

# **Greater New Haven Water Pollution Control Authority**

Financial Report  
June 30, 2021 and 2020

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**Financial Section**

## **Independent Auditor's Report**

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, 2021 and 2020, 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, 2021 and 2020, 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 3-9, the Schedule of Contributions – Municipal Employees' Retirement System on page 34 and the Schedule of the Authority's Proportionate Share of the Net Pension Liability – Municipal Employees' Retirement System on page 35 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 report dated December 22, 2021, 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*

Hartford, Connecticut  
December 22, 2021

**Greater New Haven  
Water Pollution Control Authority  
Management's Discussion and Analysis – *Unaudited*  
For the Year Ended June 30, 2021**

## **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 (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 (the 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 GNHWPCA 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 in accordance with accounting principles generally accepted in the United States of America.

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 and cash equivalents 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 participation in the State of Connecticut Municipal Employees' Retirement System.

### **THE GNHWPCA BUSINESS**

The GNHWPCA was created pursuant to Sections 22a-500 to 22a-519, inclusive, of the 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 is responsible for the day-to-day management of the operations of the Treatment Plant and Collection System. Currently, the Authority contracts out for the maintenance of the system and for the operation of the incinerator through two (2) long-term contracts (Note 10).

The Authority currently has 63 full time equivalent employees.

## FINANCIAL HIGHLIGHTS

### Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)	Years ended June 30,			Dollar Variance		Percentage Variance	
	2021	2020	2019	21 vs. 20	20 vs. 19	21 vs. 20	20 vs. 19
Operating revenues	\$ 46,111	\$ 45,361	\$ 44,850	\$ 750	\$ 511	1.7%	1.1%
Operating expenses	26,577	26,861	24,175	(284)	2,686	(1.1%)	11.1%
Depreciation and amortization	10,346	10,121	9,694	225	427	2.2%	4.4%
<b>Total operating expenses, including depreciation</b>	<b>36,923</b>	<b>36,982</b>	<b>33,869</b>	<b>(59)</b>	<b>3,113</b>	<b>(0.2%)</b>	<b>9.2%</b>
<b>Operating income</b>	<b>9,188</b>	<b>8,379</b>	<b>10,981</b>	<b>809</b>	<b>(2,602)</b>	<b>9.7%</b>	<b>(23.7%)</b>
Nonoperating (expense) income	(2,693)	(3,861)	(3,998)	1,168	137	(30.3%)	(3.4%)
Capital grants	1,442	4,939	4,289	(3,497)	650	(70.8%)	15.2%
<b>Change in net position</b>	<b>\$ 7,937</b>	<b>\$ 9,457</b>	<b>\$ 11,272</b>	<b>\$ (1,520)</b>	<b>\$ (1,815)</b>	<b>(16.1%)</b>	<b>(16.1%)</b>

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

#### Operating Revenues

Operating revenue of \$46.1 million for fiscal year 2021 represents an increase of \$0.75 million or 1.7% compared to \$45.4 million in operating revenues for fiscal year 2020. The increase in operating revenue is primarily attributed to a rate increase of \$0.11 per centum cubic feet (CCF) from fiscal year 2020 to 2021.

Operating revenue of \$45.4 million for fiscal year 2020 represents an increase of \$0.5 million or 1% compared to \$44.9 million in operating revenues for fiscal year 2019. The increase in operating revenue is primarily attributable to a rate increase of \$0.13 per centum cubic feet (CCF) from fiscal year 2019 to 2020, offset by decreases in collection related fees (delinquent interest and lien fees) that were impacted by COVID-19 in the last few months of the fiscal year in accordance with State of Connecticut Executive Orders.

#### 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 2021 decreased to \$36.9 million a decrease of \$0.1 million over fiscal year 2020 with a total of \$37 million. The decrease is mainly due to a decrease in expenses for Utilities & Waste & Ash Disposal.

Operating expenses including depreciation and amortization for fiscal year 2020 increased to \$37 million an increase of \$3.1 million over fiscal year 2019 with a total of \$33.9 million. The increase is mainly due to increases in employee wage obligations, legal and lawyer fees and the State Nitrogen Credit Exchange program obligation. The CMERS State of Connecticut's *Municipal Employees' Retirement System* pension expense under Governmental Accounting Standards Board (GASB) Statement No. 68, also increased from fiscal year 2019 to 2020.

### 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 2021 decreased \$1.2 million or (30%) from \$3.9 million in fiscal year 2020. The decrease in non-operating income and (expenses) is related to a decrease in interest expense paid on outstanding debt and saving due to the 2020 Series Refunding Bond. The non-operating expense of \$2.7 million is comprised of interest expense net of interest income received.

Non-operating income and (expenses) in fiscal year 2020 decreased \$0.1 million or (3%) from \$4.0 million in fiscal year 2019. The decrease in non-operating income and (expenses) is directly related to a decrease in interest expense paid on outstanding debt. The non-operating expense of \$3.9 million is comprised of interest expense net of interest income received.

