



September 14, 2020

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: SOUTHEASTERN CONNECTICUT WATER AUTHORITY
\$270,000 General Obligation Bond Anticipation Notes
(Bank Qualified)
Dated: October 14, 2021 Due: October 13, 2022**

As per official Notice of Sale. Proposals may be submitted by telephone to:

| | |
|------------|--------------------------------------|
| Name: | Susan Caron, Vice President |
| Date: | Wednesday, September 22, 2021 |
| Time: | Until 11:30 A.M. (Eastern Time) |
| Telephone: | (860) 372-1887 |

In addition, electronic bids may be submitted for the Notes via PARITY® until 11:30 A.M. (Eastern Time) on Wednesday, September 22, 2021 as described in the Notice of Sale.

An Official Statement has not been prepared by or on behalf of the Authority for this sale. This issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.

The audited “Basic Financial Statements” of the Southeastern Connecticut Water Authority, Gales Ferry, Connecticut, (the “Authority”) as of June 30, 2021 are included as Appendix B. Additional information regarding the Authority is included as Appendix A. A complete copy of the audited financial statements of the Authority is available upon request.

The Authority has retained Munistat Services, Inc. (the “Municipal Advisor”) to serve as its municipal advisor in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and, the other appendices hereto and makes no guarantee as to their completeness or accuracy. The Municipal Advisor’s fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes, and receipt by the Authority of payment therefor.

TERM SHEET
Dated September 14, 2021, for the Sale of the
Southeastern Connecticut Water Authority, Gales Ferry, Connecticut
Tax-Exempt General Obligation Bond Anticipation Notes

Date of Sale: Wednesday, September 22, 2021, 11:30 A.M. (Eastern Time).

Location of Sale: **Proposals may be submitted by telephone to Susan Caron, Vice President at 860-372-1887 or by electronic bid via Parity®.**

Issuer: Southeastern Connecticut Water Authority, Gales Ferry, Connecticut (the “Authority”).

Issue: \$270,000 General Obligation Bond Anticipation Notes (the “Notes”).

Dated Date: October 14, 2021.

Interest Due: At maturity, October 13, 2022.

Principal Due: At maturity, October 13, 2022.

Purpose: The proceeds of the Notes will be used to retire Bond Anticipation Notes initially issued to finance, and to provide new money for various capital projects.

Redemption: The Notes **are not** subject to redemption prior to maturity.

Security: The Notes will be general obligations of the Authority. See “Notice of Sale” attached as Appendix D.

Credit Rating: No application has been made for a rating on the Notes. The 2007 outstanding bonds of the Authority have a credit rating of “Aa3” from Moody’s Investors Service, Inc. (“Moody’s”) based on the guarantee of the State of Connecticut.

Basis of Award: Lowest Net Interest Cost (NIC), as of dated date.

Tax Exemption: Tax Exempt. See “Form of Opinion of Bond Counsel” attached as Appendix C.

Interest Calculation: Interest will be calculated on the basis of twelve 30-day months and a 360-day year.

Continuing Disclosure: The undertaking to provide continuing disclosure under SEC Rule 15c2-12(b) does not apply to this issue of Notes. Therefore, the Authority will not be entering into a Continuing Disclosure Agreement with respect to the Notes.

Bank Qualification: The Notes **shall be** designated as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Notes.

Registrar, Certifying Agent, Transfer Agent and Paying Agent:

U.S. Bank National Association, Global Corporate Trust, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut, 06103 (unless the winning purchaser is designated as provided in “Option for Non-Book Entry” in the Notice of Sale). See “Notice of Sale” attached as Appendix D.

Legal Opinion:

Updike, Kelly & Spellacy, P.C., Hartford, Connecticut will act as Bond Counsel.

Delivery and Payment:

It is expected that delivery of the Notes in book-entry form will be made to the Depository Trust Company (unless the successful purchaser has requested no book entry as described in “Option for Non-Book Entry” in the “Notice of Sale”, then it is expected that delivery of the Notes will be made to the purchaser) on or about October 14, 2021 against payment in **Federal Funds**.

Issuer Official:

Questions concerning the Authority and this issue of Notes should be directed to Mr. Joseph Cansler, General Manager, Southeastern Connecticut Water Authority, 1649 Route 12, Gales Ferry, Connecticut, 16335. Telephone: 860-652-7586.

