million from $11.4 million for fiscal year 2017. The decrease is directly related to the reduction of the long-term portion of the receivable from the City of New Haven and the receivable from contract operator settlement.

- **Current Liabilities**

  The decrease of $5.1 million in current liabilities from fiscal year 2016 to fiscal year 2017 is primarily attributed to a reduction in accounts payable, retainage payable on capital projects and the reduction of the current portion in long term debt in the amount of $5.7 million. This is offset by an increase in accrued interest payable at June 30, 2017 of $0.6 million.

- **Non-Current Liabilities**

  Non-current liabilities increased by $3.0 million from fiscal year 2016 to fiscal year 2017. This is primarily due to an increase in net pension liability at June 30, 2017. Additional information on non-current liabilities is presented in Note 6 and Note 9.

- **Net Position**

  By far the largest portion of the GNHWPCA's net position of $120.3 million, 76% or $91 million reflects our 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 portion $2.8 million represents resources that are subject to external restrictions to the requirement of the indenture. The remaining balance of the unrestricted net position $25.7 may be used to meet the Authority's ongoing obligations and $0.7 million has been designated for future debt service.

  Total net position increased by $8.7 million or 8% to $120.3 million for fiscal year 2017 from $111.6 million in fiscal year 2016 as a result of operations and 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, 44,000 are residential and approximately 6,000 are commercial, industrial and public authorities.

LIQUIDITY AND CAPITAL RESOURCES

In fiscal year 2017 the Authority generated $41.7 million in total operating revenues and $0.5 million from investment and other earnings. These amounts were used to pay operations and maintenance of $22.4 million and to fund debt service of $10.3 million ($5.4 million principal and $4.9 million interest).

The Authority funds its program of capital improvements largely through debt financing and capital contributions from the CWF program and through the issuance of revenue bonds.

CREDIT RATING

In February 2016 Standard & Poor's upgraded the Authorities rating from A+ to AA, while Moody's and Fitch Investors Service affirmed ratings of 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, 2017 and 2016

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents	**$**	**38,417,620**	$	38,189,265
Accounts receivable, less allowance for doubtful accounts of $3,981,028 and $4,180,287 in 2017 and 2016, respectively		**7,392,611**		8,063,629
City of New Haven receivable		**750,286**		758,036
Other current assets		**120,983**		113,016
Total current assets		**46,681,500**		47,123,946
Noncurrent assets:				
Restricted assets		**12,781,054**		12,273,745
Due from settlement		**2,631,396**		3,631,396
City of New Haven receivable		**6,973,025**		7,723,866
Capital assets, net of accumulated depreciation and amortization		**231,347,347**		224,874,243
Total noncurrent assets		**253,732,822**		248,503,250
Total assets		**300,414,322**		295,627,196
Deferred Outflows of Resources				
Deferred pension expense		**3,439,669**		1,549,417
Deferred amounts on refunding		**3,924,068**		4,315,051
Total deferred outflows of resources		**7,363,737**		5,864,468
Liabilities				
Current liabilities:				
Accounts payable		**3,444,251**		7,220,581
Accrued interest		**3,106,847**		2,512,566
Accrued expenses		**1,697,381**		1,699,900
Retainage payable		**21,651**		1,027,552
Current portion of long-term debt		**7,169,824**		8,067,045
Contribution payable to state		**1,032,843**		1,082,026
Total current liabilities		**16,472,797**		21,609,670
Noncurrent liabilities:				
Net pension liability		**5,948,997**		3,294,094
Long-term debt, less current portion		**164,677,991**		164,312,441
Total noncurrent liabilities		**170,626,988**		167,606,535
Total liabilities		**187,099,785**		189,216,205
Deferred Inflows of Resources				
Deferred pension credit		**388,206**		649,977
Total deferred inflows of resources		**388,206**		649,977
Net Position				
Net investment in capital assets		**91,092,175**		81,390,504
Restricted:				
Debt service		**1,882,846**		1,600,588
Escrow		**908,349**		719,346
Unrestricted		**25,716,789**		27,225,135
Unrestricted - designated for debt service reserve		**689,909**		689,909
Total net position	**$**	**120,290,068**	$	111,625,482

