

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, 2017 AND 2016

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
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JUNE 30, 2017 AND 2016**

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INTRODUCTORY SECTION



Letter of Transmittal

December 29, 2017

To: Mayor David R. Martin
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, 2017 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.

Blum, Shapiro & Company, P.C., a firm of licensed certified public accountants, has issued an unmodified opinion on the SWPCA's financial statements for the year ended June 30, 2017. 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, cash receipts, and capital project funding among others. The SWPCA also adheres to financial policies established by its Board regarding setting rates and charges for sewer use, collection of user charges, and maintenance of cash reserves. These policies and procedures are intended to help the SWPCA maintain a sound financial position and also help ensure that the SWPCA meets all of the requirements set forth by State and federal regulations.

The Stamford Water Pollution Control Authority

Ordinance No. 803, adopted November 6, 1996, established the SWPCA. Prior to that date, wastewater collection and treatment was performed as a function under the City of Stamford's Office of Operations. The SWPCA was established pursuant to Chapter 103, Sections 7-245 through 7-273a inclusive of the Connecticut General Statutes. 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 treatment plant upgrade and expansion project which was completed in 2006. The treatment plant has capacity to treat an annual average flow of 24 million gallons of wastewater per day (“MGD”). During the fiscal year ended June 30, 2017 the flow to the plant averaged approximately 15 MGD. The plant has adequate reserve capacity for the growth that is currently occurring in Stamford.

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 90% of customers are residential (including home owners, condominium owners, and renters) and 10% 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.

The Interlocal Agreement between the SWPCA and Darien dated December 3, 2013, which replaced previous agreements dating from 2001 and 1971, provides a formula for compensation to the SWPCA for operation and maintenance costs and for capital improvements of SWPCA’s treatment plant and collection sewers which convey Darien’s wastewater. Based on this formula, Darien was responsible for 12.9% of such costs in the fiscal year ended June 30, 2017. 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.

Physical Assets

The physical assets of the SWPCA include 23 wastewater pumping stations, about 250 miles of sanitary sewers, and the wastewater treatment facility.

Management and Organization

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

The Mayor, with the approval of the Board of Representatives, appoints the City’s Directors of Administration and Operations. 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.

The members of the Board on June 30, 2017 were:

Michael E. Handler, Director of Administration and Chairman
Daniel E. Capano, At-Large and Vice Chairman
Ernest A. Orgera, Director of Operations
Shelly Michelson, Board of Finance
Monica DiCostanzo, Board of Representatives
Cristina Andreana, At-Large (financial professional)
Merritt Nesin, At-Large (engineer)
Edward Kelly, At-Large

William P. Brink, P.E., BCEE is SWPCA's Executive Director, a position he has held since March of 2013.

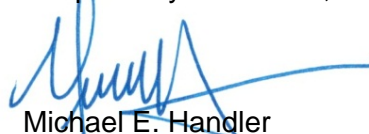
Rates and Charges

The SWPCA, through its Board of Directors, is responsible for setting the sewer use charge billing rate and imposing other fees and charges for all of its customers in Stamford. 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 continues to execute its long-term capital improvement plan and is in the process of conducting engineering studies and designs in conjunction with its construction and equipment upgrade / replacement projects. These are detailed in the Management Discussion and Analysis section of this financial report.

Respectfully Submitted,



Michael E. Handler
Chairman
SWPCA Board of Directors

FINANCIAL
SECTION

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Stamford Water Pollution Control Authority (the SWPCA) (an Enterprise Fund of the City of Stamford, Connecticut) as of and for the years ended June 30, 2017 and 2016, 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SWPCA as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the SWPCA and do not purport to, and do not, present fairly the financial position of the City of Stamford, Connecticut, as of June 30, 2017 and 2016, 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 and the other postemployment benefits (OPEB) schedules on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SWPCA's basic financial statements. The letter of transmittal, budgetary comparison schedules on pages 37 and 38, and the 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 section 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 29, 2017

STAMFORD WATER POLLUTION CONTROL AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. Please read it in conjunction with the letter of transmittal and the financial statements that follow this section.

Financial Highlights

- As of June 30, 2017, the SWPCA's total assets and deferred outflows of resources (\$187.0 million) exceeded its total liabilities and deferred inflows (\$106.1 million), resulting in total net position of \$80.9 million. Net position increased \$6.2 million versus the prior year-end period primarily due to an increase in unrestricted net position (\$4.9 million), an increase in net position restricted for debt service (\$0.3 million) and an increase in net investment in capital assets (\$1.0 million).
- Operating revenues in fiscal 2017 were \$24.1 million, compared to \$24.5 million in the prior year primarily reflecting a decrease in Nitrogen Trading credits (\$1.0 million) offset by increased sewer use charges of \$.9 million. Operating expenses were \$18.3 million versus \$19.1 million the prior year. Operating income was \$5.8 million as compared to \$5.4 million in the prior year.
- As noted above, total net position increased \$6.2 million (8.3%), to \$80.9 million. The unrestricted part of net position increased to \$19.5 million and represents approximately 81% of operating revenue, compared to approximately 60% in the prior year.
- Current assets increased by \$7.0 million, primarily reflecting an increase in unrestricted cash and investments (\$4.8 million), an increase in accounts receivable from sewer connection fees (\$3.5 million) offset by a decrease in other receivables (\$1.0 million) due to reduced Nitrogen Trading credits and a decrease in accounts receivable for usage charges (\$0.3 million). Days sales outstanding ("DSO") for the gross usage charges accounts receivable decreased by 7 days to 56 days from the prior year.
- Current liabilities increased by \$0.2 million, primarily due to increases in accounts payable (\$0.4 million) and current portion of bonds payable (\$0.2 million) offset by a decrease in accrued liabilities (\$.5 million).
- Long term debt outstanding – including general obligation bonds, revenue bonds, and notes payable – decreased by \$6.5 million to \$99.1 million as of June 30, 2017 reflecting debt service payments. The SWPCA's outstanding debt is rated Aa2 by Moody's Investors Service and AA+ by Standard & Poor's.
- The SWPCA's capital assets, net of accumulated depreciation, decreased by about \$2.7 million to \$135.4 million versus the prior period. Depreciation expense of \$5.7 million and a \$0.4 million fixed asset transfer to the City was offset by capital asset additions of \$3.4 million during the fiscal year. The SWPCA's capital assets and available operating capacity are considered sufficient to meet the City of Stamford's (the "City's") currently foreseeable needs for the SWPCA's services. \$12.8 million of unexpended bond proceeds from the 2015 and 2013 debt issuance is available to fund authorized capital projects.

- The SWPCA continues to use 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. The City is reimbursed for the cost of these support services.

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) Required Supplementary Information. The Schedule of Revenues and Expenses on a Budgetary Basis, transmittal letter and statistical section are presented for purposes of additional analysis. 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, deferred inflows of resources and liabilities, with the difference reported as net position.

Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Revenues, Expenses and Changes in Net Position presents information regarding the SWPCA's changes in net position during the most recent fiscal year on an accrual basis.

Statement of Cash Flows.

The Statement of Cash Flows presents information on where cash came from and how it was used.

The financial statements (Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) are presented on pages 13-15 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 16-34 of this report.

Annual Revenue and Expense Budgets

The Board of Directors of SWPCA and the City's Board of Finance and Board of Representatives review and approve annual revenue and expense budgets 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 37-38 of this report.

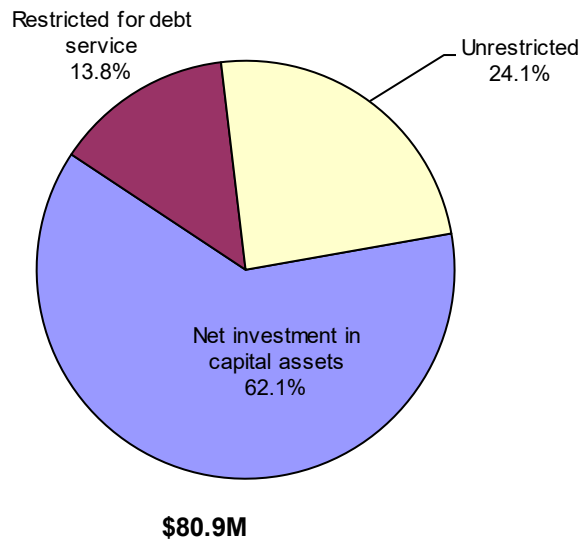
Financial Analysis

The SWPCA's total net position (excess of assets over liabilities) was \$80.9 million at June 30, 2017. The SWPCA's unrestricted net position increased by approximately \$4.9 million to approximately \$19.5 million at June 30, 2017 and provided additional financial flexibility to meet the needs of the SWPCA's customers and creditors.

