

WATER WORKS DEPARTMENT – TOWN OF SOUTHLINGTON, CONNECTICUT
BOARD MEMBERS' PACKAGE
JUNE 30, 2023

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WATER WORKS DEPARTMENT - TOWN OF SOUTHINGTON, CONNECTICUT

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
AND REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

(With Independent Auditors' Report Thereon)

WATER WORKS DEPARTMENT - TOWN OF SOUTHLINGTON, CONNECTICUT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Works Department, Town of Southington, CT, as of June 30, 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Totals

We have previously audited the Department's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 5 through 11 and schedules of the Department's proportionate share of the net pension liability and contributions on pages 39 and 40 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 January 15, 2024, 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, 2023, 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
January 15, 2024

BOARD OF WATER COMMISSIONERS
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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, 2023. 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 2023 financial statements are presented with comparative totals from 2022.

- ❖ The Department's assets and deferred outflows of resources exceeded its liabilities as of June 30, 2023 by \$45,174,474 (net position). Of this amount, \$8,007,269 (unrestricted net position) may be used to meet the Department's ongoing obligations. The Department's net position increased by \$1,297,068 during the current fiscal year and by \$1,155,536 in the prior fiscal year.
- ❖ Total operating revenues increased by \$1,061,530 or 13.9% for the year ended June 30, 2023 from approximately \$7.6 million in 2022 to \$8.67 million in 2023. Most of this increase in revenues occurred in the metered water sales to customers and is largely due to a rate increase and a much dryer summer in the 2023 fiscal year.
- ❖ The largest construction project completed during the year increasing the Department's assets was as follows:

<u>Project Name/Location</u>	<u>Cost</u>
Well 9 Redevelopment	\$ 34,188
	<u>\$ 34,188</u>

Summary of Operations and Changes in Net Position

<u>Revenues:</u>	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Sale of Water	\$ 8,412,683	\$ 7,419,751
Jobbing and Contract Work, Net	86,202	25,645
Other Operating Revenues	<u>173,837</u>	<u>165,796</u>
	8,672,722	7,611,192
<u>Non-Operating Revenues:</u>		
Other Miscellaneous Income	402,715	207,204
Interest Income	<u>144,953</u>	<u>83,673</u>
Total Revenues	<u>9,220,390</u>	<u>7,902,069</u>

Summary of Operations and Changes in Net Position (continued)

	<u>2023</u>	<u>2022</u>
<u>Expenses:</u>		
Utility Operating Expenses	5,294,200	4,600,511
Depreciation, Utility Plant Only	1,475,335	1,400,215
Taxes	200,013	196,535
CT Municipal Employee Pension Expense	667,382	288,677
Loss on Disposal of Assets	1,998	15,332
Interest on Long-Term Debt	290,796	315,404
Total Expenses	<u>7,929,724</u>	<u>6,816,674</u>
Income Before Contributions	1,290,666	1,085,395
Capital Contributions	<u>6,402</u>	<u>70,141</u>
Changes in Net Position	1,297,068	1,155,536
Total Net Position-beginning	<u>43,877,406</u>	<u>42,721,870</u>
Total Net Position-ending	<u>\$45,174,474</u>	<u>\$43,877,406</u>

Capital contributions are revenues from grants, developers and customers for capital water system improvements donated to the Department.

Financial Position Summary

Net position is an indication of the Department's financial strength. The Department's net position as of June 30, 2023 and 2022 is \$45,174,474 and \$43,877,406, respectively. A summary of the Department's financial position is shown below:

	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 12,373,536	\$ 10,820,526
Deferred Outflows of Resources	1,268,438	756,450
Capital and Other Noncurrent Assets	<u>53,975,420</u>	<u>54,598,686</u>
Total Assets and Deferred Outflows of Resources	<u>67,617,394</u>	<u>66,175,662</u>
Current and Other Liabilities	2,641,834	2,641,822
Deferred Inflows of Resources	2,835,290	3,374,507
Noncurrent Liabilities	<u>16,965,796</u>	<u>16,281,927</u>
Total Liabilities and Deferred Inflows of Resources	<u>22,442,920</u>	<u>22,298,256</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	37,167,205	38,702,603
Restricted	-	-
Unrestricted	<u>8,007,269</u>	<u>5,174,803</u>
Total Net Position	<u>\$ 45,174,474</u>	<u>\$ 43,877,406</u>

Total assets increased from June 30, 2022 to June 30, 2023, by approximately \$930,000 or 1.4%.

Deferred outflows of resources increased by approximately \$512,000 in that same period of time due to actuarial calculations related to the municipal employees' pension plan.

Total liabilities increased by approximately \$684,000 from June 30, 2022 to June 30, 2023, or approximately 3.6%. This is primarily due to an increase in the net pension liability due to actuarial calculations related to the municipal employees' pension plan.

Deferred inflows of resources decreased by approximately \$539,000 due to actuarial calculations related to the municipal employees' pension plan.

As a water utility, the Department has a significant investment in infrastructure. The Department's infrastructure includes pipelines, pumping stations, storage tanks, reservoirs, water treatment plants, land and other facilities required in the treatment and distribution of potable water to its customers. The Department's net position also includes funds available to pay for ongoing and future construction or replacements, and/or additions, to this infrastructure. Deferred outflows and inflows of resources increased/decreased due to a change in the actuarial valuation of the Connecticut Municipal Employees' Retirement System in the current year. Long-term liabilities were recorded in both years as a result of a net pension liability related to the Department's proportionate share of the Connecticut Municipal Employees' Retirement System.

Rates and Charges

Consumption in Hundred Cu. FT. (CCF)	<u>2023</u>	<u>2022</u>	<u>2021</u>
0-1000	\$ 4.33/CCF	\$ 3.87/CCF	\$ 3.52/CCF
over 1000	\$ 4.05/CCF	\$ 3.62/CCF	\$ 3.29/CCF
<u>Quarterly Service Charge Rates</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Meter Size</u>	<u>Service Charge</u>	<u>Service Charge</u>	<u>Service Charge</u>
5/8"	\$ 31.99	\$ 28.56	\$ 25.96
3/4"	\$ 31.99	\$ 28.56	\$ 38.49
1"	\$ 47.42	\$ 42.34	\$ 38.49
1-1/2"	\$ 84.36	\$ 75.32	\$ 68.47
2"	\$ 121.27	\$ 108.28	\$ 98.44
3"	\$ 211.20	\$ 188.57	\$ 171.43
4"	\$ 339.65	\$ 303.26	\$ 275.69
6"	\$ 602.99	\$ 538.38	\$ 489.44

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>2023</u>	2023 <u>Budget</u>	<u>2022</u>
Water Sales:			
Metered sales - public	\$ 7,842,881	\$ 8,776,488	\$ 6,880,461
Metered sales - municipal	142,775	142,343	113,626
Private Fire Protection	181,334	222,981	180,620
Public Fire Protection	<u>245,693</u>	<u>302,973</u>	<u>245,044</u>
Total Water Sales	8,412,683	9,444,785	7,419,751
Other Water and Operating Revenue	<u>260,039</u>	<u>248,058</u>	<u>191,441</u>
Total Sales and Revenue	<u>\$ 8,672,722</u>	<u>\$ 9,692,843</u>	<u>\$ 7,611,192</u>

Operating revenues were approximately \$1,020,000, or 10.5% under budget for 2023.

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>2023</u>	2023 <u>Budget</u>	<u>2022</u>
Source of Supply	\$ 196,611	\$ 157,797	\$ 204,328
Pumping	551,299	695,285	602,061
Water Treatment	549,701	468,851	477,167
Transmission and Distribution	1,852,818	1,416,852	1,290,858
Customer Accounts	197,114	217,587	213,883
Administrative and General	<u>1,946,657</u>	<u>2,235,903</u>	<u>1,812,214</u>
Total Functional Expenses	<u>\$ 5,294,200</u>	<u>\$ 5,192,275</u>	<u>\$ 4,600,511</u>

Functional expenses (excluding depreciation and amortization) were approximately \$102,000, or 2% over budget for 2023.

