

AUDITED FINANCIAL STATEMENTS
CITY OF DERBY
WATER POLLUTION CONTROL AUTHORITY
DERBY, CONNECTICUT
YEAR ENDED JUNE 30, 2021

DERBY WATER POLLUTION CONTROL AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Derby Water Pollution Control Authority
Derby, Connecticut 06418

We have audited the accompanying financial statements of Derby Water Pollution Control Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Derby Water Pollution Control Authority as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages be presented to supplement the basic financial statements. Such information, although not a part of the basic financials 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.

Accavallo & Company, LLC

Shelton, Connecticut

March 18, 2022

Management's Discussion and Analysis

As management of the Derby Water Pollution Control Authority (WPCA), we offer readers of the WPCA's financial statements this narrative overview and analysis of the financing activities of the WPCA for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets of the WPCA exceeded its liabilities at the close of the most recent fiscal year by \$14,610,325 (net position).
- User fees increased by \$161,367 or 6.34% in the current fiscal year due to increased usage.
- Total operating revenues increased \$158,996 or 5.99% when compared against the prior year.
- The WPCA's operating expenses in 2021 were \$894,280 or 38.56% higher than the 2020 expenses due to increases in salaries of \$118,486 and depreciation of \$759,827 offset against decreases of utilities of \$40,121 and miscellaneous repairs of \$74,020.
- At the end of the current fiscal year, unrestricted net position amounted to \$5,784,612 and reserved net position amounted to \$8,825,713.
- The WPCA's total debt, including capital leases net decrease of \$661,172 or 4.2% during the current fiscal year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the basic financial statements of the WPCA. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The basic financial statements of the WPCA report information of the WPCA using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the WPCA's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to WPCA's creditors (liabilities). It also provides the basis for evaluating the capital structure of the WPCA and assessing the liquidity and financial flexibility of the WPCA.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the WPCA's operations over the past year and can be used to determine whether the WPCA has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities and provides answers to such questions as where the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the WPCA

The most common financial question posed to the WPCA is "How did we do financially during 2021?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the WPCA's activities in a way that will help answer this question. These two statements report the net position of the WPCA and the changes in them. One can think of the WPCA's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the WPCA's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Management's Discussion and Analysis

Net Position

To begin our analysis, a summary of the WPCA's Statement of Net Position is presented.

Statement of Net Position		
	2021	2020
ASSETS		
Current and other assets	\$ 11,289,367	\$ 6,994,049
Capital assets (net of accumulated depreciation)	19,494,681	19,989,964
TOTAL ASSETS	<u>\$ 30,784,048</u>	<u>\$ 26,984,013</u>
 LIABILITIES AND NET POSITION		
Current liabilities	\$ 1,784,813	\$ 1,715,758
Noncurrent liabilities	14,388,910	15,078,128
TOTAL LIABILITIES	<u>16,173,723</u>	<u>16,793,886</u>
Invested in capital assets net of related debt	4,232,150	4,066,261
Net position - reserved	4,593,563	1,566,764
Net position - unrestricted	5,784,612	4,557,101
TOTAL NET POSITION	<u>14,610,325</u>	<u>10,190,126</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 30,784,048</u>	<u>\$ 26,984,012</u>

Statement of Revenues Expenses and Changes in Net Position		
	2021	2020
OPERATING REVENUES		
Sewer usage fees	\$ 2,704,662	\$ 2,543,295
Other	-	13,200
Interest and lien fees	110,322	99,493
TOTAL OPERATING REVENUES	<u>2,814,984</u>	<u>2,655,988</u>
OPERATING EXPENSES	<u>3,213,256</u>	<u>2,318,976</u>
TOTAL OPERATING INCOME (LOSS)	(398,272)	337,012
NONOPERATING REVENUES (EXPENSES)		
Capital assessment fees	2,031,189	1,572,386
Interest income	1,319	18,376
Interest expense	(824,037)	(653,973)
TOTAL NONOPERATING INCOME (LOSS)	<u>1,208,471</u>	<u>936,789</u>
OPERATING TRANSFERS IN (OUT)	<u>3,610,000</u>	<u>-</u>
CHANGE IN NET ASSETS	4,420,199	1,273,801
Net position at July 1,	10,190,126	8,916,325
NET POSITION AT JUNE 30,	<u>\$ 14,610,325</u>	<u>\$ 10,190,126</u>

Management's Discussion and Analysis

- Operating revenues increased in the current year by \$158,996, primarily as a result of increased usage. Operating Expenses increased in the current year when compared to the previous year by \$894,280. The large increase was caused by increases in salaries of \$118,486 and depreciation of \$759,827 offset against decreases of utilities of \$40,121 and miscellaneous repairs of \$74,020.

