

**Stamford Water Pollution Control Authority**  
(An Enterprise Fund of The City of Stamford, Connecticut)  
Financial Statements  
and Supplementary Information  
For the Years Ended June 30, 2013 and 2012

# Stamford Water Pollution Control Authority

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## **Letter of Transmittal**

February 10, 2014

To: Mayor Michael A. Pavia  
Board of Finance  
Board of Representatives  
SWPCA Board  
Citizens of Stamford

### **Introduction**

I am pleased to transmit the audited financial statements of the Stamford Water Pollution Control Authority (“SWPCA”) for the fiscal year ended June 30, 2013 in compliance with Connecticut State law. The SWPCA management assumes full responsibility for the completeness and reliability of the information contained in this report. A framework of internal control has been established by the management of the SWPCA. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

O’Connor Davies, LLP, a firm of licensed certified public accountants, has issued an unqualified opinion on the SWPCA’s financial statements for the year ended June 30, 2013. The independent auditors’ report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditors’ report and provides a narrative overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The SWPCA adheres to financial policies and procedures adopted by the City of Stamford’s Board of Finance. Such policies include procurement, accounts payable, accounts receivable, and cash receipts among others. These policies and procedures are intended to help the SWPCA maintain a sound financial condition and also help ensure that the SWPCA meets all requirements set forth by State and federal regulations.

### **The Stamford Water Pollution Control Authority**

Ordinance No. 803, adopted November 6, 1996, established the Stamford Water Pollution Control Authority (“SWPCA”). Prior to that date, wastewater collection and treatment was performed as a function under the Office of Operations. The SWPCA was established pursuant to Chapter 103, Sections 7-245 through 7-273 A, inclusive of the Connecticut General Statutes Revision of 1958 as amended. The Authority was created to operate the Water Pollution Control Facility (“treatment plant”), sanitary sewer system, sanitary pumping stations and the Hurricane Barriers (“flood

protection system”) for the City of Stamford, to use, equip, re-equip, repair, maintain, supervise, manage, operate and perform any act pertinent to the collection, transportation, treatment and disposal of wastewater. Wastewater is treated through the processes installed during the upgrade and expansion project which was completed in 2006. The plant has a treatment capacity of 24 million gallons of wastewater per day (“MGD”). During the fiscal year ended June 30, 2013 the flow to the plant averaged 16 MGD which is below normal. The plant has adequate reserve capacity for the growth that is currently occurring in Stamford.

The SWPCA was issued Notices of Violations (NOV’s) in the fall of 2012 by the Connecticut Department of Energy & Environmental Protection (“DEEP”) stating that the SWPCA failed to meet regulatory requirements for effluent permit limits, the operation of secondary clarifier and nitrified recycle pumps, bypass prevention, and maintaining a system of user charges that supported the maintenance and replacement of critical components. No failure dates or time periods were specified and no penalties have been levied in conjunction with the NOV’s. The SWPCA implemented corrective actions required to address these issues and the NOV’s have since been closed by the DEEP.

### **Service Area**

The SWPCA’s service area includes residential, commercial, government, and non-profit customers in the City of Stamford, Connecticut (“Stamford”) and the adjacent Town of Darien, Connecticut (“Darien”). The customer base served by the SWPCA consists of a diverse mix of residential and commercial customers. In Stamford, approximately 88% of customers are residential (including home owners, condominium owners, and renters) and 12% of customers are commercial, governmental, or industrial in nature. The service area boundaries for Stamford are the Merritt Parkway to the north, the Noroton River on the east, Old Greenwich on the west, and Long Island Sound to the south.

Darien pumps wastewater to the east side of Stamford where the wastewater is then conveyed through the SWPCA collection system to the treatment plant. The service area boundaries for Darien are the City of Norwalk on the east, the Merritt Parkway on the north, and Long Island Sound to the south. Darien is solely responsible for the operation and maintenance of all of its pumping stations, its collection system, and all border crossings.

An Interlocal Agreement between the SWPCA and Darien, dated July 11, 2001, provided a formula for compensation to the SWPCA for operation and maintenance and for capital improvements. Based on this formula, Darien was responsible for approximately 12% of the SWPCA’s operating and maintenance costs in the fiscal year ended June 30, 2013. A portion of the cost of capital improvements to the SWPCA’s treatment plant was similarly paid by Darien using the same cost sharing ratio. The total payment by Darien was based on its share of the SWPCA’s operating and maintenance costs and capital investment amounts, plus any adjustments to the previous year’s bill. A new Interlocal Agreement between the SWPCA and Darien, executed on December 3, 2013, will apply to the fiscal year ending June 30, 2014.

### **Physical Assets**

The physical assets of the SWPCA include 22 wastewater-pumping stations, about 300 miles of sanitary sewer, and the wastewater treatment plant. For these 22 pumping stations the pumping capacity ranges from 100,000 gallons per day to 5 million gallons per day. There are capital improvement programs in place for both the sanitary sewer system and the pumping stations.

## **Management and Organization**

The SWPCA Board of Directors (“Board”) consists of nine members, all of whom are voting members. By ordinance, the Board includes the City’s Director of Operations, Director of Administration, President of the Board of Representatives or designee, Chairman of the Board of Finance or designee, and five at-large members, one of whom must be a financial professional and the other an engineer.

The Mayor, with the approval of the Board of Representatives, appoints the City’s Directors of Operations and Administration. SWPCA Board members from the Board of Finance and the Board of Representatives are elected in citywide elections. The five at-large Board members are recommended by either the Democratic or Republican Town Committee and interviewed by the Mayor, who then recommends their appointment to the Board of Representatives for its approval. Each of the at-large Board members is appointed for a three-year term. There are no term limits; therefore, at-large members may serve multiple terms.

During the 2013 fiscal year, Daniel Schwartz was appointed to the Board and Donald H. Rullman’s term expired. The members of the Board as of June 30, 2013 were:

Ernest A. Orgera, Director of Operations and Chairman  
Michael E. Handler, Director of Administration and Vice Chairman  
Timothy Abbazia, Board of Finance  
Mitchell Kaufman, Board of Representatives  
Cristina Andreana, At-Large (Financial)  
Daniel Schwartz, At-Large (Engineer)  
Donald A. Huppert, At-Large  
Daniel E. Capano, At-Large

The SWPCA retained William P. Brink, P.E., BCEE as Executive Director on March 18, 2013. Mr. Brink was previously retained as Interim Executive Director on December 11, 2012.

## **Rates and Charges**

The SWPCA, through its Board of Directors, is responsible for setting and imposing sewer user rates and other fees and charges for all customers in its service area. The Board requires that rates be maintained at levels sufficient to pay for operating and maintenance costs of the collection and treatment system, to pay debt service on outstanding debt, and to provide for appropriate reserves. The SWPCA bills its ratepayers semiannually, in October and April, and it bills Darien annually, typically in November.

## **Capital Improvement Plan**

The SWPCA typically manages multiple concurrent capital projects. The projects are categorized as engineering studies, engineering design, building and equipment replacement or upgrades, and sewer repairs or extensions. Capital projects completed or ongoing during the fiscal year ended June 30, 2013 include:

- Complete rehabilitation of the mechanical equipment for two (2) of the secondary clarifiers and the three (3) primary sludge thickeners was completed

- City wide computerized mapping of the sanitary sewer system (using GIS) continued and is ongoing
- Construction of sanitary sewers in the Carriage Drive area is ongoing and is approximately 40% complete
- Engineering design of sanitary sewers for the Wedgemere Road area and Perna Lane area is ongoing
  - ◆ The design of the Wedgemere Road area sewers is about 40% percent complete and the Perna Lane area sewers is about 70% complete
- Began internal inspection of major sanitary sewer pipelines and engineering evaluations of the 22 pumping stations which is ongoing
- Received qualifications from wastewater engineering firms to study and design various improvements at the treatment plant
  - ◆ Selected an engineering firm to study and design the upgrade of the Raw Sewage Pump Building
  - ◆ Selected an engineering firm to study and design improvements to the flow distribution to the secondary clarifiers
- Sanitary sewers were rebuilt at various locations to replace old deteriorating and misaligned sewer pipes
- Odor control systems at the treatment plant were upgraded
- A crane truck was purchased to replace a vehicle that was at the end of its service life

The SWPCA is in the process of implementing a comprehensive, computerized maintenance management system (CMMS) for the sanitary sewers and pumping stations.

### **Summary**

The SWPCA has been in operation since 1996. The Board comprises a number of experienced elected and appointed officials. Furthermore, sufficient operating capacity is in place to meet the SWPCA's expected customer growth and resulting sewerage flows, in its service area, for the foreseeable future.

Respectfully Submitted,



Michael E. Handler  
Chairman  
SWPCA Board of Directors

## Independent Auditors' Report

**The City of Stamford  
Board of Finance  
Stamford Water Pollution Control Authority  
Stamford, Connecticut**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Stamford Water Pollution Control Authority ("SWPCA") (an Enterprise Fund of the City of Stamford, Connecticut) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the SWPCA's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the SWPCA as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the SWPCA and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12, the schedule of funding progress for other post employment benefits and the schedule of employer contributions for other post employment benefits on page 31, and the schedule of employer contributions for other post employment benefits on page 32 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the SWPCA's basic financial statements. The budgetary comparison information on pages 33 and 34, the letter of transmittal and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates 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 or to 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The transmittal letter and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*O'Connor Davies, LLP*

Stamford, Connecticut  
February 10, 2014



## Stamford Water Pollution Control Authority

Management's Discussion and Analysis  
June 30, 2013

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This discussion and analysis of the Stamford Water Pollution Control Authority ("SWPCA") is intended to provide an overview of the SWPCA's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the letter of transmittal and the financial statements that follow this section.

### Financial Highlights

- ◆ As of June 30, 2013 the assets (\$166.2 million) of the SWPCA exceeded its liabilities (\$104.5 million), resulting in total net position at the end of the fiscal year of \$61.7 million. Net position increased \$2.2 million versus the prior year-end period primarily due to a decrease in capital assets, net of depreciation (\$2.3 million) that was offset by a decrease in long term liabilities (\$6.0 million). Unrestricted net position totaled \$3.3 million, a decrease of \$1.9 million from the prior year.
- ◆ Operating revenues in fiscal 2013 were \$21.2 million, compared to \$20.3 million in the prior year, primarily reflecting increased sewer use charges. Operating expenses were \$18.6 million versus \$16.6 million the prior year, resulting in operating income of approximately \$2.6 million compared to \$3.7 million in the prior year. The decrease in operating income primarily reflects the favorable impact of a rate increase offset by higher total salaries (due to filling open positions), benefits and claims expense, utilities expense, materials and supplies expense, operations and supplies expense and an increase in the depreciation expense. Unrestricted net position was 16% of operating revenue, a decrease of approximately 10 percentage points from the prior year.
- ◆ Current assets increased by \$1.1 million, primarily reflecting an increase in unrestricted cash (\$0.5 million) and an increase in accounts receivable from sewer use charges, new sewer connection fees and other receivables (\$0.6 million). Days sales outstanding ("DSO") for the gross usage charges accounts receivable increased slightly from 84 days to 85 days as of June 30, 2013. The continuing effort to collect overdue sewer use charges was partially offset by the impact of a rate increase on gross accounts receivable and the fact that the April 2013 billing was mailed two weeks later in the month than in the prior year.
- ◆ Current liabilities increased \$3.0 million, primarily due to an increase in Due to the City of Stamford of \$2.4 million mainly for capital expenditure related advances and an increase in accrued liabilities of \$0.5 million.
- ◆ Total debt outstanding – including current and long-term general obligation bonds, revenue bonds, and notes payable -- decreased by \$6.3 million to \$93.9 million as of June 30, 2013. This reflects the repayment of \$1.7 million of general obligation bonds, \$0.7 million of revenue bonds, and \$3.8 million of notes payable. The SWPCA's outstanding debt is rated Aa2 by Moody's Investors Service and AA+ by Standard & Poor's.
- ◆ As noted above, total net position increased \$2.2 million (approximately 4%), to \$61.7 million. The largest component of net position is the net investment in capital assets totaling \$50.5 million, up approximately \$4 million as compared to the prior year.
- ◆ The SWPCA's capital assets, net of accumulated depreciation, decreased to \$144.1 million, down about \$2.3 million versus the prior period. Depreciation expense of \$5.2 million was partially offset by capital asset additions of \$2.9 million during the fiscal year.