Non-Operating Revenue (Expense)

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

	<u>2023</u>	<u>2022</u>
Interest Income	\$ 144,953	\$ 83,673
Rental Income	162,728	161,653
Other Miscellaneous Income	239,987	45,551
Loss on Disposal of Assets	(1,998)	(15,332)
CT Municipal Employees' Pension expense	(667,382)	(288,677)
Interest Expense	(290,796)	(315,404)
Total Non-Operating Revenue (Expense)	<u>\$ (412,508)</u>	<u>\$ (328,536)</u>

Capital Assets

The Department's investments in capital assets amounted to \$53,975,420 and \$54,598,686 net of accumulated depreciation as of June 30, 2023 and 2022, respectively. The increase (decrease) in capital assets during the fiscal years amounted to (\$623,266) in 2023 and \$1,155,255 in 2022, and is summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital Expenditures	\$ 948,212	\$ 2,679,758
Less: Depreciation	(1,569,480)	(1,509,171)
Less: Scrapped Equipment, Net	(1,998)	(15,332)
	<u>\$ (623,266)</u>	<u>\$ 1,155,255</u>

Debt Administration

Water Bond Debt

As of June 30, 2023 the Department has water bond series outstanding as summarized below:

<u>Bond Series</u>	<u>Outstanding as of June 2023</u>	<u>Outstanding as of June 2022</u>	<u>Principal due 2024</u>
November 2020 Series	\$ 3,409,000	\$ 3,679,000	\$ 262,000
December 2020 Series	1,045,000	1,295,000	265,000
2021 Series	2,250,000	2,375,000	125,000
Bond premium-2021 Series	176,915	186,931	10,014
Total Bond Debt	<u>\$ 6,880,915</u>	<u>\$ 7,535,931</u>	<u>\$ 662,014</u>

Loans Payable

As of June 30, 2023, the Department has five loans payable, three project loans through the State of Connecticut Drinking Water Fund, and two other loans through Eversource Energy as summarized below:

<u>Project</u>	<u>Payable as of June 2023</u>	<u>Payable as of June 2022</u>	<u>Principal due 2024</u>
East Side Pressure Zone	\$ 3,064,579	\$ 3,253,690	\$ 192,928
Well 2A	1,923,234	2,020,655	99,387
Mill Street Tank	2,868,779	3,009,080	143,133
LED Lighting Loan-Eversource Energy	-	17,213	-
LED Lighting Loan-Eversource Energy	46,438	-	18,368
LED Lighting Loan-Eversource Energy	140,493	-	37,516
Total Loans Payable	<u>\$ 8,043,523</u>	<u>\$ 8,300,638</u>	<u>\$ 491,332</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 2024, the Department intends to spend approximately \$4.5 million for capital improvements, including the following major projects:

- Well 10 Treatment Building
- Lead Service Line Removal
- Academy and Oak Streets main replacements
- Vermont Terrace main replacements
- West Queen Street main replacements

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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,255,735	\$ 2,585,647
Certificates of deposit	4,758,792	4,494,378
Accounts receivable, net	117,189	89,759
Accrued unbilled revenue	1,374,992	1,211,576
Lease receivable	2,393,869	2,026,290
Prepaid expenses	12,607	71,570
Inventory - materials and supplies	460,352	341,306
Total Current Assets	<u>12,373,536</u>	<u>10,820,526</u>
NONCURRENT ASSETS:		
Capital assets-nondepreciable	4,113,052	3,716,433
Capital assets-depreciable	<u>82,480,120</u>	<u>81,952,308</u>
	86,593,172	85,668,741
Less accumulated depreciation	<u>(32,617,752)</u>	<u>(31,070,055)</u>
Net Capital Assets	<u>53,975,420</u>	<u>54,598,686</u>
Total Noncurrent Assets	<u>53,975,420</u>	<u>54,598,686</u>
Total Assets	<u>66,348,956</u>	<u>65,419,212</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Employer contributions subsequent to measurement date	367,012	321,485
Deferred actuarial amounts related to pensions	901,426	434,965
Total Deferred Outflows of Resources	<u>1,268,438</u>	<u>756,450</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Current maturities of bonds	662,014	655,014
Current maturities of notes payable	491,332	444,046
Accounts payable	724,481	917,634
Unearned revenue	212,784	125,493
Accrued expenses	551,223	499,635
Total Current Liabilities	<u>2,641,834</u>	<u>2,641,822</u>
NONCURRENT LIABILITIES:		
Bonds payable	6,218,901	6,880,917
Notes payable	7,552,191	7,856,592
Net pension liability	<u>3,194,704</u>	<u>1,544,418</u>
Total Noncurrent Liabilities	<u>16,965,796</u>	<u>16,281,927</u>
Total Liabilities	<u>19,607,630</u>	<u>18,923,749</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred actuarial amounts related to pensions	334,804	1,169,732
Lease related	2,334,331	1,995,470
Deferred amounts on refunding of water revenue bonds	<u>166,155</u>	<u>209,305</u>
Total Deferred Inflows of Resources	<u>2,835,290</u>	<u>3,374,507</u>
NET POSITION:		
Net investment in capital assets	37,167,205	38,702,603
Unrestricted	8,007,269	5,174,803
Total Net Position	<u>\$ 45,174,474</u>	<u>\$ 43,877,406</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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE:		
Metered Sales to Customers:		
Water sales - residential	\$ 6,415,353	\$ 5,656,031
Water sales - commercial	1,205,369	1,034,473
Water sales - industrial	222,159	189,957
Water sales - municipal	<u>142,775</u>	<u>113,626</u>
	7,985,656	6,994,087
Private fire protection	181,334	180,620
Public fire protection	<u>245,693</u>	<u>245,044</u>
Total Sale of Water	8,412,683	7,419,751
OTHER WATER REVENUE:		
Revenue from jobbing and contracts	224,216	126,384
Jobbing and contract expenses	<u>(138,014)</u>	<u>(100,739)</u>
Net Jobbing Revenue	86,202	25,645
Finance charges	44,074	37,576
Line protection	<u>129,763</u>	<u>128,220</u>
Net Other Water Revenue	<u>260,039</u>	<u>191,441</u>
TOTAL SALES AND REVENUE	<u>8,672,722</u>	<u>7,611,192</u>
OPERATING EXPENSES:		
Utility operating expenses	5,294,200	4,600,511
Taxes	200,013	196,535
Depreciation	<u>1,475,335</u>	<u>1,400,215</u>
Total Operating Expenses	<u>6,969,548</u>	<u>6,197,261</u>
UTILITY OPERATING INCOME	1,703,174	1,413,931
OTHER INCOME (EXPENSE):		
Interest income	144,953	83,673
Rental income	162,728	161,653
Other miscellaneous non-operating income	239,987	45,551
Loss on disposal of assets	(1,998)	(15,332)
Connecticut Municipal Employees' pension expense	(667,382)	(288,677)
Interest expense	<u>(290,796)</u>	<u>(315,404)</u>
Total Other Income (Expense)	<u>(412,508)</u>	<u>(328,536)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,290,666	1,085,395
CAPITAL CONTRIBUTIONS	<u>6,402</u>	<u>70,141</u>
INCREASE IN NET POSITION	1,297,068	1,155,536
TOTAL NET POSITION - BEGINNING (as restated)	<u>43,877,406</u>	<u>42,721,870</u>
TOTAL NET POSITION - ENDING	<u>\$ 45,174,474</u>	<u>\$ 43,877,406</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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 8,707,180	\$ 7,681,317
Other miscellaneous receipts	420,738	215,395
Payments to vendors and others	(3,967,686)	(2,783,846)
Payments to employees	<u>(2,132,441)</u>	<u>(2,206,028)</u>
Net Cash Provided by Operating Activities	<u>3,027,791</u>	<u>2,906,838</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on long-term debt	(1,141,370)	(1,401,746)
Interest paid	(337,560)	(377,274)
Acquisition of property and equipment	<u>(712,572)</u>	<u>(2,021,627)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(2,191,502)</u>	<u>(3,800,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	98,213	48,636
Purchases of certificates of deposit	(264,414)	(202,896)
Sale of certificates of deposit	<u>-</u>	<u>3,471,532</u>
Net Cash Provided (Used) By Investing Activities	<u>(166,201)</u>	<u>3,317,272</u>
NET INCREASE IN CASH	670,088	2,423,463
CASH AND EQUIVALENTS - beginning of year	<u>2,585,647</u>	<u>162,184</u>
CASH AND EQUIVALENTS - end of year	<u><u>\$ 3,255,735</u></u>	<u><u>\$ 2,585,647</u></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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,703,174	\$ 1,413,931
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,475,335	1,400,215
Depreciation - allocated to other expenses	94,146	108,957
Other miscellaneous income	449,455	215,395
Pension expense	(667,382)	(288,677)
Changes in:		
Accounts receivable	(190,846)	(53,226)
Lease receivable	(28,718)	-
Prepaid expenses	58,963	160,988
Inventories	(119,046)	(75,188)
Deferred outflows of resources	(511,988)	699,377
Accounts payable	(193,153)	66,783
Unearned revenue	87,291	22,612
Accrued expenses, excluding interest	55,202	(17,163)
Net pension liability	1,650,286	(1,509,983)
Deferred inflows of resources related to pensions	(834,928)	762,817
	<u>\$ 3,027,791</u>	<u>\$ 2,906,838</u>
Net Cash Provided By Operating Activities	<u>\$ 3,027,791</u>	<u>\$ 2,906,838</u>
 NON-CASH CAPITAL FINANCING ACTIVITY:		
Capital assets received directly from developers and customers	<u>\$ 6,402</u>	<u>\$ 70,141</u>
Capital expenditures included in accounts payable	<u>\$ -</u>	<u>\$ 587,991</u>