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, 2017 and 2016

	2017	2016
Operating revenues:		
Residential	**$ 26,158,080**	$ 25,518,148
Commercial and industrial	**10,208,269**	9,940,485
Municipal	**1,464,207**	1,357,097
Delinquent interest and lien fees	**1,317,929**	1,388,999
Outside sludge disposal	**273,476**	246,221
Other	**2,089,721**	1,360,530
Credit (provision) for bad debts	**158,716**	(114,816)
Total operating revenues	**41,670,398**	39,696,664
Operating expenses:		
Operation and maintenance	**22,383,933**	24,129,472
Depreciation and amortization	**9,303,442**	5,554,392
Total operating expenses	**31,687,375**	29,683,864
Operating income	**9,983,023**	10,012,800
Nonoperating income (expense):		
Other income	**162,709**	6,178,597
Interest income	**348,771**	313,479
Interest expense	**(3,849,131)**	(4,260,330)
Total nonoperating income (expense)	**(3,337,651)**	2,231,746
Income before capital contributions	**6,645,372**	12,244,546
Capital contributions	**2,019,214**	4,832,178
Change in net position	**8,664,586**	17,076,724
Net position, beginning of year	**111,625,482**	94,548,758
Net position, end of year	**$ 120,290,068**	$ 111,625,482

See notes to financial statements.

Greater New Haven Water Pollution Control Authority

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	**$ 42,341,416**	$ 40,002,279
Payments to suppliers	**(18,892,919)**	(15,448,391)
Payments to employees	**(7,830,034)**	(7,782,321)
Net cash provided by operating activities	**15,618,463**	16,771,567
Cash flows from capital and related financing activities:		
Proceeds from notes payable	**8,715,549**	30,974,432
Principal payments on debt (includes defeasance of $3,090,115 and $16,615,000 in 2017 and 2016, respectively)	**(8,516,577)**	(22,326,464)
Interest paid on debt	**(3,594,510)**	(4,185,932)
Proceeds from City of New Haven	**758,591**	848,863
Proceeds from Settlement	**1,000,000**	-
Proceeds received from capital contributions	**2,019,214**	4,730,443
Acquisition and construction of capital assets	**(15,776,546)**	(27,716,904)
Net cash used in capital and related financing activities	**(15,394,279)**	(17,675,562)
Cash flows from non-capital activities:		
Other income	**162,709**	785,722
Cash flows from investing activities:		
Interest received	**348,771**	313,479
Net increase in cash and cash equivalents	**735,664**	195,206
Cash and cash equivalents:		
Beginning	**50,463,010**	50,267,804
Ending	**$ 51,198,674**	$ 50,463,010
Reported on Statement of Net Position as follows:		
Unrestricted cash and cash equivalents	**$ 38,417,620**	$ 38,189,265
Restricted assets	**$ 12,781,054**	$ 12,273,745
Reconciliation of operating income to net cash Provided by operating activities:		
Operating income	**$ 9,983,023**	$ 10,012,800
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**9,303,442**	5,554,392
(Credit) provision for bad debts	**(158,716)**	114,816
Changes in assets and liabilities:		
Decrease in accounts receivable	**829,734**	190,799
(Increase) decrease in other assets	**(7,967)**	23,405
Decrease in accounts payable and retainage	**(4,782,231)**	(358,638)
Increase in other liabilities	**2,605,720**	2,116,606
Increase in deferred outflows of resources	**(1,890,252)**	(808,847)
Decrease in deferred inflows of resources	**(261,771)**	(216,659)
(Decrease) increase in accrued expenses	**(2,519)**	142,893
Net cash provided by operating activities	**$ 15,618,463**	$ 16,771,567
Noncash investing, capital and financing activities:		
Deferred amount on refundings recorded through:		
Reduction of unamortized deferred amounts and unamortized original issue premiums and discounts	**$ -**	$ 123,477

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 of Connecticut (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 generally accepted in the United States of America 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 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 (the 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 as revenue when received.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital assets: Property, plant and equipment are stated at cost when purchased and acquisition 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 premiums: Costs incurred in connection with issuance of long-term debt, consisting primarily of legal fees, are expensed as incurred. 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**:** The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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 previous calendar year (2015), 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.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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 CWF 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. Such balances are recorded as a component of accrued expenses in the statement of net position.