The SWPCA's capital assets and available operating capacity are considered sufficient to meet the City of Stamford's currently foreseeable needs for the SWPCA's services.

- ◆ The SWPCA continues to rely on the City for certain back-office support services such as payroll, accounts payable, procurement, IT tech support, etc. which would not be cost efficient to implement internally at the present time.
- ◆ Finally, the SWPCA was issued Notice of Violations (NOV's) in the fall of 2012 by the Connecticut Department of Energy & Environmental Protection ("DEEP") stating that the SWPCA failed to meet regulatory requirements for effluent permit limits, the operation of secondary clarifier and nitrified recycle pumps, bypass prevention, and maintaining a system of sewer use charges that supported the maintenance and replacement of critical components. No failure dates or time periods were specified and no penalties have been levied in conjunction with these NOV's. The SWPCA implemented the corrective actions required to address these issues and the NOV's have since been closed by DEEP.

### **Overview of the Financial Statements**

The SWPCA's financial statements are comprised of: 1) basic financial statements, including a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows; 2) Notes to Financial Statements; and 3) Schedule of Revenues and Operating Expenses on a Budgetary Basis. The accompanying statistical section provides trend comparisons of selected financial and non-financial information over a number of years.

The SWPCA's financial statements are designed to provide readers with a general understanding of the SWPCA's finances in a manner similar to those for a private-sector business. All the resources which the SWPCA has at its disposal are reported, including major capital assets such as buildings, equipment and infrastructure. In addition, a thorough accounting of the costs of the SWPCA's operations is provided.

**Statement of Net Position.** The Statement of Net Position presents information on all of the SWPCA's assets and liabilities, with the difference reported as net position. Evaluating the amount and composition of the SWPCA's net position – the difference between assets and liabilities – is one way to measure the SWPCA's financial health and financial position. Over time, increases or decreases in net position may serve as an indicator of whether the financial condition of the SWPCA is improving or deteriorating. However, other non-financial factors need to be considered as well, including changes in the SWPCA's customer base and the condition of the SWPCA's facilities, to assess the overall financial health of the SWPCA.

**Statement of Revenues, Expenses and Changes in Net Position.** The Statement of Revenues, Expenses and Changes in Net Position presents information regarding how the SWPCA's net position changed during the most recent fiscal year. All of the fiscal year's revenues and expenses are taken into account regardless of when cash was received or paid. Thus, certain revenues and expenses are reported in this statement for some items that may result in cash flows in a future fiscal period. Uncollected sewer use charges, special assessments, connection charges, and earned but unused vacation leave expense are examples of these types of items.

**Statement of Cash Flows.** The Statement of Cash Flows presents information on where cash came from and how it was used. The Statement of Cash Flows is important because it helps to determine if the SWPCA met its cash needs during the year and how it met them. It is important to understand financial activity measured on the accrual basis of accounting (as reflected in the Statement of Revenues, Expenses and Changes in Net Position) as well as on the cash basis of accounting.

The financial statements (Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows) are presented on pages 13-16 of this report.

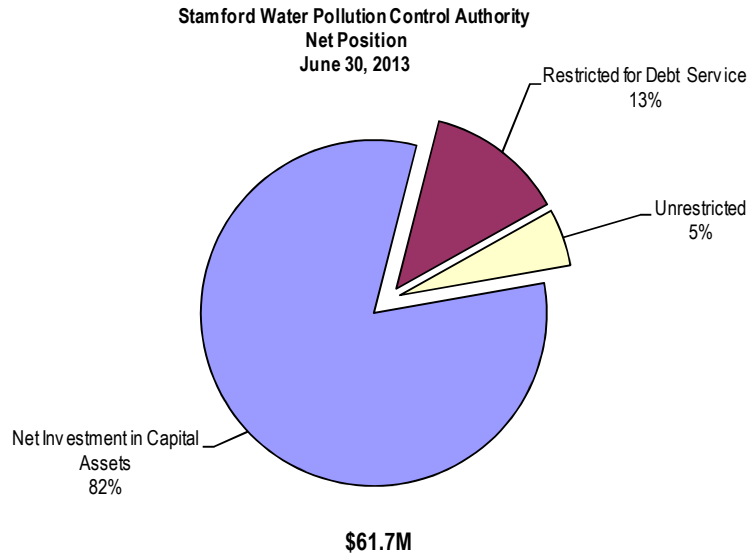
**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are presented on pages 17-30 of this report.

**Budgetary Information.** The Board of Directors of SWPCA and the City of Stamford (The "City") adopt an annual revenue and expenditure budget for the SWPCA. From a reporting standpoint, the SWPCA is reported as an Enterprise Fund. Budgetary comparison statements are provided to demonstrate compliance with the authorized budget and are presented on pages 31-32 of this report.

**Financial Analysis.** As noted earlier, net position may serve over time as a useful indicator of the SWPCA's financial condition and an important determinant of the SWPCA's ability to finance its future cash needs. The SWPCA's assets exceeded its liabilities by \$61.7 million at June 30, 2013. The SWPCA's net position increased by \$2.2 million or approximately 4% from the prior year-end period, primarily reflecting the increase in sewer use charges and lower than budgeted depreciation expense. Unrestricted net position decreased by approximately \$1.9 million to approximately \$3.3 million at June 30, 2013. Unrestricted net position provides financial flexibility to meet the needs of the SWPCA's customers and creditors.

**Stamford Water Pollution Control Authority  
Net Position (000's omitted)**

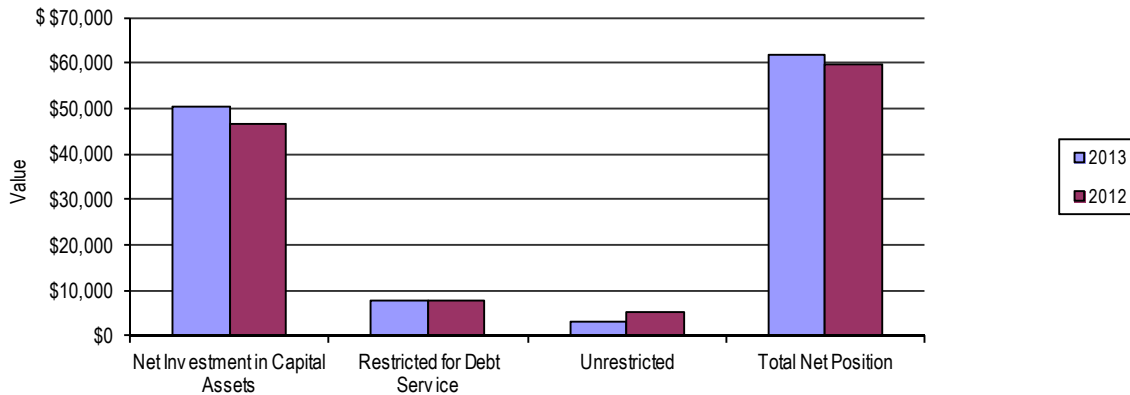
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Assets			
Current Assets	\$ 6,433	\$ 5,343	\$ 1,090
Restricted Cash	7,965	7,742	223
Non-Current Assets	7,690	7,404	286
Capital Assets (net of depreciation)	144,103	146,450	(2,347)
<b>Total Assets</b>	<u>166,191</u>	<u>166,939</u>	<u>(748)</u>
Current Liabilities	16,318	13,285	3,033
Long-term Liabilities	88,149	94,161	(6,012)
<b>Total Liabilities</b>	<u>104,467</u>	<u>107,446</u>	<u>(2,979)</u>
Net Position			
Net Investment in Capital Assets	50,460	46,503	3,957
Restricted for Debt Service	7,965	7,742	223
Unrestricted	3,299	5,248	(1,949)
<b>Total Net Position</b>	<u>\$ 61,724</u>	<u>\$ 59,493</u>	<u>\$ 2,231</u>



A common measure of liquidity is the current ratio (current assets divided by current liabilities); it helps determine whether, over the next year, the SWPCA will have sufficient cash and readily liquid assets on hand to finance its short term cash requirements. As of June 30, 2013 the SWPCA's current ratio was 0.39 to 1 as compared to 0.40 to 1 at the prior year-end. In fiscal 2013, net working capital (current assets minus current liabilities) changed from a negative \$7.9 to a negative \$9.9 million, primarily reflecting an increase in the balance due to the City for capital expenditure related advances; those advances will be repaid from the proceeds of the August, 2013 bond issuance. During the period between the billing cycles for usage, special assessments, and connection charges (e.g. April and October), the SWPCA funds any interim short term cash needs through advances from the City and repays them with its cash receipts (similar to a revolving credit agreement). Under a long standing pooled cash arrangement, the SWPCA pays the City interest to cover such short-term cash needs. Nevertheless, the SWPCA's recent liquidity trend, including increased debt service requirements (based on new debt issued August 2013) is being driven by infrastructure repairs and replacement and the exhaustion of its unexpended bond proceeds, and is unfavorable and requires corrective action. Steps taken to correct these issues include:

- Increasing the sewer use rate charged for both the April 2013 and October 2013 billing cycles.
- Budgeting in fiscal 2014, an increase in the capital reserve of \$1.5 million and a budgeted transfer to the City of \$1.25 million to reduce balances owed the City.
- Issuing \$22.1 million in new revenue bonds; refunding \$9.3 million of the 2003 revenue bond as well as authorizing \$12.8 million in new capital projects in August 2013.

**Stamford Water Pollution Control Authority  
Net Position (000's omitted)  
FYE 2013 vs. 2012 (at June 30)**



**Net Position – Net Investment in Capital Assets.** As of June 30, 2013 the largest portion of the SWPCA’s \$61.7 million in net position (82%) relates to its investment in capital assets (land, buildings, machinery, equipment, etc.), net of accumulated depreciation and any related outstanding debt used to acquire those assets. The SWPCA uses these capital assets to provide services to its customers; consequently, these assets cannot be readily liquidated and are not available to fund future spending needs. Although the SWPCA’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (sewer use charges, fees and other income), as the capital assets themselves are not readily available as a source of funds to liquidate these liabilities.

**Net Position – Restricted.** The SWPCA has a portion of its net position that is restricted for debt service. These assets are maintained in restricted trust accounts due to indenture requirements related to the 2003 and 2006 revenue bond issuances. Of the SWPCA’s \$61.7 million in total net position as of June 30, 2013, \$8.0 million or approximately 13%, was restricted and may not be used to fund the SWPCA’s ongoing obligations (with the exception of debt service under certain restricted circumstances).

