

AUDITED FINANCIAL STATEMENTS
CITY OF DERBY
WATER POLLUTION CONTROL AUTHORITY
DERBY, CONNECTICUT
YEAR ENDED JUNE 30, 2020

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DERBY WATER POLLUTION CONTROL AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Derby Water Pollution Control Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Derby Water Pollution Control Authority 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.

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, 2020, 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, 2020, 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 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.

AO & Company, LLC

Ansonia, Connecticut
July 21, 2021

DERBY WATER POLLUTION CONTROL AUTHORITY 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, 2020.

Financial Highlights

- The assets of the WPCA exceeded its liabilities at the close of the most recent fiscal year by \$10,190,128 (net position).
- User fees increased by \$112,235 or 2.81% in the current fiscal year due to increased usage rates.
- Total operating income increased \$59,182 or 3.20% when compared against the prior year.
- The WPCA's operating expenses in 2020 were \$53,104 or 2.34% higher than 2019 expenses due primarily to decreased insurance costs, repairs and maintenance, and professional services offset against increases in salaries and fringe benefits.
- At the end of the current fiscal year, unrestricted net position amounted to \$2,424,845 and reserved net position amounted to \$3,699,020.
- The WPCA's total debt, including capital leases net increase of \$8,462,154 or 113% 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 2020?" 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.

**DERBY WATER POLLUTION CONTROL AUTHORITY
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		
ASSETS	2020	2019
Current and other assets	\$ 6,994,049	\$ 4,587,728
Capital assets (net of accumulated depreciation)	19,989,964	12,086,039
TOTAL ASSETS	\$ 26,984,013	\$ 16,673,767
 LIABILITIES AND NET POSITION		
Current liabilities	\$ 1,715,759	\$ 757,443
Noncurrent liabilities	15,078,128	7,000,000
TOTAL LIABILITIES	16,793,887	7,757,443
Invested in capital assets net of related debt	4,066,261	4,624,487
Net position - reserved	3,699,020	3,076,191
Net position - unrestricted	2,424,845	1,215,646
TOTAL NET POSITION	10,190,126	8,916,324
TOTAL LIABILITIES AND NET POSITION	\$ 26,984,013	\$ 16,673,767

**DERBY WATER POLLUTION CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Revenues
Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Sewer usage fees	\$ 4,101,704	\$ 3,989,469
Other	-	16,037
Interest and lien fees	<u>126,669</u>	<u>110,581</u>
TOTAL OPERATING REVENUES	4,228,373	4,116,087
OPERATING EXPENSES	<u>2,319,660</u>	<u>2,266,557</u>
TOTAL OPERATING INCOME	1,908,713	1,849,530
NONOPERATING REVENUES (EXPENSES)		
Grant income	-	-
Interest income	18,376	12
Interest expense	<u>(653,287)</u>	<u>(104,799)</u>
TOTAL NONOPERATING INCOME(LOSS)	(634,911)	(104,787)
OPERATING TRANSFERS OUT	<u>-</u>	<u>(70,000)</u>
CHANGE IN NET POSITION	1,273,802	1,674,743
Net position at July 1,	<u>8,916,324</u>	<u>7,241,581</u>
NET POSITION AT JUNE 30,	<u><u>\$ 10,190,126</u></u>	<u><u>\$ 8,916,324</u></u>

- Operating revenues increased in the current year by \$112,286 because of increased usage rates. Expenses increased by \$53,104, primarily due to decreased insurance costs, repairs and maintenance, and professional services offset against increases in salaries and fringe benefits.

Capital Asset and Outstanding Debt

Capital Assets – The WPCA's investment in capital assets as of June 30, 2020, amounts to \$19,989,964 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the fiscal year, there were building improvement and machinery purchases and construction in progress totaling \$8,233,317 which was financed with general obligation bonds.

Capital Assets

	<u>2020</u>	<u>2019</u>
Land	\$ 212,500	\$ 212,500
Construction in progress	14,945,029	7,370,000
Buildings and system	3,528,523	3,191,690
Machinery and equipment	<u>1,303,912</u>	<u>1,311,850</u>
	<u><u>\$ 19,989,964</u></u>	<u><u>\$ 12,086,039</u></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 bonds payable outstanding of \$15,825,000. The general obligation bond's interest ranges from a low of 3% to a high of 5%. These

**DERBY WATER POLLUTION CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

amounts are backed by the full faith and credit of the WPCA.

Outstanding Debt

General Obligation Bond and Note Payable

Years ending June 30,	Principal	Interest	Total
Due in one year	\$ 820	\$ 801	\$ 1,621
Due in 2 to 6 years	4,065	2,593	6,658
Due in 7 to 11 years	4,050	1,714	5,764
Due in 12 to 16 years	4,035	886	4,921
Due in 17 to 20 years	2,855	171	3,026
	<u>\$ 15,825</u>	<u>\$ 6,165</u>	<u>\$ 21,990</u>

The WPCA's total long-term debt increased by \$8,376,752 (112%) due to the issuance of a \$8,825,000 of general obligation bonds during September 2019.

