

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT

BOARD MEMBERS' PACKAGE

JUNE 30, 2021

BUDWITZ & MEYERJACK.P.C.
Certified Public Accountants
CHESHIRE • FARMINGTON
CONNECTICUT

WATER WORKS DEPARTMENT – TOWN OF SOUTHLINGTON, CONNECTICUT
BOARD MEMBERS' PACKAGE
JUNE 30, 2021

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS I

INDEPENDENT AUDITORS' COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE..... II

POWER POINT PRESENTATIONIII

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
AND REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

(With Independent Auditors' Report Thereon)

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT

TABLE OF CONTENTS

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)..... 4

BASIC FINANCIAL STATEMENTS:

 Statement of Net Position 11

 Statement of Revenues, Expenses and Changes in Net Position 12

 Statement of Cash Flows 13

 Notes to Financial Statements..... 15

REQUIRED SUPPLEMENTARY INFORMATION:

 Schedule of the Department's Proportionate Share of the Net Pension Liability..... 37

 Schedule of the Department's Pension Contributions 38

SUPPLEMENTAL SCHEDULES AND OTHER INFORMATION:

 Schedule of Revenues and Expenditures-Budget Versus Actual 40

 Statement of Current and Long-Term Debt..... 41

 Statement of Utility Operating Expenses..... 42

 List of Water Works Department Officers – June 30, 2021 43

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 44

BUDWITZ & MEYERJACK, P.C.
Certified Public Accountants

322 MAIN STREET
P.O. BOX 391
FARMINGTON, CT 06034-0391

(860) 677-4697
FAX (860) 674-8196
CPA@budwitzmeyerjack.com

AVON OFFICE

200 FISHER DRIVE
AVON, CT 06001

CHESHIRE OFFICE

1122 HIGHLAND AVE
CHESHIRE, CT 06410

DANIEL C. VOLLARO, CPA
MICHAEL A. ZIEBKA, CPA
DAVID A. PELLETIER, CPA
MICHAEL J. ALFIERI, CPA
SCOTT R. BURLEIGH, CPA

WILLIAM R. PECK, CPA
LESLEY A. NAPPI, CPA
JESSICA L. BRAGG, CPA
PETER M. WEED, III, CPA
STEPHANIE E. COLE, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Water Commissioners
Town of Southington, Connecticut:

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Works Department, Town of Southington, CT (the Department) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Department'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 Department'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Works Department, Town of Southington, CT, as of June 30, 2021, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Totals

We have previously audited the Department's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and schedules of the Department's proportionate share of the net pension liability and contributions on pages 37 and 38 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Works Department, Town of Southington's basic financial statements. The supplemental schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Water Works Department-Town of Southington, CT, and do not purport to, and do not present fairly the financial position of the Town of Southington, CT as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Budwitz & Meyerjack, P.C.

Farmington, Connecticut
December 30, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

The Water Works Department, Town of Southington provides quality affordable water to residents of the Town of Southington, Connecticut who request service.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Department include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows, and related notes to the financial statements. The Statement of Net Position provides information about the nature and the amounts of investments and resources (assets) and the obligation to the Department's creditors (liabilities), with the difference between the two being reported as net position.

The Statement of Revenues, Expenses and Changes in Net Position, or Income Statement, shows how the Department's net position changes during the year. It accounts for all the year's revenues and expenses, measures the financial results of the Department's operations for the year and can be used to determine how the Department has funded its costs.

The Statement of Cash Flows provides information about the Department's cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, and investing activities.

The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Department's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Department's financial position and activities. This overview is provided for the year ended June 30, 2021. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and notes to those financial statements, all of which follow this narrative on the subsequent pages.

FINANCIAL HIGHLIGHTS

The Department's financial statements are prepared on the accrual basis of accounting promulgated by the Governmental Accounting Standards Board (GASB). The Department is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The 2021 financial statements are presented with comparative totals from 2020.

- ❖ The Department's assets and deferred outflows of resources exceeded its liabilities as of June 30, 2021 by \$42,683,768 (net position). Of this amount, \$6,538,666 (unrestricted net position) may be used to meet the Department's ongoing obligations. The Department's net position increased by \$615,543 during the current fiscal year and by \$664,941 in the prior fiscal year.
- ❖ Total operating revenues increased by \$421,466 or 5.8% for the year ended June 30, 2021 from approximately \$7.25 million in 2020 to \$7.67 million in 2021. Most of this increase in revenues occurred in the metered water sales to customers and is largely due to a dry summer in 2020 along with a rate increase.
- ❖ During fiscal year June 30, 2021, the Department issued three series of bonds which mature in varying amounts from 2029 through 2041. The Department also received \$200,283 of premiums for this issuance. Some of these bonds were issued to retire outstanding debt, resulting in a deferred amount of refunding of \$274,298. The balance is being amortized of the shorter of the life of the old debt or the new debt.
- ❖ Some of the major construction projects completed during the year increasing the Department's assets were as follows:

Project Name/Location	Cost
Well 2A Replacement Design and Construction	\$ 2,215,087
West Main/South Main Street Project	1,174,719
Reservoir No. 2 Gate Chamber Improvement	201,338
	<u>\$ 3,591,144</u>

Summary of Operations and Changes in Net Position

Revenues:	<u>2021</u>	<u>2020</u>
<u>Operating Revenues:</u>		
Sale of Water	\$ 7,430,298	\$ 6,938,057
Jobbing and Contract Work, Net	48,762	135,087
Other Operating Revenues	<u>190,150</u>	<u>174,600</u>
	7,669,210	7,247,744
<u>Non-Operating Revenues:</u>		
Other Miscellaneous Income	163,998	154,594
Investment Income	<u>48,763</u>	<u>98,712</u>
Total Revenues	<u>7,881,971</u>	<u>7,501,050</u>

Budgetary Highlights

The Department annually adopts a budget in June to be effective July 1 for the ensuing year. The budget outlines estimated sources of revenues as well as anticipating expenditures for the upcoming year. Any surplus from the current year budget may be carried over to the succeeding fiscal year budget. Those budgetary accounts assist the Department in monitoring line item variances throughout the fiscal period.

Summary of Operating Revenues

	<u>2021</u>	2021 <u>Budget</u>	<u>2020</u>
Water Sales:			
Residential	\$ 5,853,705	\$ 5,583,300	\$ 5,339,405
Commercial	850,455	953,983	909,687
Industrial	206,155	176,741	182,054
Municipal	119,975	115,030	105,701
Private Fire Protection	177,496	179,560	179,428
Public Fire Protection	<u>222,512</u>	<u>221,928</u>	<u>221,782</u>
Total Water Sales	7,430,298	7,230,542	6,938,057
Other Water and Operating Revenue	<u>238,912</u>	<u>301,113</u>	<u>309,687</u>
Total Sales and Revenue	<u>\$ 7,669,210</u>	<u>\$ 7,531,655</u>	<u>\$ 7,247,744</u>

Summary of Operating Expenses

The Department's expenses are budgeted and tracked functionally by operating department. The Department's expenses are functionally divided into the following six departments: Source of Supply, Pumping, Water Treatment, Transmission and Distribution, Customer Accounts and Administrative and General.

The following is a summary of the Department's functional expenses by operating department:

	<u>2021</u>	2021 <u>Budget</u>	<u>2020</u>
Source of Supply	\$ 147,971	\$ 105,751	\$ 131,198
Pumping	632,342	677,109	586,011
Water Treatment	565,409	467,156	482,462
Transmission and Distribution	1,397,862	1,098,797	1,151,902
Customer Accounts	195,436	167,324	191,730
Administrative and General	1,875,609	1,822,849	1,811,854
Unallocated Overhead Expenses	<u>-</u>	<u>448,439</u>	<u>-</u>
Total Operating Revenue	<u>\$ 4,814,629</u>	<u>\$ 4,787,425</u>	<u>\$ 4,355,157</u>

Functional expenses (excluding depreciation and amortization) were \$27,204, or 0.57% over budget for 2021.

Non-Operating Revenue (Expense)

The Department's non-operating revenue (expense) is composed of the following:

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income	\$ 48,763	\$ 98,712
Rental Income	124,963	120,091
Other Miscellaneous Income	39,035	34,503
Loss on Disposal of Assets	(12,862)	(13,725)
CT Municipal Employees' Pension expense	(785,129)	(781,016)
Interest Expense	<u>(359,124)</u>	<u>(315,668)</u>
Total Non-Operating Revenue (Expense)	<u>\$ (944,354)</u>	<u>\$ (857,103)</u>

Capital Assets

The Department's investments in capital assets amounted to \$53,383,917 and \$52,721,437 net of accumulated depreciation as of June 30, 2021 and 2020, respectively. The increase in capital assets during the fiscal years amounted to \$662,480 in 2021 and \$2,692,370 in 2020, and is summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital Expenditures	\$ 2,093,318	\$ 4,060,119
Less: Depreciation	(1,417,976)	(1,354,024)
Less: Scrapped Equipment, Net	<u>(12,862)</u>	<u>(13,725)</u>
	<u>\$ 662,480</u>	<u>\$ 2,692,370</u>

Debt Administration

Water Bond Debt

As of June 30, 2021 the Department has water bond series outstanding as summarized below:

<u>Bond Series</u>	<u>Outstanding as of June 2021</u>	<u>Outstanding as of June 2020</u>	<u>Principal due 2022</u>
2014 Series	\$ 295,000	\$ 4,100,000	\$ 295,000
Bond premium-2014 Series	-	196,651	-
2019 Series	289,000	605,000	289,000
November 2020 Series	3,679,000	-	-
December 2020 Series	1,545,000	-	250,000
2021 Series	2,500,000	-	125,000
Bond premium-2021 Series	196,945	-	10,014
Total Bond Debt	<u>\$ 8,504,945</u>	<u>\$ 4,901,651</u>	<u>\$ 969,014</u>

Loans Payable

As of June 30, 2021, the Department has four loans payable, three project loans through the State of Connecticut Drinking Water Fund, and one other loan through Eversource Energy as summarized below:

<u>Project</u>	<u>Payable as of June 2021</u>	<u>Payable as of June 2020</u>	<u>Principal due 2022</u>
Wellhead Protection	\$ -	\$ 807,430	\$ -
Water Main Replacement	-	474,442	-
Wellhead Protection Phase II	-	779,615	-
East Side Pressure Zone	3,439,059	3,620,761	185,369
Well 2A	2,116,148	1,931,701	95,494
Mill Street Tank	3,146,605	2,300,988	137,525
LED Lighting Loan-Eversource Energy	31,558	48,770	17,213
Total Loans Payable	<u>\$ 8,733,370</u>	<u>\$ 9,963,707</u>	<u>\$ 435,601</u>

Economic Factors and Next Year's Goals

The Department continues to develop the necessary infrastructure and operational practices to meet its short and long-term plans while ensuring quality customer service is provided and competitive rates are being maintained.

In 2022, the Department intends to spend approximately \$2.5 million for capital improvements, including the following major projects:

- Well 10
- Shuttle Meadow Main

The Department believes it possesses the financial and leadership capabilities to accomplish its goals during the upcoming year.

Request for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Water Works Department, Town of Southington, P.O. Box 111, Southington, CT 06489-0111.



Mr. Douglas R. Arndt, Superintendent
 Southington Water Department

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 162,184	\$ 5,292,587
Certificates of deposit	7,763,014	-
Accounts receivable	79,282	124,022
Accrued unbilled revenue	1,168,827	1,121,929
Prepaid expenses	232,558	96,367
Inventory - materials and supplies	266,118	264,846
Total Current Assets	<u>9,671,983</u>	<u>6,899,751</u>
NONCURRENT ASSETS:		
Capital assets-nondepreciable	6,966,310	9,145,960
Capital assets-depreciable	<u>76,013,905</u>	<u>71,808,531</u>
	82,980,215	80,954,491
Less accumulated depreciation	<u>(29,596,298)</u>	<u>(28,233,054)</u>
Net Capital Assets	<u>53,383,917</u>	<u>52,721,437</u>
OTHER ASSETS:		
Preliminary survey and investigation charges	59,514	59,514
Total Other Assets	<u>59,514</u>	<u>59,514</u>
Total Noncurrent Assets	<u>53,443,431</u>	<u>52,780,951</u>
Total Assets	<u>63,115,414</u>	<u>59,680,702</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Employer contributions subsequent to measurement date	296,767	273,492
Deferred actuarial amounts related to pensions	<u>1,159,060</u>	<u>1,172,463</u>
Total Deferred Outflows of Resources	<u>1,455,827</u>	<u>1,445,955</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Current maturities of bonds	969,014	625,477
Current maturities of notes payable	435,601	663,054
Accounts payable	262,860	353,440
Unearned revenue	137,009	148,907
Accrued expenses	535,154	733,043
Pension contribution payable	364	528
Total Current Liabilities	<u>2,340,002</u>	<u>2,524,449</u>
NONCURRENT LIABILITIES:		
Bonds payable	7,535,931	4,276,174
Notes payable	8,297,769	9,300,653
Net pension liability	<u>3,054,401</u>	<u>2,684,944</u>
Total Noncurrent Liabilities	<u>18,888,101</u>	<u>16,261,771</u>
Total Liabilities	<u>21,228,103</u>	<u>18,786,220</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred actuarial amounts related to pensions	406,915	266,872
Deferred amounts on refunding of water revenue bonds	<u>252,455</u>	<u>5,340</u>
Total Deferred Inflows of Resources	<u>659,370</u>	<u>272,212</u>
NET POSITION:		
Net investment in capital assets	36,145,602	37,856,078
Unrestricted	<u>6,538,166</u>	<u>4,212,147</u>
Total Net Position	<u>\$ 42,683,768</u>	<u>\$ 42,068,225</u>

The accompanying notes are an integral part
of these financial statements.

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE:		
Metered Sales to Customers:		
Water sales - residential	\$ 5,853,705	\$ 5,339,405
Water sales - commercial	850,455	909,687
Water sales - industrial	206,155	182,054
Water sales - municipal	<u>119,975</u>	<u>105,701</u>
	7,030,290	6,536,847
Private fire protection	177,496	179,428
Public fire protection	<u>222,512</u>	<u>221,782</u>
Total Sale of Water	7,430,298	6,938,057
OTHER WATER REVENUE:		
Revenue from jobbing and contracts	125,222	234,650
Jobbing and contract expenses	<u>(76,460)</u>	<u>(99,563)</u>
Net Jobbing Revenue	48,762	135,087
Finance charges	34,633	23,264
Line protection	130,265	126,978
Safe drinking water assessment	<u>25,252</u>	<u>24,358</u>
Net Other Water Revenue	238,912	309,687
TOTAL SALES AND REVENUE	<u>7,669,210</u>	<u>7,247,744</u>
OPERATING EXPENSES:		
Utility operating expenses	4,814,629	4,355,157
Taxes	197,360	192,376
Depreciation	<u>1,286,270</u>	<u>1,233,833</u>
Total Operating Expenses	6,298,259	5,781,366
UTILITY OPERATING INCOME	1,370,951	1,466,378
OTHER INCOME (EXPENSE):		
Interest and dividend income	48,763	98,712
Rental income	124,963	120,091
Other miscellaneous non-operating income	39,035	34,503
Loss on disposal of assets	(12,862)	(13,725)
Connecticut Municipal Employees' pension expense	(785,129)	(781,016)
Interest expense	<u>(359,124)</u>	<u>(315,668)</u>
Total Other Income (Expense)	(944,354)	(857,103)
INCOME BEFORE CAPITAL CONTRIBUTIONS	426,597	609,275
CAPITAL CONTRIBUTIONS	<u>188,946</u>	<u>55,666</u>
INCREASE IN NET POSITION	615,543	664,941
TOTAL NET POSITION - BEGINNING	<u>42,068,225</u>	<u>41,403,284</u>
TOTAL NET POSITION - ENDING	<u>\$ 42,683,768</u>	<u>\$ 42,068,225</u>

The accompanying notes are an integral part
of these financial statements.

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 7,731,614	\$ 7,148,161
Other miscellaneous receipts	163,998	154,594
Payments to vendors and others	(3,264,892)	(4,206,765)
Payments to employees	<u>(2,321,095)</u>	<u>(2,002,309)</u>
Net Cash Provided by Operating Activities	<u>2,309,625</u>	<u>1,093,681</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,813,816	3,131,305
Payments on long-term debt	(1,210,863)	(1,097,483)
Interest paid	(424,358)	(345,019)
Acquisition of property and equipment	<u>(1,904,372)</u>	<u>(3,957,764)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>274,223</u>	<u>(2,268,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	48,763	98,712
Purchases of certificates of deposit	<u>(7,763,014)</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>(7,714,251)</u>	<u>98,712</u>
NET DECREASE IN CASH	(5,130,403)	(1,076,568)
CASH AND EQUIVALENTS - beginning of year	<u>5,292,587</u>	<u>6,369,155</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 162,184</u>	<u>\$ 5,292,587</u>

The accompanying notes are an integral part
of these financial statements.

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,370,951	\$ 1,466,378
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,286,270	1,233,833
Depreciation - allocated to other expenses	131,706	120,191
Other miscellaneous income	163,998	154,594
Pension expense	(785,129)	(781,016)
Changes in:		
Accounts receivable	(2,158)	(163,028)
Prepaid expenses	(136,191)	(83,059)
Inventories	(1,272)	(42,152)
Deferred outflows of resources	(9,872)	180,318
Accounts payable	(90,580)	(1,324,634)
Unearned revenue	(11,898)	(36,118)
Accrued expenses, excluding interest	(115,536)	40,823
Pension contribution payable	(164)	(224)
Net pension liability	369,457	94,237
Deferred inflows of resources related to pensions	140,043	233,538
Net Cash Provided By Operating Activities	<u>\$ 2,309,625</u>	<u>\$ 1,093,681</u>
NON-CASH CAPITAL FINANCING ACTIVITY:		
Capital assets received directly from developers and customers	<u>\$ 188,946</u>	<u>\$ 50,716</u>
Deferred amount on refunding of water revenue bonds	<u>\$ 274,298</u>	<u>\$ -</u>

The accompanying notes are an integral part
of these financial statements.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION

The original Water Works in the Town of Southington was constructed by a private corporation in 1883-1884. In 1911, the Southington Water Department was purchased by the Town. The Department is governed by an elected board of water commissioners. A total of six commissioners comprise the board, three of whom are elected at each biennial Town election, for a term of four years.