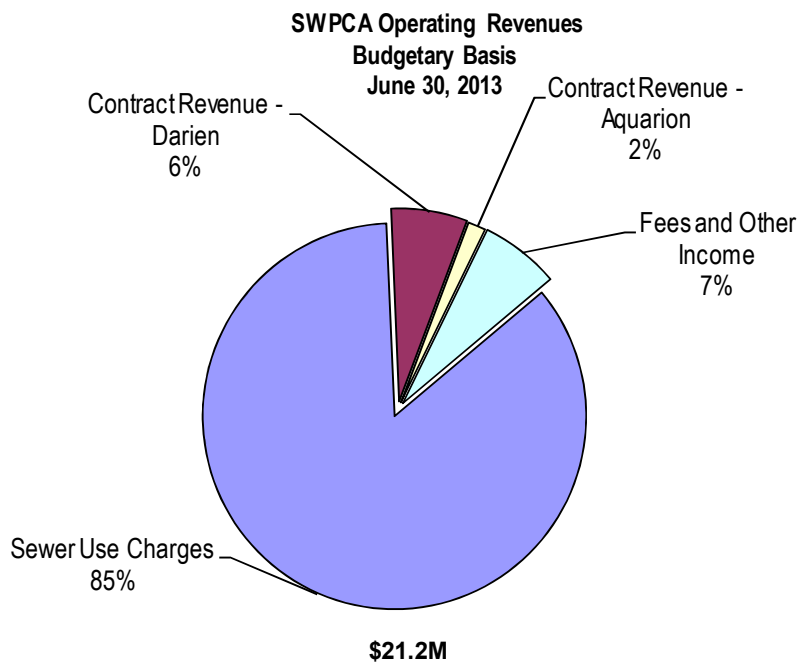
**Net Position – Unrestricted.** Of the SWPCA’s total net position at June 30, 2013, \$3.3 million or approximately 5% was unrestricted and available to be used to meet the SWPCA’s obligations to customers, creditors and for capital projects.

**Statement of Revenues  
Expenses and Other Changes  
in Net Position (000's omitted)**

	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>	<u>Change</u>
Operating Revenues	\$ 21,155	\$ 20,305	\$ 850
Operating Expenses	<u>18,566</u>	<u>16,642</u>	<u>1,924</u>
<b>Net Operating Income</b>	2,589	3,663	(1,074)
Non-Operating Revenue (Expenses)	<u>(358)</u>	<u>(333)</u>	<u>(25)</u>
<b>Change in Net Position</b>	2,231	3,330	(1,099)
Net Position, beginning (6/30/12)	<u>59,493</u>	<u>56,163</u>	<u>3,330</u>
Net Position, ending (6/30/13)	<u><u>\$ 61,724</u></u>	<u><u>\$ 59,493</u></u>	<u><u>\$2,231</u></u>

**Budgetary Information**

**Revenues.** In fiscal 2013 the SWPCA's operating revenue sources consisted of sewer use charges for Stamford customers and The Town of Darien customers (85% in total) and a combination of contract revenue, fees and other income (15% in total).

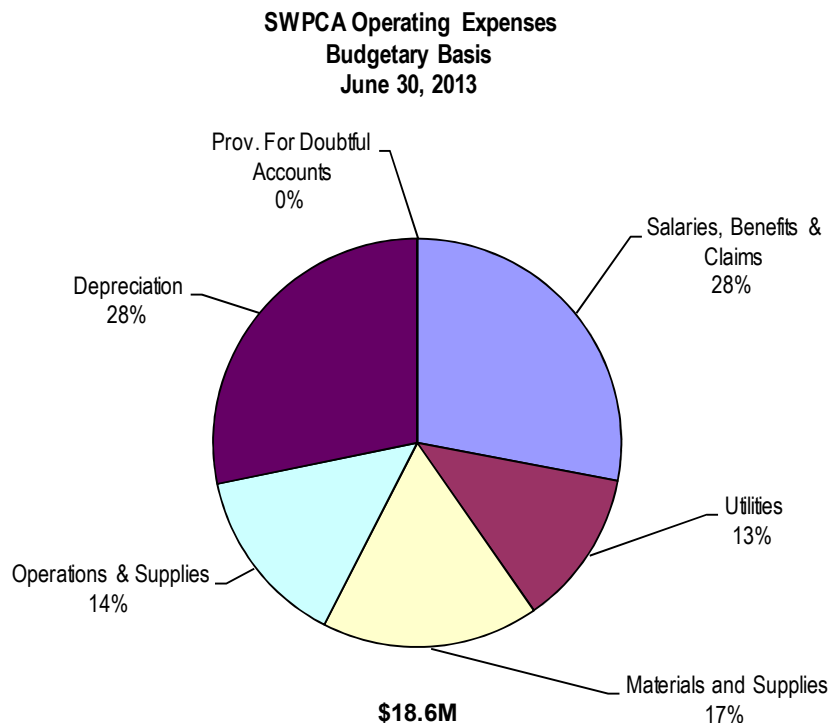


The original fiscal 2013 revenue estimate for sewer use charges was set at approximately \$16.5 million prior to the actual consumption data being available. At the annual rate setting meeting, adjustments were made to account for estimates of other revenue, collection rate assumptions and indenture requirements for debt service coverage. Based on these adjustments, the user charge rate was set at \$3.89 per 100 cubic feet (“CCF”) for the October 2012 billing and subsequently reset to \$4.21 per CCF for the April 2013 billing (based on assumed consumption of 4.3 million CCFs) for an average rate of \$4.05 per CCF for fiscal 2013.

Including the rate reset and after adjustments (e.g., off-cycle charges, cancel/rebill charges), the amount of revenue billed in fiscal 2013 based on actual consumption of 4.3 million CCFs was \$17.3 million. Fiscal 2013 revenues totaled \$21.2 million. Despite the challenging economic environment, the collection rate for sewer use charges in fiscal 2013 was approximately 95% (vs. approximately 92% in the prior year).

In fiscal 2013 the SWPCA’s primary operating revenues of \$21.2 million (as compared to \$20.3 million in the prior year) included sewer use charges (\$18.1 million), contract revenues (\$1.4 million and \$0.3 million, from Darien and Aquarion, respectively), and fees and other income (\$1.4 million, with the largest portion of this amount being attributable to revenue from the State of Connecticut’s nitrogen credit trading program).

**Expenses.** In fiscal 2013, the SWPCA’s operating expenses, which totaled \$18.6 million (\$16.6 million in the prior year) consisted of salaries, employee benefits and claims (\$5.2 million), utilities costs (\$2.3 million), materials and supplies (\$3.2 million), operations and supplies (\$2.7 million) and depreciation (\$5.2 million). The favorable impact of lower bad debt expense was offset by higher salaries, benefits and claims expense, utilities, materials and supplies expense, operations and supplies expense, and depreciation expense.



The SWPCA's non-operating revenue of \$3.1 million included special assessments and connection charges (\$3.0 million) and interest income (\$0.1 million); non-operating expense of \$3.4 million consisted of interest expense (\$2.9 million) and a provision for doubtful accounts for special assessments and connection charges (\$0.5 million).

Additional information on revenue and expense budgetary information is contained in the supplemental information section.

**Organization of SWPCA Operations.** The SWPCA's organization includes three primary Divisions, as follows:

Administration Division: responsible for the overall management of the SWPCA, including technical decisions, operational supervision, financial management (including billing and collections), planning, procurement, management of capital projects and various other administrative duties.

Process Division: responsible to ensure that the SWPCA's facilities are operated effectively and meet all state and federal requirements. Activities within this Division include wastewater treatment, sludge processing and laboratory services.

Maintenance Division: responsible for the maintenance of the SWPCA's facilities, including property and equipment, pumping stations and sanitary sewer maintenance.

As of June 30, 2013 the SWPCA had 36 full time equivalent employees a decrease of 3 from the prior year.

**SWPCA's Major Recent Capital Projects.** The SWPCA typically manages multiple con-current capital projects. The projects are categorized as engineering studies, engineering design, building and equipment replacement or upgrades, and sewer repairs or extensions. Capital projects completed or ongoing during the fiscal year ended June 30, 2013 include:

- Complete rehabilitation of the mechanical equipment for two (2) of the secondary clarifiers and three (3) primary sludge thickeners was completed.
- City wide computerized mapping of the sanitary sewer system (using GIS) continued and is ongoing.
- Construction of sanitary sewers in the Carriage Drive area is ongoing and is approximately 40% complete.
- Engineering design of sanitary sewers for the Wedgemere Road area and Perna Lane area is ongoing. The design of the Wedgemere Road area and the Perna Lane area sewers are about 40% percent and 70% complete, respectively.
- Internal inspection of major sanitary sewer pipelines and engineering evaluations of the 22 pumping stations which is ongoing.
- Received qualifications from wastewater engineering firms to study and design various improvements at the treatment plant, and:
  - ◆ Selected an engineering firm to study and design the upgrade of the Raw Sewage Pump Building.
  - ◆ Selected an engineering firm to study and design improvements to the flow distribution to the secondary clarifiers.
- Sanitary sewers were rebuilt at various locations to replace old deteriorating and misaligned sewer pipes.
- Odor control systems at the treatment plant were upgraded.



- A crane truck was purchased to replace a vehicle that was at the end of its service life.

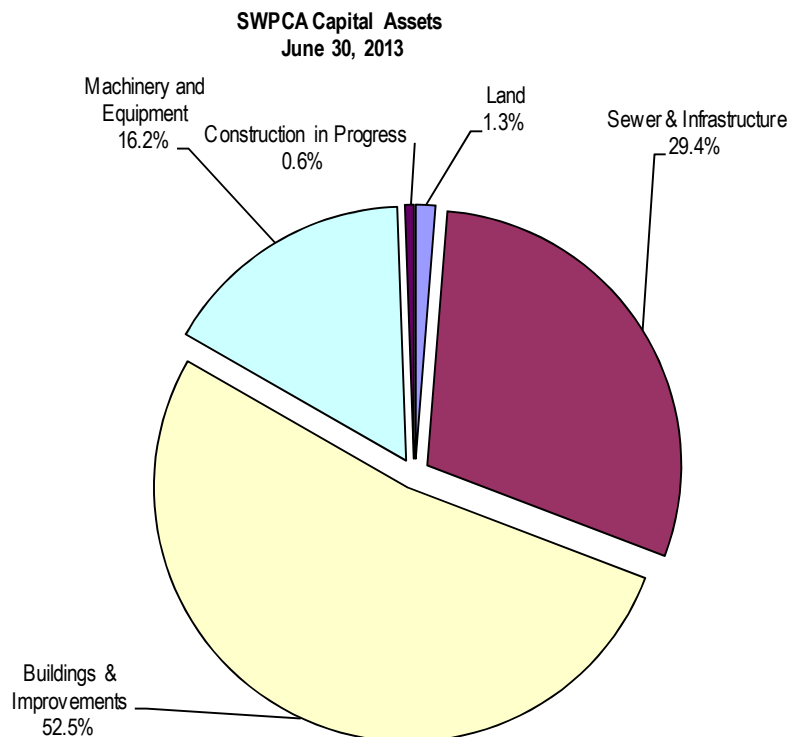
The SWPCA is in the process of implementing a comprehensive, computerized maintenance management system (CMMS) for the sanitary sewers and pumping stations.