### Condensed Statements of Net Position

(Dollars in Thousands)		June 30,		Dollar Variance		Percentage Variance	
	2021	2020	2019	21 vs. 20	20 vs. 19	21 vs. 20	20 vs. 19
<b>Assets</b>							
Current assets	\$ 53,740	\$ 57,566	\$ 56,106	\$ (3,826)	\$ 1,460	(6.6%)	2.6%
Capital assets, net	234,278	234,061	230,868	217	3,193	0.1%	1.4%
Noncurrent assets							
Restricted assets	18,399	13,816	13,553	4,583	263	33.2%	1.9%
Other	6,261	7,675	7,069	(1,414)	606	(18.4%)	8.6%
<b>Total assets</b>	<b>312,678</b>	<b>313,118</b>	<b>307,596</b>	<b>(440)</b>	<b>5,522</b>	<b>(0.1%)</b>	<b>1.8%</b>
<b>Deferred outflows of resources</b>	<b>12,497</b>	<b>8,762</b>	<b>10,100</b>	<b>3,735</b>	<b>(1,338)</b>	<b>42.6%</b>	<b>(13.2%)</b>
<b>Liabilities</b>							
Current liabilities	16,140	16,872	19,362	(732)	(2,490)	(4.3%)	(12.9%)
Noncurrent liabilities	152,432	156,673	159,348	(4,241)	(2,675)	(2.7%)	(1.7%)
<b>Total liabilities</b>	<b>168,572</b>	<b>173,545</b>	<b>178,710</b>	<b>(4,973)</b>	<b>(5,165)</b>	<b>(2.9%)</b>	<b>(2.9%)</b>
<b>Deferred inflows of resources</b>	<b>432</b>	<b>101</b>	<b>206</b>	<b>331</b>	<b>(105)</b>	<b>327.7%</b>	<b>(51.0%)</b>
<b>Net position</b>							
Net investment in capital assets							
assets	107,384	98,947	90,714	8,437	8,233	8.5%	9.1%
Restricted	7,563	3,323	3,062	4,240	261	127.6%	8.5%
Unrestricted	40,149	44,889	44,313	(4,740)	576	(10.6%)	1.3%
Unrestricted – designated	1,076	1,076	690	-	386	0.0%	55.9%
<b>Total net position</b>	<b>\$ 156,172</b>	<b>\$ 148,235</b>	<b>\$ 138,779</b>	<b>\$ 7,937</b>	<b>\$ 9,456</b>	<b>5.4%</b>	<b>6.8%</b>

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

### **Current Assets**

The decrease of \$3.8 million in current assets between fiscal year 2021 and fiscal year 2020 resulted primarily from the year end positioning of non-restricted cash, shift of cash from non-restricted cash to restricted cash to fund debt service reserve account and debt service payments.

The increase of \$1.5 million in current assets between fiscal year 2019 and fiscal year 2020 resulted primarily from increases in the following: year-end positioning of non-restricted cash, receivables from customers and contract operator, current portion of the debt service obligation from the City of New Haven and prepaid expenses as of June 30, 2020.

### **Capital Assets**

The Authority's investment in capital assets as of June 30, 2021 amounted to \$234,278,363 (net of accumulated depreciation). This investment in capital assets is attributable to additions to equipment and sanitary sewer infrastructure, such as repairs and replacement of equipment, facility upgrades to the wastewater treatment facility, pump station rehabilitations and the renewal or replacement of the waste water collection system.

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.

The Authority's investment in capital assets as of June 30, 2020 amounted to \$234,060,725 (net of accumulated depreciation and amortization). This investment in capital assets is attributable to additions to equipment and sanitary sewer infrastructure, such as repairs and replacement of equipment, facility upgrades to the waste water treatment facility, pump station rehabilitations and the renewal or replacement of the waste water collection system.

### **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 \$4.6 million in restricted assets between fiscal year 2020 and fiscal year 2021 is due to an increase to the Debt Service Reserves Fund related to the 2020 Revenue bond refunding and shift from non-restricted cash to the debt service fund for used to pay principal and interest debt service payments.

The increase of \$0.26 million in restricted assets between fiscal year 2019 and fiscal year 2020 is due to an increase to the debt service reserve fund related to CWF obligations and an increase in the Solids Handling Sinking 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 \$1.4 million or (18%) to \$6.3 million from \$7.7 million for fiscal year 2021. The decrease is directly related to the decrease of the long-term portion of the receivable from the City of New Haven and the decrease in the long-term portion of the receivable from contract operator settlement.

Other non-current assets increased \$0.6 million or 8.6% to \$7.7 million from \$7.1 million for fiscal year 2020. The increase is directly related to the increase 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 \$0.7 million in current liabilities from fiscal year 2020 to fiscal year 2021 is primarily attributed to a decrease in accounts payable and accrued expenses of \$1.3 million offset by an increase of the current portion in long term debt in the amount of \$0.6 million.

The decrease of \$2.5 million in current liabilities from fiscal year 2019 to fiscal year 2020 is primarily attributed to a decrease in accounts payable and accrued expenses of \$0.6 million and the decrease of the current portion in long-term debt in the amount of \$1.9 million.

#### **Non-Current Liabilities**

Non-current liabilities decreased by \$4.2 million from fiscal year 2020 to fiscal year 2021. This is primarily due to an increase in net pension liability of \$2.1 million offset by a reduction of long-term debt payable of \$6.3 million on June 30, 2021. Additional information on non-current liabilities is presented in Note 6 and Note 9.

Non-current liabilities decreased by \$2.7 million from fiscal year 2019 to fiscal year 2020. This is primarily due to an increase in net pension liability of \$1.5 million offset by a reduction of long-term debt payable of \$4.2 million as of June 30, 2020. Additional information on non-current liabilities is presented in Note 6 and Note 9.

## **Net Position**

As of June 30, 2021, the largest portion of the GNHWPCA's net position of \$156.2 million, 69% or \$107 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 position \$7.6 million represents resources that are subject to external restrictions to the requirement of the indenture. The remaining balance of the unrestricted net position \$40.1 million may be used to meet the Authority's ongoing obligations and \$1.1 million has been designated for future debt service.