**DERBY WATER POLLUTION CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Lease Obligation

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

<u>June 30,</u>	<u>Business-Type Activities Payment</u>
2021	\$ 30,184
2022	30,184
2023	30,184
2024	<u>18,881</u>
	109,433
Less amount representing interest	<u>10,730</u>
Net present value of lease payments	<u>\$ 98,703</u>

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

Economic Factors and Next Year's Budgets

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

All of these factors were considered in preparing the WPCA's budget for the 2020-2021 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

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 5,073,084
Assessments receivable	116,573
Capital Fee Receivable	93,501
Less allowance for doubtful accounts	<u>(3,232)</u>
	206,842
Interest and lien fees receivable	85,643
Due from other funds	<u>1,628,480</u>
TOTAL CURRENT ASSETS	6,994,049

CAPITAL ASSETS

Land	212,500
Buildings	12,204,793
Machinery and equipment	2,865,029
Construction in progress	<u>14,945,028</u>
	30,227,350
Less accumulated depreciation	<u>(10,237,386)</u>
	<u>19,989,964</u>
TOTAL ASSETS	\$ 26,984,013

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 859,897
Due to other funds	10,287
Capital lease-current portion	25,575
Bonds and loan payable-current portion	<u>820,000</u>
TOTAL CURRENT LIABILITIES	1,715,759

NONCURRENT LIABILITIES- bonds and loan payable

Capital lease	73,128
Bonds and loan payable	<u>15,005,000</u>
TOTAL LIABILITIES	16,793,887

NET POSITION

Investment in capital assets, net of related debt	4,066,261
Reserved for capital projects	1,536,764
Reserved for debt payments	2,132,256
Reserved for digester cleaning	30,000
Unrestricted	<u>2,424,845</u>
TOTAL NET POSITION	10,190,126

TOTAL LIABILITIES AND NET POSITION	\$ 26,984,013
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See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Sewer usage fees:	
Residential	\$ 3,123,926
Commercial	782,099
Other	195,679
Interest and lien fees	<u>126,669</u>
TOTAL OPERATING REVENUES	4,228,373

OPERATING EXPENSES

Salaries	840,520
Utilities	190,975
Fringe benefits	352,952
Repairs and maintenance	180,359
Supplies	81,918
Depreciation	329,391
Professional services	19,470
Insurance	20,380
Dump fees	173,847
Billing costs	18,900
Miscellaneous	<u>110,948</u>
TOTAL OPERATING EXPENSES	<u>2,319,660</u>

TOTAL OPERATING INCOME 1,908,713

NONOPERATING REVENUES (EXPENSES)

Grant income	-
Interest income	18,376
Interest expense	<u>(653,287)</u>

TOTAL NONOPERATING INCOME(LOSS) (634,911)

CHANGE IN NET POSITION 1,273,802

Net position at July 1, 2019 8,916,324

NET POSITION AT JUNE 30, 2020 \$ 10,190,126

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,692,888
Cash payments to suppliers	<u>(729,724)</u>
Cash payments to employees	<u>(691,044)</u>
NET CASH FROM OPERATING ACTIVITIES	1,272,120

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Purchase of capital assets	(8,233,317)
Proceeds from capital lease	128,199
Proceeds from bonds	8,825,000
Payment of principal and interest	<u>(1,144,333)</u>
NET CASH FROM CAPITAL AND FINANCING ACTIVITIES	(424,451)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>18,376</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	866,045
Cash and cash equivalents at July 1, 2019	<u>4,207,039</u>
\$	<u><u>5,073,084</u></u>

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

Operating income (loss) from operations	\$ 1,908,713
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	329,391
Changes in assets and liabilities:	
Accounts receivable	21,909
Due from other funds	(1,562,052)
Accounts payable	<u>574,159</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 1,272,120</u></u>

See accompanying notes to financial statements.

DERBY WATER POLLUTION CONTROL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 by an authority composed of five members appointed by the mayor and approved by the board of aldermen to serve five-year terms. No more than 3 members may be from the same political party.

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, 2020

Cash and Cash Equivalents

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

Interfund Transactions

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

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

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

Capital Assets

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

Building Improvements	31.5 - 39 years
Plant Equipment	5 - 20 years
Computer Equipment	5 years
Heavy Equipment	5 - 10 years
Improvements - 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, 2020

Capital Improvement Fee

During 2019, the Derby Water Pollution Control Authority charged for capital improvement of the sewer system. The first billing for this fee was in September 2018. The bill can be paid in two installments. Residential and commercial customers are based on the Derby Water Pollution Control Authority's authorized fee of \$257 per Equivalent Dwelling Unit. 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.

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, 2020, 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 capital projects and debt 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, 2020, the Derby Water Pollution Control Authority's carrying amount of deposits with financial institutions (such as checking, savings and certificates of deposit) amounted to \$5,073,084 and the bank balances were \$5,073,085. Of the bank balances, \$500,400 was covered by Federal Depository Insurance, \$459,005 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 \$4,131,049 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, 2020.