**Capital Assets.** As of June 30, 2013, the SWPCA had total capital assets, net of accumulated depreciation, of approximately \$144.1 million, as follows:

**Stamford Water Pollution Control Authority  
Capital Assets (000's omitted)**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Land	\$ 2,833	\$ 2,833	\$ -
Sewer & Infrastructure	66,535	65,938	597
Buildings & Improvements	118,227	116,418	1,809
Machinery and Equipment	36,392	36,195	197
Construction in Progress	1,259	971	288
Subtotal	<u>225,246</u>	<u>222,355</u>	<u>2,891</u>
Less Accumulated Depreciation	<u>(81,144)</u>	<u>(75,905)</u>	<u>(5,239)</u>
Total	<u>\$ 144,102</u>	<u>\$ 146,450</u>	<u>\$ (2,348)</u>

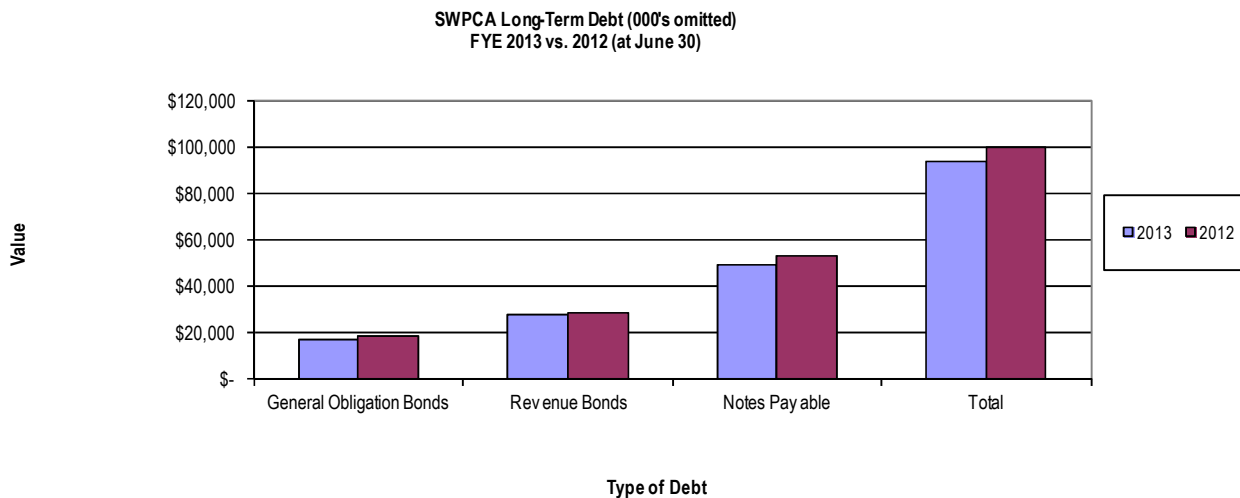
Additional information on capital assets is presented in Note 5 on pages 21-22 of this report.



**Debt Outstanding.** As of June 30, 2013, the SWPCA had bonds and notes payable outstanding of approximately \$93.9 million, as follows:

**Stamford Water Pollution Control Authority  
Debt Outstanding (000's Omitted)**

	<u>2013</u>	%	<u>2012</u>	%
General Obligation Bonds	\$16,762	18%	\$ 18,496	18%
Revenue Bonds	27,614	29%	28,345	28%
Notes Payable	49,494	53%	53,291	53%
Total	<u>\$93,870</u>	100%	<u>\$100,132</u>	100%



The SWPCA's total debt outstanding decreased by approximately \$6.3 million in fiscal 2013, reflecting the net impact of principal payments of \$1.7 million in general obligation debt, \$0.8 million in revenue bonds, and \$3.8 million in note payables. The SWPCA currently has its debt rated Aa2 by Moody's Investors Service and AA+ by Standard & Poor's.

Additional information on debt outstanding is presented in Note 7 of this report on pages 24-28.

**Requests for Information**

This financial report is designed to provide a general understanding of the Stamford Water Pollution Control Authority's most recent financial statements which will be available on the City of Stamford web site at [www.stamfordct.gov](http://www.stamfordct.gov). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Michael E. Handler, Chairman of the SWPCA, at 111 Harbor View Ave, Stamford, CT 06902. Mr. Handler is also the City's Director of Administration (MHandler@stamfordct.gov), and maintains an office at 888 Washington Boulevard, Stamford, CT 06901.

## Stamford Water Pollution Control Authority

### Comparative Statements of Net Position June 30,

	2013	2012
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 991,721	\$ 515,420
Accounts receivable		
Usage charges, net of allowance for doubtful accounts of \$1,952,359 and \$2,000,000	2,647,575	2,406,372
Special assessments and connection charges, net of allowance for doubtful accounts of \$500,000 and \$500,000	1,434,424	1,235,538
Other	1,349,292	1,176,000
Other current assets	<u>9,902</u>	<u>9,902</u>
Total Current Assets	<u>6,432,914</u>	<u>5,343,232</u>
Non-current assets		
Capital assets		
Land	2,833,278	2,833,278
Sewer and infrastructure	66,535,488	65,938,070
Building and improvements	118,227,406	116,417,420
Equipment	36,391,965	36,195,141
Construction in progress	1,259,119	971,370
Less accumulated depreciation	<u>(81,144,433)</u>	<u>(75,905,099)</u>
Total Capital Assets, Net	144,102,823	146,450,180
Restricted assets - cash and cash equivalents	7,964,869	7,742,365
Special assessments and connection charges receivable, net of current portion and allowance for doubtful accounts of \$500,000 and \$0	7,462,643	7,218,567
Deferred charges	<u>227,240</u>	<u>184,890</u>
Total Non-current Assets	<u>159,757,575</u>	<u>161,596,002</u>
Total Assets	<u>\$ 166,190,489</u>	<u>\$ 166,939,234</u>

See notes to financial statements

**Stamford Water Pollution Control Authority**

Comparative Statements of Net Position (Continued)  
 June 30,

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Accounts payable	\$ 574,528	\$ 475,305
Accrued liabilities	642,220	100,829
Accrued interest payable	589,700	668,021
Unearned revenue	88,343	177,542
Due to the City of Stamford	6,504,256	5,576,469
Note payable, City of Stamford	1,465,646	-
Current portion of general obligation bonds	1,807,691	1,743,440
Current portion of revenue bonds payable	745,000	715,000
Current portion of notes payable	3,869,606	3,796,603
Current portion of compensated absences	<u>31,000</u>	<u>32,000</u>
Total Current Liabilities	<u>16,317,990</u>	<u>13,285,209</u>
Non-current liabilities		
General obligation bonds, net	14,954,734	16,753,007
Revenue bonds payable, net	26,868,885	27,630,152
Notes payable, net	45,624,528	49,494,134
Other post employment benefit obligations payable	425,000	-
Compensated absences, net	<u>275,392</u>	<u>283,347</u>
Total Non-current Liabilities	<u>88,148,539</u>	<u>94,160,640</u>
Total Liabilities	<u>104,466,529</u>	<u>107,445,849</u>
Net Position		
Net investment in capital assets	50,459,619	46,502,734
Restricted for debt service	7,964,869	7,742,365
Unrestricted	<u>3,299,472</u>	<u>5,248,286</u>
Total Net Position	<u>61,723,960</u>	<u>59,493,385</u>
Total Liabilities and Net Position	<u>\$ 166,190,489</u>	<u>\$ 166,939,234</u>

See notes to financial statements

## Stamford Water Pollution Control Authority

### Comparative Statements of Revenues, Expenses and Changes in Net Position June 30,

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Sewer use charges	\$ 19,744,918	\$ 19,073,267
Fees and other income	<u>1,410,338</u>	<u>1,231,337</u>
Total Operating Revenues	<u>21,155,256</u>	<u>20,304,604</u>
<b>OPERATING EXPENSES</b>		
Salaries, benefits and claims	5,196,225	4,572,627
Utilities	2,290,399	1,847,901
Materials and supplies	3,193,110	2,164,289
Operations and supplies	2,647,409	2,107,500
Depreciation	5,239,334	5,054,649
Provision for doubtful accounts	-	894,906
Total Operating Expenses	<u>18,566,477</u>	<u>16,641,872</u>
Operating Income	<u>2,588,779</u>	<u>3,662,732</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Special assessments and connection charges	2,987,162	2,703,276
Provision for doubtful accounts - special assessments and connection charges	(500,000)	-
Interest income	94,901	97,752
Interest expense	<u>(2,940,267)</u>	<u>(3,133,293)</u>
Total Non-Operating Revenues (Expenses)	<u>(358,204)</u>	<u>(332,265)</u>
Change in Net Position	2,230,575	3,330,467
<b>NET POSITION</b>		
Beginning of year	<u>59,493,385</u>	<u>56,162,918</u>
End of year	<u>\$ 61,723,960</u>	<u>\$ 59,493,385</u>

See notes to financial statements

**Stamford Water Pollution Control Authority**

Comparative Statements of Cash Flows  
June 30,

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 20,651,554	\$ 20,681,199
Cash payments to employees	(3,229,372)	(2,944,249)
Cash payments to suppliers	(7,495,862)	(7,212,220)
Cash payments for benefits and claims	<u>(1,545,250)</u>	<u>(1,596,146)</u>
Net Cash from Operating Activities	<u>8,381,070</u>	<u>8,928,584</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net change in due to the City of Stamford	927,787	(697,226)
Proceeds from note payable, City of Stamford	1,465,646	-
Principal payments on debt	(6,255,043)	(6,125,311)
Interest paid on debt	(2,999,787)	(3,133,712)
Purchase of property and equipment	(2,891,977)	(925,864)
Future bond issuance costs	(68,000)	-
Special assessment and connection charges proceeds	<u>2,044,208</u>	<u>1,832,283</u>
Net Cash from Capital and Related Financing Activities	<u>(7,777,166)</u>	<u>(9,049,830)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	<u>94,901</u>	<u>97,752</u>
Net Change in Cash and Cash Equivalents	698,805	(23,494)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>8,257,785</u>	<u>8,281,279</u>
End of year	<u>\$ 8,956,590</u>	<u>\$ 8,257,785</u>
Cash and cash equivalents	\$ 991,721	\$ 515,420
Restricted cash	<u>7,964,869</u>	<u>7,742,365</u>
Total Cash and Cash Equivalents	<u>\$ 8,956,590</u>	<u>\$ 8,257,785</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 2,588,779	\$ 3,662,732
Adjustments to reconcile operating income to net cash from operating activities		
Provision for doubtful accounts	-	894,906
Depreciation	5,239,334	5,054,649
Changes in operating assets and liabilities		
Accounts receivable	(414,495)	339,951
Other assets	-	356
Accounts payable and accrued liabilities	631,659	(1,060,654)
Other post employment benefit obligations payable	425,000	-
Unearned revenue	<u>(89,207)</u>	<u>36,644</u>
Net Cash from Operating Activities	<u>\$ 8,381,070</u>	<u>\$ 8,928,584</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 2,999,787	\$ 3,133,712

**SUPPLEMENTAL NON-CASH CAPITAL ACTIVITIES**

SWPCA issued \$1,778,834 in refunding bonds to advance refund debt issued in 2003. Proceeds of \$1,980,285 were deposited into an irrevocable trust for the defeasance of \$1,936,665 of outstanding general obligation bond principal.