Total net position increased by \$7.9 million or 5% to \$156.2 million for fiscal year 2021 from \$148.2 million in fiscal year 2020 as a result of operations and the Authority's investment in capital assets.

As of June 30, 2020, the largest portion of the GNHWPCA's net position of \$148.2 million, 67% or \$99 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 position \$3.3 million represents resources that are subject to external restrictions to the requirement of the indenture. The remaining balance of unrestricted net position \$44.9 million may be used to meet the Authority's ongoing obligations and to fund "pay as you go" capital projects that have been approved but not yet completed \$1.1 million has been designated for future debt service.

Total net position increased by \$9.5 million or 7% to \$148.2 million for fiscal year 2020 from \$138.8 million in fiscal year 2019 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 201,000 users; the customer base is primarily residential and commercial. Of its approximately 50,000 customers, 46,500 are residential and approximately 3,500 are commercial, industrial and public authorities.

## **LIQUIDITY AND CAPITAL RESOURCES**

In fiscal year 2021 the Authority generated \$46.1 million in total operating revenues and \$0.5 million from investment and other earnings. These amounts were used to pay operations and maintenance of \$26.6 million and to fund debt service of \$13.6 million (\$9.4 million principal and \$4.2 million interest).

In fiscal year 2020, the Authority generated \$45.4 million in total operating revenues and \$0.9 million from investment and other earnings. These amounts were used to pay operations and maintenance of \$26.9 million and to fund debt service of \$13 million (\$8.2 million principal and \$4.8 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**

GNHWPCA's credit ratings for its bonds are AA+ by Standard & Poor's, AA by Fitch Investors Service and A1 by Moody's.

## **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 and 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, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 44,657,883	\$ 49,257,425
Accounts receivable, less allowance for doubtful accounts of \$3,999,049 and \$3,706,393 in 2021 and 2020, respectively	8,018,137	7,214,541
City of New Haven receivable	910,702	954,759
Other current assets	153,617	139,484
<b>Total current assets</b>	<b>53,740,339</b>	<b>57,566,209</b>
Noncurrent assets:		
Restricted assets (notes 2 and 5)	\$ 18,398,691	13,816,270
Due from settlement	631,396	1,131,396
City of New Haven receivable	5,629,839	6,543,961
Capital assets, net of accumulated depreciation and amortization	234,278,368	234,060,725
<b>Total noncurrent assets</b>	<b>258,938,294</b>	<b>255,552,352</b>
<b>Total assets</b>	<b>312,678,633</b>	<b>313,118,561</b>
<b>Deferred Outflows of Resources</b>		
Deferred pension expense	\$ 5,804,344	5,861,046
Deferred amounts on refunding	6,692,498	2,901,200
<b>Total deferred outflows of resources</b>	<b>12,496,842</b>	<b>8,762,246</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,225,187	3,634,777
Accrued interest	983,019	1,336,189
Accrued expenses	2,524,156	2,252,399
Retainage payable	222,017	21,794
Current portion of long-term debt	9,349,638	8,741,392
Contribution payable to state	836,111	885,294
<b>Total current liabilities</b>	<b>16,140,128</b>	<b>16,871,845</b>
Noncurrent liabilities:		
Net pension liability	13,559,131	11,470,501
Long-term debt, less current portion	138,872,433	145,202,599
<b>Total noncurrent liabilities</b>	<b>152,431,564</b>	<b>156,673,100</b>
<b>Total liabilities</b>	<b>168,571,692</b>	<b>173,544,945</b>
<b>Deferred Inflows of Resources</b>		
Deferred pension credit	431,750	100,724
<b>Total deferred inflows of resources</b>	<b>431,750</b>	<b>100,724</b>
<b>Net Position</b>		
Net investment in capital assets	107,383,519	98,947,303
Restricted:		
Debt service	5,828,292	1,846,006
Escrow	1,735,089	1,477,187
Unrestricted	40,149,270	44,888,779
Unrestricted – designated for debt service reserve	1,075,863	1,075,863
<b>Total net position</b>	<b>\$ 156,172,033</b>	<b>\$ 148,235,138</b>

See notes to financial statements.

**Greater New Haven Water Pollution Control Authority**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2021 and 2020**

	2021	2020
Operating revenues:		
Residential	\$ 28,948,625	\$ 28,746,393
Commercial and industrial	11,797,399	11,177,392
Municipal	1,904,319	1,958,248
Delinquent interest and lien fees	1,129,776	963,823
Outside sludge disposal	278,799	243,288
Other	2,384,985	2,297,374
Provision for bad debts	(332,429)	(25,181)
<b>Total operating revenues</b>	<b>46,111,474</b>	<b>45,361,337</b>
Operating expenses:		
Operation and maintenance	26,577,403	26,861,445
Depreciation and amortization	10,346,112	10,121,450
<b>Total operating expenses</b>	<b>36,923,515</b>	<b>36,982,895</b>
<b>Operating income</b>	<b>9,187,959</b>	<b>8,378,442</b>
Nonoperating income (expense):		
Other income	141,731	120,607
Interest income	325,930	810,016
Interest expense	(2,806,081)	(4,791,810)
Bond issuance costs	(355,013)	-
<b>Total nonoperating expense</b>	<b>(2,693,433)</b>	<b>(3,861,187)</b>
<b>Income before capital contributions</b>	<b>6,494,526</b>	<b>4,517,255</b>
Capital contributions	1,442,369	4,938,930
<b>Change in net position</b>	<b>7,936,895</b>	<b>9,456,185</b>
Net position, beginning of year	148,235,138	138,778,953
Net position, end of year	<b>\$ 156,172,033</b>	<b>\$ 148,235,138</b>

See notes to financial statements.

