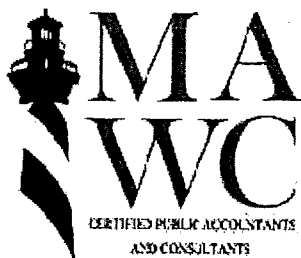


AUDITED FINANCIAL STATEMENTS

CITY OF DERBY
WATER POLLUTION CONTROL AUTHORITY

DERBY, CONNECTICUT

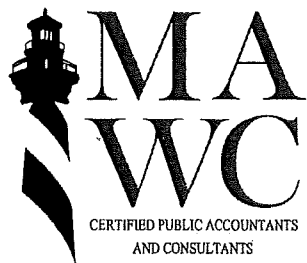
YEAR ENDED JUNE 30, 2018



DERBY WATER POLLUTION CONTROL AUTHORITY

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Guiding Successful People

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Principals

John A. Accavallo CPA
Darin L. Offerdahl MBA CPA
Kerry L. Emerson

Sandra M. Woodbridge CPA*
Dominic L. Cusano MBA CPA*

*indicates retired

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Derby Water Pollution Control Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Derby Water Pollution Control Authority as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Derby Water Pollution Control Authority and do not purport to, and do not, present fairly the financial position of the City of Derby, Connecticut, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages be presented to supplement the basic financial statements. Such information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MAWC, LLC

Ansonia, Connecticut

March 29, 2019

Management's Discussion and Analysis

As management of the Derby Water Pollution Control Authority (WPCA), we offer readers of the WPCA's financial statements this narrative overview and analysis of the financing activities of the WPCA for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the WPCA exceeded its liabilities at the close of the most recent fiscal year by \$7,241,580 (net position).
- User fees increased by \$28,494 or 1.19% in the current fiscal year due to decreases in usage.
- Total operating revenues decreased \$52,573 or 2.10% when compared against the prior year.
- The WPCA's operating expenses in 2018 were \$8,364 or .39% lower than 2017 expenses due primarily to decreased repairs and maintenance offset against salaries and fringe benefits.
- At the end of the current fiscal year, unrestricted net position amounted to \$2,468,123 and reserved net position amounted to \$138,866.
- The WPCA's total debt, including capital leases net decrease of \$202,663 or 41.54% during the current fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Analysis of the WPCA

The most common financial question posed to the WPCA is "How did we do financially during 2018?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the WPCA's activities in a way that will help answer this question. These two statements report the net position of the WPCA and the changes in them. One can think of the WPCA's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the WPCA's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Management's Discussion and Analysis

Net Position

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

Statement of Net Position		
	2018	2017
ASSETS		
Current and other assets	\$ 3,091,592	\$ 3,147,285
Capital assets (net of accumulated depreciation)	4,919,860	4,894,053
TOTAL ASSETS	\$ 8,011,452	\$ 8,041,338
LIABILITIES AND NET POSITION		
Current liabilities	\$ 678,321	\$ 710,255
Noncurrent liabilities	91,551	229,420
TOTAL LIABILITIES	769,872	939,675
Invested in capital assets net of related debt	4,634,591	4,437,302
Net position - reserved	138,866	138,866
Net position - unrestricted	2,468,123	2,525,495
TOTAL NET POSITION	7,241,580	7,101,663
TOTAL LIABILITIES AND NET POSITION	\$ 8,011,452	\$ 8,041,338

Statement of Revenues Expenses and Changes in Net Position		
	2018	2017
OPERATING REVENUES		
Sewer usage fees	\$ 2,427,614	\$ 2,399,120
Other	-	19,593
Interest and lien fees	26,387	87,861
TOTAL OPERATING REVENUES	2,454,001	2,506,574
OPERATING EXPENSES		
	2,158,532	2,166,896
TOTAL OPERATING INCOME	295,469	339,678
NONOPERATING REVENUES (EXPENSES)		
Grant income	-	-
Interest income	79	322
Interest expense	(14,354)	(10,914)
TOTAL NONOPERATING INCOME (LOSS)	(14,275)	(10,592)
OPERATING TRANSFERS OUT	(141,275)	-
CHANGE IN NET ASSETS	139,919	329,086
Net position at July 1,	7,101,663	6,772,577
NET POSITION AT JUNE 30,	\$ 7,241,582	\$ 7,101,663

Operating revenues decreased in the current year by \$52,573, primarily as a result of decreased user fees. Expenses decreased by \$8,364, primarily due to decreases in the current year in repairs and maintenance expenses of \$77,928, supplies of \$20,100 and utilities of \$23,537 offset against expense increases in salaries of \$61,459 and fringe benefits of \$29,565.