See notes to financial statements

# Stamford Water Pollution Control Authority

## Notes to Financial Statements

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### **Note 1 – Organization**

Ordinance Number 803, adopted November 6, 1996 (the “Ordinance”), pursuant to Chapter 103, Sections 7-245 through 7-273a, inclusive, of the Connecticut General Statutes created the Stamford Water Pollution Control Authority (the “SWPCA”) to operate the Water Pollution Control Facility, sanitary sewage system, pumping stations and hurricane barrier for the City of Stamford, Connecticut (the “City”). SWPCA operations are financed primarily through direct charges to the users of its services. The SWPCA is exempt from Federal, State and local income taxes. The SWPCA relies on the City for certain administrative and financial support as detailed elsewhere in the notes to the financial statements.

### **Note 2 – Summary of Significant Accounting Policies**

#### **Financial Reporting Entity**

In accordance with criteria enumerated in Governmental Accounting Standards Board (“GASB”) Statement No. 61, the SWPCA has been identified as a blended component unit of the City and is presented as a business-type activity in the City’s basic financial statements. The accompanying financial statements present only the SWPCA fund and do not purport to, and do not, present the financial position of the City or the changes in the City’s financial position and cash flows.

#### **Basis of Accounting**

The SWPCA utilizes the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when a liability is incurred.

The SWPCA follows GASB Statement No. 20 “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.” This Statement provides guidance on the applicability of accounting pronouncements from other standard setting organizations. Under the SWPCA’s election, it must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989 unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

#### **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 and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the SWPCA considers all highly liquid investments with an original maturity term of three months or less when purchased to be cash equivalents.

Under a long standing arrangement with the City, the SWPCA shares in a pooled cash account controlled by, and in the name of, the City. The SWPCA’s share of this pooled cash account was a deficit at both June 30, 2013 and the prior year period and is reflected as “Due to the City of Stamford” in the accompanying financial statements. The SWPCA’s own unrestricted cash balance was \$991,721 and \$515,420 at June 30, 2013 and the prior year period.

# Stamford Water Pollution Control Authority

## Notes to Financial Statements (Continued)

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### **Note 2 – Summary of Significant Accounting Policies (Continued)**

#### **Accounts Receivable**

Accounts receivable are stated net of an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

#### **Capital Assets**

Property, plant and equipment are stated at cost. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets being constructed over a period of time are classified as construction in progress. No depreciation is computed on these assets until they are complete and placed into service. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets as follows:

	<u>Years</u>
Sewer and infrastructure	50-100
Buildings and improvements	25-50
Equipment	5-20

The SWPCA capitalizes interest during the period of construction.

#### **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/expenditures) 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, 2013, no amounts were required to be reported as deferred outflows/inflows of resources.

#### **Compensated Absences**

Under terms of the bargaining unit agreements, employees are awarded vacation on July 1 of each year based on years of service, and can accumulate up to 45-60 days of unused vacation, depending upon their specific union contract. Employees are also allowed sick leave, which is earned monthly, and can accumulate up to 150 days. Upon termination of employment without eligibility for retirement, each employee is paid for unused vacation.

Vested sick leave and accumulated vacation leave is recognized as an expense and liability as the benefits accrue to employees. Non-vested sick leave is recognized to the extent it is expected to be paid.



## **Stamford Water Pollution Control Authority**

### Notes to Financial Statements (Continued)

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#### **Note 2 – Summary of Significant Accounting Policies (Continued)**

##### **Operating Revenues**

Operating revenues are based on the SWPCA's authorized rates applied to customer consumption of water. The SWPCA accrues amounts earned at the end of each accounting period.

The SWPCA has the authority to and does routinely file liens on past due accounts. The lien amounts are payable, subject to unpaid property taxes and any superior claims (i.e. first mortgages) upon transfer of the respective properties.

##### **Special Assessments and Connection Charges**

Special assessments are fees assessed by the SWPCA for new sewer lines. Interest is charged on the special assessments outstanding receivable balances at an annual rate set by the SWPCA at the time the special assessments are assessed. Connection charges are fees assessed for new connections to existing sewer lines in residences and commercial businesses. No interest is charged on connection charges. Accordingly, connection charges are recorded net of an imputed interest charge. Amounts receivable for special assessments and connection charges are stated net of interest and imputed interest. Interest is recognized as it is earned over the period of collection. The special assessments and the connection charges are generally payable over periods of 10 to 20 years.

##### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the SWPCA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The SWPCA has cash restricted for debt service requirements in accordance with the terms of the outstanding revenue bonds (see Note 3).

##### **Reclassifications**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

##### **Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 10, 2014.

#### **Note 3 – Cash and Cash Equivalents**

Responsibility for custodial credit risk of deposits rests with the City; accordingly, separate disclosure is not possible. The notes of the City's Comprehensive Annual Financial Report should be read to determine the City's custodial credit risk of deposits. The restricted cash balance at June 30, 2013 and June 30, 2012 was restricted in accordance with the terms of various outstanding debt of the SWPCA (see Note 6).

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 3 – Cash and Cash Equivalents (Continued)**

The following is a summary of cash and cash equivalents at June 30:

	<u>Carrying and Fair Values</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 991,721	\$ 515,420
Restricted cash	<u>7,964,869</u>	<u>7,742,365</u>
	<u>\$ 8,956,590</u>	<u>\$ 8,257,785</u>

**Note 4 - Special Assessments and Connection Charges Receivable**

The following is a summary of special assessments and connection charges receivable at June 30:

	<u>2013</u>			<u>Due Within One Year</u>
	<u>New Sewer Line Charges</u>	<u>Connection Charges</u>	<u>Total</u>	
Due in the year ending June 30:				
2014	\$ 381,061	\$ 1,181,403	\$ 1,562,464	\$ 1,562,464
2015	208,934	689,728	898,662	-
2016	208,555	659,711	868,266	-
2017	205,922	659,366	865,288	-
2018	202,810	659,263	862,073	-
Thereafter	<u>1,068,944</u>	<u>5,101,248</u>	<u>6,170,192</u>	-
	2,276,226	8,950,719	11,226,945	1,562,464
Less imputed interest	<u>-</u>	<u>(1,701,838)</u>	<u>(1,701,838)</u>	<u>-</u>
Receivable Before Interest and Lien Fees Receivables and Allowance for Doubtful Accounts	<u>\$ 2,276,226</u>	<u>\$ 7,248,881</u>	9,525,107	1,562,464
Plus related interest and lien fees receivable			371,960	371,960
Less allowance for doubtful accounts			<u>(1,000,000)</u>	<u>(500,000)</u>
Net Special Assessments and Connection Charges Receivable			<u>\$ 8,897,067</u>	<u>\$ 1,434,424</u>

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 4 - Special Assessments and Connection Charges Receivable (Continued)**

	2012			
	<u>New Sewer Line Charges</u>	<u>Connection Charges</u>	<u>Total</u>	<u>Due Within One Year</u>
Due in the year ending June 30:				
2013	\$ 365,538	\$ 1,038,747	\$ 1,404,285	\$ 1,404,285
2014	209,358	571,095	780,453	-
2015	211,318	552,237	763,555	-
2016	211,780	519,068	730,848	-
2017	212,874	519,085	731,959	-
Thereafter	<u>1,354,617</u>	<u>4,165,331</u>	<u>5,519,948</u>	-
	2,565,485	7,365,563	9,931,048	1,404,285
Less imputed interest	-	<u>(1,308,196)</u>	<u>(1,308,196)</u>	-
Receivable Before Interest and Lien Fees Receivables and Allowance for Doubtful Accounts	<u>\$ 2,565,485</u>	<u>\$ 6,057,367</u>	8,622,852	1,404,285
Plus related interest and lien fees receivable			331,253	331,253
Less allowance for doubtful accounts			<u>(500,000)</u>	<u>(500,000)</u>
Net Special Assessments and Connection Charges Receivable			<u>\$ 8,454,105</u>	<u>\$ 1,235,538</u>

**Note 5 – Capital Assets**

A summary of capital assets is as follows as of June 30:

	2013		
	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated			
Land	\$ 2,833,278	\$ -	\$ 2,833,278
Construction in process	<u>971,370</u>	<u>287,749</u>	<u>1,259,119</u>
Total capital assets, not being depreciated	<u>3,804,648</u>	<u>287,749</u>	<u>4,092,397</u>
Capital assets being depreciated			
Sewer and infrastructure	65,938,070	597,418	66,535,488
Building and improvements	116,417,420	1,809,986	118,227,406
Equipment	<u>36,195,141</u>	<u>196,824</u>	<u>36,391,965</u>
Total capital assets being depreciated	<u>218,550,631</u>	<u>2,604,228</u>	<u>221,154,859</u>
Less accumulated depreciation	<u>75,905,099</u>	<u>5,239,334</u>	<u>81,144,433</u>
Total capital assets being depreciated, net	<u>142,645,532</u>	<u>(2,635,106)</u>	<u>140,010,426</u>
Capital assets, net	<u>\$ 146,450,180</u>	<u>\$ (2,347,357)</u>	<u>\$ 144,102,823</u>

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 5 – Capital Assets (Continued)**

	2012		
	Beginning Balance	Additions/ Transfers	Ending Balance
Capital assets, not being depreciated			
Land	\$ 2,833,278	\$ -	\$ 2,833,278
Construction in process	825,007	146,363	971,370
Total capital assets, not being depreciated	<u>3,658,285</u>	<u>146,363</u>	<u>3,804,648</u>
Capital assets being depreciated			
Sewer and infrastructure	65,637,806	300,264	65,938,070
Building and improvements	116,080,368	337,052	116,417,420
Equipment	36,111,047	84,094	36,195,141
Total capital assets being depreciated	<u>217,829,221</u>	<u>721,410</u>	<u>218,550,631</u>
Less accumulated depreciation	<u>70,850,450</u>	<u>5,054,649</u>	<u>75,905,099</u>
Total capital assets being depreciated, net	<u>146,978,771</u>	<u>(4,333,239)</u>	<u>142,645,532</u>
Capital assets, net	<u>\$ 150,637,056</u>	<u>\$ (4,186,876)</u>	<u>\$ 146,450,180</u>

**Note 6 – Restricted Assets**

Pursuant to the Revenue Bond Indenture, certain funds are required to be maintained for purposes specified in the applicable agreement. SWPCA's restricted assets were being maintained for the following purposes as of June 30:

	2013	2012
Clean Water Fund - Debt Service Reserve	\$ 4,724,655	\$ 4,711,889
2003 Debt Service Reserve Fund	893,561	866,908
2006 Debt Service Reserve Fund	1,207,546	1,207,352
2003 and 2006 Debt Service Funding Accrual	1,139,107	956,216
	<u>\$ 7,964,869</u>	<u>\$ 7,742,365</u>

# Stamford Water Pollution Control Authority

## Notes to Financial Statements (Continued)

### Note 7 – Long-Term Obligations

Long-term liability activity was as follows for the years ended June 30:

	2013				Due Within One Year
	July 1, 2012	Increases	Decreases	June 30, 2013	
Bonds payable					
General obligation bonds	\$ 18,449,154	\$ 1,778,834	\$ 3,680,103	\$ 16,547,885	\$ 1,807,691
Unamortized premium	<u>47,293</u>	<u>174,013</u>	<u>6,766</u>	<u>214,540</u>	<u>-</u>
	<u>18,496,447</u>	<u>1,952,847</u>	<u>3,686,869</u>	<u>16,762,425</u>	<u>1,807,691</u>
Revenue bonds	28,285,000	-	715,000	27,570,000	745,000
Unamortized premium	<u>60,152</u>	<u>-</u>	<u>16,267</u>	<u>43,885</u>	<u>-</u>
	<u>28,345,152</u>	<u>-</u>	<u>731,267</u>	<u>27,613,885</u>	<u>745,000</u>
Notes payable	<u>53,290,737</u>	<u>-</u>	<u>3,796,603</u>	<u>49,494,134</u>	<u>3,869,606</u>
Total Bonds and Notes Payable	<u>100,132,336</u>	<u>1,952,847</u>	<u>8,214,739</u>	<u>93,870,444</u>	<u>6,422,297</u>
Other non-current liabilities					
Other post employment benefit obligations payable	-	425,000	-	425,000	-
Compensated absences	<u>315,347</u>	<u>-</u>	<u>8,955</u>	<u>306,392</u>	<u>31,000</u>
Total Other Non-current Liabilities	<u>315,347</u>	<u>425,000</u>	<u>8,955</u>	<u>731,392</u>	<u>31,000</u>
Total	<u>\$ 100,447,683</u>	<u>\$ 2,377,847</u>	<u>\$ 8,223,694</u>	<u>\$ 94,176,836</u>	<u>\$ 6,453,297</u>
	2012				Due Within One Year
	July 1, 2011	Increases	Decreases	June 30, 2012	
Bonds payable					
General obligation bonds	\$ 20,136,388	\$ -	\$ 1,687,234	\$ 18,449,154	\$ 1,743,440
Unamortized premium	<u>54,059</u>	<u>-</u>	<u>6,766</u>	<u>47,293</u>	<u>-</u>
	<u>20,190,447</u>	<u>-</u>	<u>1,694,000</u>	<u>18,496,447</u>	<u>1,743,440</u>
Revenue bonds	28,975,000	-	690,000	28,285,000	715,000
Unamortized premium	<u>76,418</u>	<u>-</u>	<u>16,266</u>	<u>60,152</u>	<u>-</u>
	<u>29,051,418</u>	<u>-</u>	<u>706,266</u>	<u>28,345,152</u>	<u>715,000</u>
Notes payable	<u>57,015,782</u>	<u>-</u>	<u>3,725,045</u>	<u>53,290,737</u>	<u>3,796,603</u>
Total Bonds and Notes Payable	106,257,647	-	6,125,311	100,132,336	6,255,043
Other non-current liabilities					
Compensated absences	<u>298,107</u>	<u>17,240</u>	<u>-</u>	<u>315,347</u>	<u>32,000</u>
Total	<u>\$ 106,555,754</u>	<u>\$ 17,240</u>	<u>\$ 6,125,311</u>	<u>\$ 100,447,683</u>	<u>\$ 6,287,043</u>

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 7 – Long-Term Obligations (Continued)**

**General Obligation Bonds**

Per Connecticut state law, the SWPCA does not have the authority to directly issue general obligation bonds. General obligation bonds issued on behalf of the SWPCA are considered general obligation debt of the City. The SWPCA pays the principal and interest due on its allocable portion of the City's debt.

The SWPCA's allocable portion of the City's general obligation bonds outstanding as of June 30, 2013 consisted of the following:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amounts</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30, 2012</u>
Refunding Bonds	2002	\$ 2,718,590	2013	5.250 - 5.500 %	\$ -	\$ 789,565
Refunding Bonds	2003	3,982,952	2016	5.250	907,836	2,385,439
Refunding Bonds	2004	1,268,429	2018	3.600 - 5.250	479,696	972,654
Refunding Bonds	2005	2,247,600	2021	4.000 - 5.000	2,144,800	2,144,800
Refunding Bonds	2008	1,817,639	2015	3.250 - 5.000	285,288	660,265
Refunding Bonds	2009	1,073,431	2020	3.250 - 5.000	1,073,431	1,073,431
Public Improvements	2010	10,000,000	2030	2.800 - 5.450	9,165,000	9,585,000
Refunding Bonds	2010	408,000	2023	4.000 - 5.000	408,000	408,000
Refunding Bonds	2011	430,000	2026	2.000 - 4.000	305,000	430,000
Refunding Bonds	2013	435,990	2015	1.000 - 2.000	435,990	-
Refunding Bonds	2013	1,342,844	2019	2.000 - 5.000	<u>1,342,844</u>	<u>-</u>
Debt Service Requirement					16,547,885	18,449,154
Plus unamortized premium					<u>214,540</u>	<u>47,293</u>
Net Debt Service Requirement					<u>\$ 16,762,425</u>	<u>\$ 18,496,447</u>

Aggregate debt service requirements subsequent to June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,807,691	\$ 695,038	\$ 2,502,729
2015	1,788,391	649,004	2,437,395
2016	1,223,189	597,809	1,820,998
2017	1,198,677	548,648	1,747,325
2018	1,311,034	490,690	1,801,724
2019-2023	4,623,903	1,674,880	6,298,783
2024-2028	3,240,000	787,406	4,027,406
2028-2030	<u>1,355,000</u>	<u>75,558</u>	<u>1,430,558</u>
Debt Service Requirement	16,547,885	5,519,033	22,066,918
Plus unamortized premium	<u>214,540</u>	-	<u>214,540</u>
Net Debt Service Requirement	<u>\$16,762,425</u>	<u>\$ 5,519,033</u>	<u>\$22,281,458</u>

The SWPCA's share of interest expense incurred on general obligation bonds was \$647,802 and \$739,326 for the years ended June 30, 2013 and 2012.

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 7 – Long-Term Obligations (Continued)**

**Revenue Bonds**

Revenue bonds are special limited obligations of the City payable solely from revenues and other receipts of the SWPCA.

Revenue bonds outstanding consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Stamford Water Pollution Control System and Facility Revenue Bonds - 2003. Issued in the aggregate amount of \$12,480,000 revenue bonds in October 2003 at interest rates ranging from 2.0% to 5.0%, due annually, on November 1. Interest is payable monthly, with principal maturity paid from July 2002 through July 2032. The aggregate new amount includes unamortized premiums of \$19,343 and \$30,395 at June 30, 2013 and 2012.	\$10,059,343	\$10,375,395
Stamford Water Pollution Control System and Facility Revenue Bonds - 2006. Issued in the aggregate amount of \$19,765,000 revenue bonds in September 2006 at interest rates ranging from 3.4% to 4.75%, due annually, on March 15 and September 15. Interest is payable monthly, with principal maturity paid from September 2007 through September 2036. The aggregate new amount includes unamortized premiums of \$24,542 and \$29,757 at June 30, 2013 and 2012.	<u>17,554,542</u>	<u>17,969,757</u>
Total revenue bonds payable	<u>27,613,885</u>	<u>28,345,152</u>
Less: current portion	<u>745,000</u>	<u>715,000</u>
Total revenue bonds payable - non-current	<u>\$26,868,885</u>	<u>\$27,630,152</u>

Interest incurred on revenue bonds was \$1,251,440 and \$1,277,984 for the years ended June 30, 2013 and 2012.

Aggregate debt service requirements subsequent to June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 745,000	\$ 1,246,175	\$ 1,991,175
2015	775,000	1,217,181	1,992,181
2016	805,000	1,186,625	1,991,625
2017	840,000	1,152,331	1,992,331
2018	875,000	1,116,718	1,991,718
2019-2023	4,985,000	4,970,818	9,955,818
2024-2028	6,240,000	3,722,393	9,962,393
2029-2033	7,920,000	2,041,169	9,961,169
2034-2037	<u>4,385,000</u>	<u>428,807</u>	<u>4,813,807</u>
Debt Service Requirement	27,570,000	17,082,217	44,652,217
Plus bond premium	<u>43,885</u>	-	<u>43,885</u>
Net Debt Service Requirement	<u>\$27,613,885</u>	<u>\$ 17,082,217</u>	<u>\$44,696,102</u>

# Stamford Water Pollution Control Authority

## Notes to Financial Statements (Continued)

### Note 7 – Long-Term Obligations (Continued)

#### Notes Payable

The City obtained in fiscal years 1996, 1998, and 2001 project loan obligations from the State of Connecticut for various sewer projects of \$2,731,211, \$864,280, \$3,574,208 of which \$193,461, \$154,850, and \$1,403,035 was outstanding as of June 30, 2013 and \$330,021, \$198,064 and \$1,587,923 was outstanding as of June 30, 2012. The repayment on these three loans is not restricted to the funds of the SWPCA. Currently, the SWPCA is repaying these notes on behalf of the City.

The SWPCA completed a \$105 million upgrade of the waste water treatment facility in 2006. To fund the upgrade project, the City obtained a Project Loan Obligation from the State of Connecticut for \$73,561,481. This loan is a special limited obligation loan of the City which is to be repaid solely from revenues, funds, accounts, moneys and securities of the SWPCA. The project was also funded through grants and a local share. At June 30, 2013 and 2012, the outstanding balance on the loan was \$47,742,788 and \$51,174,729.

The loans bear interest at 2%. The loans are payable in monthly installments ranging from approximately \$3,601 to \$368,000 through August 2025, plus accrued interest. As of June 30, 2013 and 2012 the combined loan balances were \$49,494,134 and \$53,290,737.

Interest expense incurred on these notes payables was \$1,031,132 and \$1,106,287 for the years ended June 30, 2013 and 2012.

Aggregate debt service requirements subsequent to June 30, 2013 are as follows:

	Principal	Interest	Total
2014	\$ 3,869,606	\$ 954,533	\$ 4,824,139
2015	3,864,423	876,859	4,741,282
2016	3,883,503	799,730	4,683,233
2017	3,943,011	721,412	4,664,423
2018	3,996,881	642,166	4,639,047
2019-2023	20,563,543	1,986,817	22,550,360
2024-2026	9,373,167	212,360	9,585,527
Net Debt Service requirement	<u>\$49,494,134</u>	<u>\$ 6,193,877</u>	<u>\$55,688,011</u>

### Note 8 – Revenue

Sewer use fees are comprised of the following for the years ended June 30:

	2013	2012
Sewer use fees	\$ 17,278,581	\$ 16,704,578
Sewer use fees, Town of Darien, CT	1,354,377	1,317,500
Sewer use fees, Aquarion	315,742	339,445
Interest	586,811	528,324
Lien fees	208,607	180,420
Miscellaneous fees	800	3,000
	<u>\$ 19,744,918</u>	<u>\$ 19,073,267</u>



## Stamford Water Pollution Control Authority

### Notes to Financial Statements (Continued)

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#### **Note 8 – Revenue (Continued)**

Sewer assessments and connection charges is comprised of the following for the years ended June 30:

	2013	2012
Connection charges	\$ 1,876,923	\$ 1,877,219
Sewer assessments	(55,571)	18,411
Capital reimbursement, Town of Darien, CT	887,131	458,716
Interest	214,787	195,832
Delinquent interest and lien fees	63,892	153,098
	<u>\$ 2,987,162</u>	<u>\$ 2,703,276</u>

#### **Note 9 – Commitments and Contingencies**

##### **General Contingencies**

The SWPCA is a defendant in a lawsuit. In the opinion of the City's General Counsel and SWPCA's management, the resolution of this matter is not expected to have a material adverse effect on the future financial condition of the SWPCA.

#### **Note 10 – Risk Management**

The SWPCA is exposed to various risks of loss related to torts, theft or impairment to assets, errors and omissions, injury to employees, employee health insurance, and natural disasters.