Municipal Advisor:

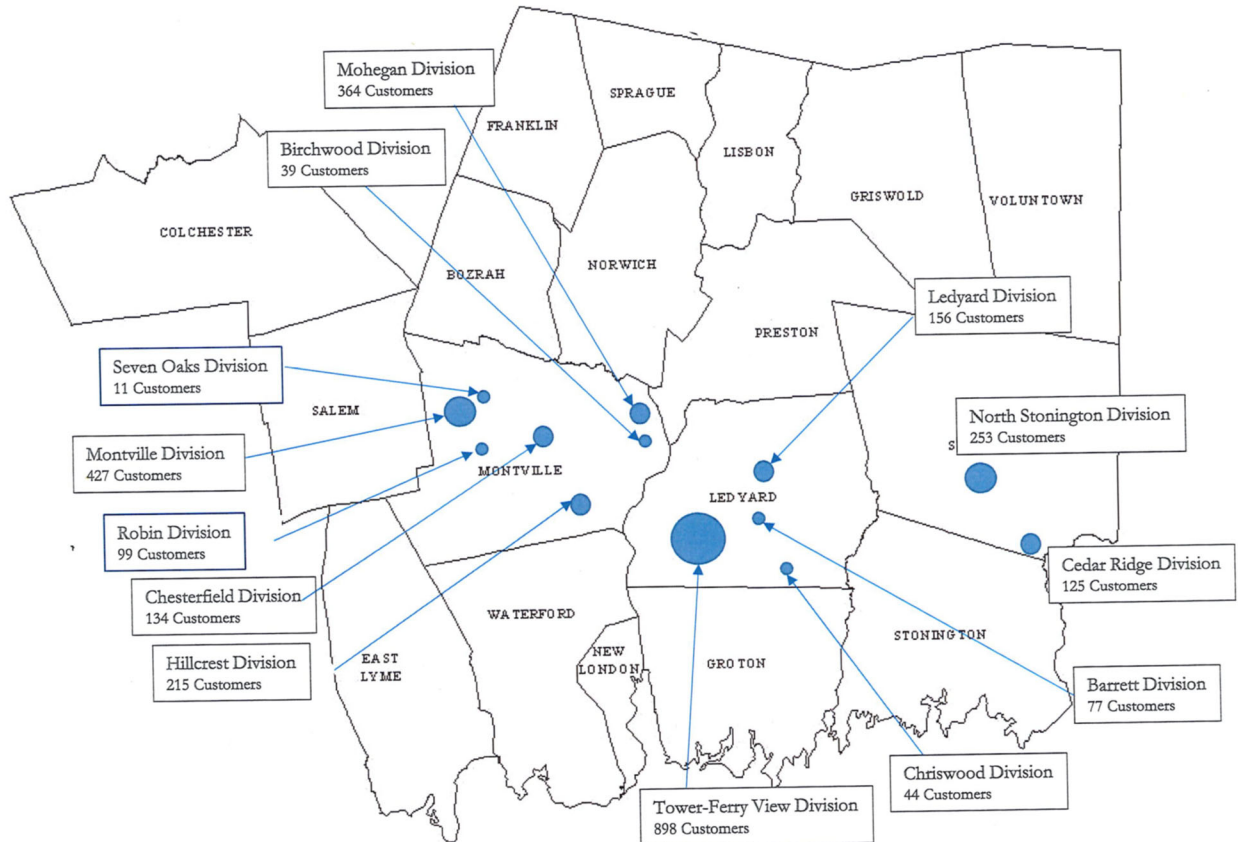
Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Susan Caron, Vice President, Telephone: 860-372-1887.

DESCRIPTION OF THE AUTHORITY

Southeastern Connecticut Water Authority (SCWA)

Division Locations Map

As of September 2021



CREATION AND POWERS OF THE AUTHORITY

In 1961, the General Assembly created the Eastern Connecticut Fresh Water Department Commission to investigate and report upon the future water supply alternatives for a group of Eastern Connecticut Towns centered about the Thames estuary. The report recommended establishing a Southeastern Connecticut Water Authority (“SCWA”) as the vehicle through which the long-range water supply requirements of the region would be met.

In 1967, the General Assembly created the SCWA as a not-for-profit, public purpose, governmental organization under Special Act SA-381 (the “Act”). The Authority exists to plan, operate, maintain and when needed, construct water supply systems for 21 Southeastern Connecticut municipalities and boroughs including: Towns of Bozrah, Colchester, East Lyme, Franklin, Griswold, Groton, City of Groton, Jewett City, Ledyard, Lisbon, Montville, New London, North Stonington, Norwich, Preston, Salem, Sprague, Stonington, Stonington Borough, Voluntown and Waterford.

The Authority is a statutorily established non-profit agency charged with the planning, coordination and development of potable water sources and delivery systems to adequately serve all the communities of Southeastern Connecticut.

The Authority endeavors to work with municipalities, the regional planning agency, tribal nations, and private water companies to periodically assist in updating the regional water supply plan to address future needs, and to provide recommendations for source and delivery system actions related to such needs.

The Authority has been serving the region of Southeastern Connecticut for over fifty years. SCWA's mission is to provide southeastern Connecticut with an ample supply of good quality drinking water at a reasonable cost. The direct mission is carried out through the sixteen public water supply systems that the Authority owns and operates. Pursuant to Public Act No. 02-76, the Authority has adopted a water supply plan for the Southeastern Connecticut Planning Region.

Pursuant to the Act, as amended, the State of Connecticut may guarantee SWCA loans for up to a total of fifteen million dollars until 2045.