The accompanying financial statements present Water Works Department-Town of Southington, CT and are not intended to present fairly the financial position of the Town of Southington, CT and the results of its operations and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Department's financial statements are presented on the accrual basis of accounting in accordance with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

The activities of the Department are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. In its accounting and financial reporting, the Department follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, the Department follows the pronouncements of only applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Basis of Presentation:

GASB requires the classification of net position into three categories as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

- Restricted Net Position – This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted.”

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

Cash, Investments, and Accrued Interest:

For purposes of presenting the statement of cash flows, the Department considers all highly liquid short-term investments with an original maturity of three months or less from date of purchase to be cash or cash equivalents.

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - ❖ Quoted prices for similar assets or liabilities in active markets;
 - ❖ Quoted prices for identical or similar assets or liabilities in inactive markets;
 - ❖ Inputs other than quoted prices that are observable for the assets or liabilities; and
 - ❖ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (With Comparative Totals for 2020)

The Department assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

Fair Value Measurements	
<u>June 30, 2021:</u>	<u>(Level 2)</u>
Certificates of Deposit	<u>\$ 7,763,014</u>
<u>June 30, 2020:</u>	
Certificates of Deposit	<u>\$ -</u>

Certificates of Deposit:

As of June 30, 2021 and 2020, the Department had \$7,763,014 and \$-0-, respectively, invested in certificates of deposit held with one financial institution. The certificates of deposit are reported at fair value and have original maturities of 60 months. The certificates mature in 2025 and earn interest at a rate of 0.9%. The certificates' cost approximates their fair value.

Accounts Receivable:

Accounts receivable consists of fees for water charges due from individuals, businesses and municipalities. The carrying value of accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realized value. The estimate for the allowance for doubtful accounts is based on historical collection trends, the age of the outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that a specific receivable balance may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when the Department's internal collection efforts, including shutting off service and placing a lien on the property, have been unsuccessful in collecting the amount due.

Accrued Unbilled Revenues:

Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management using historical trends.

Inventories:

Inventories of materials, supplies, and chemicals maintained by the Water Works Department for the Town of Southington, CT are stated at the lower of cost or market, determined on a first-in, first-out basis.

Prepaid expenses:

Prepaid expenses reflect costs applicable to future accounting periods and are recorded as current assets.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

Capital Assets:

Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives or lease term if shorter.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 100 years
Machinery and equipment	5 - 50 years
Vehicles	5 years
Furniture and fixtures	3 - 12.5 years
Water systems	5 - 100 years

Improvements and significant repairs over \$1,000 that extend the life of the asset are capitalized. Other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded.

Construction costs of water lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions.

Accrued Vacation and Sick Leave Pay:

Vacation time is accrued immediately on January 1. If employees do not use their vacation time by December 31, they lose it. Vacation costs are recognized as a liability when earned by the employee. The liability for unpaid vacation time as of June 30, 2021 and 2020 is accrued because employees earn vacations on a calendar year, not a fiscal year.

The employees of the Department who were hired before August 6, 2017 accumulate 1¼ sick days per month, for a total of 15 days each calendar year up to a maximum of 120 days. The employees of the Department who were hired after August 5, 2017 accumulate 1 sick day per month, for a total of 12 days each calendar year up to a maximum of 120 days. Accordingly, sick leave costs are recognized when vested or taken, whichever occurs first. Most employees do not get paid out for unused sick time when they terminate their employment. However, a few employees are grandfathered in and do receive a payout upon termination.

The liability for all compensated absences is combined with other accrued expenses in the current liability section of the statement of net position.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

Long-Term Obligations:

Long-term obligations, consisting of bonds payable and notes payable to banks, have been used to finance capital acquisitions. Repayment of long-term obligations is made from the Department's revenues, and is recorded in the statement of net position.

Unamortized Bond Premium:

Bond premium related to the issuance of debt obligations is amortized over the term of the respective bond issues.

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Department reports deferred amounts on refunding of water revenue bonds, as well as amounts relating to the Connecticut Municipal Employees' Retirement Plan in this category.

Revenue Recognition:

The Department distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing services in connection with the Department's principal ongoing operations. Water service revenues are recognized based on actual customer water usage, including estimates for unbilled periods. Other operating revenues are recognized when service has been rendered and collection is reasonably assured. The Department's operating expenses include operations and maintenance expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Operating and Non-Operating Revenues and Expenses:

Operating revenue consists of water revenue and other related revenue. The Department defines non-operating revenue as interest earnings on investments, rental income and sale of scrap metal and timber. Non-operating expenses are defined as interest expense on long-term debt and gains/losses on disposals of capital assets.

Capital Contributions from Developers and Customers:

Capital contributions from developers and customers represent amounts for betterments or additions to capital assets that have been contributed to the Department.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

Income Tax Status:

As a public benefit corporation, the Department is exempt from Federal and State income taxes, as well as State and local property taxes.

Estimated Amounts Reported in Financial Statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not in the same detail used for the current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2020, from which the summarized information was obtained.

Recent Accounting Pronouncements:

Accounting for Interest Cost Incurred Before the End of a Construction Period – In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Department is required to adopt GASB Statement No. 89 for fiscal years beginning after December 15, 2019. The Department's adoption of this guidance as of July 1, 2020 resulted in \$79,553 of capitalized interest being expensed during 2021.

3. CASH, EQUIVALENTS, CERTIFICATES OF DEPOSIT AND FINANCIAL INSTITUTIONS

The deposits of the Water Works Department, Town of Southington, CT are controlled by the Connecticut General Statutes. The majority of Town deposits are maintained with financial institutions that have insurance to a maximum of \$250,000 per depositor by the FDIC.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (With Comparative Totals for 2020)

Public Act 91-245, an Act Concerning the Protection of Public Deposits:

This Act replaces the statewide system of protecting public deposits, which required each bank to set aside collateral worth 3% of the amount of deposit losses, with a new system that makes each bank responsible only for its own public deposits. The Act sets higher collateral requirements ranging from 10% to 120% of the amount of public funds on deposit, depending on the bank’s financial strength as shown by its risk-based capital ratio. It specifies the types and amounts of collateral a bank can use to back public deposits and how the collateral must be segregated from other assets.

The Act makes the banking commissioner’s public deposit regulatory powers consistent with the new system and requires certain reports and disclosures from banks holding public deposits.

The Act replaces the 3% shared risk system with a tiered system where (1) each bank is liable only for its own public deposit losses and (2) the percent of public deposits that has to be backed by segregated collateral varies according to the bank’s financial strength. The Act determines a bank’s financial strength according to its “risk-based capital ratio”. The lower a bank’s risk-based capital ratio is, the higher the percent of public deposits it must back with collateral, ranging from 10% required collateral for the best capitalized banks up to 120% for the worst.

Bank's Minimum Risk-Based Capital Ratio	Collateral for Public Deposits to be Segregated
Over 10%	10%
8%-10%	25%
3%-8%	100%
Under 3%	120%

At June 30, 2021 and 2020, the carrying amounts of the Department’s deposits were \$7,925,198 and \$5,292,587, respectively. Of these balances, \$250,000 was covered by Federal Deposit Insurance at June 30, 2021 and \$500,000 was covered at June 30, 2020.

Section 36-386 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage based on the bank’s risk-based capital ratio.

Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the Town’s name. The balance of deposits of \$40,875 in 2021 and \$40,834 in 2020 and invested in the State of Connecticut Short-Term Investment Fund (STIF) are uninsured and uncollateralized.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

As of June 30, 2021 and 2020, the cash and cash equivalents balances at the following institutions were as follows:

	June 30, 2021 Total	June 30, 2020 Total
Thomaston Savings Bank	\$ 7,883,973	\$ -
People's United Bank	-	1,397,000
United Bank	-	3,854,403
Total Bank Deposits	7,883,973	5,251,403
Add:		
STIF-State of CT	40,875	40,834
Petty Cash	350	350
Total Cash and CD's	\$ 7,925,198	\$ 5,292,587

2021						
	Total Bank Deposits	Collateralization Percentage	Total Collateralized	Total Insured	Insured and Collateralized	Uninsured and Uncollateralized
Thomaston Savings Bank	\$ 7,883,972	10%	\$ 788,397	\$ 250,000	\$ 1,038,397	\$ 6,845,575
	\$ 7,883,972		\$ 788,397	\$ 250,000	\$ 1,038,397	\$ 6,845,575

2020						
	Total Bank Deposits	Collateralization Percentage	Total Collateralized	Total Insured	Insured and Collateralized	Uninsured and Uncollateralized
People's United Bank	\$ 1,397,000	10%	\$ 139,700	\$ 250,000	\$ 389,700	\$ 1,007,300
United Bank	3,854,403	10%	385,440	250,000	635,440	3,218,963
	\$ 5,251,403		\$ 525,140	\$ 500,000	\$ 1,025,140	\$ 4,226,263

Interest Rate Risk – The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk-Investments – As indicated above, State Statutes limit the investment options of cities and towns, and the Department is subject to these statutory limits. The Department has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Department's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Department's total investments.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

Custodial Credit Risk – The custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Department does not have a policy for custodial credit risk. At June 30, 2021, the Department did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Department’s name.