Management's Discussion and Analysis

Capital Asset and Outstanding Debt

Capital Assets – The WPCA's investment in capital assets as of June 30, 2018, amounts to \$4,919,860 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the fiscal year, there were building improvement and machinery purchases totaling \$308,850. At year ended June 30, 2018 there was no construction in progress.

Capital Assets

	2018	2017
Land	212,500	\$ 212,500
Buildings and system	3,358,278	3,512,736
Machinery and equipment	1,349,082	1,168,818
	<u>\$ 4,919,860</u>	<u>\$ 4,894,053</u>

Additional information on the WPCA's capital assets can be found in Note 4 on page 17 of this report.

Long-Term Debt – At the end of the current fiscal year, the WPCA has a business-type obligation bond and a note payable outstanding of \$- and \$195,620, respectively. The general obligation bond's interest ranges from a low of 3% to a high of 4% while the note payable has a fixed rate of 2%. These amounts are backed by the full faith and credit of the WPCA.

Outstanding Debt

General Obligation Bond and Note Payable

Year ending June 30,	Principal	Interest	Total
2019	117,372	2,837	120,209
2020	78,248	587	78,835
	<u>\$ 195,620</u>	<u>\$ 3,424</u>	<u>\$ 199,044</u>

The WPCA's total bonds and notes payable decreased by \$169,172 (10.81%) during the current fiscal year.

Capital Lease Obligation

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

Year Ending June 30,	Business-Type Activities Payment
2019	\$ 78,865
2020	13,856
	92,721
Less amount representing interest	3,072
Net present value of lease payments	<u>\$ 89,649</u>

Management's Discussion and Analysis

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

Economic Factors and Next Year's Budgets

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

All of these factors were considered in preparing the WPCA's budget for the 2018-2019 fiscal year.

Requests for Information

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

AUDITED FINANCIAL STATEMENTS

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DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
CURRENT ASSETS	
Cash	\$ 2,768,820
Assessments receivable:	
Residential	146,758
Commercial	30,473
Less allowance for doubtful accounts	<u>(3,232)</u>
	173,999
Interest and lien fees receivable	71,875
Due from other funds	<u>76,898</u>
TOTAL CURRENT ASSETS	3,091,592
CAPITAL ASSETS	
Land	212,500
Buildings	11,691,893
Machinery and equipment	<u>2,617,870</u>
	14,522,263
Less accumulated depreciation	<u>(9,602,403)</u>
	4,919,860
TOTAL ASSETS	\$ 8,011,452
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 343,328
Due to other funds	141,275
Capital lease-current portion	76,346
Bonds and loan payable-current portion	<u>117,372</u>
TOTAL CURRENT LIABILITIES	678,321
NONCURRENT LIABILITIES- bonds and loan payable	
Capital lease	13,303
Bonds and loan payable	<u>78,248</u>
TOTAL LIABILITIES	769,872
NET POSITION	
Investment in capital assets, net of related debt	4,634,591
Reserved for capital projects	30,000
Reserved for digester cleaning	108,866
Unrestricted	<u>2,468,123</u>
TOTAL NET POSITION	7,241,580
TOTAL LIABILITIES AND NET POSITION	\$ 8,011,452

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

OPERATING REVENUES

Sewer usage fees:	
Residential	\$ 1,641,365
Commercial	573,737
Other	212,512
Interest and lien fees	26,387
Other	-
TOTAL OPERATING REVENUES	<u>2,454,001</u>

OPERATING EXPENSES

Salaries	682,277
Fringe benefits	328,357
Depreciation	283,043
Insurance	213,959
Dump fees	175,992
Repairs and maintenance	169,330
Utilities	162,851
Supplies	88,702
Professional services	32,005
Billing costs	11,844
Miscellaneous	10,172
TOTAL OPERATING EXPENSES	<u>2,158,532</u>

TOTAL OPERATING INCOME 295,469

NONOPERATING REVENUES (EXPENSES)

Grant income	-
Interest income	79
Interest expense	<u>(14,354)</u>

TOTAL NONOPERATING INCOME(LOSS) (14,275)

OPERATING TRANSFERS OUT (141,275)

CHANGE IN NET ASSETS 139,919

Net position at July 1, 2017 7,101,661

NET POSITION AT JUNE 30, 2018 \$ 7,241,580

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,716,790
Cash payments to suppliers	(1,414,453)
Cash payments to employees	(595,970)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>706,367</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental revenues	-
----------------------------	---