Over the past two years, five of the SCWA water systems in the Town of Ledyard were interconnected with the Ledyard water system. These interconnections were installed by Groton Utilities, which operates the Ledyard water system. These emergency interconnections helped to provide back-up if one system should fail and were funded through the Connecticut Drinking Water State Revolving Fund. In 2020, Ledyard Division and Gray Farms Division were connected and the pump station at Gray Farms was eliminated producing a reduction in overall expenses for the Authority.

AUTHORITY MEMBERS

The seven-member Southeastern Connecticut Water Authority governing board is appointed by the 42-member Representative Advisory Board which is comprised of two members for each of the region's constituent municipalities. Two members of the Authority's governing board must be selected from a slate of no fewer than three nominees provided by the Southeastern Connecticut Regional Council of Governments. The Representative Advisory Board also monitors finances of the Authority through an annual audit. The Authority's statutory powers include the power of eminent domain, the authority to issue bonded debt, the ability to set service rates, the right to receive grants, and generally to do anything necessary or convenient to carry out its purposes. The members of the Authority's governing board and its Representative Advisory Board are set forth below.

| Authority Board Members | | |
|-------------------------|-----------------------|------------------|
| Office | Name | Years of Service |
| Chairman..... | Edward Monahan | 18 Years |
| Vice-Chairman... | Harry Watson | 13 Years |
| Treasurer..... | Paul B. Eccard | 16 Years |
| Member..... | Barbara Lee Franciosi | 14 Years |
| Member..... | Nicholas Mullane | 14 Years |
| Member..... | Peter Balestracci | 11 years |
| Member..... | Claudia Koerting | 3 years |

**Representative Advisory Board
Servicing 2020-2021**

| <u>Representative Town</u> | <u>Member</u> |
|----------------------------|-----------------------------------|
| Bozrah..... | Steven Coit, Jim Bonanno |
| Colchester..... | Vacancy, Vacancy |
| East Lyme..... | Mark Nickerson, Carol Russell |
| Franklin..... | Thomas Seidel, Vacancy |
| Griswold..... | Vacancy, Vacancy |
| Groton, City..... | Martin Artale Jr., Vacancy |
| Groton, Town..... | Mary Lou Smith, Joe Zeppieri |
| Jewitt City Borough..... | Vacancy, Vacancy |
| Ledyard..... | Mike Cherry, James Harris |
| Lisbon..... | Vacancy, Vacancy |
| Montville..... | Anthony Siragusa, Vacancy |
| New London..... | Barry J. Weiner, Vacancy |
| North Stonington..... | Michael Macina, Robert Boissevain |
| Norwich..... | Rodney Bowie, Vacancy |
| Preston..... | Steven Colli, Jerry Morales |
| Salem..... | James Fogarty, Hugh McKenny |
| Sprague..... | Dennison Allen, Jack Malone |
| Stonington..... | Sara Baker, Vacancy |
| Stonington Borough..... | Jeffrey Callahan, Amy Nichols |
| Voluntown..... | Vacancy, Vacancy |
| Waterford..... | Vacancy, Vacancy |

AUTHORITY EMPLOYEES

The following table illustrates the full and permanent part-time Authority employees for the last five fiscal years:

| <u>Fiscal Year</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Total Employees | 7 | 7 | 7 | 7 | 7 |

Source: Authority Officials.

The Authority has no union employees.

SERVICE AREA

The Authority serves approximately 2,850 customers through operation of 13 water systems it owns and 18 small water systems that it is contracted to operate. Over the past twenty years, the number of customers serviced by the Authority has remained relatively constant. The three primary service areas are the Towns of Ledyard, Montville, and North Stonington. Ledyard and Montville contain over 85% of the Authority's customers.

LITIGATION

Suisman Shapiro provides general representation of the Southeastern Connecticut Water Authority in a variety of matters, including litigation that may occur in Connecticut courts and before the Department of Public Utility Control.

In the course of its representation of the Authority's activities, Suisman Shapiro has not become aware and has not been made aware of any pending or threatened litigation, claims or assessments against the Authority, which, if settled against the Authority, would result in a material and adverse effect on the Authority's finances.

FINANCIAL INFORMATION

FISCAL YEAR

The Authority's fiscal year begins July 1 and ends June 30.

ANNUAL AUDIT

Pursuant to Connecticut state law, the Authority is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2021, the examination was conducted by Sandra E. Welwood, LLC, Certified Public Accountants, of Danbury, Connecticut.

PENSION PLANS

All employees participate in the Connecticut Municipal Employees' Retirement System ("CMERS"). CMERS is a cost-sharing, multiple employer Public Employee Retirement System ("PERS") established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. CMERS issues a publicly available financial report, which may be obtained at www.ct.gov.

The Authority's required contribution to CMERS is currently 14.95% of covered payroll. Such contribution was \$73,111 for the year ended June 30, 2021, related to covered payroll of \$489,038.