4. ACCOUNTS RECEIVABLE AND ACCRUED UNBILLED REVENUE

Accounts receivable and accrued unbilled revenue consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Trade accounts receivable	\$ 99,399	\$ 153,071
Finance charges receivable	8,381	4,855
Accrued unbilled revenue	<u>1,168,827</u>	<u>1,121,929</u>
	1,276,607	1,279,855
Less allowance for doubtful accounts	<u>(28,498)</u>	<u>(33,904)</u>
Total Accounts Receivable and Accrued Unbilled Revenue	<u>\$ 1,248,109</u>	<u>\$ 1,245,951</u>

5. CAPITAL ASSETS

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

	Balance <u>6/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>6/30/21</u>
<u>Capital Assets, Not Being Depreciated:</u>					
Land	\$ 2,292,861	\$ -	\$ -	\$ -	\$ 2,292,861
Construction in progress	6,466,133	1,418,119	-	(3,597,768)	4,286,484
Other non-depreciable assets	<u>386,967</u>	-	-	-	<u>386,967</u>
Total Capital Assets, Not Being Depreciated	<u>9,145,961</u>	<u>1,418,119</u>	<u>-</u>	<u>(3,597,768)</u>	<u>6,966,312</u>
<u>Capital Assets, Being Depreciated:</u>					
Buildings and improvements	14,535,525	199,134	-	2,215,087	16,949,746
Machinery and equipment	1,083,353	18,291	(5,600)	-	1,096,044
Vehicles	996,204	74,697	(1,298)	-	1,069,603
Furniture, fixtures and office	1,825,138	6,040	(16,553)	-	1,814,625
Water systems	<u>53,368,311</u>	<u>377,036</u>	<u>(44,141)</u>	<u>1,382,681</u>	<u>55,083,887</u>
Total Capital Assets, Being Depreciated	<u>71,808,531</u>	<u>675,198</u>	<u>(67,592)</u>	<u>3,597,768</u>	<u>76,013,905</u>

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

5. CAPITAL ASSETS (continued)

<u>Utility Plant</u>	Balance <u>6/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>6/30/21</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings and improvements	4,536,013	340,375	-	-	4,876,388
Machinery and equipment	687,864	45,589	(4,433)	-	729,020
Vehicles	774,414	92,392	(1,298)	-	865,508
Furniture, fixtures and office	1,746,759	21,118	(16,553)	-	1,751,324
Water systems	20,488,004	918,502	(32,446)	-	21,374,060
Total Accumulated Depreciation	<u>28,233,054</u>	<u>1,417,976</u>	<u>(54,730)</u>	<u>-</u>	<u>29,596,300</u>
Total Capital Assets, Being Depreciated, Net	<u>43,575,477</u>	<u>(742,778)</u>	<u>(12,862)</u>	<u>3,597,768</u>	<u>46,417,605</u>
Capital Assets, Net	<u>\$ 52,721,438</u>	<u>\$ 675,341</u>	<u>\$ (12,862)</u>	<u>\$ -</u>	<u>\$ 53,383,917</u>

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

<u>Utility Plant</u>	Balance <u>6/30/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>6/30/20</u>
<u>Capital Assets, Not Being Depreciated:</u>					
Land	\$ 2,292,861	\$ -	\$ -	\$ -	\$ 2,292,861
Construction in progress	3,310,486	3,613,490	-	(457,844)	6,466,132
Other non-depreciable assets	386,967	-	-	-	386,967
Total Capital Assets, Not Being Depreciated	<u>5,990,314</u>	<u>3,613,490</u>	<u>-</u>	<u>(457,844)</u>	<u>9,145,960</u>
<u>Capital Assets Being Depreciated:</u>					
Buildings and improvements	14,478,450	62,356	(5,281)	-	14,535,525
Machinery and equipment	1,069,005	18,170	(3,822)	-	1,083,353
Vehicles	955,721	70,315	(29,832)	-	996,204
Furniture, fixtures and office	1,772,801	59,232	(6,895)	-	1,825,138
Water systems	52,704,782	236,556	(30,871)	457,844	53,368,311
Total Capital Assets, Being Depreciated	<u>70,980,759</u>	<u>446,629</u>	<u>(76,701)</u>	<u>457,844</u>	<u>71,808,531</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings and improvements	4,205,791	332,995	(2,773)	-	4,536,013
Machinery and equipment	649,876	41,425	(3,437)	-	687,864
Vehicles	721,576	82,670	(29,832)	-	774,414
Furniture, fixtures and office	1,739,326	14,328	(6,895)	-	1,746,759
Water systems	19,625,437	882,606	(20,039)	-	20,488,004
Total Accumulated Depreciation	<u>26,942,006</u>	<u>1,354,024</u>	<u>(62,976)</u>	<u>-</u>	<u>28,233,054</u>
Total Capital Assets, Being Depreciated, Net	<u>44,038,753</u>	<u>(907,395)</u>	<u>(13,725)</u>	<u>457,844</u>	<u>43,575,477</u>
Capital Assets, Net	<u>\$ 50,029,067</u>	<u>\$ 2,706,095</u>	<u>\$ (13,725)</u>	<u>\$ -</u>	<u>\$ 52,721,437</u>

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

6. WATER BONDS PAYABLE AND NOTES PAYABLE

Long-term obligations as of June 30, 2021, the increases and decreases in those obligations and the resulting ending balances as of June 30, 2021 are as follows:

	Outstanding			June 30, 2021	Current Maturities
	June 30, 2020	Increases	Decreases		
Water bonds, 2014 issue	\$ 4,100,000	\$ -	\$ (3,805,000)	\$ 295,000	\$ 295,000
Water bonds, 2019 issue	605,000	-	(316,000)	289,000	289,000
Water bonds, November 2020 issue	-	3,726,000	(47,000)	3,679,000	-
Water bonds, December 2020 issue	-	1,695,000	(150,000)	1,545,000	250,000
Water bonds, 2021 issue	-	2,500,000	-	2,500,000	125,000
Total Bonded Debt	4,705,000	7,921,000	(4,318,000)	8,308,000	959,000
Unamortized Premium, 2021 issue	-	200,283	(3,338)	196,945	10,014
Unamortized Premium, 2014 issue	196,651	-	(196,651)	-	-
Net Bonded Debt	4,901,651	8,121,283	(4,517,989)	8,504,945	969,014
State of CT-Project 200202-C	807,430	-	(807,430)	-	-
State of CT-Project 200201-C	474,442	-	(474,442)	-	-
State of CT-Project 200202-CD1	779,615	-	(779,615)	-	-
State of CT-Project 2016-7039	3,620,760	-	(181,701)	3,439,059	185,369
State of CT-Project 2019-7076	1,931,701	200,178	(15,731)	2,116,148	95,493
State of CT-Project 2019-7080	2,300,988	913,355	(67,738)	3,146,605	137,525
Eversource LED Lighting Loan	48,771	-	(17,213)	31,558	17,214
Total Notes Payable	9,963,707	1,113,533	(2,343,870)	8,733,370	435,601
Total Indebtedness	14,865,358	\$ 9,234,816	\$ (6,861,859)	17,238,315	\$ 1,404,615
Current Maturities	(1,288,531)			(1,404,615)	
Long-Term Debt	\$ 13,576,827			\$ 15,833,700	

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

Long-term obligations as of June 30, 2020, the increases and decreases in those obligations and the resulting ending balances as of June 30, 2020 are as follows:

	Outstanding				Current Maturities
	June 30, 2019	Increases	Decreases	June 30, 2020	
Water bonds, 2011 issue	\$ 335,000	\$ -	\$ (335,000)	\$ -	\$ -
Water bonds, 2014 issue	4,395,000	-	(295,000)	4,100,000	295,000
Water bonds, 2019 issue	<u>605,000</u>	-	-	<u>605,000</u>	<u>316,000</u>
Total Bonded Debt	5,335,000	-	(630,000)	4,705,000	611,000
Unamortized Premium, 2014 issue	<u>211,128</u>	-	<u>(14,477)</u>	<u>196,651</u>	<u>14,477</u>
Net Bonded Debt	<u>5,546,128</u>	-	<u>(644,477)</u>	<u>4,901,651</u>	<u>625,477</u>
State of CT-Project 200202-C	931,650	-	(124,220)	807,430	124,220
State of CT-Project 200201-C	526,876	-	(52,434)	474,442	53,605
State of CT-Project 200202-CD1	889,470	-	(109,855)	779,615	112,431
State of CT-Project 2016-7039	3,798,866	-	(178,106)	3,620,760	181,701
State of CT-Project 2019-7076	843,910	1,087,791	-	1,931,701	79,357
State of CT-Project 2019-7080	257,474	2,043,514	-	2,300,988	94,527
Eversource LED Lighting Loan	<u>-</u>	<u>51,639</u>	<u>(2,868)</u>	<u>48,771</u>	<u>17,213</u>
Total Notes Payable	<u>7,248,246</u>	<u>3,182,944</u>	<u>(467,483)</u>	<u>9,963,707</u>	<u>663,054</u>
Total Indebtedness	12,794,374	<u>\$ 3,182,944</u>	<u>\$ (1,111,960)</u>	14,865,358	<u>\$ 1,288,531</u>
Current Maturities	<u>(1,109,092)</u>			<u>(1,288,531)</u>	
Long-Term Debt	<u>\$ 11,685,282</u>			<u>\$ 13,576,827</u>	

Water bonds are issued by the municipality of Southington, CT. The Town of Southington, CT considers water bonds to be “self-supporting”, that is payable by the Water Works by user fees charged to water customers.