## Greater New Haven Water Pollution Control Authority

### Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	\$ 45,307,878	\$ 45,040,170
Payments to suppliers	(16,259,822)	(16,482,189)
Payments to employees	(8,842,157)	(8,452,941)
<b>Net cash provided by operating activities</b>	<b>20,205,899</b>	<b>20,105,040</b>
Cash flows from capital and related financing activities:		
Proceeds from notes payable and interim obligations	32,521,359	5,190,286
Principal payments on debt (includes paydown/defeasance of \$26,830,000 and \$2,543,262 in 2021 and 2020, respectively)	(36,221,393)	(10,688,321)
Interest paid on debt	(8,972,436)	(5,174,826)
Bond issuance costs paid	(355,013)	-
Proceeds from City of New Haven	958,180	776,672
Proceeds from settlement	500,000	500,000
Proceeds received from capital contributions	1,442,369	2,877,016
Acquisition and construction of capital assets	(10,563,750)	(13,314,149)
<b>Net cash used in capital and related financing activities</b>	<b>(20,690,684)</b>	<b>(19,833,322)</b>
Cash flows provided by non-capital activities:		
Other income	141,731	120,607
Cash flows provided by investing activities:		
Interest received	325,930	810,016
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,124)</b>	<b>1,202,341</b>
Cash and cash equivalents:		
Beginning	57,177,195	55,974,854
Ending	\$ 57,160,071	\$ 57,177,195
Reported on statements of net position as follows:		
Unrestricted cash and cash equivalents	\$ 44,657,883	\$ 49,257,425
Restricted cash	\$ 12,502,191	\$ 7,919,770
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,187,959	\$ 8,378,442
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	10,346,112	10,121,450
Loss (credit) for bad debts	332,429	25,181
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,136,025)	(346,348)
(Increase) decrease in other assets	(14,133)	(21,587)
Increase in accounts payable and retainage	(1,209,375)	(812,647)
Increase (decrease) in other liabilities	2,039,447	1,519,348
(Increase) decrease in deferred outflows of resources - deferred pension	56,702	1,008,297
Decrease in deferred inflows of resources	331,026	(105,423)
Increase in accrued expenses	271,757	338,327
<b>Net cash provided by operating activities</b>	<b>\$ 20,205,899</b>	<b>\$ 20,105,040</b>
<b>Noncash investing, capital and financing activities:</b>		
City of New Haven share of Clean Water Fund	\$ -	\$ 2,061,914

See notes to financial statements.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### 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 (Statutes), as amended (the Act). The GNHWPCA was created pursuant to the Act by concurrent ordinances of the City of New Haven (City) and the Towns of Hamden, East Haven and Woodbridge (collectively, 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 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 (GAAP) 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 GAAP, under which revenues are recognized when earned and expenses are recognized when incurred.

**Accounting estimates:** The preparation of financial statements in accordance with GAAP 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 cash equivalents with an original maturity of three months or less when purchased to be cash equivalents.

**Restricted assets:** Certain assets are classified as restricted because their use is subject to constraints imposed by creditors. Restricted cash and investments are to be used for debt service, debt service reserves, construction, maintenance escrow, and solids handling sinking funds.

**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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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

**City of New Haven receivable:** The Authority has a receivable from the City with respect to a cost sharing agreement entered in conjunction with the State Department of Energy and Environmental Protection's (DEEP) approved long term control plan for the CWF Program. Under the terms of the cost sharing agreement, the City agreed to reimburse the GNHWPCA for 40% of the debt service costs associated with the funding received.

**Due from settlement:** The Authority has a receivable related to a settlement of a lawsuit with a former contract operator. Installment payments relating to this settlement will be made through 2023.

**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

**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 and amortization, 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, 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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### 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 under a cost-sharing agreement for CWF projects and contributions received from the State 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% of their unused vacation and unused sick leave up to 90 days. Such balances are recorded as a component of accrued expenses in the statements 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. The Authority is a participant in the State's multi-employer pension plan and, accordingly, reports its proportionate share of the State's plan's pension liability on its financial statements.

**Deferred outflows/inflows of resources:** In addition to assets, the statements 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 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 statements 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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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

Accounting standards adopted in the current year: Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement do not apply to GNHWPCA, as the entity does not have fiduciary activities.

#### 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 the 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 for both June 30, 2021 and 2020 are as follows:

Investment at contract value:

Guaranteed investment contract	<u>\$ 5,896,500</u>
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The balance of the GIC is recorded within the restricted assets line of the statements of net position.

**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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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

##### 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, 2021 and 2020, \$22,978,412 and \$18,700,096 of the GNHWPCA's bank balance of \$57,507,001 and \$57,420,080, 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.