Please refer to Appendix A "Basic Financial Statements" under section "Notes to the Financial Statements", Note 6 herein for further information on the Authority's Pension Plans.

OTHER POST EMPLOYMENT BENEFITS

The Authority does not provide Other Post-Employment Benefits to its retirees.

STATEMENT OF OPERATING INCOME AND EXPENSES
Last Five Years and Current Budgets

| | <u>Budget</u> <u>2021-22</u> | <u>Actual</u> <u>2020-21</u> | <u>Actual</u> <u>2019-20</u> | <u>Actual</u> <u>2018-19</u> | <u>Actual</u> <u>2017-18</u> | <u>Actual</u> <u>2016-17</u> |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Operating Revenue: | | | | | | |
| Sales of Water..... | \$1,728,600 | \$1,739,769 | \$1,615,692 | \$1,524,895 | \$1,555,344 | \$1,545,157 |
| Contract Operations..... | 13,800 | 2,328 | 3,803 | 2,563 | 4,530 | 4,874 |
| Insurance Recovery..... | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Income..... | 5,000 | 10,207 | 17,669 | 0 | 0 | 0 |
| Total Operating Revenues..... | \$1,747,400 | \$1,752,304 | \$1,637,164 | \$1,527,458 | \$1,559,874 | \$1,550,031 |
| Operating Expenses | | | | | | |
| Operations..... | \$858,860 | \$1,005,316 | \$989,778 | \$895,917 | \$964,620 | \$994,953 |
| Administration..... | 222,050 | 263,555 | 258,061 | 258,498 | 236,107 | 229,406 |
| Employee Benefits..... | 217,500 | 261,987 | 213,997 | 228,701 | 0 | 0 |
| Professional Services..... | 88,700 | 0 | 0 | 0 | 0 | 0 |
| Statutory Regional Services.... | 0 | 0 | 0 | 0 | 39,674 | 31,204 |
| Depreciation ¹ | 235,000 | 244,531 | 249,635 | 260,006 | 233,002 | 239,211 |
| Interest..... | 38,000 | 0 | 0 | 0 | 0 | 0 |
| Taxes..... | 41,800 | 41,629 | 40,189 | 39,400 | 36,872 | 36,850 |
| Total operating Expenses..... | \$1,701,910 | \$1,817,018 | \$1,751,660 | \$1,682,522 | \$1,510,275 | \$1,531,624 |
| Operating Results..... | \$26,690 | (\$64,714) | (\$114,496) | (\$155,064) | \$49,599 | \$18,407 |
| Other Income (Loss)..... | \$0 | \$58 | \$436 | \$1,676 | \$354,488 | \$5,718 |
| Income (Loss) before | | | | | | |
| Interest Charges..... | \$64,690 | (\$64,656) | (\$114,060) | (\$153,388) | \$404,087 | \$24,125 |
| Interest Charges..... | (\$38,000) | (\$21,190) | (\$31,433) | (\$38,741) | (\$40,709) | (\$42,645) |
| Net Income (Loss)..... | \$26,690 | (\$85,846) | (\$145,493) | (\$192,129) | \$363,378 | (\$18,520) |

¹ Includes debt service payments.

Source: Audited Financial Statement 2017-2021; Budgets 2022.

WATER RATES

The Authority has statutory authority to set fees and rates as necessary. The Authority's enabling legislation designates the Representative Advisory Board (the "Board") to serve in an advisory role. The Representative Advisory Board is the entity that conducts a public hearing on proposed changes in rates, and subsequently offers advice/comments on the proposed rates. The rates review procedure is described below:

Prior to adopting new service rates or changing any existing rates the Authority, through its members, will notify the Board. The Board will conduct a public hearing on the proposed rates and forward any advice or comments to the Authority, in accordance with the following rate review procedure:

1. The Authority notifies the Board of its intention to adopt new service rates or to change any existing rates.
2. The Board will call a public hearing on the proposed rates, within thirty (30) days, with notice of the time and place of the public hearing published in a newspaper having a substantial circulation in the affected area, at least once, not more than 14 days, nor less than 5 days prior to the public hearing. The Authority will assist the Board with administrative aspects of noticing and advertising the public hearing. The Board chairman will preside over the public hearing.

3. The Board Finance Committee will work with the Board officers, especially its chairman, in reviewing the proposed rates and reporting to the full Board.
4. The Board will address the proposed rates as the subject of a Special Meeting and/or as an agenda item at a regular meeting.
5. Within 90 days of receipt of the proposed rates and following the public hearing, the Board shall forward to the Authority any advice or comments on the proposed rates. Such advice or comments may include a formal statement resulting from action taken by the Board.
6. Failure of the Board to act within 90 days of receipt of the Authority's proposed rates shall constitute concurrence in the proposed rates.