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

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

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 the financial position and activities of the Water Works Department-Town of Southington, CT and are not intended to present fairly the financial position and activities 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 SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

- 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 Department 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.

The Department assesses the levels of 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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023
 (With Comparative Totals for 2022)

Fair Value Measurements

<u>June 30, 2023:</u>	<u>(Level 2)</u>
Certificates of Deposit	<u>\$ 4,758,792</u>
<u>June 30, 2022:</u>	
Certificates of Deposit	<u>\$ 4,494,378</u>

Certificates of Deposit:

As of June 30, 2023 and 2022, the Department had \$4,758,792 and \$4,494,378, 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 16 months. The certificates mature in 2025 and earn interest at a rate of 4.17%. 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.

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.

Leases:

The Department determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

Lease receivables represent the Department's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

The Department has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statement of net position and fund financial statements.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Town has elected to use the ten year Treasury yield rate to approximate a risk-free borrowing rate to calculate the present value of expected lease payments.

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, fixtures and office	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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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, 2023 and 2022 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.

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:

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Department has one item that qualifies for reporting in this category. The item is related to pensions and represents the effect of the net change in the Department's proportion of the collective net pension liability and difference during the measurement period between the Department's contributions and its proportionate share of total contributions to the pension system not included in pension expense as well as the Department's contributions to the pension systems subsequent to the measurement date.

Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department has three items that qualify for reporting in this category. The first is related to pensions and represents the effect of the net change in the Department's proportion of the collective net pension liability and difference during the measurement periods between the Department's contributions and its proportion share of total contributions to the pension systems not included in the pension expense. The second item is related to the deferred gain the Department realized on its debt refunding. The third item is related to leasing arrangements.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

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 gain/loss 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.

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, 2022, from which the summarized information was obtained.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

Adoption of New Accounting Standards:

Subscription-Based Information Technology Arrangements – In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard requires the recognition of certain right-to-use subscription assets and liabilities for certain contracts that convey control of the right to use another party’s information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Department adopted the requirements of the guidance effective July 1, 2022, at which time the Department evaluated its SBITA’s and determined that they were all considered short term and thus excluded from this guidance. The adoption of this Standard had no effect on the financial statements.

Leases - In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Department adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard retrospectively to all periods presented in these financial statements.

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.

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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
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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, 2023 and 2022, the carrying amounts of the Department’s deposits were \$8,014,527 and \$7,080,025, respectively. Of these balances, \$250,000 was covered by Federal Deposit Insurance at June 30, 2023 and June 30, 2022.

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 \$42,606 in 2023 and \$40,994 in 2022 and invested in the State of Connecticut Short-Term Investment Fund (STIF) are uninsured and uncollateralized.

As of June 30, 2023 and 2022, the cash and cash equivalents balances (including certificates of deposit) at the following institutions were as follows:

	June 30, 2023 Total	June 30, 2022 Total
Thomaston Savings Bank	\$ 7,971,571	\$ 7,038,681
Total Bank Deposits	7,971,571	7,038,681
Add:		
STIF-State of CT	42,606	40,994
Petty Cash	350	350
Total Cash and CD's	\$ 8,014,527	\$ 7,080,025

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

<u>2023</u>	Carrying Amounts	Bank Balance
Demand deposits	\$ 3,212,779	\$ 3,762,693
Time deposits	4,758,792	4,758,792
Short-term investment fund	42,606	42,606
Petty cash	350	-
Total Cash and Investments	<u>\$ 8,014,527</u>	<u>8,564,091</u>
Collateralized		(797,157)
Insured cash - FDIC		(250,000)
Total Uninsured and Uncollateralized Cash & Equivalents		<u>\$ 7,516,934</u>
<u>2022</u>		
Demand deposits	\$ 2,544,303	\$ 3,762,693
Time deposits	4,494,378	4,758,792
Short-term investment fund	40,994	40,994
Petty cash	350	-
Total Cash and Investments	<u>\$ 7,080,025</u>	<u>8,562,479</u>
Collateralized		(797,157)
Insured cash - FDIC		(250,000)
Total Uninsured and Uncollateralized Cash & Equivalents		<u>\$ 7,515,322</u>

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.

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, 2023, 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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

4. ACCOUNTS RECEIVABLE AND ACCRUED UNBILLED REVENUE

Accounts receivable and accrued unbilled revenue consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Trade accounts receivable	\$ 143,333	\$ 110,582
Finance charges receivable	9,777	8,782
Accrued unbilled revenue	<u>1,374,992</u>	<u>1,211,576</u>
	1,528,102	1,330,940
Less allowance for doubtful accounts	<u>(35,921)</u>	<u>(29,605)</u>
Total Accounts Receivable and Accrued Unbilled Revenue	<u>\$ 1,492,181</u>	<u>\$ 1,301,335</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Utility Plant	Balance				Balance
		<u>6/30/22</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>6/30/23</u>
<u>Capital Assets, Not Being Depreciated:</u>						
Land		\$ 2,642,020	\$ -	\$ -	\$ -	\$ 2,642,020
Construction in progress		687,446	430,807	-	(34,188)	1,084,065
Other non-depreciable assets		<u>386,967</u>	-	-	-	<u>386,967</u>
Total Capital Assets, Not Being Depreciated		<u>3,716,433</u>	<u>430,807</u>	<u>-</u>	<u>(34,188)</u>	<u>4,113,052</u>
<u>Capital Assets, Being Depreciated:</u>						
Buildings and improvements		17,725,715	241,087	-	-	17,966,802
Machinery and equipment		1,119,696	86,324	-	-	1,206,020
Vehicles		1,071,069	141,553	(20,205)	-	1,192,417
Furniture, fixtures and office		1,865,970	1,100	-	-	1,867,070
Water systems		<u>60,169,858</u>	<u>47,341</u>	<u>(3,576)</u>	<u>34,188</u>	<u>60,247,811</u>
Total Capital Assets, Being Depreciated		<u>81,952,308</u>	<u>517,405</u>	<u>(23,781)</u>	<u>34,188</u>	<u>82,480,120</u>
<u>Less Accumulated Depreciation for:</u>						
Buildings and improvements		5,315,773	445,605	-	-	5,761,378
Machinery and equipment		774,544	43,014	-	-	817,558
Vehicles		936,327	59,538	(20,205)	-	975,660
Furniture, fixtures and office		1,776,730	27,344	-	-	1,804,074
Water systems		<u>22,266,681</u>	<u>993,979</u>	<u>(1,578)</u>	<u>-</u>	<u>23,259,082</u>
Total Accumulated Depreciation		<u>31,070,055</u>	<u>1,569,480</u>	<u>(21,783)</u>	<u>-</u>	<u>32,617,752</u>
Total Capital Assets, Being Depreciated, Net		<u>50,882,253</u>	<u>(1,052,075)</u>	<u>(1,998)</u>	<u>34,188</u>	<u>49,862,368</u>
Capital Assets, Net		<u>\$ 54,598,686</u>	<u>\$ (621,268)</u>	<u>\$ (1,998)</u>	<u>\$ -</u>	<u>\$ 53,975,420</u>