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

	2021		
	Unrestricted	Restricted	Total
Deposits	\$ 44,657,883	\$ 12,502,191	\$ 57,160,074
Guaranteed investment contract	-	5,896,500	5,896,500
	<u>\$ 44,657,883</u>	<u>\$ 18,398,691</u>	<u>\$ 63,056,574</u>
	2020		
	Unrestricted	Restricted	Total
Deposits	\$ 49,257,425	\$ 7,919,770	\$ 57,177,195
Guaranteed investment contract	-	5,896,500	5,896,500
	<u>\$ 49,257,425</u>	<u>\$ 13,816,270</u>	<u>\$ 63,073,695</u>

#### Note 3. Receivable

The Authority has a receivable from the City with respect to a cost sharing agreement entered in conjunction with the DEEP's approved long term control plan for the CWF Program. Under the terms of the cost sharing agreement, the City agreed to reimburse the GNHWPCA for 40% of the debt service costs associated with the funding received. Included in the balance at June 30, 2021, are certain outstanding obligations assumed pursuant to the Agreement. The terms associated with this receivable mirror the underlying terms of the CWF obligations of the GNHWPCA. The total receivable at June 30, 2021 was \$6,540,541 of which \$910,702 is current. The total receivable at June 30, 2020, is \$7,498,720 of which \$954,759 is current. The City made principal payments of \$955,180 and \$776,672 during the years ended June 30, 2021 and 2020, respectively.

The Authority has a receivable of \$1,131,396 of which \$500,000 is current, related to a \$6,000,000 settlement of a lawsuit with a former contract operator as of June 30, 2021. The Authority also had a receivable of approximately \$1,631,396 of which \$500,000 was current as of June 30, 2020. Installment payments relating to this settlement will be made through 2023.

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,021,750	\$ -	\$ -	\$ -	\$ 3,021,750
Construction in progress	4,984,187	7,211,142	(65,134)	(2,901,805)	9,228,390
Total capital assets, not being depreciated	8,005,937	7,211,142	(65,134)	(2,901,805)	12,250,140
Capital assets, being depreciated:					
Buildings and improvements	52,803,688	779,183	-	-	53,582,871
Machinery and equipment	101,619,091	1,345,484	-	461,598	103,426,173
Furniture and fixtures	3,889,688	76,864	-	30,860	3,997,412
Infrastructure	149,405,837	1,009,989	-	2,409,347	152,825,173
Vehicles	1,583,830	206,226	(6,500)	-	1,783,556
Total capital assets, being depreciated	309,302,134	3,417,746	(6,500)	2,901,805	315,615,185
Less accumulated depreciation for:					
Buildings and improvements	20,974,049	1,799,794	-	-	22,773,843
Machinery and equipment	27,480,882	5,054,832	-	-	32,535,714
Furniture and fixtures	3,140,389	255,097	-	-	3,395,486
Infrastructure	30,447,875	3,058,141	-	-	33,506,016
Vehicles	1,204,151	178,247	(6,500)	-	1,375,898
Total accumulated depreciation	83,247,346	10,346,111	(6,500)	-	93,586,957
Total capital assets, being depreciated, net	226,054,788	(6,928,365)	-	2,901,805	222,028,228
Total capital assets, net	\$ 234,060,725	\$ 282,777	\$ (65,134)	\$ -	\$ 234,278,368

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 4. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2020 was as follows:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,021,750	\$ -	\$ -	\$ -	\$ 3,021,750
Construction in progress	8,643,999	6,522,986	(1,000)	(10,181,798)	4,984,187
Total capital assets, not being depreciated	11,665,749	6,522,986	(1,000)	(10,181,798)	8,005,937
Capital assets, being depreciated:					
Buildings and improvements	51,476,539	862,850	-	464,299	52,803,688
Machinery and equipment	99,476,057	2,143,034	-	-	101,619,091
Furniture and fixtures	3,798,752	83,287	-	7,649	3,889,688
Infrastructure	136,031,608	3,664,379	-	9,709,850	149,405,837
Vehicles	1,551,717	38,613	(6,500)	-	1,583,830
Total capital assets, being depreciated	292,334,673	6,792,163	(6,500)	10,181,798	309,302,134
Less accumulated depreciation for:					
Buildings and improvements	19,199,830	1,774,219	-	-	20,974,049
Machinery and equipment	22,513,543	4,967,339	-	-	27,480,882
Furniture and fixtures	2,892,656	247,733	-	-	3,140,389
Infrastructure	27,459,728	2,988,147	-	-	30,447,875
Vehicles	1,066,639	144,012	(6,500)	-	1,204,151
Total accumulated depreciation	73,132,396	10,121,450	(6,500)	-	83,247,346
Total capital assets, being depreciated, net	219,202,277	(3,329,287)	-	10,181,798	226,054,788
Total capital assets, net	\$ 230,868,026	\$ 3,193,699	\$ (1,000)	\$ -	\$ 234,060,725

### 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, and the 2020 Series B Revenue Bond 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:

	2021	2020
Debt service reserve fund – Revenue Bonds and CWF*	\$ 10,126,631	\$ 9,784,734
Unspent construction funds from Revenue Bonds*	708,679	708,343
Debt service fund	5,828,292	1,846,006
Solids handling maintenance escrow	1,668,589	1,410,687
Maintenance escrow	66,500	66,500
	<u>\$ 18,398,691</u>	<u>\$ 13,816,270</u>

\* Unspent bond proceeds

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 5. Restricted Assets (Continued)