The foregoing procedures are not required by the Act or any other State statute but rather have been followed by the Authority and the Board for approximately thirty years.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY HISTORY OF RESIDENTIAL RATES

| Start of Fiscal Year | Per Qtr. Minimum | Cost per | | Gross Per 18,000 | CPI |
|----------------------|------------------|----------------|---------------------|------------------|--------------------|
| | | Thousand 3,000 | Net Cost Per 18,000 | | |
| FY 77 | 10.29 | 1.44 | 30.30 | 31.89 | 170.1 ¹ |
| FY 80 | 10.56 | 1.48 | 31.12 | 32.76 | 216.9 ¹ |
| FY 81 | 11.31 | 1.58 | 33.26 | 35.01 | 247.8 ¹ |
| FY 82 | 12.09 | 1.69 | 35.57 | 37.44 | 271.4 ¹ |
| FY 83 | 12.93 | 1.83 | 38.36 | 40.38 | 290.1 ¹ |
| FY 84 | 18.30 | 1.92 | 44.75 | 47.10 | 297.2 ¹ |
| FY 85 | 19.22 | 2.02 | 47.04 | 49.52 | 306.2 ¹ |
| FY 86 | 20.18 | 2.12 | 49.38 | 51.98 | 318.7 ¹ |
| FY 89 | 21.94 | 2.23 | 52.62 | 55.39 | 347.6 ¹ |
| FY 90 | 22.25 | 2.34 | 54.48 | 57.35 | 365.9 ¹ |
| FY 91 | 24.48 | 2.57 | 59.88 | 63.03 | 382.1 ¹ |
| FY 92 | 26.93 | 2.83 | 65.91 | 69.38 | 399.6 ¹ |
| FY 93 | 27.79 | 2.92 | 68.01 | 71.59 | 411.4 ¹ |
| FY 94 | 29.46 | 3.10 | 72.16 | 75.96 | 417.8 ¹ |
| FY 95 ³ | 31.23 | 3.29 | 76.55 | 80.58 | 433.2 ¹ |
| FY 99 ³ | 32.01 | 3.37 | 78.43 | 82.56 | 479.7 ¹ |
| FY 02 | 33.13 | 3.49 | 81.21 | 85.48 | 520.0 ¹ |
| FY 05 ³ | 34.46 | 3.63 | 84.46 | 88.91 | 551.9 ¹ |
| FY 06 ³ | 36.53 | 3.85 | 89.57 | 94.28 | 566.2 ¹ |
| FY 07 ³ | 37.63 | 3.97 | 92.32 | 97.18 | 590.5 ¹ |
| FY 10 | 49.75 | 5.24 | 121.93 | 128.35 | 170.7 ² |
| FY 11 | 54.48 | 5.74 | 133.55 | 140.58 | 400.0 ² |
| FY 12 | 57.20 | 6.03 | 140.27 | 147.65 | 426.9 ² |
| FY 13 | 61.87 | 6.52 | 151.69 | 159.67 | 448.2 ² |
| FY 16 | 64.96 | 6.85 | 159.32 | 167.71 | 513.4 ² |
| FY 18 | 68.21 | 7.19 | 167.26 | 176.06 | 549.5 ² |
| FY 20 | 71.62 | 7.55 | 175.63 | 184.87 | 583.2 ² |
| FY 21 | 71.62 | 7.93 | 181.04 | 190.57 | 2 ² |

¹ Consumer Price Index: 1967 = 100; June 30 of each year.

² Consumer Price Index: 1997 = 100; June 30 of each year.

³ Effective January 1 (One-half year).

Explanation of "Net" and "Gross" amounts: Bills are mailed every three months. At the bottom of the bill, there are two boxes entitled "Net Bill" and "Gross Bill". A 5% discount is allowed if the bill is paid on or before the due date. This discounted amount due is the "Net Bill". All customers have the opportunity to pay the net amount, and the vast majority do so.

Note: Fiscal year listed correspond to the years when the rate increases occurred. The rates remained constant during the years not listed.

APPENDIX B – BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Appendix B - Basic Financial Statements - is taken from the Annual Report of Southeastern Connecticut Water Authority for the Fiscal Year ended June 30, 2021 as presented by the Auditors and does not include all of the schedules. A copy of the complete report is available upon request to the General Manager, Southeastern Connecticut Water Authority, Gales Ferry, Connecticut.

Sandra E. Welwood, LLC

Website: www.sewelwoodcpa.com
Telephone: (203) 730-0509

Certified Public Accountants
P.O. Box 4609, Danbury, CT 06813

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southeastern Connecticut Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Connecticut Water Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in financial position and its cash flows for the year then ended in accordance 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 the management's discussion and analysis information on pages 3 through 8 and the schedules on pages 25 and 26 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sandra E. Welwood, LLC

Danbury, Connecticut
August 24, 2021

SOUTHEASTERN CONNECTICUT WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

As management of the Southeastern Connecticut Water Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,799,628.
- The Authority’s total net position decreased by \$85,846. The decrease is primarily caused by higher than planned expenses related to employee benefits expense and operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements comprise two components: 1) fund financial statements, and 2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements. The Statement of Net Position presents information on all of the Authority’s assets, deferred outflows, liabilities, and deferred inflows with the difference between those accounts being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The fund financial statements present current year’s revenues and expenses, which are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. These statements measure the success of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered its costs through its user fees and other charges, profitability, and credit worthiness.