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

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports a deferred charge on refunding and deferred outflows related to pension in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs.

These amounts are deferred and included in pension expense in a systematic and rational manner.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions in the statements of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fair value: The GNHWPCA uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The GNHWPCA's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3 Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note 2 for additional information regarding fair value.

Note 2. Cash, Cash Equivalents and Investments

Deposits: The GNHWPCA's custodial credit risk policy for deposits conforms to the State 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 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 or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investments in guaranteed investment contracts (GIC) are recorded at contract value, which approximate fair value, and are not part of the fair value hierarchy. The value of the GIC at June 30, 2017 is as follows:

Investments at fair value:	
Guaranteed Investment Contract	$ 5,896,500

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 GIC 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 GIC 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 GIC 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, 2017 and 2016, $12,602,925 and $17,460,431 of the GNHWPCA's bank balance of $46,339,540 and $47,595,310, respectively, 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.

Note 2. Cash, Cash Equivalents and Investments (Continued)

A summary of balances as of June 30 consist of the following:

	2017		
	Unrestricted	Restricted	Total
Deposits	$ 38,417,620	$ 6,884,554	$ 45,302,174
Guaranteed Investment Contract	-	5,896,500	5,896,500
	$ 38,417,620	$ 12,781,054	$ 51,198,674

	2016		
	Unrestricted	Restricted	Total
Deposits	$ 38,189,265	$ 6,743,570	$ 44,932,835
Guaranteed Investment Contract	-	5,530,175	5,530,175
	$ 38,189,265	$ 12,273,745	$ 50,463,010

Note 3. Receivable

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 Department of Energy and Environmental Protections approved long term control plan for the CWF program. 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, 2017, are certain outstanding obligations assumed pursuant to the 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, 2017, is $7,723,311 of which $750,286 is current. The total receivable at June 30, 2016 was $8,481,902. The City of New Haven made principal payments of $758,591 and $848,863 during the years ended June 30, 2017 and 2016, respectively.

The Authority also has a receivable of approximately $3,600,000 of which $1,000,000 is current, related to a $6,000,000 settlement of a lawsuit with a former contract operator. Installment payments will be made through 2023.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 2,578,488	$ 389,449	$ -	$ -	$ 2,967,937
Construction in progress	68,431,359	12,314,671	-	(75,578,270)	5,167,760
Total capital assets, not being depreciated	71,009,847	12,704,120	-	(75,578,270)	8,135,697
Capital assets, being depreciated:					
Buildings and improvements	44,701,228	308,521	-	723,618	45,733,367
Machinery and equipment	24,984,208	1,482,599	-	69,575,230	96,042,037
Furniture and fixtures	3,258,096	17,465	-	-	3,275,561
Infrastructure	124,673,331	1,142,278	-	5,279,422	131,095,031
Vehicles	1,050,405	121,563	(11,995)	-	1,159,973
Total capital assets, being depreciated	198,667,268	3,072,426	(11,995)	75,578,270	277,305,969
Less accumulated depreciation for:					
Buildings and improvements	14,389,955	1,538,542	-	-	15,928,497
Machinery and equipment	8,183,342	4,688,475	-	-	12,871,817
Furniture and fixtures	2,149,308	333,394	-	-	2,482,702
Infrastructure	19,464,343	2,621,931	-	-	22,086,274
Vehicles	615,924	121,100	(11,995)	-	725,029
Total accumulated depreciation	44,802,872	9,303,442	(11,995)	-	54,094,319
Total capital assets, being depreciated, net	153,864,396	(6,231,016)	-	75,578,270	223,211,650
Total capital assets, net	$ 224,874,243	$ 6,473,104	$ -	$ -	$ 231,347,347

Note 4. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2016, was as follows:

	2016				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 2,578,488	$ -	$ -	$ -	$ 2,578,488
Construction in progress	47,591,734	22,920,291	(83,354)	(1,997,312)	68,431,359
Total capital assets, not being depreciated	50,170,222	22,920,291	(83,354)	(1,997,312)	71,009,847
Capital assets, being depreciated:					
Buildings and improvements	42,882,870	136,511	-	1,681,847	44,701,228
Machinery and equipment	22,524,561	2,387,957	-	71,690	24,984,208
Furniture and fixtures	3,193,750	64,346	-	-	3,258,096
Infrastructure	123,875,126	554,430	-	243,775	124,673,331
Vehicles	1,015,352	35,053	-	-	1,050,405
Total capital assets, being depreciated	193,491,659	3,178,297	-	1,997,312	198,667,268
Less accumulated depreciation for:					
Buildings and improvements	12,898,799	1,491,156	-	-	14,389,955
Machinery and equipment	7,049,317	1,134,025	-	-	8,183,342
Furniture and fixtures	1,812,282	337,026	-	-	2,149,308
Infrastructure	16,970,847	2,493,496	-	-	19,464,343
Vehicles	517,235	98,689	-	-	615,924
Total accumulated depreciation	39,248,480	5,554,392	-	-	44,802,872
Total capital assets, being depreciated, net	154,243,179	(2,376,095)	-	1,997,312	153,864,396
Total capital assets, net	$ 204,413,401	$ 20,544,196	$ (83,354)	$ -	$ 224,874,243

The State of Connecticut Department of Transportation contributed $0 and $38,034 in infrastructure required for various State sponsored construction at June 30, 2017 and 2016, respectively. Included in construction in progress is $1,339,767 and $1,116,992 of capitalized interest at June 30, 2017 and 2016, respectively.

Note 5. Restricted Assets

Pursuant to the 2005 Series A Bond Indenture and the Agreement, the 2008 Series A Bond Indenture, 2012 Series B Revenue Bond Indenture, the 2014 Series B Revenue Bond, the 2016 Series A Revenue Bond, as well as certain legal settlements, certain funds are required to be maintained for purposes specified in the applicable agreement.

Note 5. Restricted Assets (Continued)

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

	2017	2016
Debt service reserve fund - Revenue Bonds and CWF*	$ 9,045,016	$ 9,010,020
Unspent construction funds from Revenue Bonds*	944,843	943,793
Debt service fund	1,882,846	1,600,588
Solids handling maintenance escrow	841,849	652,844
Maintenance escrow	66,500	66,500
	$ 12,781,054	$ 12,273,745

* Unspent bond proceeds

These funds come with a maximum debt service requirement, and minimum percentages of these issuances that the GNHWPCA is required to maintain at all times:

	Original Bond Issuance	Maximum Debt Service Requirement	Debt Service Reserve Fund Balance	DRSF Requirement*	Indenture
2005 Series A Rev Bonds	$ 325,000	$ 333,125	$ 32,500	100%	1st
2007 Series A CWF 563-DC	8,961,758	548,910	279,124	50%	3rd
2007 Series C CWF Consolidated	20,560,842	2,199,723	1,101,397	50%	6th
2007 Series E CWF 463-CD1	934,984	61,896	31,474	50%	8th
2008 Series B (CREBS)	2,500,000	187,000	190,089	100%	10th
2009 Series C CWF 206-CSL	3,952,524	237,710	119,022	50%	13th
2011 Series D CWF 581-C1	6,121,755	368,171	61,447	2 months *	16th
2012 Series B Rev Bonds	9,295,000	538,800	539,225	100%	18th
2013 Series A CWF 627-C	656,236	39,467	6,586	2 months *	20th
2013 Series C CWF 441-D	3,571,120	214,772	35,841	2 months *	22nd
2013 Series D CWF 581-C2	6,276,714	377,490	62,994	2 months *	23rd
2014 Series B Rev Bond Refunding	77,510,000	5,497,675	5,497,675	100%	25th
2016 Series A Rev Bond Refunding	15,550,000	1,055,150	1,055,926	100%	27th
2016 Series B CWF 676-C	3,160,728	190,091	31,716	2 months *	28th
Total	$ 159,376,660	$ 11,849,980	$ 9,045,016		

*Per State of Connecticut, a minimum of two month debt service payments is required to be maintained.