On November 12, 2020, the Department issued \$3,726,000 in water bonds with interest rates ranging from 0.37% - 2.41%. The proceeds were used to refund \$3,510,000 of outstanding 2014 Series bonds which had interest rates ranging from 3.0% - 4.0%. The excess of the net carrying amount of the refunded bonds over the reacquisition price (including unamortized bond premium of \$191,826 and accrued interest of \$52,464) in the amount of \$28,290 is being amortized over the term of the debt using the straight-line method through January 15, 2034. The unamortized amount of \$26,947 is reported as a deferred inflow of resources.

On December 18, 2020, the Department issued \$1,695,000 in water bonds with interest rates ranging from 4.0% – 5.0%. The proceeds were used to repay \$1,941,008 of outstanding notes payable to the State of Connecticut which had interest rates ranging from 2.21% – 2.32%. The excess of the net carrying amount of the repaid notes over the reacquisition price in the amount of \$246,008 is being amortized over the term of the old debt using the straight-line method through December 31, 2026. The unamortized amount of \$225,508 is reported as a deferred inflow of resources.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (With Comparative Totals for 2020)

During 2019, the Department issued \$605,000 in water bonds with interest rates ranging from 2.25% to 5.0%. The proceeds were used to refund \$670,000 of outstanding 2011 Series bonds which had interest rates ranging from 2.5% to 4.0%. The excess of the net carrying amount of the refunded bonds over the reacquisition price (including unamortized bond premium of \$15,102) in the amount of \$80,102 was amortized over the term of the old bonds using the straight-line method through August 1, 2021. The unamortized amount of \$5,340 was reported as a deferred inflow of resources on the June 30, 2020 Statement of Net Position. The balance was fully amortized during 2021.

Water bonds outstanding as of June 30, 2021 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2014	\$ 295,000	3.0% - 4.0%	01/15/22
2019	289,000	2.25% - 5.0%	08/01/31
Nov-20	3,679,000	0.37% - 2.41%	01/15/34
Dec-20	1,545,000	4.0% - 5.0%	06/01/29
2021	2,500,000	2.0% - 4.0%	01/15/41
Total Outstanding	<u>\$ 8,308,000</u>		

The State of Connecticut project loan 200202-C (Wellhead Protection) provided for a maximum loan amount of \$4,643,030 with interest provided at 2.32% per annum from the date of the advances. Total advances on this obligation were \$2,484,399. The balance was paid in full during 2021.

The State of Connecticut project loan 200201-C (Water Mains) provided for a maximum loan amount of \$1,500,000 with interest provided at 2.21% per annum from the date of the advances. Total advances on this obligation were \$1,073,097. The balance was paid in full during 2021.

The State of Connecticut project loan 200202-CD1 (Wellhead Protection Phase II) provided for a maximum loan amount of \$2,158,631 with interest provided at 2.32% per annum from the date of the advances. Total advances under this obligation were \$1,872,517. The balance was paid in full during 2021.

The State of Connecticut project loan 2016-7039 (Drinking Water Program) provided for a maximum loan amount of \$4,073,690 with interest provided at 2% per annum from the date of the advances. Total advances under this obligation were \$4,073,690 and total repayments through June 30, 2021 amounted to \$634,631, leaving a balance of \$3,439,059 as of June 30, 2021.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (With Comparative Totals for 2020)

The State of Connecticut project loan 2019-7076 (Drinking Water Program) provided for a maximum loan amount of \$2,131,879 with interest provided at 2% per annum from the date of the advances. Total advances under this obligation were \$2,131,879, and total repayments through June 30, 2021 amounted to \$15,731, leaving a balance of \$2,116,148 as of June 30, 2021.

The State of Connecticut project loan 2019-7080 (Drinking Water Program) provided for a maximum loan amount of \$3,228,000 with interest provided at 2% per annum from the date of the advances. Total advances under this obligation were \$3,214,343, and total repayments through June 30, 2021 amounted to \$67,738, leaving a balance of \$3,146,605 as of June 30, 2021.

Eversource Energy provided a loan of \$51,639 for LED energy efficient lighting. The loan is repayable over three years with monthly interest free payments of \$1,434. The Department has determined the effect of the 0% interest rate to be immaterial to the financial statements taken as a whole using a discount rate of 3.25%. Total repayments through June 30, 2021 amounted to \$20,081 through June 30, 2021, leaving a balance of \$31,558 as of June 30, 2021.

Summary of Annual Debt Service Requirements:

The annual debt service requirements on water bonds and commercial notes outstanding at June 30, 2021 are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance Remaining</u>
2022	\$ 1,404,615	\$ 377,273	\$ 1,781,888	\$ 15,833,700
2023	1,096,191	334,104	1,430,295	14,737,509
2024	1,097,462	308,813	1,406,275	13,640,047
2025	1,184,251	282,302	1,466,553	12,455,796
2026	1,201,218	251,620	1,452,838	11,254,578
2027-2031	4,900,053	862,970	5,763,023	6,354,525
2032-2036	4,225,976	374,543	4,600,519	2,128,549
2037-2041	2,128,549	41,480	2,170,029	-
Totals	<u>\$ 17,238,315</u>	<u>\$ 2,833,105</u>	<u>\$ 20,071,420</u>	

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

7. ACCRUED EXPENSES

The components of accrued expenses at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Accrued interest expense	\$ 74,831	\$ 157,184
Accrued payroll, taxes and benefits	26,628	18,360
Accrued vacation and sick leave	433,362	557,097
Other accrued expenses	333	402
Total Accrued Expenses	<u>\$ 535,154</u>	<u>\$ 733,043</u>

8. RETIREMENT COMMITMENTS

Plan Description:

Qualified employees of the Department are covered by a pension plan administered by the Connecticut Municipal Employees' Retirement Commission. The Connecticut Municipal Employees' Retirement System (CMERS) is a cost sharing multiple employer Public Employee Retirement System (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial report as a pension trust fund.

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

Benefits Provided:

CMERS provides a retirement benefit determined by the employee's final average pay which is calculated using their three highest paid years of service, and their length of service. An employee is eligible for normal retirement once they have attained age 55 with at least 5 years of continuous active service or 15 years of non-continuous active service with a CMERS participating municipality or has a total of 25 years of service consisting of at least 5 years of continuous active service or 15 years of non-continuous active service with a CMERS participating municipality regardless of age. Employees are eligible for early retirement once completing at least 5 years of continuous active service with a CMERS participating municipality, but the retirement benefit is actuarially reduced.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

Contributions:

Employees contribute 2¼% of the portion of their pay on which social security taxes are withheld and 5% of the portion on which social security taxes are not withheld. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. The Department is required by the State to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. The statute also requires the Department to pay an annual amount for benefits based on service prior to the unit's date of participation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2021 and 2020, the Department reported liabilities of \$3,054,401 and \$2,684,944, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 and 2020, the Department's proportion was 0.777791% and 0.727467%, respectively, based on the June 30, 2020 and 2019 measurement dates.

For the years ended June 30, 2021 and 2020, the Department recognized pension expense of \$785,129 and \$781,016, respectively. At June 30, 2021 and 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 320,532	\$ 390,490	\$ 109,303	\$ 242,000
Change of assumptions	502,904	-	709,130	-
Department contributions subsequent to the measurement date	296,767	-	273,492	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,262	16,425	61,465	24,872
Differences between expected and actual experience	202,362	-	292,385	-
	\$ 1,455,827	\$ 406,915	\$ 1,445,775	\$ 266,872

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

Department contributions, subsequent to the measurement date of June 30, 2020, of \$296,767 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 320,831
2022	\$ 370,257
2023	\$ 13,313
2024	\$ 47,745
2025	\$ -

Payable to the Pension Plan:

At June 30, 2021 and 2020, the Department reported a payable of \$364 and \$528, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021 and 2020.

Actuarial Assumptions:

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.50%	2.50%
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.00%	7.00%
Salary increases	3.50% - 10.00%	3.50% - 10.00%

Mortality rates were based on the RP-2014 Combined Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2017.

Future Cost-of-Living adjustments 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%.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future 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 allocations and best estimates of arithmetic real rates of return for each major asset class for 2021 are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20.0%	5.3%
Developed Market International	11.0%	5.1%
Emerging Market International	9.0%	7.4%
Core Fixed Income	16.0%	1.6%
Inflation Linked Bond	5.0%	1.3%
Emerging Market Debt	5.0%	2.9%
High Yield Bond	6.0%	3.4%
Real Estate	10.0%	4.7%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	3.2%
Liquidity Fund	<u>1.0%</u>	0.9%
	<u>100.0%</u>	

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

The target asset allocations and best estimates of arithmetic real rates of return for each major asset class for 2020 are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20.0%	5.3%
Developed Market International	11.0%	5.1%
Emerging Market International	9.0%	7.4%
Core Fixed Income	16.0%	1.6%
Inflation Linked Bond	5.0%	1.3%
Emerging Market Debt	5.0%	2.9%
High Yield Bond	6.0%	3.4%
Real Estate	10.0%	4.7%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	3.2%
Liquidity Fund	<u>1.0%</u>	0.9%
	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.00% in 2021 and 2020. 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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHWINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

Sensitivity of the Department's Proportionate Share of the Net Pension Liability:

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	Decrease <u>(6.00%)</u>	Discount <u>(7.00%)</u>	Increase <u>(8.00%)</u>
Department's Proportionate Share of the Net Pension Liability	<u>\$ 4,273,838</u>	<u>\$ 3,054,401</u>	<u>\$ 2,026,151</u>
	2020		
	Decrease <u>(6.00%)</u>	Discount <u>(7.00%)</u>	Increase <u>(8.00%)</u>
Department's Proportionate Share of the Net Pension Liability	<u>\$ 3,826,051</u>	<u>\$ 2,684,944</u>	<u>\$ 1,723,844</u>

All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to the claims of the Department's general creditors. The plan is administered by the State of Connecticut State Employees' Retirement Commission.