**Stamford Water Pollution Control Authority
Net Position (in Thousands)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current Assets (cash & accounts receivable)	\$ 18,766	\$ 11,788	\$ 6,978	
Restricted Cash	23,980	26,504	(2,524)	
Non-Current Assets (special assessments & deferred outflows)	7,047	9,106	(2,059)	
Capital Assets (net of depreciation)	<u>135,351</u>	<u>138,000</u>	<u>(2,649)</u>	
Total Assets	<u>185,144</u>	<u>185,398</u>	<u>(254)</u>	
Deferred Outflows of Resources:	<u>1,826</u>	<u>2,826</u>	<u>(1,000)</u>	
Current Liabilities	9,516	9,302	214	
Long-term Liabilities	<u>96,136</u>	<u>103,748</u>	<u>(7,612)</u>	
Total Liabilities	<u>105,652</u>	<u>113,050</u>	<u>(7,398)</u>	
Deferred Inflows of Resources:	<u>435</u>	<u>471</u>	<u>(36)</u>	
Net Position:				
Net investment in capital assets	50,217	49,195	1,022	2%
Restricted for Debt Service	11,170	10,906	264	2%
Unrestricted	<u>19,495</u>	<u>14,602</u>	<u>4,893</u>	<u>34%</u>
Total Net Position	<u>\$ 80,882</u>	<u>\$ 74,703</u>	<u>\$ 6,179</u>	<u>8%</u>

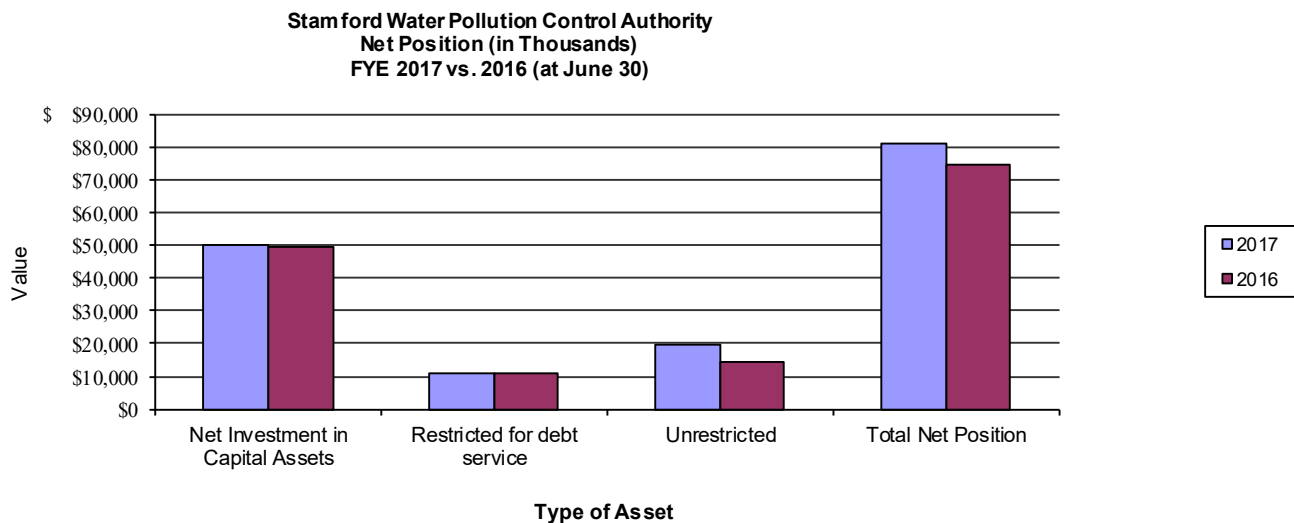
Stamford Water Pollution Control Authority
Net Position
June 30, 2017



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, 2017 the SWPCA's current ratio was 1.97 to 1 as compared to 1.27 to 1 at the prior year-end.

In fiscal year 2017, net working capital (current assets minus current liabilities) improved by \$6.7 million to \$9.2 million, primarily reflecting increases of \$4.8 million in unrestricted cash and investments and \$3.5 million in accounts receivable from sewer connection fees offset by decreases in other receivables (\$1.0 million) and usage charges (\$0.3 million) and an increase of \$0.2 million in current liabilities. During the past year, the SWPCA has maintained a positive pooled cash balance and has not required any cash advances from the City to cover short-term cash needs. The SWPCA's goal is to continue to improve its financial position and generate cash flows that are sufficient to meet its infrastructure repair and replacement needs. Steps taken have included:

- Increasing the sewer use charge billing rate for the October 2016 and April 2017 billing cycles
- Budgeting for an increase in cash reserves of \$1.15 million in fiscal year 2018



Net Position – Net Investment in Capital Assets.

At June 30, 2017 the largest portion of the SWPCA's \$80.9 million in net position (approximately 62%) relates to its investment in capital assets (land, buildings, machinery, equipment, etc.), net of accumulated depreciation, unexpended bond proceeds, and any other 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 and the resources needed to repay this debt must be provided from other sources (sewer use charges, fees and other income).

Net Position – Restricted.

A portion of the SWPCA net position is restricted for debt service. Cash balances are held in restricted trust accounts in accordance with the indenture requirements related to the 2013 and 2015 Revenue Bond issuances. Of the SWPCA's \$80.9 million in total net position as of June 30, 2017, \$11.2 million (approximately 14% of the total), was restricted and may not be used to fund the SWPCA's day-to-day operations.

Net Position – Unrestricted.

Of the SWPCA’s total net position at June 30, 2017, \$19.5 million, or approximately 24%, was unrestricted and available to be used to meet the SWPCA’s obligations to customers, creditors, and day-to-day operations.

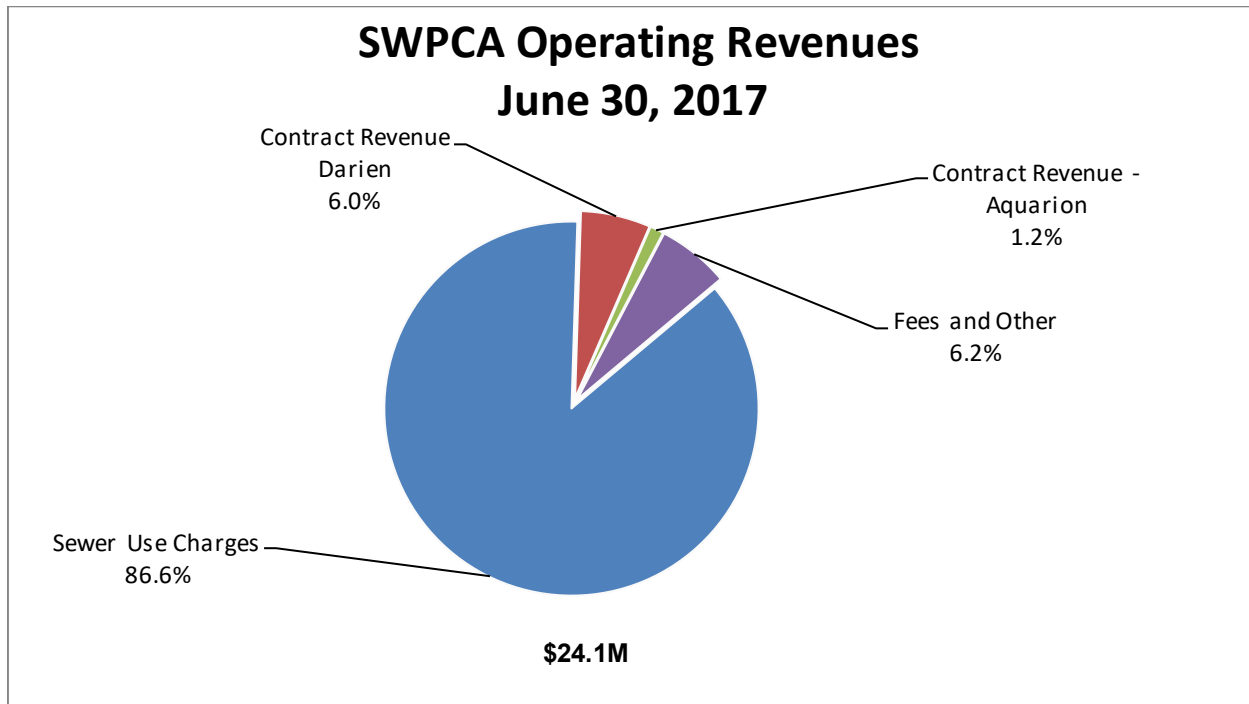
**Statement of Revenues
Expenses and Other Changes
in Net Position (in Thousands)**

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>\$ Change</u>
Operating revenues	\$ 24,135	\$ 24,469	\$ (334)
Operating expenses	<u>18,293</u>	<u>19,091</u>	<u>(797)</u>
Net Operating Income	5,842	5,378	464
Nonoperating revenue (expenses)	669	(99)	768
Capital contributions - Grant	66	390	(324)
Transfers out	<u>(398)</u>	<u>(324)</u>	<u>(74)</u>
Change in Net Assets	6,179	5,344	834
Net position - beginning of year	<u>74,703</u>	<u>69,359</u>	<u>5,344</u>
Net Position - End of Year	<u>\$ 80,882</u>	<u>\$ 74,703</u>	<u>\$ 6,179</u>

Operating Revenues and Expenses

Revenues.

In fiscal year 2017 the SWPCA’s operating revenue included sewer use charges for both City and Town of Darien customers (approximately 93% of total operating revenue) and contract revenue, fees and other income (approximately 7% of total operating revenue).



The original fiscal year 2017 revenue estimate for sewer use charges was \$19.3 million prior to actual consumption data being available. At the annual rate setting meeting, adjustments were made to account for collection rate assumptions, estimates of other revenue, and indenture requirements for debt service coverage. Based on these adjustments, the sewer use charge billing rate was set at \$4.72 per CCF, resulting in an annual billing, and an adjusted original budget, of \$20.3 million (based on assumed consumption of 4.39 million CCFs). After adjustments (e.g., off-cycle charges, cancel/rebill charges), the amount of revenue billed in fiscal year 2017 based on actual consumption of 4.30 million CCFs was \$20.3 million.