Capital Asset and Outstanding Debt

Capital Assets – The WPCA's investment in capital assets as of June 30, 2021, amounts to \$19,494,680 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the fiscal year, there were building improvement and machinery purchases and totaling \$593,934. Included in the total was a Ford E-450 Truck with camera system costing \$209,952 that was financed over 7 years starting in September 2020.

Capital Assets

	2021	2020
Land	\$ 212,500	\$ 212,500
Construction in progress	-	14,945,028
Buildings and system	18,620,720	4,282,257
Machinery and equipment	661,461	550,180
	<u>\$ 19,494,681</u>	<u>\$ 19,989,964</u>

Additional information on the WPCA's capital assets can be found in Note 4 on page 18 of this report.

Long-Term Debt – At the end of the current fiscal year, the WPCA has a business-type obligation bonds payable outstanding of \$15,005,000. The general obligation bond's interest ranges from a low of 3% to a high of 5%. These amounts are backed by the full faith and credit of the WPCA.

Outstanding Debt

General Obligation Bond and Note Payable

Year ending June 30,	Principal	Interest	Total
Due in one year	\$ 815,000	\$ 598,050	1,413,050
Due in 2 to 6 years	4,060,000	2,404,175	6,464,175
Due in 7 to 11 years	4,050,000	1,546,463	5,596,463
Due in 12 to 16 years	4,030,000	726,800	4,756,800
Due in 17 to 20 years	2,050,000	88,600	2,138,600
	<u>\$ 15,005,000</u>	<u>\$ 5,364,088</u>	<u>\$ 20,369,088</u>

The WPCA's total long-term debt decreased by \$820,000 (5.18%) due to the payment of the scheduled debt payment during the fiscal year.

Management's Discussion and Analysis

Capital Lease Obligations

The Derby Water Pollution Control Authority is obligated, as a lessee, under a capital lease for the acquisition vacuum truck. The following is a schedule of future minimum lease obligations and the net present value of these minimum payments:

<u>June 30,</u>	<u>Business-Type Activities Payment</u>
2022	\$ 71,160
2023	70,945
2024	59,643
2025	40,761
2026	40,761
thereafter	6,829
	<u>290,099</u>
Less amount representing interest	<u>32,568</u>
Net present value of lease payments	<u>\$ 257,531</u>

Additional information on the WPCA's long-term debt can be found in Note 5 on page 18 of this report.

Economic Factors and Next Year's Budgets

- The Connecticut state government has reported a deficit for their fiscal year, which may translate into decreased state aid to the WPCA.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing the WPCA's budget for the 2021-2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the WPCA's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk, 1 Elizabeth Street, Derby, Connecticut 06418.

AUDITED FINANCIAL STATEMENTS

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DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 8,953,891
Assessments receivable:	
Residential	255,326
Commercial	59,257
Capital Fee	224,664
Less allowance for doubtful accounts	(20,000)
	519,247
Interest and lien fees receivable	148,844
Due from other funds	1,667,385
TOTAL CURRENT ASSETS	11,289,367

CAPITAL ASSETS

Land	212,500
Buildings	28,552,679
Machinery and equipment	2,056,104
Construction in progress	-
	30,821,283
Less accumulated depreciation	(11,326,602)
	19,494,681
TOTAL ASSETS	\$ 30,784,048

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 895,705
Due to other funds	15,487
Capital lease-current portion	58,621
Bonds and loan payable-current portion	815,000
TOTAL CURRENT LIABILITIES	1,784,813

NONCURRENT LIABILITIES- bonds and loan payable

Capital lease	198,910
Bonds and loan payable	14,190,000
TOTAL LIABILITIES	16,173,723

NET POSITION

Investment in capital assets, net of related debt	4,232,150
Restricted for capital projects	4,563,563
Restricted for digester cleaning	30,000
Unrestricted	5,784,612
TOTAL NET POSITION	14,610,325
TOTAL LIABILITIES AND NET POSITION	\$ 30,784,048

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Sewer usage fees:	
Residential	\$ 1,902,978
Commercial	559,374
Other	242,310
Interest and lien fees	110,322
	<u>110,322</u>
TOTAL OPERATING REVENUES	2,814,984