9. CONTINGENCIES

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Department has various insurance policies with third-party carriers related to property protection, casualty and statutory and non-statutory employee protection.

The Department is subject to litigation in the ordinary conduct of its affairs. In the opinion of the Department counsel, there were no material unpaid judgments against the Water Works Department, Town of Southington, CT.

WATER WORKS DEPARTMENT-TOWN OF SOUTHBINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(With Comparative Totals for 2020)

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2021, the date the financial statements were available to be issued, and has determined that there are no matters requiring disclosure in; or adjustment to these financial statements.

11. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

The Governmental Accounting Standards Board has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 – Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 91 – Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 – Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 – Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 – Public-Private and Public-Private Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 – Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT
 SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY
 AS OF JUNE 30, 2021

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years (only 7 years shown; periods prior to implementation of GASB 68 are unavailable and will be completed as they become available)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	0.777791%	0.727467%	0.677382%	0.710546%	0.710546%	0.711024%	0.711024%
Department's proportionate share of the net pension liability	\$ 3,054,401	\$ 2,684,944	\$ 2,590,707	\$ 1,174,539	\$ 1,394,642	\$ 973,468	\$ 731,415
Department's covered-employee payroll	\$ 1,991,933	\$ 1,870,114	\$ 1,828,407	\$ 1,691,433	\$ 1,691,433	\$ 1,577,803	\$ 1,577,803
Department's proportionate share of the net pension liability as a percentage	153.34%	143.57%	141.69%	69.44%	82.45%	61.70%	46.36%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	72.69%	73.60%	91.68%	88.29%	87.47%	90.48%

The accompanying notes are an integral part of these financial statements.

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT
 SCHEDULE OF THE DEPARTMENT'S PENSION CONTRIBUTIONS
 AS OF JUNE 30, 2021

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years (only 7 years shown; periods prior to implementation of GASB 68 are unavailable and will be completed as they become available)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 785,129	\$ 781,016	\$ 370,604	\$ 279,133	\$ 334,550	\$ 179,962	\$ 132,089
Contributions in relation to the contractually required contribution	<u>(785,129)</u>	<u>(781,016)</u>	<u>(370,604)</u>	<u>(279,133)</u>	<u>(334,550)</u>	<u>(179,962)</u>	<u>(132,089)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 1,991,933	\$ 1,870,114	\$ 1,828,407	\$ 1,691,433	\$ 1,691,433	\$ 1,577,803	\$ 1,577,803
Contributions as a percentage of covered-employee payroll	39.42%	41.76%	20.27%	16.50%	19.78%	11.41%	8.37%

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL SCHEDULES

AND

OTHER INFORMATION

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET VERSUS ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Operating Revenues:</u>			
Water sales	\$ 7,230,542	\$ 7,430,298	\$ 199,756
Other water revenue	<u>281,113</u>	<u>238,912</u>	<u>(42,201)</u>
Total Operating Revenues	<u>7,511,655</u>	<u>7,669,210</u>	<u>157,555</u>
<u>Non-Operating Revenues:</u>			
Interest and dividend income	17,500	48,763	31,263
Other income	<u>142,202</u>	<u>163,998</u>	<u>21,796</u>
Total Non-Operating Revenues	<u>159,702</u>	<u>212,761</u>	<u>53,059</u>
Total Revenues	<u>7,671,357</u>	<u>7,881,971</u>	<u>210,614</u>
<u>Operating Expenses:</u>			
Utility operating expenses	4,787,425	4,814,629	(27,204)
Taxes	<u>157,459</u>	<u>197,360</u>	<u>(39,901)</u>
Total Operating Expenses	<u>4,944,884</u>	<u>5,011,989</u>	<u>(67,105)</u>
<u>Non-Operating Expenses:</u>			
Loss on disposals of assets	-	(12,862)	(12,862)
Interest expense	<u>(473,955)</u>	<u>(359,124)</u>	<u>114,831</u>
Total Non-Operating Expenses	<u>(473,955)</u>	<u>(371,986)</u>	<u>101,969</u>
Income Before Capital Contributions and Depreciation Expense	<u>\$ 2,252,518</u>	<u>\$ 2,497,996</u>	<u>\$ 245,478</u>

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT
STATEMENT OF CURRENT AND LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2021

DEBT MATURING WITHIN ONE YEAR:

Water Bonds, Issue of 2014	\$	295,000
Water Bonds, Issue of 2019		289,000
Water Bonds, November 2020 Issue		-
Water Bonds, December 2020 Issue		250,000
Water Bonds, January 2021 Issue		125,000
State of CT Project Loan 2016-7039		185,369
State of CT Project Loan 2019-7076		95,494
State of CT Project Loan 2019-7080		137,525
Eversource Electric LED Lighting Loan		17,213
Amortization of bond premium		10,014
Total Debt Maturing Within One Year	\$	<u>1,404,615</u>

LONG-TERM DEBT, NET OF CURRENT MATURITIES:

Water Bonds, Issue of 2014	\$	-
Water Bonds, Issue of 2019		-
Water Bonds, November 2020 Issue		3,679,000
Water Bonds, December 2020 Issue		1,295,000
Water Bonds, January 2021 Issue		2,375,000
State of CT Project Loan 2016-7039		3,253,690
State of CT Project Loan 2019-7076		2,020,655
State of CT Project Loan 2019-7080		3,009,080
Eversource Electric LED Lighting Loan		14,344
Amortization of bond premium		186,931
Total Long-Term Debt		<u>15,833,700</u>
Total Current and Long-Term Debt	\$	<u><u>17,238,315</u></u>

SCHEDULE OF DEBT PAYMENTS ON LONG-TERM DEBT:

June 30, 2022	\$	1,404,615
June 30, 2023		1,096,191
June 30, 2024		1,097,462
June 30, 2025		1,184,251
June 30, 2026		1,201,218
Future Years		11,254,578
	\$	<u><u>17,238,315</u></u>

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT
STATEMENT OF UTILITY OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<u>Source of Supply Expenses:</u>		
Operating labor and expenses	\$ 133,652	\$ 128,095
Maintenance of reservoirs and other source structures	14,319	3,103
Total Source of Supply Expenses	<u>147,971</u>	<u>131,198</u>
<u>Pumping Expenses:</u>		
Pumping labor and expenses	113,557	97,677
Maintenance of pumping equipment	45,231	67,685
Fuel or power purchased for pumping	473,554	420,649
Total Pumping Expenses	<u>632,342</u>	<u>586,011</u>
<u>Water Treatment Expenses:</u>		
Purification labor and expenses	283,157	281,378
Chemicals	140,574	117,774
Maintenance of water treatment equipment	141,678	83,310
Total Water Treatment Expenses	<u>565,409</u>	<u>482,462</u>
<u>Transmission and Distribution Expenses:</u>		
Storage facilities, labor and expenses	141,066	46,805
Transmission and distribution lines expenses	181,333	179,340
Meter expenses	16,401	15,632
Customer installation expenses	30,141	34,891
Maintenance of distribution mains, improvements, reservoirs & standpipes	137,949	156,211
Maintenance of services	356,870	139,672
Maintenance of meters	162,638	147,623
Maintenance of hydrants	113,408	122,846
Maintenance of mains	258,056	308,882
Total Transmission and Distribution Expenses	<u>1,397,862</u>	<u>1,151,902</u>
<u>Customer Accounts Expenses:</u>		
Meter reading	104,559	89,882
Customers' records and collection expenses	90,877	101,848
Total Customer Accounts and Collection Expenses	<u>195,436</u>	<u>191,730</u>
<u>Administrative and General Expenses:</u>		
Salaries of superintendent and general salaries	269,654	499,091
General office supplies and expenses	76,164	82,069
Outside services employed	208,603	119,718
Property insurance and other	238,033	243,198
Pensions and other employee benefits	919,573	728,989
Maintenance of structures and improvements, general	63,599	59,949
Miscellaneous general expenses	99,983	78,840
Total Administrative and General Expenses	<u>1,875,609</u>	<u>1,811,854</u>
Total Utility Operating Expenses	<u>\$ 4,814,629</u>	<u>\$ 4,355,157</u>

WATER WORKS DEPARTMENT, TOWN OF SOUTHTON, CONNECTICUT
LIST OF OFFICERS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Board of Water Commissioners:</u>	<u>Term Expires</u>
Erika Pocock, President	2023
Robert M. Berkmoes, Vice President	2023
Ralph Warner, Secretary/Treasurer	2021
Thomas J. Murphy	2021
Rudolph Cabata	2021
Ron Lamoreux	2023

Other:

Douglas R. Arndt, Superintendent

Albert T. Fiorillo, Assistant Superintendent

BUDWITZ & MEYERJACK, P.C.
Certified Public Accountants

322 MAIN STREET
P.O. BOX 391
FARMINGTON, CT 06034-0391

(860) 677-4697
FAX (860) 674-8196

CPA@budwitzmeyerjack.com

DANIEL C. VOLLARO, CPA
MICHAEL A. ZIEBKA, CPA
DAVID A. PELLETIER, CPA
MICHAEL J. ALFIERI, CPA
SCOTT R. BURLEIGH, CPA

WILLIAM R. PECK, CPA
LESLEY A. NAPPI, CPA
JESSICA L. BRAGG, CPA
PETER M. WEED, III, CPA
STEPHANIE E. COLE, CPA

AVON OFFICE

200 FISHER DRIVE
AVON, CT 06001

CHESHIRE OFFICE

1122 HIGHLAND AVE
CHESHIRE, CT 06410

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

To the Board of Water Commissioners
Town of Southington, Connecticut:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water Works Department, Town of Southington, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Works Department, Town of Southington, CT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Budwitz & Meyerjack, P.C.