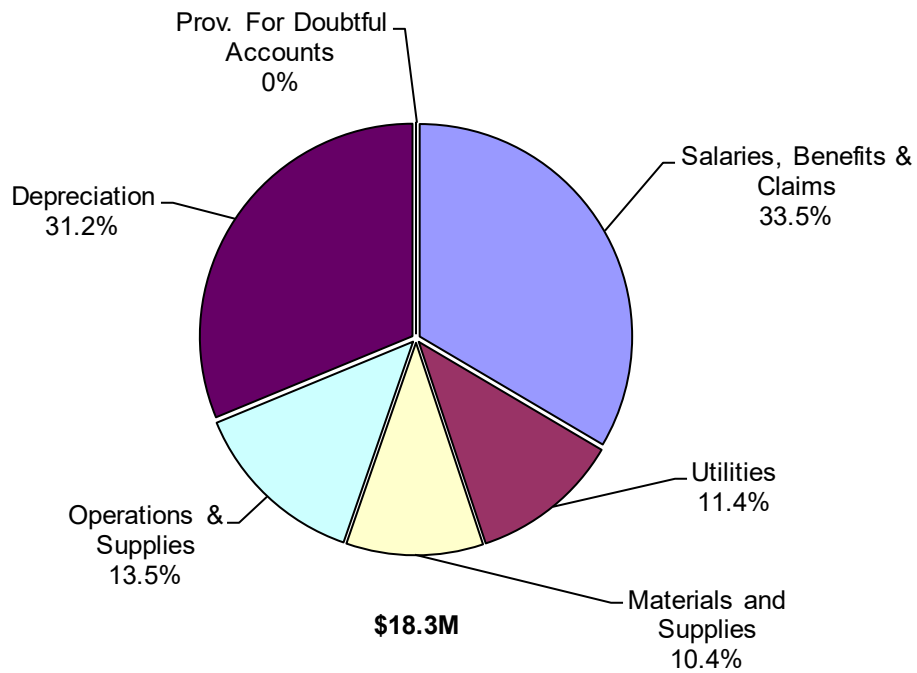
Fiscal year 2017 operating revenues totaled \$24.1 million (as compared to \$24.5 million the prior year) and included sewer use charges, lien fees and interest (\$20.9 million), contract revenues (\$1.4 million and \$0.3 million, from Darien and Aquarion, respectively), and fees and other income (\$1.5 million, with the largest portion of this amount being attributable to revenue from the State of Connecticut’s nitrogen credit trading program).

Despite the challenging economic environment, the collection rate for sewer use charges during fiscal year 2017 was approximately 97% (vs. approximately 97% in the prior year).

Expenses.

In fiscal year 2017 the SWPCA’s operating expenses totaled \$18.3 million (as compared to \$19.1 million the prior year), consisted of salaries, employee benefits and claims (\$6.1 million), utilities costs (\$2.1 million), materials and supplies (\$1.9 million), operations and supplies (\$2.5 million) and depreciation (\$5.7 million). Reduced legal claims of \$.9 million offset by higher pump station maintenance costs (\$.3 million) were the largest components of this favorable variance.

**SWPCA Operating Expenses
June 30, 2017**



Net Non-Operating Revenue (Expense), Capital Contributions and Transfers Out.

The SWPCA’s fiscal year 2017 non-operating revenue of \$4.1 million included special assessments and connection charges (\$3.2 million), capital reimbursements from Darien (\$.8 million) and Connecticut Clean Water Grant funds (\$.1 million); non-operating expense and transfers out was primarily interest expense (\$3.3 million) and transfers to the City (\$.4 million). Additional information on revenue and expense budgetary information is contained in the Supplementary and Other Information section of the financial statements.

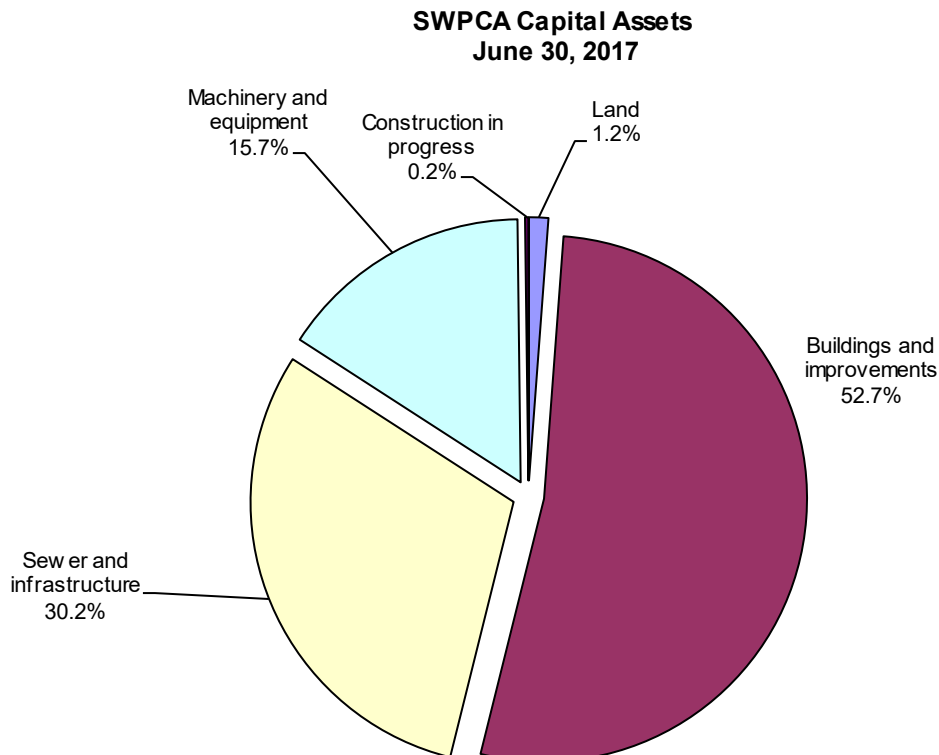
Capital Assets

As of June 30, 2017, the SWPCA had total capital assets, net of accumulated depreciation, of approximately \$135.4 million, as follows:

**Stamford Water Pollution Control Authority
Capital Assets (in Thousands)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Change</u>
Land	\$ 2,833	\$ 2,833	\$ -
Buildings and improvements	125,710	123,217	2,493
Sewer and infrastructure	72,156	71,707	449
Machinery and equipment	37,389	37,439	(50)
Construction in progress	475	369	106
Subtotal	<u>238,563</u>	<u>235,565</u>	<u>2,998</u>
Less accumulated depreciation	<u>(103,212)</u>	<u>(97,565)</u>	<u>(5,647)</u>
Total	<u>\$ 135,351</u>	<u>\$ 138,000</u>	<u>\$ (2,649)</u>

Additional information on capital assets is presented in Note 4 on page 22 of this report.



SWPCA Capital Projects.

The SWPCA typically manages multiple concurrent capital projects. The projects are categorized as engineering studies, engineering design, building construction and equipment replacement (or upgrades), and sanitary sewer systems repairs or extensions. Capital projects completed or ongoing during the fiscal year ended June 30, 2017 were as follows:

- Citywide computerized mapping of the sanitary sewer systems (using GIS) continued and is ongoing.
- Engineering design of the extension of the sanitary sewer system to serve the Perna Lane Area was completed, and the sewer project is in the permitting and approval phase. Engineering design of a sewer extension to serve the Wedgemere Road area, which includes White Oak Lane and Emerald Lane is nearing completion.
- Construction of Flow Distribution Improvements at the Water Pollution Control Facility (WPCF) began and is scheduled for completion in FY 17-18.
- Construction of the upgrade of the Dyke Lane Storm Water Pump Station is ongoing and scheduled for completion in FY 18-19.
- A program to identify and remove extraneous water entering the sanitary sewer system, known as Infiltration and Inflow (I/I), is ongoing. Sewer system sub-areas having the greatest amount of I/I were identified and prioritized for further evaluation to identify and remove the source(s) of I/I in the next phase of the program.
- Cleaning and inspection of the sanitary sewer system is ongoing, and sanitary sewers identified as needing repair were either replaced or lined.
- Replacement of pumps that have exceeded their useful life in various pumping stations in the sanitary sewer system is ongoing.
- Major equipment including pumps, mixers and motors were replaced at the WPCF as needed.
- Installation of the upgrade of the WPCF's computerized Supervisory Control and Data Acquisition (SCADA) system is ongoing and scheduled for completion in FY 17-18.
- Very importantly, improvements to the Odor Control systems at the WPCF are ongoing and fugitive odors have been significantly reduced.
- The Control Center at the sludge thickeners and sludge transfer building was at the end of its useful life and was replaced.
- Engineering design of the Upgrade of the Raw Sewage Pump Station, Ultra-violet (UV) Disinfection System, and Improvements to the Secondary Treatment Process began and the projects are scheduled to start construction in FY 18-19.