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - ASSESSMENTS RECEIVABLE

Sewer User Fees

The Derby Water Pollution Control Authority's assessments are determined based on the quarterly consumption of water usage provided by the local water company, modified for those individuals and businesses that do not use the current sewer system. The following schedule details assessments receivable at June 30, 2020:

Year ending			
June 30,	Commercial	Residential	Total
2008	\$ 170	\$ -	170
2009	1,506	-	1,506
2010	3,728	-	3,728
2011	5,049	-	5,049
2012	2,502	3,551	6,053
2013	2,096	4,760	6,856
2014	2,441	3,693	6,134
2015	2,395	4,060	6,455
2016	1,836	4,160	5,996
2017	847	6,028	6,875
2018	1,302	15,779	17,081
2019	2,002	46,929	48,931
2020	-	1,739	1,739
	<u>\$ 25,874</u>	<u>\$ 90,699</u>	<u>\$ 116,573</u>

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

Capital Improvement Fees

During 2020, the Derby Water Pollution Control Authority charged for capital improvement of the sewer system. The first billing for this fee was in September 2018. The following schedule details capital fee assessments receivable at June 30, 2020:

Year ending			
June 30,	Commercial	Residential	Total
2019	\$ 25,679	\$ 15,793	\$ 41,472
2020	15,549	36,480	52,029
	<u>\$ 41,228</u>	<u>\$ 52,273</u>	<u>\$ 93,501</u>

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

DERBY WATER POLLUTION CONTROL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance June 30, 2020</u>
Capital assets, not being depreciated:				
Land	212,500	\$ -	\$ -	\$ 212,500
Construction in progress	<u>7,370,000</u>	<u>7,575,028</u>	<u>-</u>	<u>14,945,028</u>
	7,582,500	7,575,028	-	15,157,528
Capital assets, being depreciated:				
Buildings	11,691,893	512,900	-	12,204,793
Machinery, vehicles and equipment	<u>2,719,641</u>	<u>145,388</u>	<u>-</u>	<u>2,865,029</u>
	14,411,534	658,288	-	15,069,822
Less accumulated depreciation for:				
Buildings	8,500,205	176,065	-	8,676,270
Machinery, vehicles and equipment	<u>1,407,790</u>	<u>153,326</u>	<u>-</u>	<u>1,561,116</u>
	9,907,995	329,391	-	10,237,386
Total capital assets being depreciated, net	<u>4,503,539</u>	<u>328,897</u>	<u>-</u>	<u>4,832,436</u>
Total capital assets	<u>\$ 12,086,039</u>	<u>\$ 7,903,925</u>	<u>\$ -</u>	<u>\$ 19,989,964</u>

NOTE 5 - LONG-TERM DEBT

Bonds and Notes

A summary of long-term debt as of June 30, 2020 were as follows:

	<u>Outstanding Amount</u>
\$7,370,000 serial bond; issue of 2018; due October 2038; effective interest ranging from 3.0%-5.0%	\$ 7,000,000
\$8,825,000 serial bond; issue of 2019; due September 2029; effective interest ranging from 2.05%-5.0%	<u>8,825,000</u>
	15,825,000
Less current portion	<u>820,000</u>
	<u>\$ 15,005,000</u>

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Year ending June 30,	Principal	Interest	Total
2021	\$ 820,000	\$ 801,079	\$ 1,621,079
2022	815,000	598,050	1,413,050
2023	815,000	557,300	1,372,300
2024	815,000	516,550	1,331,550
2025	810,000	477,775	1,287,775
2026	810,000	442,825	1,252,825
2027	810,000	409,725	1,219,725
2028	810,000	376,625	1,186,625
2029	810,000	343,294	1,153,294
2030	810,000	309,500	1,119,500
2031	810,000	275,244	1,085,244
2032	810,000	241,800	1,051,800
2033	810,000	209,400	1,019,400
2034	805,000	177,100	982,100
2035	805,000	144,900	949,900
2036	805,000	112,700	917,700
2037	805,000	82,700	887,700
2038	805,000	54,900	859,900
2039	805,000	27,100	832,100
2040	440,000	6,600	446,600
	<u>\$ 15,825,000</u>	<u>\$ 6,165,167</u>	<u>\$ 21,990,167</u>

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:

June 30,	Business-Type Activities Payment
2021	\$ 30,184
2022	30,184
2023	30,184
2024	18,881
	109,433
Less amount representing interest	10,730
Net present value of lease payments	<u>\$ 98,703</u>

DERBY WATER POLLUTION CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Property and equipment carried at a cost of \$167,439 with accumulated amortization of \$20,351 has been acquired under capital lease arrangement. The annual required payments under these leases were \$30,184 at an average interest rate of 4.15%. 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

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations results of the City of Derby, Connecticut could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The City of Derby, Connecticut has not included any contingencies in the financial statements specific to this issue.

Subsequent events were evaluated through July 21, 2021, the date of the financial statements were available to be issued.