WATER WORKS DEPARTMENT-TOWN OF SOUTHWINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(With Comparative Totals for 2022)

Capital assets activity for the year ended June 30, 2022 was as follows:

<u>Utility Plant</u>	Balance <u>6/30/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>6/30/22</u>
<u>Capital Assets, Not Being Depreciated:</u>					
Land	\$ 2,352,373	\$ 289,647	\$ -	\$ -	\$ 2,642,020
Construction in progress	4,286,484	1,010,554	-	(4,609,592)	687,446
Other non-depreciable assets	386,967	-	-	-	386,967
Total Capital Assets, Not Being Depreciated	<u>7,025,824</u>	<u>1,300,201</u>	<u>-</u>	<u>(4,609,592)</u>	<u>3,716,433</u>
<u>Capital Assets, Being Depreciated:</u>					
Buildings and improvements	16,949,746	775,969	-	-	17,725,715
Machinery and equipment	1,096,044	23,652	-	-	1,119,696
Vehicles	1,069,603	1,466	-	-	1,071,069
Furniture, fixtures and office	1,814,625	51,345	-	-	1,865,970
Water systems	55,083,887	527,126	(50,747)	4,609,592	60,169,858
Total Capital Assets, Being Depreciated	<u>76,013,905</u>	<u>1,379,558</u>	<u>(50,747)</u>	<u>4,609,592</u>	<u>81,952,308</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings and improvements	4,876,388	439,385	-	-	5,315,773
Machinery and equipment	729,020	45,524	-	-	774,544
Vehicles	865,508	70,819	-	-	936,327
Furniture, fixtures and office	1,751,324	25,406	-	-	1,776,730
Water systems	21,374,058	928,038	(35,415)	-	22,266,681
Total Accumulated Depreciation	<u>29,596,298</u>	<u>1,509,172</u>	<u>(35,415)</u>	<u>-</u>	<u>31,070,055</u>
Total Capital Assets, Being Depreciated, Net	<u>46,417,607</u>	<u>(129,614)</u>	<u>(15,332)</u>	<u>4,609,592</u>	<u>50,882,253</u>
Capital Assets, Net	<u>\$ 53,443,431</u>	<u>\$ 1,170,587</u>	<u>\$ (15,332)</u>	<u>\$ -</u>	<u>\$ 54,598,686</u>

6. WATER BONDS PAYABLE AND NOTES PAYABLE

Long-term obligations as of June 30, 2023, the increases and decreases in those obligations and the resulting ending balances as of June 30, 2023 are as follows:

	<u>Outstanding</u>				<u>Current Maturities</u>
	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	
Water bonds, November 2020 issue	\$ 3,679,000	\$ -	\$ (270,000)	\$ 3,409,000	\$ 262,000
Water bonds, December 2020 issue	1,295,000	-	(250,000)	1,045,000	265,000
Water bonds, 2021 issue	2,375,000	-	(125,000)	2,250,000	125,000
Total Bonded Debt	<u>7,349,000</u>	<u>-</u>	<u>(645,000)</u>	<u>6,704,000</u>	<u>652,000</u>
Unamortized Premium, 2021 issue	186,931	-	(10,016)	176,915	10,014
Net Bonded Debt	<u>7,535,931</u>	<u>-</u>	<u>(655,016)</u>	<u>6,880,915</u>	<u>662,014</u>

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	Outstanding			June 30, 2023	Current Maturities
	June 30, 2022	Increases	Decreases		
State of CT-Project 2016-7039	3,253,690	-	(189,111)	3,064,579	192,928
State of CT-Project 2019-7076	2,020,655	-	(97,421)	1,923,234	99,387
State of CT-Project 2019-7080	3,009,080	-	(140,301)	2,868,779	143,133
Eversource LED Lighting Loan	17,213	-	(17,213)	-	-
Eversource LED Lighting Loan	-	73,484	(27,046)	46,438	18,368
Eversource LED Lighting Loan	-	155,755	(15,262)	140,493	37,516
Total Notes Payable	<u>8,300,638</u>	<u>229,239</u>	<u>(486,354)</u>	<u>8,043,523</u>	<u>491,332</u>
Total Indebtedness	15,836,569	<u>\$ 229,239</u>	<u>\$ (1,141,370)</u>	14,924,438	<u>\$ 1,153,346</u>
Current Maturities	<u>(1,099,060)</u>			<u>(1,153,346)</u>	
Long-Term Debt	<u>\$ 14,737,509</u>			<u>\$ 13,771,092</u>	

Long-term obligations as of June 30, 2022, the increases and decreases in those obligations and the resulting ending balances as of June 30, 2022 are as follows:

	Outstanding			June 30, 2022	Current Maturities
	June 30, 2021	Increases	Decreases		
Water bonds, 2014 issue	\$ 295,000	\$ -	\$ (295,000)	\$ -	\$ -
Water bonds, 2019 issue	289,000	-	(289,000)	-	-
Water bonds, November 2020 issue	3,679,000	-	-	3,679,000	270,000
Water bonds, December 2020 issue	1,545,000	-	(250,000)	1,295,000	250,000
Water bonds, 2021 issue	2,500,000	-	(125,000)	2,375,000	125,000
Total Bonded Debt	<u>8,308,000</u>	-	<u>(959,000)</u>	<u>7,349,000</u>	<u>645,000</u>
Unamortized Premium, 2021 issue	196,945	-	(10,014)	186,931	10,014
Net Bonded Debt	<u>8,504,945</u>	-	<u>(969,014)</u>	<u>7,535,931</u>	<u>655,014</u>
State of CT-Project 2016-7039	3,439,059	-	(185,369)	3,253,690	189,111
State of CT-Project 2019-7076	2,116,148	-	(95,493)	2,020,655	97,421
State of CT-Project 2019-7080	3,146,605	-	(137,525)	3,009,080	140,301
Eversource LED Lighting Loan	31,558	-	(14,345)	17,213	17,213
Total Notes Payable	<u>8,733,370</u>	-	<u>(432,732)</u>	<u>8,300,638</u>	<u>444,046</u>
Total Indebtedness	17,238,315	<u>\$ -</u>	<u>\$ (1,401,746)</u>	15,836,569	<u>\$ 1,099,060</u>
Current Maturities	<u>(1,404,615)</u>			<u>(1,099,060)</u>	
Long-Term Debt	<u>\$ 15,833,700</u>			<u>\$ 14,737,509</u>	

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
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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 amounts of \$22,650 and \$24,799 at June 30, 2023 and 2022, respectively, are 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 amounts of \$143,505 and \$184,506 at June 30, 2023 and 2022, respectively, are reported as a deferred inflow of resources.

Water bonds outstanding as of June 30, 2023 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
Nov-20	\$ 3,409,000	0.37% - 2.41%	01/15/34
Dec-20	1,045,000	4.0% - 5.0%	06/01/29
2021	2,250,000	2.0% - 4.0%	01/15/41
Total Outstanding	<u>\$ 6,704,000</u>		

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, 2023 amounted to \$1,009,111, leaving a balance of \$3,064,579 as of June 30, 2023.

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, 2023 amounted to \$208,645, leaving a balance of \$1,923,234 as of June 30, 2023.

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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, 2023 amounted to \$345,564, leaving a balance of \$2,868,779 as of June 30, 2023.