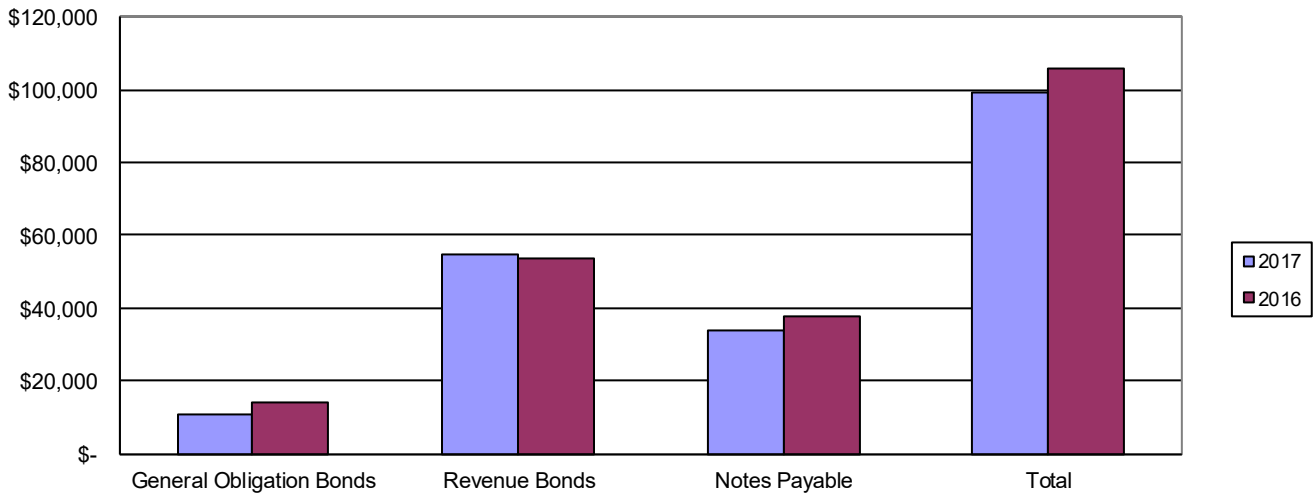
Debt Outstanding

As of June 30, 2017, the SWPCA had bonds and notes payable outstanding of approximately \$99.1 million, as follows:

**Stamford Water Pollution Control Authority
Debt Outstanding (in Thousands)**

	2017	% of Total	2016	% of Total
General Obligation Bonds	\$ 10,557	10.7%	\$ 13,967	13.2%
Revenue Bonds	54,619	55.1%	53,767	50.9%
Notes Payable	33,934	34.2%	37,877	35.9%
Total	\$ 99,110	100.0%	\$ 105,611	100%

**SWPCA Long-Term Debt (in Thousands)
FYE 2017 vs. 2016 (at June 30)**



The SWPCA’S total debt outstanding – including current and long-term general obligation bonds, revenue bonds, and notes payable – decreased by \$6.5 million to \$99.1 million as of June 30, 2017. This decrease reflects the repayment of bonds and notes payable of \$6.5 million. Additional information on debt outstanding is presented in Note 6 of this report on pages 23-28.

Organization of SWPCA Operations

The SWPCA’s organization includes three divisions, as follows:

Administration:

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:

Responsible for ensuring 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:

Responsible for the maintenance of the SWPCA's facilities, including property and equipment, pumping stations and sanitary sewer maintenance.

As of June 30, 2017 the SWPCA had 44 full time equivalent employees versus 45 in the prior year.

Requests for Information

This financial report is designed to provide a general understanding of the SWPCA's most recent financial statements which will be available on the City web site at 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.

BASIC
FINANCIAL
STATEMENTS

STAMFORD WATER POLLUTION CONTROL AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 8,084,284	\$ 252,752
Investments	3,021,799	6,068,882
Accounts receivable:		
Usage charges, net of allowance for doubtful accounts of \$2,000,000	1,477,356	1,756,340
Special assessments and connection charges, net of allowance for doubtful accounts of \$500,000	5,406,185	1,917,981
Other receivables	766,220	1,782,322
Other current assets	9,902	9,902
Total current assets	<u>18,765,746</u>	<u>11,788,179</u>
Noncurrent:		
Restricted cash and cash equivalents	23,979,821	26,503,891
Special assessments and connection charges, net of allowance for doubtful accounts of \$500,000	7,046,936	9,105,897
Capital assets not being depreciated	3,308,562	3,202,489
Capital assets being depreciated, net of depreciation	132,042,927	134,797,557
Total noncurrent assets	<u>166,378,246</u>	<u>173,609,834</u>
Total assets	<u>185,143,992</u>	<u>185,398,013</u>
Deferred Outflows of Resources:		
Deferred amounts on refunding	1,165,888	1,208,070
Deferred outflows related to pension	660,315	1,617,659
Total deferred outflows of resources	<u>1,826,203</u>	<u>2,825,729</u>
Liabilities:		
Current:		
Accounts payable	1,584,763	1,172,803
Accrued liabilities	484,881	1,007,473
Accrued interest payable	490,636	430,929
Unearned revenue	185,121	162,903
Current portion of bonds payable	2,559,859	2,392,392
Current portion of notes payable	3,996,881	3,943,011
Current portion of compensated absences	214,122	192,170
Total current liabilities	<u>9,516,263</u>	<u>9,301,681</u>
Noncurrent liabilities:		
Bonds payable	62,616,338	65,341,816
Notes payable	29,936,710	33,933,591
Compensated absences	139,894	135,620
Net pension liability	2,539,385	3,431,544
Other post employment benefit obligations payable	904,000	905,000
Total noncurrent liabilities	<u>96,136,327</u>	<u>103,747,571</u>
Total liabilities	<u>105,652,590</u>	<u>113,049,252</u>
Deferred Inflows of Resources:		
Deferred inflows related to pension	435,488	471,094
Net Position:		
Net investment in capital assets	50,217,370	49,195,235
Restricted for debt service	11,170,040	10,905,962
Unrestricted	19,494,707	14,602,199
Total Net Position	<u>\$ 80,882,117</u>	<u>\$ 74,703,396</u>

The accompanying notes are an integral part of the financial statements

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Sewer use charges	\$ 23,044,678	\$ 22,175,292
Fees and other income	1,090,238	2,293,233
Total operating revenues	<u>24,134,916</u>	<u>24,468,525</u>
Operating Expenses:		
Salaries, benefits and claims	6,125,798	6,356,199
Operations and supplies	6,453,729	7,151,720
Depreciation	5,713,812	5,582,832
Total operating expenses	<u>18,293,339</u>	<u>19,090,751</u>
Operating Income	<u>5,841,577</u>	<u>5,377,774</u>
Nonoperating Revenue (Expense):		
Special assessments, connection charges, and other	4,013,718	2,820,959
Interest income and change in investment value	(29,921)	83,011
Gain on sale of assets	8,040	42,068
Interest expense	<u>(3,322,638)</u>	<u>(3,045,171)</u>
Net nonoperating revenue (expense)	<u>669,199</u>	<u>(99,133)</u>
Income Before Capital Contributions and Transfers	6,510,776	5,278,641
Capital contributions - Grant	66,077	390,150
Transfers Out	<u>(398,132)</u>	<u>(324,414)</u>
Change in Net Position	6,178,721	5,344,377
Net Position - Beginning of Year	<u>74,703,396</u>	<u>69,359,019</u>
Net Position - End of Year	<u>\$ 80,882,117</u>	<u>\$ 74,703,396</u>

The accompanying notes are an integral part of the financial statements

STAMFORD WATER POLLUTION CONTROL AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 25,452,220	\$ 23,763,706
Payments to suppliers	(6,504,654)	(6,787,219)
Payments to employees	(4,187,521)	(3,988,357)
Payments for benefits and claims	(1,883,472)	(2,040,162)
Payments for interfund services used		(3,762,950)
Net cash provided by operating activities	<u>12,876,573</u>	<u>7,185,018</u>
Cash Flows from Noncapital Financing Activities:		
Transfers to other funds	(398,132)	(324,414)
Net cash used in noncapital financing activities	<u>(398,132)</u>	<u>(324,414)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants	66,077	390,150
Proceeds from debt		31,070,000
Principal payments on debt	(6,335,403)	(22,888,053)
Premium on bonds		750,804
Interest paid on debt and other sources and uses	(3,438,035)	(2,680,759)
Special assessments, connection charges, and other	2,584,475	2,820,959
Purchase of capital assets	(3,427,619)	(2,488,488)
Sale of capital assets	362,364	1,069,381
Net cash provided by (used in) capital and related financing activities	<u>(10,188,141)</u>	<u>8,043,994</u>
Cash Flows from Investing Activities:		
Interest received on investments	(29,921)	83,011
Sale (purchase) of investments	3,047,083	(2,308,368)
Net cash provided by (used in) investing activities	<u>3,017,162</u>	<u>(2,225,357)</u>
Net Increase in Cash and Cash Equivalents	5,307,462	12,679,241
Cash and Cash Equivalents - Beginning of Year (including restricted cash and cash equivalents)	<u>26,756,643</u>	<u>14,077,402</u>
Cash and Cash Equivalents - End of Year (including restricted cash and cash equivalents)	<u>\$ 32,064,105</u>	<u>\$ 26,756,643</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 5,841,577	\$ 5,377,774
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,713,812	5,582,832
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	278,984	(318,136)
(Increase) decrease in other receivables	1,016,102	(479,676)
Increase (decrease) in accounts payable and accrued expenses	(50,925)	364,501
Increase (decrease) in payroll liabilities	26,226	20,793
Increase (decrease) in other post employment benefit obligations payable	(1,000)	37,162
Increase (decrease) in unearned revenues	22,218	92,993
Increase (decrease) in due to City of Stamford		(3,762,950)
Increase (decrease) in net pension liability	(892,159)	1,268,506
(Increase) decrease in deferred outflows of resources	957,344	(802,494)
Increase (decrease) in deferred inflows of resources	(35,606)	(196,287)
Net Cash Provided by Operating Activities	<u>\$ 12,876,573</u>	<u>\$ 7,185,018</u>

The accompanying notes are an integral part of the financial statements

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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, wastewater pumping stations and hurricane barrier for the City of Stamford, Connecticut (the City). The 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.

The SWPCA 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.