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	10%	1st
2007 Series A CWF 563-DC	8,961,758	548,910	291,143	50%	3rd
2007 Series C CWF Consolidated	20,560,842	2,199,723	1,148,851	50%	6th
2007 Series E CWF 463-CD1	934,984	61,896	32,831	50%	8th
2008 Series B (CREBS)	2,500,000	187,000	170,270	100%	10th
2009 Series C CWF 206-CSL	3,952,524	237,710	124,150	50%	13th
2011 Series D CWF 581-C1	6,121,755	368,171	64,094	2 months *	16th
2012 Series B Rev Bonds	9,295,000	538,800	95,507	100%	18th
2013 Series A CWF 627-C	656,236	39,467	6,871	2 months *	20th
2013 Series C CWF 441-D	3,571,120	214,772	37,384	2 months *	22nd
2013 Series D CWF 581-C2	6,276,714	377,490	65,708	2 months *	23rd
2014 Series B Rev Bond Refunding	77,510,000	5,497,675	4,262,957	100%	25th
2016 Series A Rev Bond Refunding	15,550,000	1,055,150	1,055,194	100%	27th
2016 Series B CWF 676-C	3,160,728	190,091	33,083	2 Months *	28th
2017 Series A CWF 441-C	43,656,934	518,348	537,935	2 Months *	29th
2020 Series A CWF 711-DC	5,146,207	59,146	59,170	2 Months *	31st
Total	<u>\$ 208,179,802</u>	<u>\$ 12,427,474</u>	<u>\$ 8,017,648</u>		

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

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 6. Long-Term Debt

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

	2021	2020
<b>2005 Series A Revenue Bonds</b>		
\$26,085,000 Term Bonds, issued August 2005, interest payable semi-annually at 5.0%, due August 15, 2035.	\$ 325,000	\$ 325,000
<b>2008 Series B Clean Renewable Energy Bonds (CREBs)</b>		
\$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.	333,334	500,000
<b>2012 Series B Revenue Bonds</b>		
\$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.	955,000	7,895,000
<b>2014 Series B Revenue Refunding Bonds</b>		
\$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.	24,085,000	46,860,000
\$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
<b>2016 Series A Revenue Refunding Bonds</b>		
\$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.	13,330,000	13,840,000
<b>2020 Series B Revenue Refunding Bonds</b>		
\$32,000,000 of Revenue Bonds, issued July 1, 2020. The bonds bear interest of 0.750% to 2.10% and mature from August 15, 2020 to August 15, 2042.	31,350,000	-
<b>Notes Payable and Other</b>		
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).	4,473,616	5,870,600
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).	1,637,227	1,839,990
Subtotal	91,734,177	92,375,590

(Continued)

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 6. Long-Term Debt (Continued)

	2021	2020
Subtotal carried forward	\$ 91,734,177	\$ 92,375,590
<b>Notes Payable and Other (Continued)</b>		
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).	\$ 3,183,023	3,484,259
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).	2,247,316	2,415,316
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).	4,024,329	4,318,140
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.	399,925	431,055
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.	2,449,904	2,589,480
State of Connecticut Clean Water Fund obligations, due in monthly principal payment amounts of \$186,568, plus interest at 2% (a).	35,261,370	37,500,187
State of Connecticut Clean Water Fund obligations, due in monthly principal payments amounts of \$21,443, plus interest at 2%, through 2039 (a).	4,738,799	5,146,207
State of Connecticut Clean Water Fund Interim obligations, bearing interest at 2% (a)	521,359	-
Total long-term debt	144,560,202	148,260,234
Unamortized bond premium	3,661,869	5,683,757
	148,222,071	153,943,991
Less current portion	9,349,638	8,741,392
	\$ 138,872,433	\$ 145,202,599

(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 with respect to CWF Program obligations issued to the GNHWPCA.

The 2005 Series A 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. Amounts were refunded with the Series B 2014 Revenue Bonds, leaving \$325,000 due as of June 30, 2021.

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 6. Long-Term Debt (Continued)

The 2012 Series B 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 2014 Series B 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 2016 Series A 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, 2021, are as follows:

	Principal	Interest	Total
2022	\$ 9,349,638	\$ 3,976,883	\$ 13,326,520
2023	9,972,199	3,692,848	13,665,048
2024	9,200,048	3,429,231	12,629,278
2025	8,959,146	3,166,087	12,125,233
2026	8,703,988	2,875,013	11,579,001
2027-2031	45,506,443	10,271,546	55,777,989
2032-2036	45,745,473	4,557,701	50,303,174
2037-2041	6,348,267	361,253	6,709,520
2042-2046	775,000	23,475	798,475
Total	<u>\$ 144,560,202</u>	<u>\$ 32,354,036</u>	<u>\$ 176,914,238</u>

The activity for long-term liabilities for the year ended June 30, 2021 was as follows:

	2021				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	\$ 84,664,999	\$ 32,000,000	\$ 31,041,663	\$ 85,623,336	\$ 4,281,668
Notes payable	63,595,233	-	5,179,726	58,415,507	5,067,970
Interim obligations	-	521,359	-	521,359	-
Net pension liability	11,470,501	2,088,630	-	13,559,131	-
Total long-term liabilities	<u>\$ 159,730,733</u>	<u>\$ 34,609,989</u>	<u>\$ 36,221,389</u>	<u>\$ 158,119,333</u>	<u>\$ 9,349,638</u>

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

#### Note 6. Long-Term Debt (Continued)

The activity for long-term liabilities for the year ended June 30, 2020 was as follows:

	2020				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue obligation bonds	\$ 88,081,667	\$ -	\$ 3,416,667	\$ 84,665,000	\$ 3,561,667
Notes payable	63,177,430	5,146,274	4,728,470	63,595,234	5,179,725
Interim obligations	2,499,183	2,543,262	5,042,445	-	-
Net pension liability	9,901,970	1,568,531	-	11,470,501	-
Total long-term liabilities	\$ 163,660,250	\$ 9,258,067	\$ 13,187,582	\$ 159,730,735	\$ 8,741,392

**Advance Refunding:** On June 17, 2020, the Authority authorized the issuance of \$32 million in revenue refunding bonds, 2020 Series B. The Bonds were issued to refund a portion of outstanding 2012 Series B Bonds and 2014 Series B Bonds and to pay costs of issuance related to the Series B Bonds. Of the proceeds of \$32,000,000 (after payment of \$352,256 in underwriter fees and other costs), \$31,644,987 was placed in an irrevocable trust fund under and Escrow Agreement. The transaction produced a present value gain of \$2,903,000 and cash savings of \$2,312,000.