Eversource Energy provided a loan of \$51,639 for LED energy efficient lighting. The loan was repayable over three years with monthly interest free payments of \$1,434. The Department 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%. This loan was paid in full during 2023.

Eversource Energy provided an interest free loan of \$75,737 for LED energy efficient lighting, repayable in monthly installments of \$1,578 over a period of four years. Using a discount rate of 1.487% which was the 10 year Treasury yield at the time of the loan, the amount was discounted to \$73,484. Total principal repayments on this loan through June 30, 2023 amounted to \$27,046, leaving a balance of \$46,438 as of June 30, 2023.

Eversource Energy provided an interest free loan of \$166,723 for LED energy efficient lighting, repayable in monthly installments of \$3,473 over a period of four years. Using a discount rate of 3.375% which was the 10 year Treasury yield at the time of the loan, the amount was discounted to \$155,755. Total principal repayments on this loan through June 30, 2023 amounted to \$15,262, leaving a balance of \$140,493 as of June 30, 2023.

Summary of Annual Debt Service Requirements:

The annual debt service requirements on water bonds and commercial notes outstanding at June 30, 2023 are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance Remaining</u>
2024	\$ 1,153,346	\$ 313,544	\$ 1,466,890	\$ 13,771,092
2025	1,241,697	285,472	1,527,169	12,529,395
2026	1,250,776	253,210	1,503,986	11,278,619
2027	1,115,408	219,481	1,334,889	10,163,211
2028	991,698	191,923	1,183,621	9,171,513
2029-2033	4,718,200	658,802	5,377,002	4,453,313
2034-2038	3,459,189	209,061	3,668,250	994,124
2039-2043	994,124	-	994,124	-
Totals	<u>\$ 14,924,438</u>	<u>\$ 2,131,493</u>	<u>\$ 17,055,931</u>	

WATER WORKS DEPARTMENT-TOWN OF SOUTHINGTON, CONNECTICUT
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7. ACCRUED EXPENSES

The components of accrued expenses at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Accrued interest expense	\$ 52,497	\$ 56,111
Accrued payroll, taxes and benefits	52,360	39,371
Accrued vacation and sick leave	445,738	403,240
Other accrued expenses	628	913
Total Accrued Expenses	\$ 551,223	\$ 499,635

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. Those reports can be obtained at www.ct.gov.

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.

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Participants who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the Department are eligible for benefits based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of the disability. Participants who have 10 years of service and have a non-service related total and permanent disability are eligible for a service retirement allowance based on compensation and service to the date of the disability.

The plan also offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

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, 2023 and 2022, the Department reported liabilities of \$3,194,704 and \$1,544,418, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 and 2022, the Department's proportion was 0.710560% and 0.652544%, respectively, based on the June 30, 2022 and 2021 measurement dates.

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For the years ended June 30, 2023 and 2022, the Department recognized pension expenses of \$667,382 and \$288,677, respectively. At June 30, 2023 and 2022, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 470,219	\$ -	\$ -	\$ 661,648
Change of assumptions	-	-	207,748	-
Department contributions subsequent to the measurement date	367,012	-	321,485	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	191,151	199,952	92,775	282,358
Differences between expected and actual experience	<u>240,056</u>	<u>134,852</u>	<u>134,442</u>	<u>225,726</u>
	<u>\$ 1,268,438</u>	<u>\$ 334,804</u>	<u>\$ 756,450</u>	<u>\$ 1,169,732</u>

Department contributions, subsequent to the measurement date of June 30, 2022, of \$367,012 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, 2024.

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:

2024	\$ 69,442
2025	99,280
2026	65,318
2027	<u>332,581</u>
	<u>\$ 566,621</u>

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Payable to the Pension Plan:

At June 30, 2023 and 2022, the Department reported payables of \$-0-, for the outstanding amounts of contributions to the pension plan required for the years ended June 30, 2023 and 2022.

Actuarial Assumptions:

The total pension liability as of the measurement date was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.00%
Salary increases	3.50% - 10.00%

Mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB.

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%.

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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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The target asset allocations and best estimates of arithmetic real rates of return for each major asset class for 2022 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	37.0%	6.9%
Public Credit	2.0%	2.9%
Core Fixed Income	13.0%	40.0%
Liquidity Fund	1.0%	-40.0%
Risk Mitigation	5.0%	10.0%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.2%
Real Estate	10.0%	6.3%
Infra. & Natural Resources	<u>7.0%</u>	7.7%
	<u>100.0%</u>	

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
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Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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:

	2023		
	Decrease (6.00%)	Discount (7.00%)	Increase (8.00%)
Department's Proportionate Share of the Net Pension Liability	<u>\$ 4,374,701</u>	<u>\$ 3,194,704</u>	<u>\$ 2,195,829</u>
	2022		
	Decrease (6.00%)	Discount (7.00%)	Increase (8.00%)
Department's Proportionate Share of the Net Pension Liability	<u>\$ 2,577,697</u>	<u>\$ 1,544,418</u>	<u>\$ 654,739</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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHINGTON, CONNECTICUT
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Pension Plan Fiduciary Net Position:

The components of net pension liability of all participating employers as of the respective measurement dates were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Measurement date		
Employers' total pension liability	\$4,395,383,324	\$4,077,803,534
Plan fiduciary net position	<u>3,020,028,169</u>	<u>3,367,803,463</u>
Total Employers' Net Pension Liability	<u>\$1,375,355,155</u>	<u>\$ 710,000,071</u>
Ratio of Plan Fiduciary Net Position to the Employers' Total Pension Liability	68.71%	82.59%

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.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2024, 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.

WATER WORKS DEPARTMENT-TOWN OF SOUTHLINGTON, CONNECTICUT
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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. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. Effective for fiscal years beginning after June 15, 2023.

Statement No. 101 – Compensated Absences. Effective for fiscal years beginning after December 15, 2023.

Statement No. 102 – Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

WATER WORKS DEPARTMENT - TOWN OF SOUTHTINGTON, CONNECTICUT
 SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY
 AS OF JUNE 30, 2023

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years (only 9 years shown; periods prior to implementation of GASB 68 are unavailable and will be completed as they become available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Department's proportion of the net pension liability	0.710560%	0.652544%	0.777791%	0.727467%	0.677382%	0.710546%	0.710546%	0.711024%	0.711024%
Department's proportionate share of the net pension liability	\$ 3,194,704	\$ 1,544,418	\$ 3,054,401	\$ 2,684,944	\$ 2,590,707	\$ 1,174,539	\$ 1,394,642	\$ 973,468	\$ 731,415
Department's covered-employee payroll	\$ 2,001,589	\$ 1,766,973	\$ 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	159.61%	87.40%	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	68.71%	82.59%	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 SOUTHTONING, CONNECTICUT
 SCHEDULE OF THE DEPARTMENT'S PENSION CONTRIBUTIONS
 AS OF JUNE 30, 2023

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years (only 9 years shown; periods prior to implementation of GASB 68 are unavailable and will be completed as they become available)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 667,382	\$ 288,677	\$ 785,129	\$ 781,016	\$ 370,604	\$ 279,133	\$ 334,550	\$ 179,962	\$ 132,089
Contributions in relation to the contractually required contribution	<u>(667,382)</u>	<u>(288,677)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 2,001,589	\$ 1,766,973	\$ 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	33.34%	16.34%	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, 2023

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Operating Revenues:</u>			
Water sales	\$ 9,444,785	\$ 8,412,683	\$ (1,032,102)
Other water revenue	248,058	260,039	11,981
Total Operating Revenues	<u>9,692,843</u>	<u>8,672,722</u>	<u>(1,020,121)</u>
<u>Non-Operating Revenues:</u>			
Interest income	41,450	144,953	103,503
Other income	163,550	402,715	239,165
Total Non-Operating Revenues	<u>205,000</u>	<u>547,668</u>	<u>342,668</u>
Total Revenues	<u>9,897,843</u>	<u>9,220,390</u>	<u>(677,453)</u>
<u>Operating Expenses:</u>			
Utility operating expenses	5,192,275	5,294,200	(101,925)
Taxes	205,000	200,013	4,987
Depreciation	1,350,000	1,475,335	(125,335)
Total Operating Expenses	<u>6,747,275</u>	<u>6,969,548</u>	<u>(222,273)</u>
<u>Non-Operating Expenses:</u>			
Loss on disposals of assets	-	(1,998)	(1,998)
Interest expense	(334,104)	(290,796)	43,308
Total Non-Operating Expenses	<u>(334,104)</u>	<u>(292,794)</u>	<u>41,310</u>
Income Before Capital Contributions and Pension Expense	<u>\$ 2,816,464</u>	<u>\$ 1,958,048</u>	<u>\$ (858,416)</u>