Farmington, Connecticut

December 30, 2021

INDEPENDENT AUDITORS' COMMUNICATION
TO THOSE CHARGED WITH GOVERNANCE OF
WATER WORKS DEPARTMENT – TOWN OF SOUTHLINGTON, CONNECTICUT

JUNE 30, 2021

BUDWITZ & MEYERJACK, P.C.
Certified Public Accountants

DANIEL C. VOLLARO, CPA
MICHAEL A. ZIEBKA, CPA
DAVID A. PELLETIER, CPA
MICHAEL J. ALFIERI, CPA
SCOTT R. BURLEIGH, CPA

WILLIAM R. PECK, CPA
LESLEY A. NAPPI, CPA
JESSICA L. BRAGG, CPA
PETER M. WEED, III, CPA
STEPHANIE E. COLE, CPA

322 MAIN STREET
P.O. BOX 391
FARMINGTON, CT 06034-0391

(860) 677-4697
FAX (860) 674-8196
CPA@budwitzmeyerjack.com

AVON OFFICE

200 FISHER DRIVE
AVON, CT 06001

CHESHIRE OFFICE

1122 HIGHLAND AVE
CHESHIRE, CT 06410

December 30, 2021

To the Board of Water Commissioners
Town of Southington, Connecticut:

We have audited the financial statements of the Water Works Department, Town of Southington, CT for the year ended June 30, 2021 and have issued our report thereon dated December 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated June 15, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Water Works Department, Town of Southington, CT are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the Water Works Department, Town of Southington changed accounting policies related to accounting for interest cost incurred before the end of a construction period by adopting GASB Statement No. 89 in 2021. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation.

Management's estimate of depreciation is based on the straight-line method. We evaluated the key factors and assumptions used to calculate depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Revenues and Expenditures Budget Versus Actual, Schedule of the Department's Proportionate Share of the Net Pension Liability, and Schedule of the Department's Pension Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Current and Long-Term Debt, Schedule of Utility Operating Expenses and List of Officers, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

During our 2021 audit, we discovered that the Department has continued to accrue an unlimited amount of sick time for employees. However, section 9.0.1 of the union contract states that unused sick leave may be accumulated from year to year to a total of 120 working days (960 hours). Currently, the over accrual is not material to the financial statements. However, we would recommend that in the future, no accrual be booked for any hours exceeding the 960 hour limit.

As part of our audit, we recalculated some payroll withholdings for employees. We found that the Federal withholdings for several employees that used the revised W-4 were calculated incorrectly by Great Plains accounting software. We understand that the Department is looking into replacing Great Plains with a newer software package. We would recommend that once the new software is implemented that Federal and State withholdings be reviewed to ensure they are being calculated correctly.

Restriction on Use

This report is intended solely for the information and use of the Board of Water Commissioners and management of the Water Works Department, Town of Southington, Connecticut, and is not intended to be, and should not be, used by anyone of these specified parties.

Budwitz & Meyerjack, P. C.

Farmington, Connecticut



SOUTHINGTON WATER DEPARTMENT

JUNE 30, 2021 AUDIT

Board Presentation

February 10, 2022

Independent Auditors' Report

(Pages 1-3)

- Management is responsible for the presentation of the financial statements.
- Our responsibility is to express an opinion on the financial statements.
- Unqualified or “clean” opinion

Management's Discussion and Analysis

(Pages 4-10)

- Required supplementary information.
- Provides an analytical overview of financial activities.

Financial Statements

(Pages 11-33)

- Statement of Net Position (Page 11)
 - “Balance Sheet” – Provides a snapshot of the Department’s assets and liabilities as of June 30.
- Statement of Revenue, Expenses and Changes in Net Position (Page12)
 - “Income Statement” – Reports the financial activities for the year.

Financial Statements

(Pages 11-35)

- Statement of Cash Flows (Pages 13-14)
 - Reports the inflows and outflows of cash.
 - Reconciles net income to net increase/decrease in cash.
- Notes to Financial Statements (Pages 15-35)
 - Additional information to help explain specific items in the financial statements.

Required Supplementary Information

(Pages 36-38)

- **Schedule of the Department's Proportionate Share of the Net Pension Liability (GASB 68)**
- **Schedule of the Department's Pension Contributions (GASB 68)**

Other Supplementary Information

(Pages 39-43)

- **Schedule of Revenues and Expenditures – Budget Versus Actual**
- **Statement of Current and Long-Term Debt**
- **Statements of Utility Operating Expenses**
- **List of Officers**

Other Reports

(Pages 44-45)

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - States that we considered the Department's internal control over financial reporting while determining audit procedures but we do NOT express an opinion on the effectiveness of the internal control.

Independent Auditors' Communication To Those Charged With Governance (Tab II)

- Required Communication from the Auditor to the Board.
- Standard verbiage.
- Any significant deficiencies in internal control are reported here along with any other findings.
- One comment regarding over accrual of paid time off liability.

Financial Position Summary

	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Current and Other Assets	\$ 9,731,497	\$ 6,959,265	\$ 2,772,232	39.84%
Capital Assets	53,383,917	52,721,437	662,480	1.26%
Deferred Outflows of Resources	<u>1,455,827</u>	<u>1,445,955</u>	<u>9,872</u>	0.68%
Total Assets & Deferred Outflows of Resources	<u>64,571,241</u>	<u>61,126,657</u>	<u>3,444,584</u>	5.64%
Current and Other Liabilities	2,340,002	2,524,449	(184,447)	-7.31%
Long-Term Debt, Net of Current Maturities	18,888,101	16,261,771	2,626,330	16.15%
Deferred Inflows of Resources	<u>659,370</u>	<u>272,212</u>	<u>387,158</u>	N/A
Total Liabilities & Deferred Inflows of Resources	<u>21,887,473</u>	<u>19,058,432</u>	<u>2,829,041</u>	14.84%
Net Position:				
Invested in Capital Assets, Net of Related Debt	36,145,602	37,856,078	(1,710,476)	-4.52%
Unrestricted	<u>6,538,166</u>	<u>4,212,147</u>	<u>2,326,019</u>	55.22%
Total Net Position	<u>\$ 42,683,768</u>	<u>\$ 42,068,225</u>	<u>\$ 615,543</u>	1.46%

Summary of Operations & Changes in Net Position

	<u>2020</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
<u>Revenues:</u>				
<u>Operating Revenues:</u>				
Sale of Water	\$ 7,430,298	\$ 6,938,057	\$ 492,241	7.09%
Jobbing and Contract Work, Net	48,762	135,087	(86,325)	-63.90%
Other Operating Revenues	<u>190,150</u>	<u>174,600</u>	<u>15,550</u>	<u>8.91%</u>
	7,669,210	7,247,744	421,466	5.82%
<u>Non Operating Revenues:</u>				
Other Miscellaneous Income	163,998	154,594	9,404	6.08%
Investment Income	<u>48,763</u>	<u>98,712</u>	<u>(49,949)</u>	<u>-50.60%</u>
Total Revenues	<u>7,881,971</u>	<u>7,501,050</u>	<u>380,921</u>	<u>5.08%</u>
<u>Expenses:</u>				
Utility Operating Expenses	4,814,629	4,355,157	459,472	10.55%
Depreciation, Utility Plant Only	1,286,270	1,233,833	52,437	4.25%
Taxes	197,360	192,376	4,984	2.59%
Loss on Disposal of Assets	12,862	13,725	(863)	-6.29%
CMERS Pension Expense	785,129	781,016	4,113	0.53%
Interest on Long-Term Debt	<u>359,124</u>	<u>315,668</u>	<u>43,456</u>	<u>13.77%</u>
Total Expenses	<u>7,455,374</u>	<u>6,891,775</u>	<u>563,599</u>	<u>8.18%</u>
Income Before Contributions	426,597	609,275	(182,678)	-29.98%
Capital Contributions	<u>188,946</u>	<u>55,666</u>	<u>133,280</u>	<u>239.43%</u>
Changes in Net Position	615,543	664,941	(49,398)	-7.43%
Total Net Position-beginning	<u>42,068,225</u>	<u>41,403,284</u>	<u>664,941</u>	<u>1.61%</u>
Total Net Position-ending	<u>\$ 42,683,768</u>	<u>\$ 42,068,225</u>	<u>\$ 615,543</u>	<u>1.46%</u>