The SWPCA is insured through the City's internal service insurance fund. The City's self-insurance fund covers the City, including the SWPCA, per claim for up to \$1,000,000 for general and auto liability, \$1,500,000 for workers' compensation, \$100,000 for public officials' liability and \$250,000 for property losses. The City purchases commercial insurance for claims in excess of these retentions. Costs associated with these risks are reported in the City's insurance internal service fund in addition to claims incurred but not reported. The SWPCA is charged by the City for its share of premium cost and claims. Settled claims have not exceeded commercial coverage in any of the past three years. For the years ended June 30, 2013 and 2012, the SWPCA paid the City approximately \$286,000 and \$319,000 to the City's internal service insurance fund.

#### **Note 11 – Employee Retirement Plan**

Nearly all full-time City employees are covered by a pension plan. The employees of the SWPCA are covered under the City's Classified Employees' Retirement Fund. Eligibility begins at date of hire and vesting occurs in full after 5 years of service. Benefits are payable to an employee who retires at age 60 with a minimum of 10 years of service or an employee who has reached age 58 with at least 15 years of service. Certain contracts allow employees with 25 years of service to retire. Annual benefits equal 2% per year of service with maximums up to 70% of final salary for each year of credited service. Employees contribute 3% of their annual salary until they have reached 33 years of credited service. Some union contracts allow employees to exchange sick or vacation leave for up to 4% additional pension credit (1% per 25 days). Interest of 5% is credited to the employees' contribution.

**Note 11 – Employee Retirement Plan (Continued)**

The City uses an independent actuary to determine the allocation of contributions required for the various departments and groups that participate in the retirement plans, including the SWPCA, for budget purposes only. The City does not account for net pension obligation or assets at the fund level. The City's basic financial statements contain Classified Employee's Retirement Fund ("CERF") activity and funding information as of June 30, 2013 and 2012. At June 30, 2013 and 2012, the CERF had \$184.4 million and \$169.0 million in net position. The actuarial accrued liability at July 1, 2012 was \$219.5 million and the CERF was approximately 86% funded. For the years ended June 30, 2013 and 2012, the SWPCA's contribution to the retirement fund was \$310,000 and \$275,000, representing approximately 5% of total contributions to the CERF for each year.

**Note 12 – Transactions with the City of Stamford**

In the fiscal years 2013 and 2012, the City paid approximately \$274,000 and \$221,000, respectively, in sewer use charges to the SWPCA. The City reimbursed the SWPCA \$79,000 and \$72,000 for the City's share of the hurricane barrier maintenance and operations for the years ended June 30, 2013 and 2012.

For the fiscal years 2013 and 2012, the SWPCA paid the City approximately \$306,000 and \$278,000 for an allocation of central services costs, \$72,500 and \$72,500 for services provided by the City's finance department, and approximately \$799,000 and \$789,000 to the City's internal service medical insurance fund for health insurance coverage of active and retired employees.

In connection with the pooled cash arrangement with the City, the SWPCA incurred interest expense of approximately \$9,900 and \$9,700 on deficit balances during the years ended June 30, 2013 and 2012.

**Note 13 – Other Post Employment Benefit Obligations Payable**

The City provides certain health care benefits for retired employees through a single employer defined benefit plan in which the SWPCA participates. The various collective bargaining agreements stipulate the employees' covered and the percentage of contribution, if any, to the cost of health care benefits. Contributions by the City may vary according to length of service. The cost of providing post-employment health care benefits is shared between the City and the retired employee. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expense as claims are paid.

The City's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

**Note 13 – Other Post Employment Benefit Obligations Payable (Continued)**

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The City is required to accrue on the financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. The contribution requirements of plan members and the City are established and may be amended by the City. The assumed health care cost trend rates, representative of the future expected increases in net medical premiums are as follows:

Year Ended June 30,	Assumed Increase
2014	7.5 %
2015	7.0
2016	6.5
2017	6.0
2018	5.5
2019	5.0
2020	4.5

The amortization basis is the level percentage of payroll method with an open amortization approach with 20 years in the amortization period. The actuarial assumptions included a 7.5% investment rate of return, 3.5% payroll growth assumption and an inflation rate assumption of 3.0%. The actuarial cost method utilized was the projected unit credit method. Separate financial statements have not been prepared for the postemployment benefit plan.

The number of SWPCA participants as of June 30, 2013 was as follows:

Active Employees	34
Retired Employees	<u>8</u>
Total	<u>42</u>

SWPCA's Share of Amortization Component	
Actuarial Accrued Liability as of July 1, 2012	\$ 2,893,000
Assets at Market Value	<u>193,000</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 2,700,000</u>
Funded Ratio	<u>6.67%</u>
Covered Payroll (Active plan members)	<u>\$ 2,220,000</u>
UAAL as a Percentage of Covered Payroll	<u>121.62%</u>

**Stamford Water Pollution Control Authority**

Notes to Financial Statements (Continued)

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**Note 13 – Other Post Employment Benefit Obligations Payable (Continued)**

Annual Required Contribution	\$	462,000
Interest on Net OPEB Obligation		3,000
Adjustment to Annual Required Contribution		<u>303,000</u>
Annual OPEB Cost		768,000
Contributions Made		<u>(343,000)</u>
Increase in Net OPEB Obligation		425,000
Net OPEB Obligation - Beginning of Year		-
Net OPEB Obligation - End of Year	\$	<u><u>425,000</u></u>
Percentage of Annual OPEB Cost Contributed		<u>44.66%</u>

The latest actuarial valuation was made July 1, 2012. Information with respect to the entire OPEB valuation is contained in the City's basic financial statements.

**Note 14 – Connecticut Department of Energy & Environmental Protection Violations**

The SWPCA was issued a Notice of Violation (“NOV”) dated September 10, 2012 by the Connecticut Department of Energy & Environmental Protection (“DEEP”) stating that the SWPCA failed to meet regulatory requirements for effluent permit limits, the operation of secondary clarifier and nitrified recycle pumps, bypass prevention, and maintaining a system of user charges that supported the maintenance and replacement of critical components. No failure dates or time periods were specified and no penalties have been levied to date in conjunction with this NOV. During the fiscal year 2013, as a part of corrective action, the repair of the Clarifier was completed and approximately \$2 million was authorized and bonded for the major equipment replacement of the secondary clarifier replacement. Additionally the SWPCA budgeted the capital reserve of \$1.5 million in fiscal year 2013-2014.

**Note 15 – Subsequent event**

On August 20, 2013, the SWPCA, issued \$12,770,000 in 2013 Series A revenue bonds and \$9,325,000 in revenue refunding bonds. The bonds mature annually through August, 2043, with interest at rates ranging from 3.0% to 6.0%, depending on maturity.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Stamford Water Pollution Control Authority**

Required Supplementary Information - Schedule of Funding Progress  
Other Post Employment Benefits Trust Fund  
Last Three Fiscal Years

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Valuation Date	Actuarial		Excess (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Excess (Unfunded) Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2012	\$193,000	\$2,893,000	\$(2,700,000)	6.7 %	\$2,220,000	(121.6) %

Note - information not available prior to July 1, 2012 valuation

See Independent Auditors' Report

**Stamford Water Pollution Control Authority**

Required Supplementary Information - Schedule of Employer Contributions  
Other Post Employment Benefits Trust Fund  
Last Three Fiscal Years

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 462,000	\$ 343,000	74.24 %

Note - information not available prior to fiscal year ended June 30, 2013.

**SUPPLEMENTARY AND OTHER INFORMATION**



**Stamford Water Pollution Control Authority**

Schedule of Revenues - Budgetary Basis - Budget and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Sewer use charges	\$ 17,054,192	\$ 17,054,192	\$ 18,074,799	\$ 1,020,607
Contract revenue - Town of Darien, Connecticut	1,477,380	1,477,380	1,354,377	(123,003)
Contract revenue - Aquarion Water Company	210,452	210,452	315,742	105,290
Nitrogen Trading Credit	840,778	840,778	848,494	7,716
Fees and other income	554,170	554,170	707,657	153,487
Total Operating Revenues	<u>20,136,972</u>	<u>20,136,972</u>	<u>21,301,069</u>	<u>1,164,097</u>
<b>NON-OPERATING REVENUES</b>				
Sewer assessments	2,540,696	2,540,696	2,044,208	(496,488)
Interest income	95,000	95,000	94,901	(99)
Total Non-Operating Revenues	<u>2,635,696</u>	<u>2,635,696</u>	<u>2,139,109</u>	<u>(496,587)</u>
Total Revenues	<u>\$22,772,668</u>	<u>\$22,772,668</u>	23,440,178	<u>\$ 667,510</u>
Less interest subsidy			(145,813)	
Provision for doubtful accounts - special assessments and connection charges			(500,000)	
Additional sewer assessment revenue on a GAAP basis			<u>942,954</u>	
Revenues on a GAAP Basis			<u>\$23,737,319</u>	

See Independent Auditors' Report

**Stamford Water Pollution Control Authority**

Schedule of Operating Expenses - Budgetary Basis - Budget and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING EXPENSES</b>				
Administration	\$ 3,742,189	\$ 3,742,189	\$ 4,386,056	\$ (643,867)
Process control	3,274,879	3,274,879	2,474,909	799,970
Laboratory	490,630	490,630	481,054	9,576
Sludge processing - operating	791,025	791,025	1,177,234	(386,209)
Sludge processing - contractual	1,583,400	1,583,400	1,601,605	(18,205)
Storm water management	-	-	16,702	(16,702)
Building maintenance	255,000	255,000	245,861	9,139
Equipment maintenance	951,190	951,190	1,070,433	(119,243)
Pump station maintenance	630,986	630,986	534,402	96,584
Sanitary sewer maintenance	378,622	378,622	152,878	225,744
Barrier maintenance	237,000	237,000	138,930	98,070
Billing services	446,134	446,134	452,479	(6,345)
<b>Total Operating Expenses</b>	<b>12,781,055</b>	<b>12,781,055</b>	<b>12,732,543</b>	<b>48,512</b>
<b>OTHER NON-OPERATING EXPENSES</b>				
Debt service	9,991,613	9,991,613	9,238,088	753,525
<b>Total Expenses</b>	<b>\$ 22,772,668</b>	<b>\$ 22,772,668</b>	<b>21,970,631</b>	<b>\$ 802,037</b>
Net encumbrances included in budgetary basis and not GAAP basis and other adjustments for GAAP basis			679,493	
Change in accrued interest payable and deferred charges			(52,671)	
Accrual of other post employment benefit obligation			425,000	
Depreciation			5,239,334	
Principal payments on debt			(6,255,043)	
Expenditures on a GAAP basis			<u>\$ 22,006,744</u>	

See Independent Auditors' Report

**STATISTICAL SECTION (UNAUDITED)**

## ***Statistical Section***

This part of the SWPCA's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the SWPCA's overall financial health.