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT
STATEMENT OF CURRENT AND LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2023

DEBT MATURING WITHIN ONE YEAR:

Water Bonds, November 2020 Issue	\$ 262,000
Water Bonds, December 2020 Issue	265,000
Water Bonds, January 2021 Issue	125,000
State of CT Project Loan 2016-7039	192,928
State of CT Project Loan 2019-7076	99,387
State of CT Project Loan 2019-7080	143,133
Eversource Electric LED Lighting Loans	55,884
Amortization of bond premium	<u>10,014</u>
Total Debt Maturing Within One Year	<u>\$ 1,153,346</u>

LONG-TERM DEBT, NET OF CURRENT MATURITIES:

Water Bonds, November 2020 Issue	3,147,000
Water Bonds, December 2020 Issue	780,000
Water Bonds, January 2021 Issue	2,125,000
State of CT Project Loan 2016-7039	2,871,651
State of CT Project Loan 2019-7076	1,823,847
State of CT Project Loan 2019-7080	2,725,646
Eversource Electric LED Lighting Loans	131,047
Amortization of bond premium	<u>166,901</u>
Total Long-Term Debt	<u>13,771,092</u>

Total Current and Long-Term Debt \$ 14,924,438

SCHEDULE OF DEBT PAYMENTS ON LONG-TERM DEBT:

June 30, 2024	\$ 1,153,346
June 30, 2025	1,241,697
June 30, 2026	1,250,776
June 30, 2027	1,115,408
June 30, 2028	991,698
Future Years	<u>9,171,513</u>
	<u>\$ 14,924,438</u>

WATER WORKS DEPARTMENT - TOWN OF SOUTHTON, CONNECTICUT
STATEMENT OF UTILITY OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<u>Source of Supply Expenses:</u>		
Operating labor and expenses	\$ 71,544	\$ 46,600
Maintenance of reservoirs and other source structures	<u>125,067</u>	<u>157,728</u>
Total Source of Supply Expenses	<u>196,611</u>	<u>204,328</u>
<u>Pumping Expenses:</u>		
Pumping labor and expenses	128,430	112,119
Maintenance of pumping equipment	103,184	104,439
Fuel or power purchased for pumping	<u>319,685</u>	<u>385,503</u>
Total Pumping Expenses	<u>551,299</u>	<u>602,061</u>
<u>Water Treatment Expenses:</u>		
Purification labor and expenses	213,138	212,503
Chemicals	236,883	171,171
Maintenance of water treatment equipment	<u>99,680</u>	<u>93,493</u>
Total Water Treatment Expenses	<u>549,701</u>	<u>477,167</u>
<u>Transmission and Distribution Expenses:</u>		
Storage facilities, labor and expenses	182,835	62,326
Transmission and distribution lines expenses	206,375	216,964
Meter expenses	41,103	32,570
Customer installation expenses	49,473	32,771
Maintenance of distribution mains, improvements, reservoirs & standpipes	154,552	135,113
Maintenance of services	169,228	109,191
Maintenance of meters	231,488	266,392
Maintenance of hydrants	163,066	113,739
Maintenance of mains	<u>654,698</u>	<u>321,792</u>
Total Transmission and Distribution Expenses	<u>1,852,818</u>	<u>1,290,858</u>
<u>Customer Accounts and Collection Expenses:</u>		
Meter reading	117,976	113,693
Customers' records and collection expenses	<u>79,138</u>	<u>100,190</u>
Total Customer Accounts and Collection Expenses	<u>197,114</u>	<u>213,883</u>
<u>Administrative and General Expenses:</u>		
Salaries of superintendent and general salaries	363,060	331,861
General office supplies and expenses	177,713	135,251
Outside services employed	180,598	101,541
Property insurance and other	296,813	285,755
Pensions and other employee benefits	732,741	801,077
Maintenance of structures and improvements, general	82,146	72,076
Miscellaneous general expenses	<u>113,586</u>	<u>84,653</u>
Total Administrative and General Expenses	<u>1,946,657</u>	<u>1,812,214</u>
Total Utility Operating Expenses	<u>\$ 5,294,200</u>	<u>\$ 4,600,511</u>

WATER WORKS DEPARTMENT, TOWN OF SOUTHBINGTON, CONNECTICUT
LIST OF OFFICERS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Board of Water Commissioners:</u>	<u>Term Expires</u>
Ralph Warner, President	2027
Rudolph Cabata, Vice President	2025
Ron Lamoreux, Secretary/Treasurer	2027
Thomas J. Murphy	2025
Robert Berkmoes	2027
Domenic Perone, Jr.	2027

Other:

Douglas R. Arndt, Superintendent
Albert T. Fiorillo, Assistant Superintendent

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
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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, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated January 15, 2024.

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

January 15, 2024

INDEPENDENT AUDITORS' COMMUNICATION
TO THOSE CHARGED WITH GOVERNANCE OF
WATER WORKS DEPARTMENT – TOWN OF SOUTHLINGTON, CONNECTICUT
JUNE 30, 2023

BUDWITZ & MEYERJACK, P.C.
Certified Public Accountants

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January 15, 2024

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, 2023 and have issued our report thereon dated January 15, 2024. 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 30, 2023. 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 subscription-based information technology arrangements (SBITA's) by adopting GASB Statement No. 96 in 2023. 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 did not receive completed financial statements until January 2024. We had to file for a 30 day extension with the State of Connecticut Office of Policy & Management, since the audit was due December 31, 2023. Management and the accounting staff should be more diligent in closing the books timely going forward.

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 January 15, 2024.

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.

The policies and procedures adopted by Department state that the Superintendent shall open and review the bank statements and initial them to document their review. We reviewed all twelve operating bank statements and reconciliations and noted that only one was initialed by the Superintendent. We would recommend that the Superintendent open all bank statements and initial them before the Office Manager performs the reconciliation. The Superintendent should also review and initial the reconciliation report after it is completed.

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, 2023 AUDIT

Board Presentation

February 8, 2024

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 (Page 12)**
 - “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.
- Difficulties performing the audit – We did not get final financial statements until January 2024.

Financial Position Summary

	<u>2023</u>	<u>2022</u>	<u>\$ change</u>	<u>% change</u>
Current Assets	\$ 12,373,536	\$ 10,820,526	\$ 1,553,010	14.35%
Capital Assets	53,975,420	54,598,686	(623,266)	-1.14%
Deferred Outflows of Resources	<u>1,268,438</u>	<u>756,450</u>	<u>511,988</u>	67.68%
Total Assets & Deferred Outflows of Resources	<u>67,617,394</u>	<u>66,175,662</u>	<u>1,441,732</u>	2.18%
Current Liabilities	2,641,834	2,641,822	12	0.00%
Noncurrent Liabilities	16,965,796	16,281,927	683,869	4.20%
Deferred Inflows of Resources	<u>2,835,290</u>	<u>3,374,507</u>	<u>(539,217)</u>	N/A
Total Liabilities & Deferred Inflows of Resources	<u>22,442,920</u>	<u>22,298,256</u>	<u>144,664</u>	0.65%
Net Position:				
Invested in Capital Assets, Net of Related Debt	37,167,205	38,702,603	(1,535,398)	-3.97%
Unrestricted	<u>8,007,269</u>	<u>5,174,803</u>	<u>2,832,466</u>	54.74%
Total Net Position	<u>\$ 45,174,474</u>	<u>\$ 43,877,406</u>	<u>\$ 1,297,068</u>	2.96%