B. Basis of Presentation

The accounts of the SWPCA are organized on the basis of an enterprise fund, which is considered a separate accounting entity. The operations of the fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

C. 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.

D. 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 \$7,573,897 and \$245,045 at June 30, 2017 and 2016, respectively. The SWPCA's own unrestricted cash balance was \$510,387 and \$7,707 at June 30, 2017 and 2016, respectively.

E. Accounts Receivable

Accounts receivable are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Recoveries of accounts receivable previously written off are recorded when received.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. 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. Property, plant and equipment are depreciated over the following estimated useful lives:

	<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.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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) until then. The SWPCA reports a deferred amount on refunding and deferred outflows related to pension in the statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Difference between projected and actual earnings on pension plan investments are recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period.

In addition to liabilities, the statement of net 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. Deferred inflows of resources were reported as they related to pensions. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

H. 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.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. Net Pension Liability

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

J. Net OPEB Obligation

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the SWPCA's contributions to the plan. This amount is calculated on an actuarial basis and is recorded as noncurrent liabilities in the financial statements.

K. Operating Revenues and Expenses

Revenues are based on the SWPCA's authorized sewer use charge billing rate per hundred cubic feet of customer consumption of water and other fee and charges. The SWPCA accrues an estimate for services delivered but not billed at the end of each fiscal year. The SWPCA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues result from charges to customers for sewer treatment and related services. Operating expenses include the cost of operations, consisting of facility employees' salaries and benefits, work related and legal claims, utilities, materials and supplies, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating or as transfers.

Interest is levied on accounts that are 30 days past due. The SWPCA has the authority to, and does routinely, file liens on past due accounts. The liens are subordinate only to property taxes upon the transfer of the lien properties.

The SWPCA also has an agreement with the Town of Darien (Darien) for certain sewage treatment services it provides. Darien is billed annually for wastewater conveyance and treatment at the SWPCA's treatment facility.

L. 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. 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.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 regulation of other governments.

The SWPCA has cash restricted for debt service requirements in accordance with the terms of the outstanding revenue bonds (see Note 2).

N. 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Reclassifications

Certain items relating to the prior year have been reclassified to conform to the current year’s financial statement presentation. The reclassifications have no effect on previously reported results.

P. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 29, 2017, the date that the financial statements were available to be issued.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash Equivalents

As of June 30, 2017 and 2016, cash and cash equivalents, including balances restricted for repayment of principal and interest on state loans and for capital improvements, consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 8,084,284	\$ 252,752
Restricted cash and cash equivalents	<u>23,979,821</u>	<u>26,503,891</u>
	<u>\$ 32,064,105</u>	<u>\$ 26,756,643</u>

Responsibility for custodial credit risks of deposits rests with the City; accordingly, separate disclosure is not possible. Disclosure of the City’s custodial credit risk of deposits is contained in the City’s basic financial statements.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The restricted cash balance at June 30, 2017 and 2016, was restricted in accordance with the terms of various outstanding debt of the SWPCA (Note 5).

B. Investments

As of June 30, 2017 and 2016, the SWPCA had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
<u>June 30, 2017</u>					
Interest-bearing investments:					
U.S. Government Securities	Aaa	\$ <u>3,021,799</u>	\$ <u>3,021,799</u>	\$ <u>-</u>	\$ <u>-</u>
<u>June 30, 2016</u>					
Interest-bearing investments:					
U.S. Government Securities	Aaa	\$ <u>6,068,882</u>	\$ <u>6,068,882</u>	\$ <u>-</u>	\$ <u>-</u>

The SWPCA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

The City has the following recurring fair value measurements as of June 30, 2017:

	<u>June 30, 2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
U.S. Government Securities	\$ <u>3,021,799</u>	\$ <u>3,021,799</u>	\$ <u>-</u>	\$ <u>-</u>
	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
U.S. Government Securities	\$ <u>6,068,882</u>	\$ <u>6,068,882</u>	\$ <u>-</u>	\$ <u>-</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. SPECIAL ASSESSMENTS AND CONNECTION CHARGES RECEIVABLE

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

	2017			
	New Sewer Line Charges	Connection Charges	Total	Due Within One Year
Due in the year ending June 30:				
2018 *	\$ 402,814	\$ 5,033,432	\$ 5,436,246	\$ 5,436,246
2019	176,709	828,046	1,004,755	
2020	175,976	826,969	1,002,945	
2021	174,808	824,554	999,362	
2022	169,193	799,876	969,069	
Thereafter	593,854	5,085,883	5,679,737	
	<u>1,693,354</u>	<u>13,398,760</u>	<u>15,092,114</u>	<u>5,436,246</u>
Less imputed interest		<u>(2,108,932)</u>	<u>(2,108,932)</u>	
Receivable Before Interest and Lien Fees Receivable and Allowance for Doubtful Accounts	<u>\$ 1,693,354</u>	<u>\$ 11,289,828</u>	12,983,182	5,436,246
Plus related interest and lien fees receivable			469,939	469,939
Less allowance for doubtful accounts			<u>(1,000,000)</u>	<u>(500,000)</u>
Special Assessment and Connection Charges Receivable, Net			<u>\$ 12,453,121</u>	<u>\$ 5,406,185</u>

	2016			
	New Sewer Line Charges	Connection Charges	Total	Due Within One Year
Due in the year ending June 30:				
2017 *	\$ 203,675	\$ 1,754,483	\$ 1,958,158	\$ 1,984,945
2018	203,077	1,011,241	1,214,318	
2019	184,653	1,010,432	1,195,085	
2020	183,921	1,009,456	1,193,377	
2021	182,034	1,007,371	1,189,405	
Thereafter	806,447	6,763,262	7,569,709	
	<u>1,763,807</u>	<u>12,556,245</u>	<u>14,320,052</u>	<u>1,984,945</u>
Less imputed interest		<u>(2,729,210)</u>	<u>(2,729,210)</u>	
Receivable Before Interest and Lien Fees Receivable and Allowance for Doubtful Accounts	<u>\$ 1,763,807</u>	<u>\$ 9,827,035</u>	11,590,842	1,984,945
Plus related interest and lien fees receivable			433,036	433,036
Less allowance for doubtful accounts			<u>(1,000,000)</u>	<u>(500,000)</u>
Special Assessment and Connection Charges Receivable, Net			<u>\$ 11,023,878</u>	<u>\$ 1,917,981</u>

* Includes past due amounts from prior years.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. CAPITAL ASSETS

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

	2017			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,833,278	\$	\$	\$ 2,833,278
Construction in progress	369,211	106,073		475,284
Total capital assets not being depreciated	<u>3,202,489</u>	<u>106,073</u>	<u>-</u>	<u>3,308,562</u>
Capital assets being depreciated:				
Buildings and improvements	123,216,585	2,855,913	(362,364)	125,710,134
Sewer and infrastructure	71,706,998	448,795		72,155,793
Equipment	37,439,095	24,332	(74,652)	37,388,775
Total capital assets being depreciated	<u>232,362,678</u>	<u>3,329,040</u>	<u>(437,016)</u>	<u>235,254,702</u>
Less accumulated depreciation for:				
Buildings and improvements	45,873,157	3,762,896		49,636,053
Sewer and infrastructure	25,337,625	1,131,580		26,469,205
Equipment	26,354,339	819,336	(67,158)	27,106,517
Total accumulated depreciation	<u>97,565,121</u>	<u>5,713,812</u>	<u>(67,158)</u>	<u>103,211,775</u>
Total capital assets being depreciated, net	<u>134,797,557</u>	<u>(2,384,772)</u>	<u>(369,858)</u>	<u>132,042,927</u>
Capital Assets, Net	<u>\$ 138,000,046</u>	<u>\$ (2,278,699)</u>	<u>\$ (369,858)</u>	<u>\$ 135,351,489</u>
	2016			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,833,278	\$	\$	\$ 2,833,278
Construction in progress	1,354,044	18,273	(1,003,106)	369,211
Total capital assets not being depreciated	<u>4,187,322</u>	<u>18,273</u>	<u>(1,003,106)</u>	<u>3,202,489</u>
Capital assets being depreciated:				
Buildings and improvements	120,716,423	2,651,053	(150,891)	123,216,585
Sewer and infrastructure	72,084,892	540,596	(918,490)	71,706,998
Equipment	37,157,423	281,672		37,439,095
Total capital assets being depreciated	<u>229,958,738</u>	<u>3,473,321</u>	<u>(1,069,381)</u>	<u>232,362,678</u>
Less accumulated depreciation for:				
Buildings and improvements	42,193,264	3,679,893		45,873,157
Sewer and infrastructure	24,258,470	1,121,223	(42,068)	25,337,625
Equipment	25,572,623	781,716		26,354,339
Total accumulated depreciation	<u>92,024,357</u>	<u>5,582,832</u>	<u>(42,068)</u>	<u>97,565,121</u>
Total capital assets being depreciated, net	<u>137,934,381</u>	<u>(2,109,511)</u>	<u>(1,027,313)</u>	<u>134,797,557</u>
Capital Assets, Net	<u>\$ 142,121,703</u>	<u>\$ (2,091,238)</u>	<u>\$ (2,030,419)</u>	<u>\$ 138,000,046</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. RESTRICTED ASSETS