Note 6. Long-Term Debt

Long-term debt consists of the following at June 30, 2017:

	2017	2016
2005 Series A Revenue Bonds		
$26,085,000 Term Bonds, issued August 2005, interest payable semi-annually at 5.0%, due August 15, 2035.	$ 325,000	$ 325,000
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.	1,000,000	1,166,667
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.	8,530,000	8,730,000
2014 Series B Revenue Refunding Bonds		
$62,265,000 of Revenue Bonds, issued July 10, 2014. The bonds bear interest of 2.00% to 5.00% and mature from July 10, 2014 to August 15, 2032.	54,205,000	56,495,000
$15,245,000 Term Bond, issued July 2014, interest payable semi-annually at 4.00%, due August 15, 2035.	15,245,000	15,245,000
2016 Series A Revenue Refunding Bonds		
$15,550,000 of Revenue Bonds, issued March 8, 2016. The bonds bear interest of 3.00% to 5.00% and mature from March 8, 2017 to November 15, 2037.	15,235,000	15,550,000
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).	9,927,571	11,293,139
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).	2,424,523	2,611,709

Note 6. Long-Term Debt (Continued)

	2017	2016
Notes Payable and Other (Continued)		
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).	$ 4,352,680	$ 4,630,776
State of Connecticut Clean Water Fund obligation, due in annual principal payments amounts of $152,000 to $209,000, plus interest of 2%, through 2033 (A).	2,899,635	3,054,729
State of Connecticut Clean Water Fund obligation, due in annual principal payments amounts of $266,000 to $373,000, plus interest of 2%, through 2033 (A).	5,165,152	5,436,392
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.	520,798	549,537
State of Connecticut Clean Water Fund obligation, due in monthly principal payments amounts of $10,854 to $15,814, plus interest of 2%, through 2036.	2,991,856	-
State of Connecticut Clean Water Fund Interim obligations, bearing interest at 2% (A).	41,332,148	38,867,442
Total long-term debt	164,154,363	163,955,391
Unamortized bond		
Premium	7,693,452	8,424,095
Discount	-	-
	171,847,815	172,379,486
Less current portion	7,169,824	8,067,045
	$ 164,677,991	$ 164,312,441

(A) Pursuant to the Agreement, the GNHWPCA assumed outstanding obligations in connection with the CWF Program approved long term control program. 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.

Note 6. Long-Term Debt (Continued)

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. Amounts were refunded with the Series B 2014 Revenue Bonds, leaving $325,000 due as of 2016.

The Series B 2012 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 $2,090,000 and $7,205,000 Term bonds, the annual date of redemption begins on January 1, 2013 and July 1, 2024, respectively. Mandatory sinking fund redemption requirements range from $240,000 to $515,000.

The Series B 2014 Revenue Refunding 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 $62,265,000 and $15,245,000 Term Bonds, the annual date of redemption begins on July 1, 2015 and July 1, 2036, respectively. Mandatory sinking fund redemption requirements range from $2,290,000 to $5,075,000.

The Series A 2016 Revenue Refunding 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 $15,550,000 Term Bond, the annual date of redemption begins on November 15, 2026.

Additionally, the 2005, 2008, 2012, 2014, and 2016 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, 2017, are as follows:

	Principal	Interest	Total
2018	$ 7,169,824	$ 5,242,779	$ 12,412,603
2019	7,841,594	5,250,461	13,092,055
2020	8,025,850	5,029,821	13,055,671
2021	8,214,764	4,786,830	13,001,594
2022	8,423,107	4,523,311	12,946,418
2023-2027	40,448,800	18,665,428	59,114,228
2028-2032	41,930,523	11,394,248	53,324,771
2033-2037	38,259,901	3,527,901	41,787,802
2038-2042	3,325,000	356,238	3,681,238
2043-2046	515,000	10,300	525,300
Total	$ 164,154,363	$ 58,787,317	$ 222,941,680