Summary of Operations & Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>\$ change</u>	<u>% change</u>
<u>Revenues:</u>				
Operating Revenues:				
Sale of Water	\$ 8,412,683	\$ 7,419,751	\$ 992,932	13.38%
Jobbing and Contract Work, Net	86,202	25,645	60,557	236.14%
Other Operating Revenues	<u>173,837</u>	<u>165,796</u>	<u>8,041</u>	4.85%
	8,672,722	7,611,192	1,061,530	13.95%
Non Operating Revenues:				
Other Miscellaneous Income	239,987	45,551	194,436	426.85%
Rental income	162,728	161,653	1,075	0.67%
Investment Income	<u>144,953</u>	<u>83,673</u>	<u>61,280</u>	73.24%
Total Revenues	<u>9,220,390</u>	<u>7,902,069</u>	<u>1,318,321</u>	16.68%
<u>Expenses:</u>				
Utility Operating Expenses	5,294,200	4,600,511	693,689	15.08%
Depreciation, Utility Plant Only	1,475,335	1,400,215	75,120	5.36%
Taxes	200,013	196,535	3,478	1.77%
Loss on Disposal of Assets	1,998	15,332	(13,334)	-86.97%
CMERS Pension Expense	667,382	288,677	378,705	131.19%
Interest on Long-Term Debt	<u>290,796</u>	<u>315,404</u>	<u>(24,608)</u>	-7.80%
Total Expenses	<u>7,929,724</u>	<u>6,816,674</u>	<u>1,113,050</u>	16.33%
Income Before Contributions	1,290,666	1,085,395	205,271	18.91%
Capital Contributions	<u>6,402</u>	<u>70,141</u>	<u>(63,739)</u>	-90.87%
Changes in Net Position	1,297,068	1,155,536	141,532	12.25%
Total Net Position-beginning	<u>43,877,406</u>	<u>42,721,870</u>	<u>1,155,536</u>	2.70%
Total Net Position-ending	<u>\$ 45,174,474</u>	<u>\$ 43,877,406</u>	<u>\$ 1,297,068</u>	2.96%

Summary of Operating Revenues

	<u>2023</u>	<u>2022</u>	<u>\$ change</u>	<u>% change</u>
Water Sales:				
Residential	\$ 6,415,353	\$ 5,656,031	\$ 759,322	13.42%
Commercial	1,205,369	1,034,473	170,896	16.52%
Industrial	222,159	189,957	32,202	16.95%
Municipal	142,775	113,626	29,149	25.65%
Private Fire Protection	181,334	180,620	714	0.40%
Public Fire Protection	245,693	245,044	649	0.26%
Total Water Sales	<u>8,412,683</u>	<u>7,419,751</u>	<u>992,932</u>	<u>13.38%</u>
Other Water and Operating Revenue	<u>260,039</u>	<u>191,441</u>	<u>68,598</u>	<u>35.83%</u>
Total Operating Revenue	<u><u>\$ 8,672,722</u></u>	<u><u>\$ 7,611,192</u></u>	<u><u>\$ 1,061,530</u></u>	<u><u>13.95%</u></u>

Summary of Utility Operating Expenses

	<u>2023</u>	<u>2022</u>	<u>\$ change</u>	<u>% change</u>
Source of Supply Expenses	\$ 196,611	\$ 204,328	\$ (7,717)	-3.78%
Pumping Expenses	551,299	602,061	(50,762)	-8.43%
Water Treatment Expenses	549,701	477,167	72,534	15.20%
Transmission and Distribution Expenses	1,852,818	1,290,858	561,960	43.53%
Customer Accounts Expense	197,114	213,883	(16,769)	-7.84%
Administrative and General Expenses	1,946,657	1,812,214	134,443	7.42%
Total Utility Operating Expenses	<u>\$ 5,294,200</u>	<u>\$ 4,600,511</u>	<u>\$ 693,689</u>	15.08%

SCHEDULE OF ACTUAL RESULTS VS. BUDGET

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Operating Revenues:</u>			
Water sales	\$ 9,444,785	\$ 8,412,683	\$ (1,032,102)
Other water revenue	248,058	260,039	11,981
Total Operating Revenues	<u>9,692,843</u>	<u>8,672,722</u>	<u>(1,020,121)</u>
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Other income	163,550	402,715	239,165
Total Non-Operating Revenues	<u>205,000</u>	<u>547,668</u>	<u>342,668</u>
Total Revenues	<u>9,897,843</u>	<u>9,220,390</u>	<u>(677,453)</u>
<u>Operating Expenses:</u>			
Utility operating expenses	5,192,275	5,294,200	(101,925)
Taxes	205,000	200,013	4,987
Depreciation	1,350,000	1,475,335	(125,335)
Total Operating Expenses	<u>6,747,275</u>	<u>6,969,548</u>	<u>(222,273)</u>
<u>Non-Operating Expenses:</u>			
Loss on disposals of assets	-	(1,998)	(1,998)
Interest expense	(334,104)	(290,796)	43,308
Total Non-Operating Expenditures	<u>(334,104)</u>	<u>(292,794)</u>	<u>41,310</u>
Income Before Capital Contributions and Depreciation Expense	<u>\$ 2,816,464</u>	<u>\$ 1,958,048</u>	<u>\$ (858,416)</u>

Summary of Cash Flows

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities	\$ 3,027,791	\$ 2,906,838
Cash Flows From Capital and Related Financing Activities:		
Principal and interest payments	(1,478,930)	(1,779,020)
Capital expenditures	<u>(712,572)</u>	<u>(2,021,627)</u>
	<u>(2,191,502)</u>	<u>(3,800,647)</u>
Cash Flows From Investing Activities:		
Interest received on investments	98,213	48,636
Net (purchases) sales of certificates of deposit	<u>(264,414)</u>	<u>3,268,636</u>
	<u>(166,201)</u>	<u>3,317,272</u>
Net Increase (Decrease) in Cash	670,088	2,423,463
Cash and Equivalents-Beginning of year	<u>2,585,647</u>	<u>162,184</u>
Cash and Equivalents-End of year	<u>\$ 3,255,735</u>	<u>\$ 2,585,647</u>

Summary of Debt

	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
Water bonds, November 2020 issue	\$ 3,679,000	-	\$ (270,000)	\$ 3,409,000
Water bonds, December 2020 issue	1,295,000	-	(250,000)	1,045,000
Water bonds, 2021 issue	<u>2,375,000</u>	-	(125,000)	<u>2,250,000</u>
Total Bonded Debt	7,349,000	-	(645,000)	6,704,000
Unamortized Premium, 2021 issue	<u>186,931</u>	-	(10,016)	<u>176,915</u>
Net Bonded Debt	<u>7,535,931</u>	-	(655,016)	<u>6,880,915</u>
State of CT-Project 2016-7039	3,253,690	-	(189,111)	3,064,579
State of CT-Project 2019-7076	2,020,655	-	(97,421)	1,923,234
State of CT-Project 2019-7080	3,009,080	-	(140,301)	2,868,779
Eversource LED Lighting Loan	17,213	-	(17,213)	-
Eversource LED Lighting Loan	-	73,484	(27,046)	46,438
Eversource LED Lighting Loan	-	155,755	(15,262)	140,493
Total Notes Payable	<u>8,300,638</u>	<u>229,239</u>	<u>(486,354)</u>	<u>8,043,523</u>
Total Indebtedness	<u>15,836,569</u>	<u>\$ 229,239</u>	<u>\$ (1,141,370)</u>	<u>14,924,438</u>
Current Maturities	<u>(1,099,060)</u>			<u>(1,153,346)</u>
Long-Term Debt	<u>\$ 14,737,509</u>			<u>\$ 13,771,092</u>