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

	<u>2017</u>	<u>2016</u>
Clean Water Fund - Debt Service Reserve	\$ 4,425,333	\$ 4,424,111
2006 Debt Service Reserve Fund	1,976,530	1,975,461
2003 and 2006 Debt Service Funding Accrual	3,127,410	2,866,511
2012 Debt Service Reserve Fund	1,640,767	1,639,879
2013 Debt - unspent bond proceeds	778,578	1,414,031
2015 Debt - unspent bond proceeds	<u>12,031,203</u>	<u>14,183,898</u>
	<u>\$ 23,979,821</u>	<u>\$ 26,503,891</u>

6. LONG-TERM OBLIGATIONS

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

	<u>2017</u>				
	<u>Beginning</u>		<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>	<u>One Year</u>
Bonds payable:					
General obligation bonds	\$ 11,623,120	\$	\$ 1,182,392	\$ 10,440,728	\$ 1,294,859
Unamortized premium	129,589		13,414	116,175	
Revenue bonds	51,715,000		1,210,000	50,505,000	1,265,000
Unamortized premium	<u>4,266,499</u>		<u>152,205</u>	<u>4,114,294</u>	
Total bonds payable	67,734,208		2,558,011	65,176,197	2,559,859
Notes payable:	<u>37,876,602</u>		<u>3,943,011</u>	<u>33,933,591</u>	<u>3,996,881</u>
Total bonds and notes payable	105,610,810	-	6,501,022	99,109,788	6,556,740
Compensated absences	327,790	218,396	192,170	354,016	214,122
Net OPEB obligation	905,000		1,000	904,000	
Net pension liability	<u>3,431,544</u>		<u>892,159</u>	<u>2,539,385</u>	
Long-Term Liabilities	<u>\$ 110,275,144</u>	<u>\$ 218,396</u>	<u>\$ 7,586,351</u>	<u>\$ 102,907,189</u>	<u>\$ 6,770,862</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
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	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 12,827,670		\$ 1,204,550	\$ 11,623,120	\$ 1,182,392
Unamortized premium	143,004		13,415	129,589	
Revenue bonds	38,445,000	31,070,000	17,800,000	51,715,000	1,210,000
Unamortized premium	<u>2,174,608</u>	<u>2,258,214</u>	<u>166,323</u>	<u>4,266,499</u>	
Total bonds payable	53,590,282	33,328,214	19,184,288	67,734,208	2,392,392
Notes payable:	<u>41,760,105</u>		<u>3,883,503</u>	<u>37,876,602</u>	<u>3,943,011</u>
Total bonds and notes payable	95,350,387	33,328,214	23,067,791	105,610,810	6,335,403
Compensated absences	306,997	51,753	30,960	327,790	192,170
Net OPEB obligation	867,838	37,162		905,000	
Net pension liability	<u>2,163,038</u>	<u>1,268,506</u>		<u>3,431,544</u>	
Long-Term Liabilities	<u>\$ 98,688,260</u>	<u>\$ 34,685,635</u>	<u>\$ 23,098,751</u>	<u>\$ 110,275,144</u>	<u>\$ 6,527,573</u>

A. 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 any City general obligation bonds.

The SWPCA's allocable portion of the City's general obligation bonds outstanding as of June 30, 2017 consisted of the following:

Description	Year of Issue	Amount of Interest Rate (%)	Balance Original Issue	Outstanding 6/30/2017	Outstanding 6/30/2016
Refunding bonds	2004	3.60 - 5.25 %	\$ 1,268,429	\$ 156,400	\$ 476,693
Refunding bonds	2005	4.00 - 5.00	2,247,600	1,514,800	1,589,007
Refunding bonds	2009	3.25 - 5.00	1,073,431	594,328	704,420
Public improvement	2010	2.80 - 5.45	10,000,000	7,282,200	7,855,000
Refunding bonds	2010	4.00 - 5.00	408,000	408,000	408,000
Refunding bonds	2011	2.00 - 4.00	430,000	285,000	290,000
Refunding bonds	2013	2.00 - 5.00	1,342,884	<u>200,000</u>	<u>300,000</u>
Total				<u>\$ 10,440,728</u>	<u>\$ 11,623,120</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
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Aggregate debt service requirements subsequent to June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,294,859	\$ 480,243	\$ 1,775,102
2019	1,297,797	422,100	1,719,897
2020	980,072	371,731	1,351,803
2021	916,000	327,393	1,243,393
2022	671,000	289,140	960,140
2023-2027	3,281,000	951,703	4,232,703
2028-2032	<u>2,000,000</u>	<u>167,355</u>	<u>2,167,355</u>
Debt service requirement	10,440,728	3,009,665	13,450,393
Plus unamortized premium	<u>116,175</u>		<u>116,175</u>
Total	<u>\$ 10,556,903</u>	<u>\$ 3,009,665</u>	<u>\$ 13,566,568</u>

The SWPCA's share of interest expense incurred on general obligation bonds was \$534,286 and \$560,574 for the years ended June 30, 2017 and 2016, respectively.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. 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>2017</u>	<u>2016</u>
Stamford Water Pollution Control System and Facility Revenue and Revenue Refunding Bonds - 2013. Issued in the aggregate amount of \$22,095,000, consisting of \$12,770,000 of revenue bonds and \$9,325,000 of Refunding Revenue Bonds, in August 2013 at interest rates ranging from 3.0% to 6.0%, due annually, on August 15. Debt service is paid to the trustee monthly, with principal maturity paid from August 2013 through August 2044. The aggregate includes unamortized premiums of \$2,006,628 and \$2,083,559 at June 30, 2017 and 2016, respectively.	22,801,628	23,393,559
Stamford Water Pollution Control System and Facility Revenue and Revenue Refunding Bonds - 2015. Issued in the aggregate amount of \$31,070,000, consisting of \$15,610,000 of revenue bonds and \$15,460,000 of Refunding Revenue Bonds, in July 2015 at interest rates ranging from 3.0% to 5.0%, due annually, on September 15. Debt service is paid to the trustee monthly, with principal maturity paid from September 2015 through September 2015. The aggregate includes unamortized premiums of \$2,107,666 and \$2,182,940 at June 30, 2017 and 2016, respectively.	<u>31,817,666</u>	<u>32,587,940</u>
Total revenue bonds outstanding	54,619,294	55,981,499
Less current portion	<u>1,265,000</u>	<u>1,210,000</u>
Total Long-Term Revenue Bonds Outstanding	<u>\$ 53,354,294</u>	<u>\$ 54,771,499</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Aggregate debt service requirements subsequent to June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,265,000	\$ 2,331,719	\$ 3,596,719
2019	1,330,000	2,264,819	3,594,819
2020	1,400,000	2,190,594	3,590,594
2021	1,480,000	2,112,269	3,592,269
2022	1,565,000	2,029,444	3,594,444
2023-2027	9,205,000	8,783,995	17,988,995
2028-2032	11,815,000	6,170,189	17,985,189
2033-2037	11,235,000	3,590,699	14,825,699
2038-2042	7,035,000	1,721,250	8,756,250
2043-2045	4,175,000	232,107	4,407,107
Debt service requirement	50,505,000	31,427,085	81,932,085
Plus bond premium	4,114,294		4,114,294
Total	\$ <u>54,619,294</u>	\$ <u>31,427,085</u>	\$ <u>86,046,379</u>

Interest incurred on revenue bonds was \$1,842,262 and \$1,950,430 for the years ended June 30, 2017 and 2016, respectively.

C. Notes Payable

In fiscal years 1998 and 2001, the City obtained project loans from the State of Connecticut for various sewer projects of \$864,280 and \$3,574,208, respectively, of which \$-0- and \$625,403 was outstanding as of June 30, 2017 and \$25,208 and \$825,676 was outstanding as of June 30, 2016. 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 that 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. As of June 30, 2017 and 2016, the outstanding balance on the loan was \$33,308,188 and \$37,025,718, respectively.

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. The combined loan balances were \$33,933,591 and \$37,876,602 as of June 30, 2017 and 2016, respectively.

Interest expense incurred on these notes payables was \$721,412 and \$799,730 for the years ended June 30, 2017 and 2016, respectively.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Aggregate debt service requirements subsequent to June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,996,881	\$ 642,166	\$ 4,639,047
2019	4,077,555	561,491	4,639,046
2020	4,159,858	479,189	4,639,047
2021	4,026,883	397,206	4,424,089
2022	4,108,163	315,926	4,424,089
2023-2026	<u>13,564,251</u>	<u>445,365</u>	<u>14,009,616</u>
Debt Service Requirement	\$ <u>33,933,591</u>	\$ <u>2,841,343</u>	\$ <u>36,774,934</u>

7. REVENUE

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

	<u>2017</u>	<u>2016</u>
Sewer use fees	\$ 20,755,100	\$ 19,940,879
Contract revenue - Town of Darien, CT	1,450,081	1,288,517
Contract revenue - Aquarion	283,027	329,795
Interest	420,486	453,407
Lien fees	<u>135,984</u>	<u>162,694</u>
	\$ <u>23,044,678</u>	\$ <u>22,175,292</u>

Special assessments, connection charges and other are comprised of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Connection charges	\$ 1,740,627	\$ 1,523,640
Capital reimbursement - Town of Darien, CT	833,829	788,624
Interest	1,344,357	446,248
Delinquent interest and lien fees	<u>94,905</u>	<u>62,447</u>
	\$ <u>4,013,718</u>	\$ <u>2,820,959</u>

8. 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.

9. 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, 2017 and 2016, the SWPCA paid the City approximately \$361,000 and \$409,000, respectively, to the City's internal service insurance fund.

10. EMPLOYEE RETIREMENT PLAN

A. Plan Description and Benefits Provided

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 (CERF). 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% for each 25 days exchanged). Interest of 5% is credited to the employees' contribution.