### **Contents**

#### ***Financial Trend***

These schedules contain trend information to help the reader understand how the SWPCA's financial performance and well-being have changed over time. 35-36

#### ***Revenue Capacity***

These schedules contain information to help the reader assess the SWPCA's most significant local revenue source, the sewer use charge. 37-38

#### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 39-40

#### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the SWPCA's financial report relates to the services the SWPCA provides and the activities it performs. 41-42

**Stamford Water Pollution Control Authority**

**Financial Trend - Statement of Revenues, Expenses and Changes In Net Assets (000's omitted)  
Fiscal Year Ended June 30,**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues										
Charges for Services	\$ 21,155	\$ 20,305	\$ 18,504	\$ 18,252	\$ 18,645	\$ 15,996	\$ 15,455	\$ 13,564	\$ 12,015	\$ 11,645
Operating Expenses										
Salaries, benefits and claims	5,196	4,573	4,398	4,221	4,068	4,060	3,558	2,866	2,274	2,966
Utilities, materials and operations and supplies	8,131	6,120	6,799	6,945	6,375	4,756	3,279	4,594	1,937	4,288
Depreciation and amortization	5,239	5,055	5,087	6,288	7,106	6,668	6,758	6,821	3,830	2,947
Provision for doubtful accounts	-	895	375	125	-	-	-	-	-	-
Total Operating Expenses	<u>18,566</u>	<u>16,643</u>	<u>16,659</u>	<u>17,579</u>	<u>17,549</u>	<u>15,485</u>	<u>13,595</u>	<u>14,281</u>	<u>8,041</u>	<u>10,201</u>
Net Operating Income (Loss)	<u>2,589</u>	<u>3,662</u>	<u>1,845</u>	<u>673</u>	<u>1,096</u>	<u>511</u>	<u>1,860</u>	<u>(717)</u>	<u>3,974</u>	<u>1,444</u>
Non-Operating Revenues (Expenses)										
Special assessments and connection charges	2,987	2,703	3,182	2,763	1,738	3,220	1,205	1,039	456	2,527
Provision for doubtful accounts - special assessments and connection charges	(500)	-	(100)	-	-	-	-	-	-	-
Other non-operating revenue	-	-	1,067	-	-	-	-	-	-	-
Interest income	95	98	113	104	182	773	792	362	-	-
Interest expense	(2,940)	(3,133)	(3,182)	(3,764)	(4,181)	(4,401)	(4,886)	(1,142)	(2,087)	(2,037)
Total Non-Operating Revenues (Expenses)	<u>(358)</u>	<u>(332)</u>	<u>1,080</u>	<u>(897)</u>	<u>(2,261)</u>	<u>(408)</u>	<u>(2,889)</u>	<u>259</u>	<u>(1,631)</u>	<u>490</u>
Capital Grants, Transfers and Special Items										
Capital grants	-	-	-	-	-	5,643	744	1,247	3,361	7,514
Transfers out	-	-	-	-	(1,567)	-	-	-	-	-
Special item - impairment of assets	-	-	-	(2,226)	-	-	-	-	-	-
Total Capital Grants, Transfers and Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,226)</u>	<u>(1,567)</u>	<u>5,643</u>	<u>744</u>	<u>1,247</u>	<u>3,361</u>	<u>7,514</u>
Change in Net Position	2,231	3,330	2,925	(2,450)	(2,732)	5,746	(285)	789	5,704	9,448
Net assets, beginning	<u>59,493</u>	<u>56,163</u>	<u>53,238</u>	<u>55,688</u>	<u>58,420</u>	<u>52,674</u>	<u>52,959</u>	<u>52,170</u>	<u>46,466</u>	<u>37,017</u>
Net assets, ending	<u>\$ 61,724</u>	<u>\$ 59,493</u>	<u>\$ 56,163</u>	<u>\$ 53,238</u>	<u>\$ 55,688</u>	<u>\$ 58,420</u>	<u>\$ 52,674</u>	<u>\$ 52,959</u>	<u>\$ 52,170</u>	<u>\$ 46,466</u>

**Stamford Water Pollution Control Authority**

**Financial Trend - Net Position (000's omitted)  
Fiscal Year Ended June 30,**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net Position										
Invested in capital assets, net	\$ 50,460	\$ 46,503	\$ 45,613	\$ 44,538	\$ 47,027	\$ 48,992	\$ 43,246	\$ 40,465	\$ 39,605	\$ 34,419
Restricted	7,965	7,742	7,811	7,677	7,540	3,672	14,959	9,313	7,612	-
Unrestricted	3,299	5,248	2,739	1,023	1,121	5,756	(5,531)	3,181	4,953	12,047
Total Net Assets	<u>\$ 61,724</u>	<u>\$ 59,493</u>	<u>\$ 56,163</u>	<u>\$ 53,238</u>	<u>\$ 55,688</u>	<u>\$ 58,420</u>	<u>\$ 52,674</u>	<u>\$ 52,959</u>	<u>\$ 52,170</u>	<u>\$ 46,466</u>

**Stamford Water Pollution Control Authority**

**Revenue Capacity - Customer, Consumption & Rate Statistics**

<b>Fiscal Year (ended June 30)</b>	<b>Customers</b>	<b>Consumption (CCF)</b>	<b>Annual Consumption Change</b>	<b>Average Rate per CCF</b>	<b>Annual Rate Change</b>	<b>Average Residential Bill</b>
2013	19,378	4,270,274	-1.00%	\$4.05	4.92%	\$429.42
2012	19,381	4,313,364	0.83%	\$3.86	8.43%	\$393.72
2011	19,360	4,277,668	-6.50%	\$3.56	2.89%	\$391.60
2010	19,066	4,575,000	0.48%	\$3.46	2.37%	\$380.60
2009	19,084	4,553,000	5.00%	\$3.38	11.55%	\$371.80
2008	18,572	4,336,336	-8.82%	\$3.03	2.36%	\$339.36
2007	18,510	4,755,682	-5.08%	\$2.96	28.70%	\$330.00
2006	18,428	5,010,172	-7.77%	\$2.30	4.55%	\$285.20
2005	N/A	5,432,112	4.57%	\$2.20	6.80%	\$259.60
2004	N/A	5,194,867	0.95%	\$2.06	7.85%	\$267.80
2003	N/A	5,146,220	-4.84%	\$1.91	8.52%	\$252.12

**Notes:**

N/A - Number of customers prior to fiscal year 2006 not available.

Consumption data reflects hundred cubic feet (CCF) of water consumed.

Customers as presented reflects residential, commercial and industrial customers.

CCF = 100 cubic feet of water, which is equivalent to 748 gallons.

Stamford Water Pollution Control Authority

Revenue Capacity - Principal Water Users  
Current and Previous Year (as of June 30)

2013			2012				
Property Owner	Annual Billed Consumption (100 CCF)	% of Total Consumption	Property Owner	Annual Billed Consumption (100 CCF)	% of Total Consumption		
1	City of Stamford	62,434	1.46%	1	City of Stamford	60,670	1.41%
2	Stamford Hospital	42,306	0.99%	2	Stamford Hospital	43,988	1.02%
3	Hilton Stamford Hotel	36,520	0.86%	3	Stamford Housing Authority	41,284	0.96%
4	Saint John's Towers	35,922	0.84%	4	Rippowam Park Associates LP	38,750	0.90%
5	Spartech Polycast Inc	35,336	0.83%	5	Saint John's Towers	37,880	0.88%
6	Stamford Housing Authority	29,530	0.69%	6	Hilton Stamford Hotel	32,402	0.75%
7	Stamford Marriott Hotel	28,668	0.67%	7	Fairfield Bedford LLC	28,920	0.67%
8	Fairfield Bedford LLC	28,342	0.66%	8	Stamford Town Center	31,144	0.72%
9	Stamford Town Center	23,246	0.54%	9	Stamford Marriott Hotel	24,318	0.56%
10	The Wescott	21,702	0.51%	10	Bayview Towers	23,126	0.54%
		<u>344,006</u>	<u>8.05%</u>			<u>362,482</u>	<u>8.40%</u>

**Note:**

CCF = 100 cubic feet of water, which is equivalent to 748 gallons.



**Stamford Water Pollution Control Authority**

**Debt Capacity - Debt Outstanding by Type**

<b>Fiscal Year (ended June 30)</b>	<b>General Obligation Bonds (000's omitted)</b>	<b>Revenue Bonds (000's omitted)</b>	<b>Notes Payable (000's omitted)</b>	<b>Total Debt (000's omitted)</b>	<b>Number of Customers</b>	<b>Debt Per Customer</b>
2013	\$ 16,762	\$ 27,614	\$ 49,494	\$ 93,870	19,378	\$ 4,844
2012	18,496	28,345	53,291	100,132	19,381	5,167
2011	20,190	29,051	57,016	106,257	19,360	5,488
2010	21,641	29,733	60,671	112,045	19,066	5,877
2009	13,241	30,608	64,257	108,106	19,084	5,665
2008	14,920	31,277	67,775	113,972	18,572	6,137
2007	19,678	31,993	71,172	122,843	18,510	6,637
2006	21,899	12,177	77,734	111,810	18,428	6,067
2005	24,422	12,449	71,578	108,449	N/A	N/A
2004	22,408	12,689	61,962	97,059	N/A	N/A

**Notes:**

Details of the SWPCA's outstanding debt are provided in the notes to the financial statements.

N/A - Not available

Customers reflects number of rate payors.

**Stamford Water Pollution Control Authority**

**Debt Capacity - Debt Coverage (000's omitted)**

Fiscal Year (ended June 30)	Operating Revenues plus Special Assessments and Connection Charges	Less - Operating Expenses (excluding Depreciation & Amortization)	Net Available Revenues	Revenue Bonds plus Notes Payable			Coverage
				Debt Service			
				Principal	Interest	Total	
2013	\$ 24,142	\$ 13,327	\$ 10,815	\$ 4,415	\$ 2,301	\$ 6,716	1.61
2012	23,008	11,645	11,363	4,512	2,305	6,817	1.67
2011	21,686	11,573	10,113	4,415	2,406	6,821	1.48
2010	21,016	11,292	9,724	4,320	2,506	6,826	1.42
2009	20,383	10,444	9,939	4,164	2,673	6,837	1.45
2008	19,217	8,816	10,400	4,345	2,478	6,823	1.52
2007	16,659	6,837	9,823	3,996	2,785	6,781	1.45
2006	14,604	7,460	7,144	9,160	3,341	12,501	0.57
2005	12,471	4,211	8,260	4,432	1,858	6,290	1.31
2004	14,172	7,253	6,919	954	632	1,586	4.36

**Notes:**

Source: City of Stamford records

Stamford Water Pollution Control Authority

Operating Information - Full-Time Equivalent Employees  
As of June 30,

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>36</u>	<u>39</u>	<u>41</u>	<u>42</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>37</u>	<u>38</u>	<u>33</u>

**Notes:**

Source: City of Stamford records

**Stamford Water Pollution Control Authority**

**Operating Information - Capital Asset Statistics by Function/Programs  
As of June 30,**

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Treatment Plant										
Pumps and Motors (units)	134	134	134	134	134	134	134	134	29	29
Bioreactor Volume (million gallons per day)	15	15	15	15	15	15	15	15	5	5
Clarifiers (units)	6	6	6	6	6	6	6	6	5	5
Dryer and Pelletizer Equipment (units)	1	1	1	1	1	1	1	1	-	-
Pumping Station										
Wastewater Stations (units)	22	22	22	22	22	22	22	22	22	22
Stormwater Stations (units)	4	4	4	4	4	4	4	4	4	4
Portable Generators (units)	3	3	3	4	4	4	4	4	4	4
Wastewater										
Sanitary sewers (miles)	304	304	304	303	300	300	300	300	300	300
Treatment capacity (million gallons per day)	24	24	24	24	24	24	24	24	20	20

**Notes:**

Source: City of Stamford records