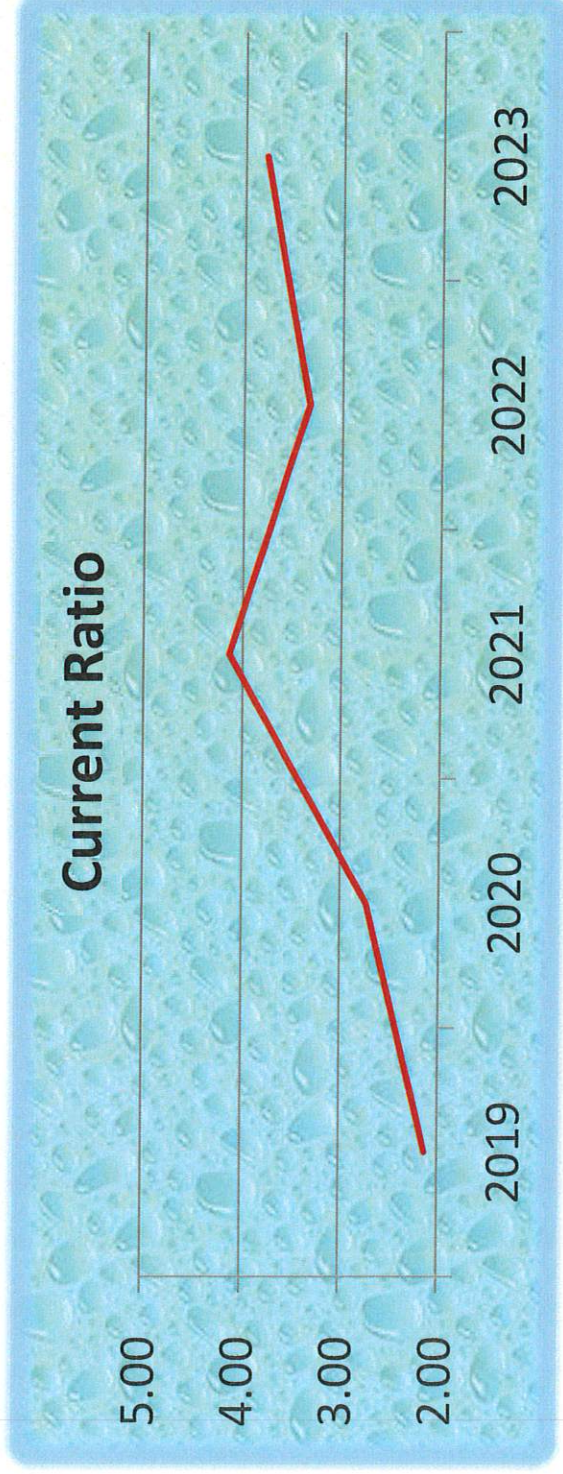
Debt Service Requirements

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	Balance <u>Remaining</u>
2024	\$ 1,153,346	\$ 313,544	\$ 1,466,890	\$ 13,771,092
2025	1,241,697	285,472	1,527,169	12,529,395
2026	1,250,776	253,210	1,503,986	11,278,619
2027	1,115,408	219,481	1,334,889	10,163,211
2028	991,698	191,923	1,183,621	9,171,513
2029-2033	4,718,200	658,802	5,377,002	4,453,313
2034-2038	3,459,189	209,061	3,668,250	994,124
2039-2043	<u>994,124</u>	-	<u>994,124</u>	-
Totals	<u>\$ 14,924,438</u>	<u>\$ 2,131,493</u>	<u>\$ 17,055,931</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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Current Assets	7,674,772	6,899,751	9,671,983	8,794,236	9,979,667
Current Liabilities	3,607,598	2,524,449	2,340,002	2,641,822	2,641,834
Current Ratio	2.13	2.73	4.13	3.33	3.78



RATIOS

- Accounts Receivable Turnover measures how efficiently an Organization collects its debts. It calculates how many times on average accounts receivable turns over during the year.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net Credit Sales	6,889,089	7,347,307	7,669,210	7,611,192	8,672,722
Avg. Accts. Receivable	1,059,838	1,164,437	1,247,030	1,274,722	1,396,758
A/R Turnover	6.50	6.31	6.15	5.97	6.21

- Number of Days Sales in Accounts Receivable indicates the average number of days it takes to collect an account receivable.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Accounts Receivable	1,082,923	1,245,951	1,248,109	1,301,335	1,492,181
Avg. Daily Sales	18,874	20,130	21,012	20,853	23,761
# of Days Sales in A/R	57.38	61.90	59.40	62.41	62.80

RATIOS

Debt Service Coverage Ratio measures the amount of cash flow available to meet annual interest and principal payments on debt. (1.25 or higher is considered “strong.”)

	2019	2020	2021	2022	2023
EBITDA	2,377,124	2,158,776	2,071,991	2,774,287	3,056,797
Total Debt Service	1,431,379	1,442,502	1,635,221	1,779,020	1,478,930
Debt Service Coverage Ratio	1.66	1.50	1.27	1.56	2.07

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

Estimated future Debt Service Coverage Ratios:

	2024	2025	2026	2027	2028
EBITDA*	2,487,795	2,487,795	2,487,795	2,487,795	2,487,795
Total Debt Service	1,466,890	1,527,169	1,503,986	1,334,889	1,183,621
Debt Service Coverage Ratio	1.70	1.63	1.65	1.86	2.10

* Assumed average EBITDA of past 5 years

DEBT SERVICE COVERAGE RATIO (cont)

What is the effect of additional debt on the Debt Service Coverage Ratio?

10 years	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
\$ 1,000,000	1.57	1.57	1.57	1.57	1.56	1.56	1.56	1.55	1.55	1.55	1.55
\$ 2,000,000	1.47	1.46	1.46	1.45	1.45	1.45	1.44	1.44	1.43	1.43	1.42
\$ 3,000,000	1.38	1.37	1.36	1.36	1.35	1.35	1.34	1.33	1.33	1.32	1.31
\$ 4,000,000	1.30	1.29	1.28	1.27	1.27	1.26	1.25	1.24	1.24	1.23	1.22
\$ 5,000,000	1.22	1.22	1.21	1.20	1.19	1.18	1.17	1.17	1.16	1.15	1.14
\$ 6,000,000	1.16	1.15	1.14	1.13	1.12	1.12	1.11	1.10	1.09	1.08	1.07
\$ 7,000,000	1.10	1.09	1.08	1.07	1.06	1.06	1.05	1.04	1.03	1.02	1.01
\$ 8,000,000	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95
\$ 9,000,000	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.91
\$ 10,000,000	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86
\$ 11,000,000	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82
\$ 12,000,000	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78

20 years	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
\$ 1,000,000	1.63	1.62	1.62	1.62	1.61	1.61	1.61	1.60	1.60	1.59	1.59
\$ 2,000,000	1.56	1.55	1.55	1.54	1.54	1.53	1.52	1.52	1.51	1.51	1.50
\$ 3,000,000	1.50	1.49	1.48	1.48	1.47	1.46	1.45	1.44	1.43	1.42	1.42
\$ 4,000,000	1.45	1.44	1.43	1.42	1.41	1.39	1.38	1.37	1.36	1.35	1.34
\$ 5,000,000	1.39	1.38	1.37	1.36	1.35	1.34	1.32	1.31	1.30	1.29	1.28
\$ 6,000,000	1.35	1.33	1.32	1.31	1.29	1.28	1.27	1.25	1.24	1.23	1.22
\$ 7,000,000	1.30	1.29	1.27	1.26	1.24	1.23	1.22	1.20	1.19	1.17	1.16
\$ 8,000,000	1.26	1.24	1.23	1.21	1.20	1.18	1.17	1.15	1.14	1.13	1.11
\$ 9,000,000	1.22	1.20	1.19	1.17	1.16	1.14	1.13	1.11	1.09	1.08	1.06
\$ 10,000,000	1.18	1.17	1.15	1.13	1.12	1.10	1.09	1.07	1.05	1.04	1.02
\$ 11,000,000	1.15	1.13	1.11	1.10	1.08	1.06	1.05	1.03	1.01	1.00	0.98
\$ 12,000,000	1.12	1.10	1.08	1.06	1.05	1.03	1.01	1.00	0.98	0.96	0.95

STRONG RATIO

MODERATE RATIO

WEAK RATIO

DEPARTMENT CAN NO LONGER COVER DEBT SERVICE