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 the years ended June 30, 2017 and 2016, the SWPCA's contribution to the retirement fund was \$317,000 and \$305,000, representing approximately 5% of total contributions to the CERF for each year.

The City's basic financial statements contain CERF activity and funding information as of June 30, 2017. At June 30, 2017 and 2016, the CERF had \$210.4 million and \$190.6 million in net position, respectively.

GASB Statement No. 68 requires certain items to be recorded. The items below provide detail of those items. Refer to the City of Stamford comprehensive annual financial report (CAFR) for the full pension disclosures.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
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B. Net Pension Liability of the SWPCA

The components of the SWPCA's net pension liability at June 30, 2017 and 2016 were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total pension liability	\$ 13,754,982	\$ 13,364,528
Plan fiduciary net position	<u>11,215,597</u>	<u>9,932,984</u>
Net Pension Liability	\$ <u><u>2,539,385</u></u>	\$ <u><u>3,431,544</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81.54%	74.32%

C. Changes in the Net Pension Liability - SWPCA's Portion of the City's Employee Retirement Plan

	2017		
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances as of June 30, 2016	\$ <u>13,364,528</u>	\$ <u>9,932,984</u>	\$ <u>3,431,544</u>
Changes for the year:			
Service cost	317,378		317,378
Interest on total pension liability	1,020,081		1,020,081
Change in benefit terms	(215,835)		(215,835)
Differences between expected and actual experience	(233,718)		(233,718)
Effect of assumptions changes or inputs	121,491		121,491
Employer contributions		317,000	(317,000)
Member contributions		127,074	(127,074)
Net investment income		1,462,803	(1,462,803)
Benefit payments, including refund to employee contributions	(618,943)	(618,943)	-
Administrative expenses		(5,321)	5,321
Net Changes	<u>390,454</u>	<u>1,282,613</u>	<u>(892,159)</u>
Balances as of June 30, 2017	\$ <u><u>13,754,982</u></u>	\$ <u><u>11,215,597</u></u>	\$ <u><u>2,539,385</u></u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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	2016		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 12,756,868	\$ 10,593,830	\$ 2,163,038
Changes for the year:			
Service cost	243,865		243,865
Interest on total pension liability	968,669		968,669
Employer contributions		304,000	(304,000)
Member contributions		116,658	(116,658)
Net investment loss		(472,910)	472,910
Benefit payments, including refund to employee contributions	(604,874)	(604,874)	-
Administrative expenses		(5,754)	5,754
Other changes		2,034	(2,034)
Net Changes	<u>607,660</u>	<u>(660,846)</u>	<u>1,268,506</u>
Balances as of June 30, 2016	\$ <u>13,364,528</u>	\$ <u>9,932,984</u>	\$ <u>3,431,544</u>

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the SWPCA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 435,488
Changes of assumptions	201,527	
Net difference between projected and actual earning on pension plan investments	<u>458,788</u>	
Total	<u>\$ 660,315</u>	<u>\$ 435,488</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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June 30, 2016		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 471,094
Changes of assumptions	202,263	
Net difference between projected and actual earning on pension plan investments	<u>1,415,396</u>	
Total	<u>\$ 1,617,659</u>	<u>\$ 471,094</u>

Subsequent to June 30, 2017, amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Recognition Year

2018	\$ 97,361
2019	164,557
2020	105,339
2021	(142,430)

11. TRANSACTIONS WITH THE CITY

In the fiscal years 2017 and 2016, the City paid approximately \$221,000 and \$197,000, respectively, in sewer use charges to the SWPCA. The City reimbursed the SWPCA approximately \$409,000 and \$396,000 for the City's share of the hurricane barrier maintenance and operations for the years ended June 30, 2017 and 2016, respectively.

For the fiscal years 2017 and 2016, the SWPCA paid the City approximately \$398,000 and \$324,000, for an allocation of central services costs, respectively, and approximately \$764,000 and \$904,000 to the City's internal service medical insurance fund for health insurance coverage of active and retired employees, respectively.

In connection with the pooled cash arrangement with the City, the SWPCA earned interest income of approximately \$29,000 on balances due from the City and paid interest expense of approximately \$7,000 on balances due to the City during the years ended June 30, 2017 and 2016, respectively.

12. OTHER POST EMPLOYMENT BENEFITS

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 postemployment 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.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
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The City’s annual other postemployment 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.

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.

For financial reporting purposes, the City is required to accrue 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 healthcare cost trend rate is 7.5% for 2016, decreasing .5% per year, to an ultimate rate of 4.5% for 2022 and later.

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, 2.5% payroll growth assumption and an inflation rate assumption of 2.75%. The actuarial cost method utilized was the projected unit credit method. Separate financial statements have not been prepared for the post-employment benefit plan.

The number of SWPCA participants as of June 30, 2017 was as follows:

Active employees	33
Retired employees	<u>14</u>
Total	<u><u>47</u></u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

SWPCA's Share of Annual Funding Progress

Share of Amortization Component:	
Actuarial Accrued Liability as of July 1, 2016	\$ 5,187,056
Assets at Market Value	<u>1,259,080</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 3,927,976</u>
Funded Ratio	<u>24.27%</u>
Covered Payroll	<u>\$ 2,535,297</u>
UAAL as a Percentage of Covered Payroll	<u>154.93%</u>

SWPCA's Share of Annual OPEB COST and Net OPEB Obligations

Annual required contribution	\$ 382,000
Interest on net OPEB obligation	68,000
Adjustment to annual required contribution	<u>(69,000)</u>
Annual OPEB cost	381,000
Contributions made	<u>382,000</u>
Decrease in net OPEB obligation	(1,000)
Net OPEB obligation - beginning of year	<u>905,000</u>
Net OPEB Obligation - End of Year	<u>\$ 904,000</u>

The latest actuarial valuation was made July 1, 2016. Information with respect to the entire OPEB valuation is contained in the City's basic financial statements.

REQUIRED
SUPPLEMENTARY
INFORMATION

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
LAST FOUR FISCAL YEARS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess (Unfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ 1,259,080	\$ 5,187,056	\$ (3,927,976)	24.27%	\$ 2,535,297	154.93%
July 1, 2015	758,000	3,876,000	(3,118,000)	19.56%	2,333,000	133.65%
July 1, 2014	596,000	3,653,000	(3,057,000)	16.32%	2,265,000	134.97%
July 1, 2013	307,000	3,029,000	(2,722,000)	10.14%	2,455,000	110.88%

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
LAST FIVE FISCAL YEARS**

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2017	\$ 382,000	\$ 382,000	100.00%
2016	366,000	329,000	89.89%
2015	134,000	160,862	120.05%
2014	162,000	125,300	77.35%
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 AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Sewer use charges	\$ 20,371,084	\$ 20,371,084	\$ 21,311,570	\$ 940,486
Contract revenue - Town of Darien, CT	1,450,081	1,450,081	1,450,081	
Contract revenue - Aquarion Water Company	320,906	320,906	283,027	(37,879)
Fees and other income	663,265	663,265	675,248	11,983
Nitrogen trading credit	500,000	500,000	643,453	143,453
Total operating revenues	<u>23,305,336</u>	<u>23,305,336</u>	<u>24,363,379</u>	<u>1,058,043</u>
Nonoperating revenues				
Special assessments, connection charges, and other	2,472,829	2,472,829	4,013,718	1,540,889
Interest income and change in investment value	60,000	60,000	(29,921)	(89,921)
Total nonoperating revenues	<u>2,532,829</u>	<u>2,532,829</u>	<u>3,983,797</u>	<u>1,450,968</u>
Capital contributions - grants			66,077	66,077
Total	<u>\$ 25,838,165</u>	<u>\$ 25,838,165</u>	28,413,253	<u>\$ 2,575,088</u>
Budgetary revenues are different than GAAP revenues because:				
Interest subsidy			(228,463)	
Gain on sale of capital assets			8,040	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenses and Changes in Net Position			<u>\$ 28,192,830</u>	

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
SCHEDULE OF EXPENSES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Operating expenses:				
Administration	\$ 4,603,707	\$ 4,542,429	\$ 3,186,918	\$ 1,355,511
Process control	3,289,974	3,221,802	3,064,961	156,841
Laboratory	438,899	445,123	438,616	6,507
Sludge processing	2,584,202	2,735,498	2,656,675	78,823
Regulatory compliance	116,992	116,992	91,683	25,309
Building maintenance	277,500	277,500	208,996	68,504
Equipment maintenance	1,085,793	1,151,793	1,027,751	124,042
Pump station maintenance	855,678	825,678	792,685	32,993
Sanitary sewer maintenance	456,043	491,973	500,754	(8,781)
Barrier maintenance	260,000	160,000	127,289	32,711
Billing services	472,300	472,300	447,467	24,833
Total operating expenses	<u>14,441,088</u>	<u>14,441,088</u>	<u>12,543,795</u>	<u>1,897,293</u>
Nonoperating expenses				
Transfer out	398,132	398,132	398,132	-
Debt service	9,998,945	9,998,945	9,893,657	105,288
Capital reserve funding	1,000,000	1,000,000		1,000,000
Total nonoperating expenses	<u>11,397,077</u>	<u>11,397,077</u>	<u>10,291,789</u>	<u>1,105,288</u>
Total	<u>\$ 25,838,165</u>	<u>\$ 25,838,165</u>	22,835,584	<u>\$ 3,002,581</u>
Budgetary expenses are different than GAAP expenses because:				
Change in net pension liability			(892,159)	
Change in deferred outflows of resources related to pension			957,344	
Change in deferred inflows of resources related to pension			(35,606)	
Change in OPEB liability			(1,000)	
Depreciation			5,713,812	
Interest subsidy			(228,463)	
Principal payments on debt			<u>(6,335,403)</u>	
Total Expenses and Other Financing Uses as Reported on the Statement of Revenues, Expenses and Changes in Net Position			<u>\$ 22,014,109</u>	