Notes to Financial Statements. The notes provide additional information that are essential to a full understanding of the data provided in the fund financial statements.

Southeastern Connecticut Water Authority
Management's Discussion and Analysis (Unaudited) (continued)

Financial Analysis

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Southeastern Connecticut Water Authority, assets exceeded liabilities by \$5,799,628 at the close of the most recent fiscal year.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, water distribution system and general plant, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Southeastern Connecticut Water Authority
Net Position

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|---------------------|---------------------|
| Current and other assets | \$ 1,156,269 | \$ 921,009 |
| Capital assets (net) | <u>6,496,047</u> | <u>6,629,219</u> |
| Total assets | <u>7,652,316</u> | <u>7,550,228</u> |
| Deferred outflows of resources | <u>231,364</u> | <u>276,564</u> |
| Current liabilities | 688,146 | 486,913 |
| Noncurrent liabilities | <u>1,395,906</u> | <u>1,454,405</u> |
| Total liabilities | <u>2,084,052</u> | <u>1,941,318</u> |
| Net position: | | |
| Net investment in capital assets | 5,525,510 | 5,713,885 |
| Unrestricted | <u>274,118</u> | <u>171,589</u> |
| Total net position | <u>\$ 5,799,628</u> | <u>\$ 5,885,474</u> |

At the end of the current fiscal year, the Authority is able to report a positive balance in the net investment in capital assets and in unrestricted net position. The same held true for the prior fiscal year.

Southeastern Connecticut Water Authority
Management's Discussion and Analysis (Unaudited) (continued)

The Authority's net position decreased \$85,846 during the current fiscal year.

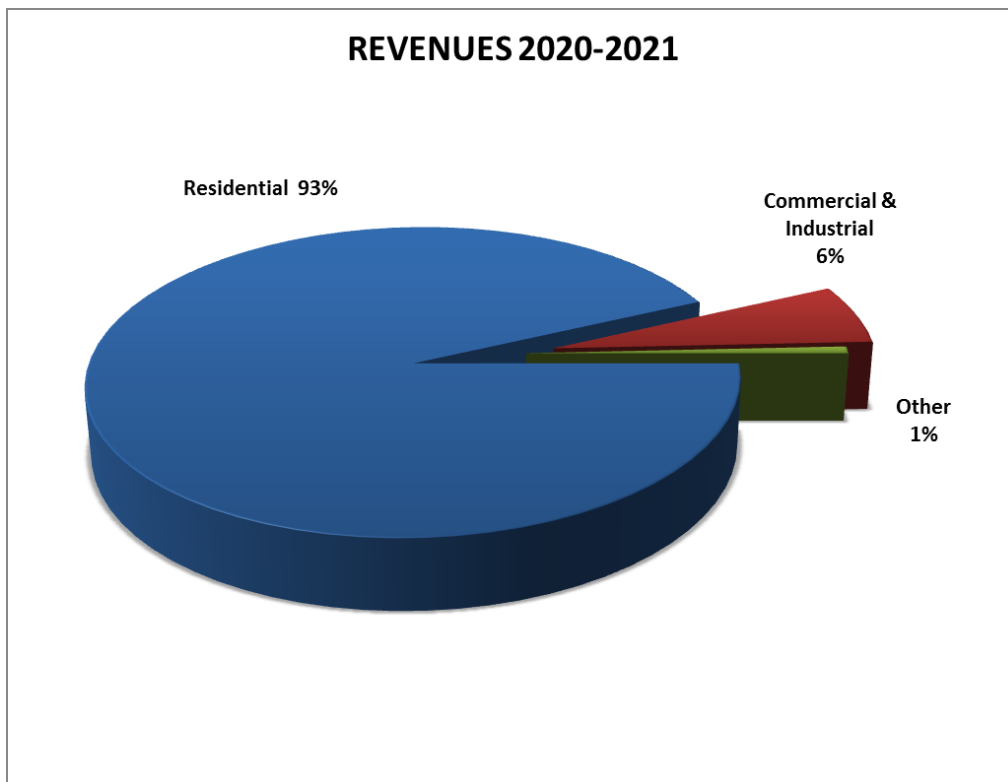
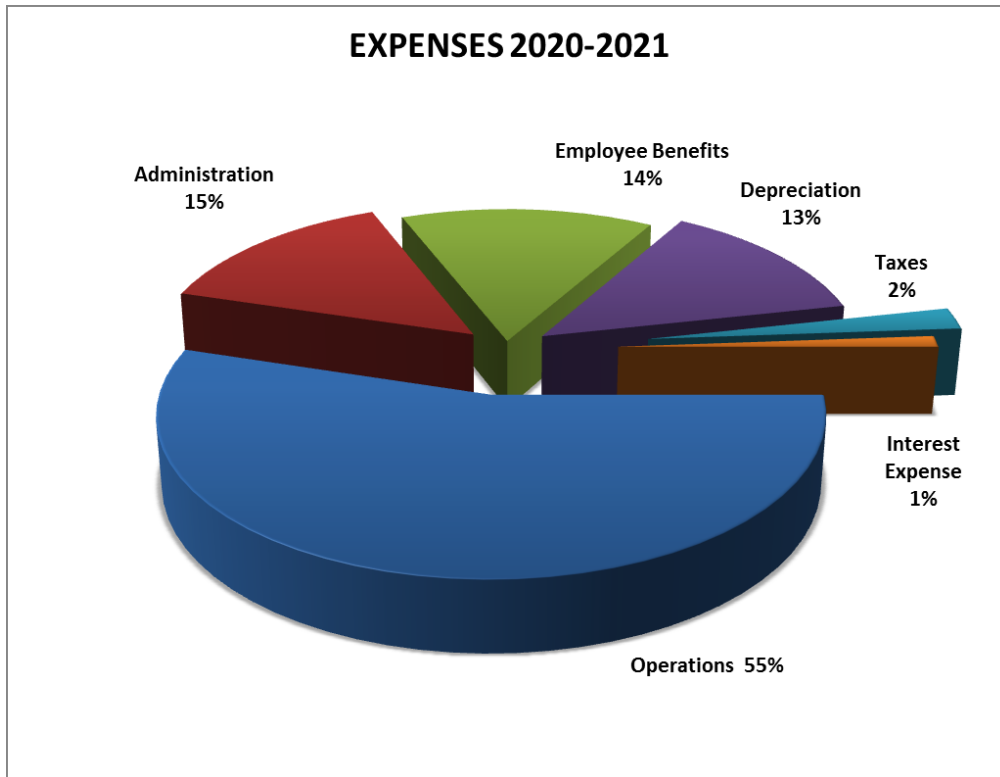
Southeastern Connecticut Water Authority
Changes in Net Position