OPERATING EXPENSES

Salaries	959,006
Utilities	150,854
Fringe benefits	365,205
Repairs and maintenance	200,360
Supplies	87,503
Depreciation	1,089,219
Professional services	21,086
Insurance	71,732
Dump fees	201,264
Billing costs	14,015
Miscellaneous	36,243
Bad debt expense	16,769
	<u>16,769</u>
TOTAL OPERATING EXPENSES	3,213,256

TOTAL OPERATING INCOME (LOSS) (398,272)

NONOPERATING REVENUES (EXPENSES)

Capital assessment fees	2,031,189
Interest income	1,319
Interest expense	(824,037)
	<u>(824,037)</u>

TOTAL NONOPERATING INCOME(LOSS) 1,208,471

OPERATING TRANSFERS IN 3,610,000

CHANGE IN NET POSITION 4,420,199

Net position at July 1, 2020 10,190,126

NET POSITION AT JUNE 30, 2021 \$ 14,610,325

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,493,324
Cash payments to suppliers	(1,264,335)
Cash payments to employees	<u>(794,302)</u>
NET CASH FROM OPERATING ACTIVITIES	434,687

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Capital assessment fees	1,913,946
Transfers in	3,610,000
Purchase of capital assets	(383,984)
Payment of principal and interest	<u>(1,695,161)</u>
NET CASH FROM CAPITAL AND FINANCING ACTIVITIES	3,444,801

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>1,319</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 3,880,807

Cash and cash equivalents at July 1, 2020 5,073,084

CASH AND CASH EQUIVALENTS AT JUNE 30, 2021 \$ 8,953,891

**RECONCILIATION OF OPERATING
INCOME TO NET CASH
FROM OPERATING ACTIVITIES**

Operating income (loss) from operations	\$ (398,272)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,089,219
Allowance for doubtful accounts	(16,768)
Changes in assets and liabilities:	
Accounts receivable	(241,595)
Due from other funds	(33,705)
Accounts payable	<u>35,808</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 434,687</u>

Supplemental cash flow information:

Cash paid during the year for interest	<u>\$ 824,037</u>
Noncash investing, capital and financing activities	<u>\$ 209,952</u>

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Data

Pursuant to a charter revision approved by the Board of Aldermen of the City of Derby on December 17, 1986, the Derby Water Pollution Control Authority (WPCA) was established effective January 15, 1987, to operate and maintain the sewage system of the City of Derby as a self-sustaining activity. Although the charter does not specify the fund for which inclusion of this organization should occur, the information available suggests inclusion as an Enterprise Fund of the City of Derby. The Derby Water Pollution Control Authority is governed by the City's 10-member Board of Apportionment and Taxation.

The financial statements of the Derby Water Pollution Control Authority have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting policies. The Derby Water Pollution Control Authority's significant accounting policies are described below.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Derby Water Pollution Control Authority's financial statements are reported using the economic resources measurement focus. The fundamental objective of this focus is to measure whether the Derby Water Pollution Control Authority is better or worse off economically as a result of events and transactions of the period.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Derby Water Pollution Control Authority utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period when earned and expenses are recorded when the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement 20 required that each government make an election concerning its proprietary funds. The City has elected to apply FASB pronouncements and interpretations issued on or before November 30, 1989 to its proprietary fund (WPCA), unless they conflict or contradict GASB pronouncements. After that date GASB pronouncements solely will be used.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of three months or less when purchased, to be cash equivalents.

Interfund Transactions

Interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The three types of interfund transactions and the related accounting policies are as follows:

1. Transactions to reimburse the fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.
2. Transactions to shift revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as transfers in to and out of the respective funds.
3. Transactions to record equity contributions between funds. The receiving fund records such transactions as a transfer in and an addition to fund balance. The disbursement fund records the transaction as a transfer out and a reduction of fund balance.

Capital Assets

Capital assets, which include property, plant and equipment, are carried at cost and depreciation was determined using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

Building Improvements	31.5 - 39 years
Plant Equipment	5 - 20 years
Computer Equipment	5 years
Heavy Equipment	5 - 10 years
Improvements - Pump Stations	20 - 39 years
Vehicles	5 years

Assets capitalized must have an original cost of \$1,000 or more and over one year of useful life.

Expenditures for repairs and maintenance are charged against operations in the period incurred. Renewals and improvements that significantly extend the useful life of the asset are capitalized.

Sewer Usage Fees and Interest Levied

Sewer usage fees are those revenues earned during the year for sewage treatment service. Residential and commercial customers are based on the Derby Water Pollution Control Authority's authorized rates applied to customer consumption of water. Derby Water Pollution Control Authority accrued amounts earned at the end of each accounting period.