Summary of Operating Revenues

	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Water Sales:				
Residential	\$ 5,853,705	\$ 5,339,405	\$ 514,300	9.63%
Commercial	850,455	909,687	(59,232)	-6.51%
Industrial	206,155	182,054	24,101	13.24%
Municipal	119,975	105,701	14,274	13.50%
Private Fire Protection	177,496	179,428	(1,932)	-1.08%
Public Fire Protection	<u>222,512</u>	<u>221,782</u>	<u>730</u>	<u>0.33%</u>
Total Water Sales	7,430,298	6,938,057	492,241	7.09%
Other Water and Operating Revenue	<u>238,912</u>	<u>309,687</u>	<u>(70,775)</u>	<u>-22.85%</u>
Total Operating Revenue	<u>\$ 7,669,210</u>	<u>\$ 7,247,744</u>	<u>\$ 421,466</u>	<u>5.82%</u>

Summary of Utility Operating Expenses

	<u>2021</u>	<u>2020</u>	<u>\$ change</u>	<u>% change</u>
Source of Supply Expenses	\$ 147,971	\$ 131,198	\$ 16,773	12.78%
Pumping Expenses	632,342	586,011	46,331	7.91%
Water Treatment Expenses	565,409	482,462	82,947	17.19%
Transmission and Distribution Expenses	1,397,862	1,151,902	245,960	21.35%
Customer Accounts Expense	195,436	191,730	3,706	1.93%
Administrative and General Expenses	1,875,609	1,811,854	63,755	3.52%
Total Utility Operating Expenses	<u>\$ 4,814,629</u>	<u>\$ 4,355,157</u>	<u>\$ 459,472</u>	<u>10.55%</u>

SCHEDULE OF ACTUAL RESULTS VS. BUDGET

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Operating Revenues:</u>			
Water sales	\$ 7,230,542	\$ 7,430,298	\$ 199,756
Other water revenue	<u>281,113</u>	<u>238,912</u>	<u>(42,201)</u>
Total Operating Revenues	<u>7,511,655</u>	<u>7,669,210</u>	<u>157,555</u>
<u>Non-Operating Revenues:</u>			
Interest income	17,500	48,763	31,263
Other income	<u>142,202</u>	<u>163,998</u>	<u>21,796</u>
Total Non-Operating Revenues	<u>159,702</u>	<u>212,761</u>	<u>53,059</u>
Total Revenues	<u>7,671,357</u>	<u>7,881,971</u>	<u>210,614</u>
<u>Operating Expenses:</u>			
Utility operating expenses	4,787,425	4,814,629	(27,204)
Taxes	<u>157,459</u>	<u>197,360</u>	<u>(39,901)</u>
Total Operating Expenses	<u>4,944,884</u>	<u>5,011,989</u>	<u>(67,105)</u>
<u>Non-Operating Expenses:</u>			
Loss on disposals of assets	-	(12,862)	(12,862)
Interest expense	<u>(473,955)</u>	<u>(359,124)</u>	<u>114,831</u>
Total Non-Operating Expenditures	<u>(473,955)</u>	<u>(371,986)</u>	<u>101,969</u>
Income Before Capital Contributions and Depreciation Expense	<u>\$ 2,252,518</u>	<u>\$ 2,497,996</u>	<u>\$ 245,478</u>

Summary of Cash Flows

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities	\$ 2,309,625	\$ 1,093,681
Cash Flows From Capital and Related Financing Activities:		
Debt proceeds	3,813,816	3,131,305
Principal and interest payments	(1,635,221)	(1,442,502)
Capital expenditures	(1,904,372)	(3,957,764)
	<u>274,223</u>	<u>(2,268,961)</u>
Cash Flows From Investing Activities:		
Interest received on investments	48,763	98,712
Purchases of certificates of deposit	(7,763,014)	-
	<u>(7,714,251)</u>	<u>98,712</u>
Net Increase (Decrease) in Cash	(5,130,403)	(1,076,568)
Cash and Equivalents-Beginning of year	<u>5,292,587</u>	<u>6,369,155</u>
Cash and Equivalents-End of year	<u>\$ 162,184</u>	<u>\$ 5,292,587</u>

Major Construction Projects Completed During the 2021 Fiscal Year

<u>Project Name/Location</u>	<u>Cost</u>
Well 2A Replacement	\$ 2,215,087
W. Main/S. Main Street	1,174,719
Reservoir No. 2 Gate Chamber	<u>201,338</u>
	<u>\$ 3,591,144</u>

Summary of Debt

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Water bonds, 2014 issue	\$ 4,100,000	-	(3,805,000)	295,000
Water bonds, 2019 issue	605,000	-	(316,000)	289,000
Water bonds, November 2020 issue	-	3,726,000	(47,000)	3,679,000
Water bonds, December 2020 issue	-	1,695,000	(150,000)	1,545,000
Water bonds, 2021 issue	-	2,500,000	-	2,500,000
Total Bonded Debt	<u>4,705,000</u>	<u>7,921,000</u>	<u>(4,318,000)</u>	<u>8,308,000</u>
Unamortized Premium, 2021 issue	-	200,283	(3,338)	196,945
Unamortized Premium, 2014 issue	196,651	-	(196,651)	-
Net Bonded Debt	<u>4,901,651</u>	<u>8,121,283</u>	<u>(4,517,989)</u>	<u>8,504,945</u>
State of CT-Project 200202-C	807,430	-	(807,430)	-
State of CT-Project 200201-C	474,442	-	(474,442)	-
State of CT-Project 200202-CD1	779,615	-	(779,615)	-
State of CT-Project 2016-7039	3,620,760	-	(181,701)	3,439,059
State of CT-Project 2019-7076	1,931,701	200,178	(15,731)	2,116,148
State of CT-Project 2019-7080	2,300,988	913,355	(67,738)	3,146,605
Eversource LED Lighting Loan	48,771	-	(17,213)	31,558
Total Notes Payable	<u>9,963,707</u>	<u>1,113,533</u>	<u>(2,343,870)</u>	<u>8,733,370</u>
Total Indebtedness	14,865,358	<u>\$ 9,234,816</u>	<u>\$ (6,861,859)</u>	17,238,315
Current Maturities	<u>(1,288,531)</u>			<u>(1,404,615)</u>
Long-Term Debt	<u>\$ 13,576,827</u>			<u>\$ 15,833,700</u>

Debt Service Requirements

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	Balance <u>Remaining</u>
2022	\$ 1,404,615	\$ 377,273	\$ 1,781,888	\$ 15,833,700
2023	1,096,191	334,104	1,430,295	14,737,509
2024	1,097,462	308,813	1,406,275	13,640,047
2025	1,184,251	282,302	1,466,553	12,455,796
2026	1,201,218	251,620	1,452,838	11,254,578
2027-2031	4,900,053	862,970	5,763,023	6,354,525
2032-2036	4,225,976	374,543	4,600,519	2,128,549
2037-2041	<u>2,128,549</u>	<u>41,480</u>	<u>2,170,029</u>	-
Totals	<u>\$ 17,238,315</u>	<u>\$ 2,833,105</u>	<u>\$ 20,071,420</u>	

RATIOS

- The Current Ratio measures an organization's liquidity and its ability to pay short-term obligations. It is calculated by dividing current assets by current liabilities.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	7,914,203	7,067,668	7,674,772	6,899,751	9,671,983
Current Liabilities	2,712,233	2,141,975	3,607,598	2,524,449	2,340,002

Current Ratio	2.92	3.30	2.13	2.73	4.13
---------------	------	------	------	------	------



RATIOS

- Debt to Equity Ratio is a measure of an organization's financial leverage.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Liabilities	16,335,769	15,089,606	17,883,587	18,786,220	21,228,103
Total Net Position	39,409,965	40,194,167	41,403,284	42,068,225	42,683,768
<u>Debt to Equity Ratio</u>	0.41	0.38	0.43	0.45	0.50

- BASIC DEFENSE INTERVAL measures the number of days an Organization can continue paying for its cash expenses without any additional funding.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash and Net Receivables	7,645,237	6,860,205	7,452,078	6,538,538	9,173,307
Daily Cash expenses	13,115	13,380	13,897	13,597	13,731
<u>Number of days</u>	583	513	536	481	668

RATIOS

Debt Service Coverage Ratio measures the amount of cash flow available to meet annual interest and principal payments on debt.

	2017	2018	2019	2020	2021
EBITDA*	2,549,168	2,152,100	2,377,124	2,158,776	2,071,991
Total Debt Service	1,258,515	1,456,058	1,431,379	1,442,502	1,635,221
Debt Service Coverage Ratio	2.03	1.48	1.66	1.50	1.27

**Earnings Before Interest, Taxes, Depreciation and Amortization*

Estimated future Debt Service Coverage Ratios:

	2022	2023	2024	2025	2026
EBITDA*	2,261,832	2,261,832	2,261,832	2,261,832	2,261,832
Total Debt Service	1,781,888	1,430,295	1,406,275	1,466,553	1,452,838
Debt Service Coverage Ratio	1.27	1.58	1.61	1.54	1.56

* Assumed average EBITDA of past 5 years



THANK YOU

We would like to thank the Board of Water Commissioners, Superintendent Doug Arndt, Assistant Superintendent Albert Fiorillo, Office Supervisor Maria Nason and the entire staff at the Southington Water Department for the courtesies extended to us during our audit.

SCOTT BURLEIGH, CPA
PARTNER

TEL (860) 677-4697
FAX (860) 674-8196

BUDWITZ & MEYERJACK, P.C.

Certified Public Accountants

322 MAIN STREET
FARMINGTON, CT 06032
SBURLEIGH@budwitzmeyerjack.com

CHESHIRE, CT