Note 6. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2017 and 2016, was as follows:

	2017				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	$ 97,511,667	$ -	$ 2,971,667	$ 94,540,000	$ 3,176,667
Notes payable	27,576,282	3,160,728	2,454,795	28,282,215	2,403,459
Interim obligations	38,867,442	5,554,821	3,090,115	41,332,148	1,589,698
Net pension liability	3,294,094	2,654,903	-	5,948,997	-
Total long-term liabilities	$ 167,249,485	$ 11,370,452	$ 8,516,577	$ 170,103,360	$ 7,169,824

	2016				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	$ 101,608,333	$ 15,550,000	$ 19,646,666	$ 97,511,667	$ 2,971,667
Notes payable	30,256,078	-	2,679,796	27,576,282	2,285,922
Interim obligations	23,443,011	15,424,431	-	38,867,442	2,809,456
Net pension liability	2,259,514	1,034,580	-	3,294,094	-
Total long-term liabilities	$ 157,566,936	$ 32,009,011	$ 22,326,462	$ 167,249,485	$ 8,067,045

2016 revenue refunding bonds-in-substance defeasance: In March 2016, GNHWPCA issued $15,550,000 Series A Revenue Refunding Bonds, along with a cash pay down of $2,699,423, to enable the defeasance of $16,615,000 in 2006 Series A Revenue Bonds. The 2016 Series A refund issue matures annually from 2017 through 2038 with interest coupons at 3% to 5%. GNHWPCA's advanced defeasance of the all 2008 Series A Bonds resulted in economic present value savings of $1,751,514 or 11% of the refunded bonds. The cash savings of the difference was approximately $4,395,658. The refunding resulted in a deferred loss on refunding in the amount of approximately $1,859,689, which is included in Deferred Outflows of Resources in the statements of net position. At June 30, 2017, the defeased bonds outstanding were $16,165,000, which are to be called and redeemed on November 15, 2018.

Note 7. Interest Cost

The total interest cost incurred during the years ended June 30, 2017 and 2016, was $5,188,898 and $5,377,322, respectively, of which $1,339,767 and $1,116,992, 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

Defined Benefit Pension Plan:

Plan description: Certain employees of the GNHWPCA participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Connecticut Employees' Retirement System (MERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The 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.

Benefit provisions: Plan provisions are set by Statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Membership is mandatory for all regular full time employees of participating departments.

Average final compensation: Average of the three highest paid years of service.

Normal form of benefit: life annuity.

Service retirement allowance:

Condition for allowance: Age 55 and 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Compulsory retirement at age 65 for police and fire members.

Amount of allowance: For members not covered by Social Security: 2% of average final compensation times years of service. For members covered by Social Security: 1-1/2% 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. The maximum benefit is 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include Workers Compensation and Social Security benefits. If any member covered by Social Security retires before age 62, his/her benefit until he/she reaches age 62 or receives a Social Security disability award is computed as if he/she were not under Social Security.

Note 9. Retirement Plan (Continued)

Disability retirement allowance:

Condition for allowance: 10 years of service and permanently and totally disabled from engaging in any gainful employment in the service of the Municipality.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability.

Service connected disability:

Condition for allowance: Totally and permanently disabled from engaging in any gainful employment in the service of the Municipality provided such disability has arisen out of and in the course of his/her employment with the Municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including Worker's Compensation benefits) of 50% of compensation at the time of the disability.

Vesting retirement allowance:

Condition for allowance: 5 years of continuous or 15 years of active aggregate service.

Amount of allowance: Calculated as a service retirement allowance on the basis of average final compensation and service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Death benefit:

Condition for benefit: Eligible for service, disability retirement, or vested allowance, and married for at least 12 months preceding death.

Amount of benefit: Computed on the basis of the member's average final compensation and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and the reduced 50% joint and survivor allowance.

Return of deductions: Upon the withdrawal of a member the amount of his accumulated deductions is payable to him/her on demand, with 5% interest from July 1, 1983.