Derby Water Pollution Control Authority has the authority to and routinely files liens on past due accounts. The lien amounts are payable, subject to unpaid property taxes and any superior claims upon transfer of respective property.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Capital Improvement Fee

During 2020, the Derby Water Pollution Control Authority charged for capital improvement of the sewer system. The first billing for this fee was in September 2018. The bill can be paid in two installments. Residential and commercial customers are based on the Derby Water Pollution Control Authority's authorized fee of \$257 per resident. Derby Water Pollution Control Authority accrued amounts earned at the end of each accounting period.

Derby Water Pollution Control Authority has the authority to and routinely files liens on past due accounts. The lien amounts are payable, subject to unpaid property taxes and any superior claims upon transfer of respective property.

Operating revenues and expenses

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

Compensated absences

Under the terms of two collective bargaining agreements, employees are awarded vacation on January 1 of each year based on years of service and can accumulate up to 40 days of unused vacation. Employees are also allowed sick leave, which is earned monthly, and can accumulate up to 105 days. Upon termination of employment without eligibility for retirement, each employee is paid for unused vacation. Retiring employees are paid for 100% of their unused vacation and unused sick leave up to 80 days. Such balances are recorded as a component of accrued expenses in the statements of net position. Vested sick leave and accumulated vacation leave is recognized as an expense and liability as the benefits accrue to employees.

Net pension liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The Authority is a participant in the State's multi-employer pension plan and, accordingly, reports its proportionate share of the State's plan's pension liability on its financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2021, no amounts were required to be reported as deferred outflows/inflows of resources.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the WPCA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The total net position includes net investment in capital assets, restricted for capital projects and restricted for digester cleaning as indicated in the Statement of Net Position. The balance is classified as unrestricted.

Taxes

The Derby Water Pollution Control Authority is not subject to any income taxes as they are an agency of a municipality, which is exempt from income taxes.

Pronouncements Issued, Effective for the Current Year

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

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2021, the Derby Water Pollution Control Authority's carrying amount of deposits with financial institutions (such as checking, savings and certificates of deposit) amounted to \$8,953,891 and the bank balances were \$8,908,719. Of the bank balances, \$500,000 was covered by Federal Depository Insurance, \$840,832 was protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of depository insurance through assessment against segregated collateral required to be maintained by public depositories, but not held in the Authority's name, and \$7,567,487 was uninsured and uncollateralized.

The level of the Authority's deposits varies significantly throughout the year as a result of higher cash flows during certain periods. As a result, uninsured and/or uncollateralized amounts at those times were substantially higher than at June 30, 2021.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - ASSESSMENTS RECEIVABLE

Sewer User Fees

The Derby Water Pollution Control Authority's assessments are determined based on the quarterly consumption of water usage provided by the local water company, modified for those individuals and businesses that do not use the current sewer system. The following schedule details assessments receivable at June 30, 2021:

Year ending June 30,	Commercial	Residential	Total
2008	\$ 170	\$ -	170
2009	1,506	-	1,506
2010	3,728	-	3,728
2011	5,049	-	5,049
2012	2,502	3,551	6,053
2014	2,096	4,760	6,856
2015	2,441	3,693	6,134
2016	2,395	4,060	6,455
2017	1,836	4,160	5,996
2018	847	6,028	6,875
2019	1,302	16,546	17,848
2020	2,002	46,906	48,908
2021	33,383	165,622	199,005
	<u>\$ 59,257</u>	<u>\$ 255,326</u>	<u>\$ 314,583</u>

An allowance has been established to estimate uncollectible amounts at the balance sheet date totaling 2.9% of the outstanding assessments receivable.

Capital Improvement Fees

During 2020, the Derby Water Pollution Control Authority charged for capital improvement of the sewer system. The first billing for this fee was in September 2019. The following schedule details capital fee assessments receivable at June 30, 2021:

Year ending June 30,	Commercial	Residential	Total
2019	\$ 23,001	\$ 18,727	\$ 41,728
2020	16,577	34,600	51,177
2021	19,650	112,109	131,759
	<u>\$ 59,228</u>	<u>\$ 165,436</u>	<u>\$ 224,664</u>