#### Note 7. Interest Cost

The total interest cost incurred during the years ended June 30, 2021 and 2020, was \$3,161,094 and \$4,791,810, 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's Municipal Employees' Retirement System (CMERS or the System). 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. Chapters 7-425 to 7-451 Part II of the Statutes, which can be amended by legislative action, establishes CMERS benefits, member contribution rates, and other plan provisions. CMERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at [www.ct.gov](http://www.ct.gov).

**Contributions – by members:** For members not covered by Social Security: 5.0% of compensation. For members covered by Social Security: 2.25% of compensation up to the Social Security taxable wage base plus 5.0% of compensation, if any, in excess of such base.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 9. Retirement Plan (Continued)

**Contributions – by employer:** Participating employers 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. In addition, there is also an administrative fee per active and retired member.

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

#### **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.

**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: 1.5% of the average final compensation not in excess of the year's breakpoint plus 2 percent 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.

#### **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.

**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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 9. Retirement Plan (Continued)

##### 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 their retirement allowance into a benefit of equivalent actuarial value in accordance with one of the options described below:

1. A reduced retirement allowance payable during their life with the provision that after their death the beneficiary designated by the member at the time of retirement; or
2. A reduced retirement allowance payable during their life with the provision that after their death, an allowance of one-half of their reduced allowance will be continued for life to the beneficiary designated by the member at the time of retirement;
3. A reduced retirement allowance payable during their life with a guarantee of 120 or 240 monthly payments to the member or their designated beneficiary.

**Cost-of-living adjustment (COLA):** 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 in 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%.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 9. Retirement Plan (Continued)

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

Valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	19 years
Asset valuation method	Market Value on the measurement date. Plan's fiduciary net position also includes the present value of receivable initial liability payments established by participating employers upon entry into CMERS.
Investment rate return*	7%, net of investment related expense
Projected salary increases*	3.5-10%, including inflation
Mortality rates -	For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.
Future cost-of-living	Future COLA for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### 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 Real Rate of Return
Domestic Equity	20%	5.3%
Developed Market International	11%	5.1%
Emerging Market International	9%	7.4%
Core Fixed Income	16%	1.6%
Inflation Linked Bonds	5%	1.3%
Emerging Market Debt	5%	2.9%
High Yield Bond	6%	3.4%
Real Estate	10%	4.7%
Private Equity	10%	7.3%
Alternative Investments	7%	3.2%
Liquidity Fund	1%	0.9%
	<u>100%</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 7%. 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 7%, 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 (6%) or 1-percentage-point higher (8%) than the current rate:

Sensitivity of net pension liability as of June 30, 2021:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net pension liability	\$ 19,281,050	\$ 13,559,131	\$ 8,747,974

# Greater New Haven Water Pollution Control Authority

## Notes to Financial Statements

### Note 9. Retirement Plan (Continued)

Sensitivity of net pension liability as of June 30, 2020:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net pension liability	\$ 16,886,872	\$ 11,470,501	\$ 6,921,291

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources:** At June 30, 2021, the GNHWPCA reported a liability of \$13,559,131 for its proportionate share of the net pension liability related to its participation in CMERS. The net pension liability was measured as of June 30, 2021, 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 CMERS for fiscal year 2020 relative to the total expected contributions of all participating employers for that fiscal year. At June 30, 2021 and 2020, GNHWPCA's proportion was 4.544409% and 4.318585%, respectively.

For the year ended June 30, 2021, GNHWPCA recognized pension expense of \$3,191,668. At June 30, 2021, 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	\$ 605,655	\$ (428,497)
Net difference between projected and actual investments earnings	1,540,702	
Change in proportion and differences between employer contributions and proportionate share of contributions	370,624	(3,253)
Contributions subsequent to the measurement date	1,044,513	
Change of assumptions	2,242,850	
Total	\$ 5,804,344	\$ (431,750)

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 9. Retirement Plan (Continued)

For the year ended June 30, 2020, GNHWPCA recognized pension expense of \$3,081,346. At June 30, 2020, 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	\$ 820,956	\$ (94,115)
Net difference between projected and actual investments earnings	557,503	-
Change in proportion and differences between employer contributions and proportionate share of contributions	391,278	(6,609)
Contributions subsequent to the measurement date	877,986	-
Change of assumptions	3,213,323	-
Total	<u>\$ 5,861,046</u>	<u>\$ (100,724)</u>

As of June 30, 2021, \$1,044,513 was reported as deferred outflows of resources related to pensions resulting from the GNHWPCA's contributions in fiscal year 2021 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2022	\$ 1,652,086
2023	1,911,293
2024	471,275
2025	293,426

The GNHWPCA also recognized a contribution payable to the State of \$836,111 and \$885,294 at June 30, 2021 and 2020, respectively. Such amounts are recorded as a component of accounts payable in the statements of net position.

#### 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 Authority executed a 15-year Maintenance Services Agreement with New Haven Residuals, LP, now referred to as Synagro (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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 10. Commitments and Contingencies (Continued)

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, 2021, the Authority paid operations and maintenance fees totaling \$2,129,976 compared to \$2,095,964 for fiscal year ended June 30, 2020.