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Purchase of capital assets	(308,851)
Payment of principal and interest	(185,835)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	<u>(494,686)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>79</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	211,760
Cash and cash equivalents at July 1, 2017	<u>2,557,060</u>
Cash and cash equivalents at June 30, 2018	<u>\$ 2,768,820</u>

RECONCILIATION OF OPERATING

INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss) from operations	\$ 295,470
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	283,043
Changes in assets and liabilities:	
Accounts receivable	344,347
Due from other funds	(76,899)
Accounts payable	(139,594)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 706,367</u>

Supplemental cash flow information

Cash paid during the year for interest	<u>\$ 14,354</u>
--	------------------

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Data

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

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

Accounting Estimates

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Cash and Cash Equivalents

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

Interfund Transactions

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

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are carried at cost and depreciation in the amount of \$283,043 was determined using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

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

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

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

Sewer Usage Fees and Interest Levied

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

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

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2018, no amounts were required to be reported as deferred outflows/inflows of resources.

Net Position

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

Taxes

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

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2018, the Derby Water Pollution Control Authority's carrying amount of deposits with financial institutions (such as checking, savings and certificates of deposit) amounted to \$2,768,820 and the bank balances were \$2,700,549. Of the bank balances, \$250,400 was covered by Federal Depository Insurance, \$249,015 was protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of depository insurance through assessment against segregated collateral required to be maintained by public depositories, but not held in the Authority's name, and \$2,205,134 was uninsured and uncollateralized.

The level of the Authority's deposits varies significantly throughout the year as a result of higher cash flows during certain periods. As a result, uninsured and/or uncollateralized amounts at those times were substantially higher than at June 30, 2018.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - ASSESSMENTS RECEIVABLE

The Derby Water Pollution Control Authority's assessments are determined based on the quarterly consumption of water usage provided by the local water company, modified for those individuals and businesses that do not use the current sewer system. The following schedule details assessments receivable at June 30, 2018:

Year ending June 30,	Commercial	Residential	Total
2011	\$ 3,728	\$ 296	\$ 4,024
2012	5,199	320	5,519
2013	2,752	3,995	6,747
2014	2,346	6,351	8,697
2015	2,691	6,875	9,566
2016	2,645	14,726	17,371
2017	2,086	30,983	33,069
2018	9,026	83,213	92,239
	<u>\$ 30,473</u>	<u>\$ 146,758</u>	<u>\$ 177,231</u>

An allowance has been established to estimate uncollectible amounts at the balance sheet date totaling approximately 1.0% of the outstanding assessments receivable.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Disposal	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 212,500	\$ -	\$ -	\$ 212,500
Capital assets, being depreciated:				
Buildings	11,679,898	11,996	-	11,691,894
Machinery, vehicles and equipment	<u>2,321,015</u>	<u>296,854</u>	<u>-</u>	<u>2,617,869</u>
	14,000,913	308,850	-	14,309,763
Less accumulated depreciation for:				
Buildings	8,167,163	166,453	-	8,333,616
Machinery, vehicles and equipment	<u>1,152,197</u>	<u>-</u>	<u>-</u>	<u>1,152,197</u>
	9,319,360	283,043	-	9,602,403
Total capital assets being depreciated, net	<u>4,681,553</u>	<u>25,807</u>	<u>-</u>	<u>4,707,360</u>
Total capital assets	<u>\$ 4,894,053</u>	<u>\$ 25,807</u>	<u>\$ -</u>	<u>\$ 4,919,860</u>

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

Bonds and Notes

A summary of long-term debt as of June 30, 2018 were as follows:

	<u>Outstanding Amount</u>
\$2,347,440 note payable in monthly payments of \$9,781 plus interest at 2%, issued February 2001; and due February 2021	\$ 195,620
	195,620
Less current portion	117,372
Total	<u>\$ 78,248</u>

The following is a summary of bond and note principal and interest requirements:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	117,372	2,837	120,209
2020	78,248	587	78,835
	<u>\$ 195,620</u>	<u>\$ 3,424</u>	<u>\$ 199,044</u>

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Capital Lease Obligation

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

<u>Year Ending June 30,</u>	<u>Business-Type Activities Payment</u>
2019	\$ 78,865
2020	13,856
	<u>92,721</u>
Less amount representing interest	3,072
Net present value of lease payments	<u>\$ 89,649</u>

Property and equipment carried at a cost of \$347,098 with accumulated amortization of \$185,119 has been acquired under capital lease arrangement. The annual required payments under these leases were \$65,009 at an interest rate of 3.39%. The capital lease obligation is financed by the Water Pollution Control Authority.

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 29, 2019, the date the financial statements were available to be issued.