An allowance has been established to estimate uncollectible amounts at the balance sheet date totaling 2.9% of the outstanding assessments receivable.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposal	Transfers	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	212,500	\$ -	\$ -	\$ -	\$ 212,500
Construction in progress	14,945,028	317,209	-	(15,262,237)	-
	15,157,528		-	(15,262,237)	212,500
Capital assets, being depreciated:					
Buildings	13,242,430	48,012	-	15,262,237	28,552,679
Machinery, vehicles and equipment	1,827,391	228,713	-	-	2,056,104
	15,069,821		-	15,262,237	30,608,783
Less accumulated depreciation for:					
Buildings	8,960,174	970,527	-	-	9,930,701
Machinery, vehicles and equipment	1,277,211	118,690	-	-	1,395,901
	10,237,385	1,089,217	-	-	11,326,602
Total capital assets being depreciated, net	4,832,436	(1,089,217)	-	-	19,282,181
Total capital assets	<u>\$ 19,989,964</u>	<u>\$ (1,089,217)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,494,681</u>

NOTE 5 - LONG-TERM DEBT

Bonds and Notes

A summary of long-term debt as of June 30, 2021 were as follows:

	Outstanding Amount
\$7,370,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 6,630,000
\$8,825,000 serial bond; issue of 2019; due September 2029; effective interest ranging from 2.05%-5.0%	8,375,000
	15,005,000
Less current portion	815,000
	<u>\$ 14,190,000</u>

The following is a summary of bonds principal and interest requirements:

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Year ending June 30,	Principal	Interest	Total
2022	\$ 815,000	\$ 598,050	\$ 1,413,050
2023	815,000	557,300	1,372,300
2024	815,000	516,550	1,331,550
2025	810,000	477,775	1,287,775
2026	810,000	442,825	1,252,825
2027	810,000	409,725	1,219,725
2028	810,000	376,625	1,186,625
2029	810,000	343,294	1,153,294
2030	810,000	309,500	1,119,500
2031	810,000	275,244	1,085,244
2032	810,000	241,800	1,051,800
2033	810,000	209,400	1,019,400
2034	805,000	177,100	982,100
2035	805,000	144,900	949,900
2036	805,000	112,700	917,700
2037	805,000	82,700	887,700
2038	805,000	54,900	859,900
2039	805,000	27,100	832,100
2040	440,000	6,600	446,600
	<u>\$ 15,005,000</u>	<u>\$ 5,364,088</u>	<u>\$ 20,369,088</u>

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Capital Lease Obligation

The Derby Water Pollution Control Authority is obligated, as a lessee, under a capital lease for the acquisition vacuum truck. The following is a schedule of future minimum lease obligations and the net present value of these minimum payments:

<u>June 30,</u>	<u>Business-Type Activities Payment</u>
2022	\$ 71,160
2023	70,945
2024	59,643
2025	40,761
2026	40,761
thereafter	6,829
	<u>290,099</u>
Less amount representing interest	32,568
Net present value of lease payments	<u>\$ 257,531</u>

Property and equipment carried at a cost of \$338,151 with accumulated amortization of \$35,395 has been acquired under capital lease arrangement. The annual required payments under these leases ranging from \$11,302 to \$34,147 with interest rates ranging from 5.39% to 9.9%. The capital lease obligation is financed by the Derby Water Pollution Control Authority.

NOTE 6 – SELF INSURANCE

The Derby Water Pollution Control Authority, under the City of Derby, Connecticut (“the City”) is self-insured for liabilities for most health benefits, third-party claims, and workers' compensation which is accounted for in the general fund. The Risk Management office actively manages risk on behalf of the City, through a combination of loss prevention and control, risk retention and risk transfer. The City continually evaluates its risk management program, including its self-insured retention levels, claims frequency and loss trends. Currently, there is a stop loss limit on claim exceeding \$100,000. A reconciliation of changes in the aggregate liabilities for claims (including IBNR claims) for the current fiscal year and the prior fiscal year is as follows:

	<u>Year ended</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Amount of claims liabilities at the beginning of the fiscal year	\$ 25,260	14,981
Incurred claims	635,807	691,519
Payments on claims	<u>565,052</u>	<u>681,240</u>
Amount of claims liabilities at the end of the fiscal year	<u>\$ 96,015</u>	<u>\$ 25,260</u>

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NOTE 7 - RISK MANAGEMENT

The Derby Water Pollution Control Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and medical claims and natural disasters. The Derby Water Pollution Control Authority carries commercial insurance for these risks. For insured programs, there have been no significant reductions in insurance coverage. The amounts of settlements have not exceeded coverage in each of the past three years.

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

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

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

NOTE 8- PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

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

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NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 18, 2022, the date of the financial statements were available to be issued.

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