The GNHWPCA executed a new 10 year extension on August 25, 2014, with their maintenance contractor 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, 2021 and 2020 the Service Fee was \$368.50 and \$362.95, respectively, 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 is responsible for any capital projects costing less than \$50,000 and the GNHWPCA is not required to contribute to sinking funds making the expected annual sinking fund payment approximately \$250,000.

At June 30, 2021 and 2020, the GNHWPCA has \$222,017 and \$21,794 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.

## Greater New Haven Water Pollution Control Authority

### Notes to Financial Statements

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#### Note 11. Pronouncements Issued, Not Yet Effective

The 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:

- **GASB Statement No. 87, *Leases***, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- **GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61***. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
- **GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans***. GASB 97 requires that, for purposes of determining whether a primary government is financially accountable for a potential component unit (except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or other employee benefit plan), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs. The component unit determination provisions of GASB 97 are effective immediately. Other provisions are effective for periods beginning after June 15, 2021.

#### Note 12. Risks and Uncertainties

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State and took and continues to take steps designed to mitigate the spread and impacts of COVID-19.

Connecticut's COVID-19 vaccination plan commenced on December 14, 2020. The State is currently making vaccinations available to all individuals aged 12 and over, and reports that it is preparing to make booster shots available in accordance with CDC guidelines.

## **Greater New Haven Water Pollution Control Authority**

### **Notes to Financial Statements**

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#### **Note 12. Risks and Uncertainties (Continued)**

The Governor regularly reviews conditions and, accordingly, expands or reduces restrictions. In response to the Spring 2021 decline in the number of positive COVID-19 cases and hospitalizations, effective May 19, 2021, all capacity restrictions related to establishments and social/recreational gatherings were eliminated. Given the increase in positive COVID-19 cases since July 2021, face-covering requirements remain in effect at this time for unvaccinated individuals. Businesses and state and local government offices have the option to require masks be worn by everyone in their establishments. Effective August 5, 2021, municipal leaders have the option of requiring that masks be worn by everyone, regardless of vaccination status, in indoor public places within their respective towns and cities. GNHWPCA has been following direction from State and Local Officials regarding face covering mandates. Although the GNHWPCA currently does not have such a mandate in place, all individuals entering GNHWPCA buildings must wear face coverings regardless of vaccination status.

The potential long-term impact of the COVID-19 pandemic on the GNHWPCA cannot be predicted at this time. The continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State, and local economy could have a materially adverse effect on the GNHWPCA's finances, credit ratings and ability to pay debt service on the Bonds in the future.

#### **Note 13. Subsequent Events**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 22, 2021.

As noted in Note 12, the COVID-19 pandemic continues to spread and has caused economic uncertainties that have continued subsequent to the GNHWPCA's fiscal year-end.

**Required Supplementary Information – Unaudited**

**Schedule of Contributions – Municipal Employees’ Retirement System  
Required Supplementary Information – Unaudited  
Last Seven Fiscal Years\***

Measurement Period Ended June 30,	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,044,513	\$ 877,986	\$ 722,985	\$ 707,169	\$ 628,493	\$ 640,404	\$ 740,570
Contributions in relation to the actuarially determined contribution	1,044,513	877,986	722,985	707,169	628,493	640,404	740,570
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$ 6,098,172	\$ 5,835,974	\$ 5,973,474	\$ 5,715,345	\$ 5,583,297	\$ 5,349,972	\$ 5,260,359
Contributions as a percentage of covered-employee payroll	17.13%	15.04%	12.10%	12.37%	11.26%	11.97%	14.08%

\*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.

**Notes to Schedule**

Valuation Date: June 30, 2020

Measurement Date: June 30, 2020

The actuarially determined contributions are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Single equivalent amortization period	21 years
Asset valuation method	5 years' smoothed market (20% write up)
Inflation	2.50%
Salary increases	3.5%-10%, including inflation
Investment rate of return	7%, net of investment related expense
Changes in assumptions	In 2019, the latest experience study for the System updated the most of the actuarial assumptions utilized in the the June 30, 2020 valuation to include: rates of inflation, real investment return, mortality, withdrawal, disability, retirement and salary increases were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of Experience Study for the System for the five year period ended June 30, 2017.

**Schedule of the Authority's Proportionate Share of the Net  
Pension Liability – Municipal Employees' Retirement System  
Required Supplementary Information – Unaudited  
Last Seven Fiscal Years\*\***

	2021	2020	2019	2018	2017	2016	2015*
GNHWPCA's proportion of the net pension liability	4.5444409%	4.318585%	4.239083%	4.075540%	4.075540%	3.011707%	3.011707%
GNHWPCA's proportionate share of the net pension liability	<u>\$13,559,131</u>	<u>\$11,470,501</u>	<u>\$9,901,970</u>	<u>\$4,877,689</u>	<u>\$5,948,997</u>	<u>\$3,294,094</u>	<u>\$2,259,514</u>
GNHWPCA's covered-employee payroll	<u>\$ 6,098,172</u>	<u>\$ 6,098,172</u>	<u>\$5,973,474</u>	<u>\$5,715,345</u>	<u>\$5,583,297</u>	<u>\$5,349,972</u>	<u>\$5,260,359</u>
GNHWPCA's proportionate share of the net pension liability as a percentage of its covered payroll	<u>222.35%</u>	<u>188.10%</u>	<u>165.77%</u>	<u>85.34%</u>	<u>106.55%</u>	<u>61.57%</u>	<u>42.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.18%</u>	<u>72.69%</u>	<u>73.60%</u>	<u>91.68%</u>	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

\*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.