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|---------------------|---------------------|
| Revenues: | | |
| Operating revenues: | | |
| Charges for services | \$ 1,739,769 | \$ 1,615,692 |
| Contract services | 2,328 | 3,803 |
| Other income | 10,207 | 17,669 |
| Non-operating revenues: | | |
| Investment and dividend income | <u>58</u> | <u>436</u> |
| Total revenues | <u>1,752,362</u> | <u>1,637,600</u> |
| Expenses: | | |
| Operations | 1,005,316 | 989,778 |
| Administration | 263,555 | 258,061 |
| Employee benefits | 261,987 | 213,997 |
| Depreciation | 244,531 | 249,635 |
| Taxes | 41,629 | 40,189 |
| Interest expense | <u>21,190</u> | <u>31,433</u> |
| Total expenses | <u>1,838,208</u> | <u>1,783,093</u> |
| Increase (decrease) in net position | (85,846) | (145,493) |
| Net position – July 1 | <u>5,885,474</u> | <u>6,030,967</u> |
| Net position – June 30 | <u>\$ 5,799,628</u> | <u>\$ 5,885,474</u> |

Major factors:

- Charges for services increased by \$124,077 or 7.7%.
- Increase in employee benefits expense of \$47,990.
- Operating expenses increased by \$15,538 or 1.6% primarily from repairs and maintenance costs.

Expenses and Revenues Financial Analysis for the Fiscal Year



Southeastern Connecticut Water Authority
Management's Discussion and Analysis (Unaudited) (continued)

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets as of June 30, 2021, amounted to \$6,496,047 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, water distribution system, machinery and equipment, and vehicles. The decrease in the Authority's capital assets for the current fiscal year was \$133,172 as depreciation was greater than additions and disposals.

**Capital Assets
(Net of Depreciation)**

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|---------------------|
| Land | \$ 38,848 | \$ 38,848 |
| Construction in progress | 183,706 | 161,875 |
| Intangibles | 124,717 | 124,717 |
| Water diversion permits | 75,904 | 82,604 |
| Water distribution system | 6,029,847 | 6,187,029 |
| Machinery and equipment | 5,827 | 12,773 |
| Vehicles | <u>37,198</u> | <u>21,373</u> |
| Total | <u>\$ 6,496,047</u> | <u>\$ 6,629,219</u> |

Additional information on the Authority's capital assets can be found in Note 3 of this report.

Long-Term Debt. At the end of the current fiscal year, the Authority had total bonded and note debt outstanding of \$970,537. All debt is backed by the full faith and credit of the Authority.

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| General obligation bonds | \$ 570,000 | \$ 665,000 |
| Bond anticipation note | 175,000 | - |
| Drinking Water State Revolving Loan Fund notes payable | <u>225,537</u> | <u>250,334</u> |
| Total | <u>\$ 970,537</u> | <u>\$ 915,334</u> |

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

Southeastern Connecticut Water Authority
Management's Discussion and Analysis (Unaudited) (continued)

Economic Factors and Next Year's Budget and Rates

Pumping, water treatment, and transmission costs continue to increase due to required testing and demand of water supply throughout the region.