STATISTICAL SECTION

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition

Statistical section information is presented in the following categories:

- Financial trends information is intended to assist users in understanding and assessing how financial position has changed over time.
- Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability to generate own-source revenues (property taxes, charges for services, etc.).
- Debt capacity information is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- Operating information is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the basic financial statements for the relevant year

TABLE 1

STAMFORD WATER POLLUTION CONTROL AUTHORITY
REVENUES, EXPENSES AND CHANGES IN NET POSITION (in Thousands)
FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015 Restated	2014 Restated	2013 Restated	2012	2011	2010	2009	2008
Operating Revenues										
Total operating revenues	\$ 24,135	\$ 24,469	\$ 23,769	\$ 22,355	\$ 21,155	\$ 20,305	\$ 18,504	\$ 18,252	\$ 18,645	\$ 15,996
Operating Expenses:										
Operations and supplies	6,126	7,152	7,153	7,228	8,131	6,120	6,800	6,946	6,376	4,756
Salaries, benefits and claims	6,454	6,356	5,950	4,541	5,196	5,468	4,773	4,346	4,068	4,060
Depreciation	5,714	5,583	5,507	5,373	5,239	5,055	5,087	6,288	7,106	6,668
Total Operating Expenses	18,293	19,091	18,610	17,141	18,566	16,642	16,660	17,580	17,550	15,485
Operating Income	5,842	5,378	5,159	5,213	2,589	3,663	1,844	672	1,095	511
Nonoperating Revenue (Expense):										
Special assessments and connection charges	4,014	2,821	3,911	2,516	2,987	2,703	3,182	2,763	1,738	3,220
Provision for doubtful accounts - Special assessments and connection charges					(500)		(100)			
Interest income and change in investment value	(30)	83	18	34	95	98	113	104	182	773
Gain on sale of assets	8	42								
Interest expense	(3,323)	(3,045)	(3,227)	(3,149)	(2,940)	(3,133)	(3,182)	(3,764)	(4,181)	(4,401)
Transfers In				288			1,067			
Net Nonoperating Revenue (Expense)	669	(99)	702	(311)	(358)	(332)	1,081	(896)	(2,260)	(408)
Capital grants, transfers out and special items:										
Capital grants	66	390								5,643
Transfers out	(398)	(324)	(349)						(1,567)	
Special item - impairment of assets								(2,226)		
Total	(332)	66	(349)	-	-	-	-	(2,226)	(1,567)	5,643
Change In Net Business	6,179	5,344	5,513	4,902	2,231	3,330	2,925	(2,450)	(2,732)	5,746
Net position - beginning of year	74,703	69,359	63,846	58,943	59,493	56,163	53,238	55,688	58,420	52,673
Restatement for net pension loss per GASB 68					(2,780)					
Net Position - End of Year	\$ 80,882	\$ 74,703	\$ 69,359	\$ 63,846	\$ 58,943	\$ 59,493	\$ 56,163	\$ 53,238	\$ 55,688	\$ 58,420

STAMFORD WATER POLLUTION CONTROL AUTHORITY
NET POSITION (in Thousands)
AS OF JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
				Restated	Restated					
Net Position:										
Net investment in capital assets	\$50,217	\$49,195	\$50,755	\$48,395	\$50,460	\$46,503	\$45,613	\$44,538	\$47,027	\$48,992
Restricted for debt service and capital improvements	11,170	10,906	9,597	9,532	7,965	7,742	7,811	7,677	7,540	3,672
Unrestricted	19,495	14,602	9,007	5,919	3,299	5,248	2,739	1,023	1,121	5,756
Restatement for net pension loss per GASB 68					(2,780)					
Total Net Position	<u>\$80,882</u>	<u>\$74,703</u>	<u>\$69,359</u>	<u>\$63,846</u>	<u>\$58,943</u>	<u>\$59,493</u>	<u>\$56,163</u>	<u>\$53,238</u>	<u>\$55,688</u>	<u>\$58,420</u>

STAMFORD WATER POLLUTION CONTROL AUTHORITY
REVENUE CAPACITY - CUSTOMER, CONSUMPTION & RATE STATISTICS

For the Year Ended June 30,	Customers	Consumption (CCF)	Annual Consumption Change	Rate per CCF	Annual Rate Change	Average Residential Bill
2017	19,598	4,325,661	2.06%	\$4.72	1.72%	\$481.44
2016	19,619	4,238,192	(3.08)%	\$4.64	1.98%	\$473.28
2015	19,470	4,372,971	2.27%	\$4.55	3.41%	\$464.10
2014	19,447	4,276,100	0.14%	\$4.40	8.64%	\$448.80
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

Notes:

Customers as presented reflects the total number of residential, commercial and industrial customers.

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

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

Source: SWPCA records

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
REVENUE CAPACITY - PRINCIPAL WATER USERS
CURRENT AND PREVIOUS YEAR (AS OF JUNE 30)**

2017			2016		
Property Owner	Annual Billed Consumption (100 CCF)	% of Total Consumption	Property Owner	Annual Billed Consumption (100 CCF)	% of Total Consumption
1 City of Stamford	46,966	1.09%	1 City of Stamford	43,284	1.00%
2 Rippowan Park Associates LP	45,652	1.06%	2 Stamford Hospital	41,902	0.97%
3 Stamford Town Center	44,090	1.02%	3 Rippowan Park Associates LP	41,076	0.95%
4 Stamford Hospital	38,044	0.88%	4 Stamford Housing Authority	37,428	0.87%
5 Stamford Housing Authority	36,136	0.84%	5 Cornerstone Apartments	37,152	0.86%
6 Cornerstone Apartments	33,520	0.77%	6 Stamford Town Center	34,912	0.81%
7 Hilton Stamford Hotel	27,876	0.64%	7 Saint Johns Towers	27,844	0.64%
8 Hoyt Bedford Apartments	25,942	0.60%	8 Hilton Stamford Hotel	25,468	0.59%
9 Saint Johns Towers	24,396	0.56%	9 Hoyt Bedford Apartments	22,984	0.53%
10 Stamford Marriott Hotel	21,066	0.49%	10 Continuing Care Retirement	20,328	0.47%
Total	343,688	7.95%	Total	332,378	7.68%

Notes:

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

Source: SWPCA records

STAMFORD WATER POLLUTION CONTROL AUTHORITY
DEBT CAPACITY - DEBT OUTSTANDING BY TYPE (in Thousands)

For the Year Ended June 30,	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Debt	Customers	Debt Per Customer
2017	\$ 10,441	\$ 50,505	\$ 33,934	\$ 94,880	19,598	\$ 4,841
2016	11,753	55,981	37,877	105,612	19,619	5,383
2015	12,970	40,620	41,760	95,350	19,470	4,897
2014	14,919	41,337	45,625	101,881	19,447	5,239
2013	16,762	27,614	49,494	93,870	19,378	4,844
2012	18,496	28,345	53,291	100,132	19,381	4,829
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

Source:

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

Customers as presented reflects the total number of residential, commercial and industrial customers.

STAMFORD WATER POLLUTION CONTROL AUTHORITY
DEBT CAPACITY - DEBT COVERAGE (in Thousands)

For the 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	
2017	\$ 28,149	\$ 12,580	\$ 15,569	\$ 5,262	\$ 2,974	\$ 8,236	1.89
2016	27,289	13,508	13,782	5,153	3,110	8,263	1.67
2015	27,680	13,103	14,578	4,829	2,690	7,519	1.94
2014	24,870	11,769	13,102	4,499	2,803	7,302	1.79
2013	24,142	16,187	7,956	4,415	2,301	6,716	1.18
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

Source: City and SWPCA records

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
OPERATING INFORMATION - FULL-TIME EQUIVALENT EMPLOYEES (FTE'S)
AS OF JUNE 30,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
FTE's	<u>44</u>	<u>44</u>	<u>40</u>	<u>41</u>	<u>36</u>	<u>39</u>	<u>41</u>	<u>42</u>	<u>40</u>	<u>40</u>

Source: City records

TABLE 8

**STAMFORD WATER POLLUTION CONTROL AUTHORITY
OPERATING INFORMATION - CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
AS OF JUNE 30,**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Treatment Plant										
Pumps and Motors (units)	134	134	134	134	134	134	134	134	134	134
Bioreactor Volume (million gallons per day)	15	15	15	15	15	15	15	15	15	15
Clarifiers (units)	6	6	6	6	6	6	6	6	6	6
Dryer and Pelletizer Equipment (units)	1	1	1	1	1	1	1	1	1	1
Stand-by Generators	2	2	2	2	2	2	2	2	2	2
Pumping Station										
Wastewater Stations (units)	23	23	23	23	22	22	22	22	22	22
Stormwater Stations (units)	4	4	4	4	4	4	4	4	4	4
Portable Generators (units)	4	4	4	4	3	3	3	4	4	4
Stand-by Generators	4	4	4	4	4	4	4	4	4	4
Wastewater										
Sanitary sewers (miles - per GIS data)	250	250	250	275	304	304	304	303	300	300
Treatment capacity (million gallons per day)	24	24	24	24	24	24	24	24	24	24

Source: SWPCA records