Optional benefits: Prior to the retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below: 1. A reduced retirement allowance payable during his life with the provision that after his death the beneficiary designated by him at the time of his retirement; or 2. A reduced retirement allowance payable during his life with the provision that after his death an allowance of one half of his reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement; 3. A reduced retirement allowance payable during his life with a guarantee of 120 or 240 monthly payments to the member or his designated beneficiary.

Note 9. Retirement Plan (Continued)

Cost-of-living adjustment: For those retired prior to January 1, 2002: (i) the benefits of disabled retirees, service retirees who have reached age 65, and beneficiaries of deceased retirees who would have reached age 65 are adjusted each July 1. The difference between the actual annual yield of the actuarial value of assets on a calendar year basis to a 6% yield is calculated. This difference is the adjustment applied the following July 1. The minimum adjustment is 3% and the maximum is 5%. (ii) The benefits for all others on the roll are adjusted on January 1, 2002 and on each subsequent July 1. The amount of each adjustment is 2.5%. For those retiring on or after January 1, 2002, benefits are adjusted each July 1. The adjustment is 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

Contributions – by members: For members not covered by Social Security: 5% of compensation. For members covered by the Social Security: 2-1/4% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

By municipalities: Participating Municipalities make annual contributions consisting 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 System not met by member contributions.

Assumptions: The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	7/1/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market with 20% recognition of investment gains and losses
Investment rate return	8.00%, net of investment related expense
Projected salary increases	4.25-11.00%, including inflation (3.25%)
Mortality	The RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

Note 9. Retirement Plan (Continued)

The long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large cap U.S. equities	16.00%	5.80%
Developed non - U.S. equities	14.00%	6.60%
Emerging markets (non - U.S.)	7.00%	8.30%
Real estate	7.00%	5.10%
Private equity	10.00%	7.60%
Alternative investment	8.00%	4.10%
Fixed income (core)	8.00%	1.30%
High yield bonds	14.00%	3.90%
Emerging market bond	8.00%	3.70%
Inflation linked bonds	5.00%	1.00%
Liquidity fund	3.00%	0.40%
	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate ($ thousands):

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability	$ 9,822,846	$ 5,948,997	$ 2,658,506

Note 9. Retirement Plan (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources: At June 30, 2017, the GNHWPCA reported a liability of $5,498,997 for its proportionate share of the net pension liability related to its participation in MERS. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GNHWPCA's proportion of the net pension liability was based on its share of contributions to the MERS for fiscal year 2016 relative to the total expected contributions of all participating employers for that fiscal year. At June 30, 2015 and 2016, GNHWPCA's proportion was 3.011707% and 4.075540%, respectively.

For the year ended June 30, 2017, GNHWPCA recognized pension expense of $835,967. At June 30, 2017, GNHWPCA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 388,206
Cumulative investment earnings	1,958,334	-
Change in proportional share	852,842	-
Contributions subsequent to the measurement date	628,493	-
Total	$ 3,439,669	$ 388,206

$628,493 reported as deferred outflows of resources related to pensions resulting from the GNHWPCA's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 539,313
2019	539,313
2020	832,503
2021	511,841
2022	-
Thereafter	-

The GNHWPCA also recognized a contribution payable to the State of approximately $1.0 million at June 30. 2017.

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.

Note 10. Commitments and Contingencies (Continued)

The GNHWPCA had a long-term agreement, with Operations Management International (OMI) that expired in January 2014 for the operation and maintenance of the treatment plant, pump stations and sewer collection system. The Authority executed a 15 year Maintenance Services Agreement with New Haven Residuals, LP (Maintenance Contractor) on September 30, 2013 that went into effect January 4, 2014. The comprehensive agreement with the Maintenance Contractor provides for the maintenance of the East Shore Treatment Plant and pump stations. The agreement establishes performance and reporting requirements for the maintenance of the system, and requires the implementation of the maintenance management program to include preventive, predictive, and corrective maintenance for all components of the system.

The agreement provides for payment of a Service Fee to the Maintenance Contractor consisting of the following components:

- A fixed component of $1,930,000 (2014 dollars, adjusted annually);
- Reimbursement for expenditures for maintenance, major repairs, capital costs and outside services up to a Project Expense Limit of $1,100,000 (2014 dollars, adjusted annually). Amounts expended by the Maintenance Contractor in excess of the limit are paid by the GNHWPCA, subject to a markup due to the Maintenance Contractor if project expense limit exceed $2,000,000; and
- 50% of the revenues collected by the GNHWPCA from the Fats, Oils and Greases Facility.
- The GNHWPCA is responsible for all utility costs except for natural gas for the maintenance building.

As a result of the new Maintenance Services Contract the Authority assumed the day to day operations of the Treatment Plant and sewer collection system effective January 4, 2014. For fiscal year ended June 30, 2017 the Authority paid operations and maintenance fees totaling $1,954,353 compared to $1,952,000 for fiscal year ended June 30, 2016.

The GNHWPCA executed a new 10 year extension on August 25, 2014 with New Haven Residuals, LP (Synagro) for the receipt and disposal of sludge at the East Shore Treatment Plant and operation of the sludge burning incinerator. Under the terms of the new agreement Synagro is responsible for reimbursing the GNHWPCA for the cost of all utilities, except water, associated with the specified services. The agreement provides a payment of a service fee to Synagro to process 6,570 dry tons of sludge with provisions for adjusted fees for defined deviations from that level. The Service Fee is $385 per dry ton for 2014 subject to annual adjustments for inflation. As of July 1, 2017, the Service Fee is $373.47 per dry ton subject to annual adjustments for inflation.

Under the terms of the new agreement, Synagro is allowed to solicit sludge from other entities (outside sludge) to utilize the capacity of the on-site incinerator. Synagro is required to pay as a royalty, $35 per dry ton of outside sludge processed to a sinking fund. The GNHWPCA is required to match all such payments into the sinking fund with all combined contributions to be used for any capital projects that exceed a cost of $20,000. Synagro is responsible for all capital projects costing less than $20,000. Combined payments to the sinking fund are expected to approximate $500,000 annually. As of July 1, 2016, Synagro was responsible for any capital projects costing less than $50,000 and the GNHWPCA is not required to contribute to sinking funds.

At June 30, 2017, the GNHWPCA has approximately $21,651 of unbilled, ongoing contracts for construction and improvements of its sewer systems. Funding for these projects is primarily being provided by the CWF in the form of loans and grants and through excess revenue bond proceeds.

Note 11. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements 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, except for GASB 75, which will most likely have a material impact, though the amount has not yet been determined:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Note 11. Pronouncements Issued, Not Yet Effective (Continued)

GASB Statement No. 87, Leases. This Statement improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Required Supplementary Information – Unaudited

Greater New Haven Water Pollution Control Authority **RSI-1**

Schedule of Contributions - Municipal Employees' Retirement System
Required Supplementary Information - Unaudited
Last Four Fiscal Years

Measurement Period Ended June 30,	2017	2016	2015	2014
Actuarially determined contribution	$ 628,493	$ 640,404	$ 740,570	$ 550,085
Contributions in relation to the actuarially determined contribution	628,493	640,404	740,570	550,085
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 5,583,297	$ 5,349,972	$ 5,260,359	$ 3,821,094
Contributions as a percentage of covered-employee payroll	11.26%	11.97%	14.08%	14.40%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Greater New Haven Water Pollution Control Authority **RSI-2**

Schedule of the Authority's Proportionate Share of the Net Pension Liability - Municipal Employees' Retirement System
Required Supplementary Information - Unaudited
Last Three Fiscal Years

	2017	2016	2015*
GNHWPCA's proportion of the net pension liability	4.075540%	3.011707%	3.011707%
GNHWPCA's proportionate share of the net pension liability	$ 5,948,997	$ 3,294,094	$ 2,259,514
GNHWPCA's covered-employee payroll	$ 5,583,297	$ 5,349,972	$ 5,260,359
GNHWPCA's proportionate share of the net pension liability as a percentage of its covered payroll	106.55%	61.57%	42.95%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	92.72%	90.48%

* as restated

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.