The occupancy rate of the properties that the Authority provides water service to remains very high, and it appears this will continue, at least into the immediate future. The economic climate of the region appears to be relatively stable.

Economic factors, with an emphasis on projected operating costs and revenues, were considered in the preparation and adoption of the Authority's budget for fiscal year 2021-22.

Requests for Information

This financial report is designed to provide a general overview of the Authority'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 General Manager, P.O. Box 415, Gales Ferry, CT 06339.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2021

| <u>Assets</u> | |
|--|---------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 368,967 |
| Investments | 70,030 |
| Receivables: | |
| Usage fees receivable | 78,997 |
| Unbilled usage fees receivable | 318,571 |
| Prepaid expenses | 43,589 |
| Total current assets | 880,154 |
| Noncurrent assets: | |
| Restricted assets: | |
| Cash | 86,071 |
| Investments | 189,621 |
| Other | 423 |
| Capital assets - utility plant (net): | |
| Land | 38,848 |
| Construction in progress | 183,706 |
| Intangibles | 124,717 |
| Water diversion permits | 75,904 |
| Water distribution system | 6,029,847 |
| Machinery and equipment | 5,827 |
| Vehicles | 37,198 |
| Total capital assets - utility plant (net) | 6,496,047 |
| Total noncurrent assets | 6,772,162 |
| Total assets | 7,652,316 |
| <u>Deferred Outflows of Resources</u> | |
| Deferred outflows related to pension | 231,364 |
| <u>Liabilities</u> | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 52,341 |
| Accrued compensation and related liabilities | 64,815 |
| Bonds and notes payable - current maturities | 295,298 |
| Total current liabilities | 412,454 |
| Noncurrent liabilities: | |
| Escrow accounts payable from restricted assets | 275,692 |
| Bonds and notes payable | 675,239 |
| Net pension liability | 720,667 |
| Total noncurrent liabilities | 1,671,598 |
| Total liabilities | 2,084,052 |
| <u>Net Position</u> | |
| Net investment in capital assets | 5,525,510 |
| Unrestricted | 274,118 |
| Total net position | \$ 5,799,628 |

The notes to the financial statements are an integral part of this statement.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

| | |
|--|---------------------|
| Operating revenues: | |
| Sales of water | \$ 1,739,769 |
| Contract operations | 2,328 |
| Other income | 10,207 |
| Total operating revenues | 1,752,304 |
| Operating expenses: | |
| Operations: | |
| Source of supply | 41,597 |
| Pumping | 316,146 |
| Treatment | 155,556 |
| Distribution | 301,178 |
| Customer accounts | 85,496 |
| Other | 105,343 |
| Administration: | |
| Administrative salaries | 141,420 |
| Office expenses | 39,516 |
| Professional services | 82,619 |
| Employee benefits | 261,987 |
| Depreciation | 244,531 |
| Taxes | 41,629 |
| Total operating expenses | 1,817,018 |
| Operating loss | (64,714) |
| Non-operating income (expense): | |
| Investment and dividend income | 58 |
| Interest expense | (21,190) |
| Net non-operating income (expense) | (21,132) |
| Change in net position | (85,846) |
| Net position, beginning of year | 5,885,474 |
| Net position, end of year | \$ 5,799,628 |

The notes to the financial statements are an integral part of this statement.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 1,778,839 |
| Payments to suppliers | (736,506) |
| Payments to employees including benefits | <u>(761,855)</u> |
| Net cash provided by operating activities | <u>280,478</u> |
| Cash flows from capital activities and related financing activities: | |
| Acquisition and construction of capital assets | (111,359) |
| Proceeds from Bond Anticipation Note | 175,000 |
| Debt payments | (119,797) |
| Interest paid | <u>(21,190)</u> |
| Net cash used in capital and related financing activities | <u>(77,346)</u> |
| Cash flows from investing activities: | |
| Net purchase of investments | (10,217) |
| Interest and dividends on investments | <u>58</u> |
| Net cash used in investing activities | <u>(10,159)</u> |
| Net increase in cash and cash equivalents | 192,973 |
| Cash and cash equivalents, beginning of year | <u>262,065</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 455,038</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating loss | \$ (64,714) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 244,531 |
| Changes in assets: | |
| Receivables | (26,535) |
| Prepaid expenses | (5,535) |
| Change in deferred outflows of resources | 45,200 |
| Changes in liabilities: | |
| Accounts payable and accrued expenses | 5,639 |
| Accrued compensation and related liabilities | 10,830 |
| Escrow accounts | 9,264 |
| Net pension liability | <u>61,798</u> |
| Net cash provided by operating activities | <u><u>\$ 280,478</u></u> |
| Statement of Net Position detail: | |
| Cash and cash equivalents | \$ 368,967 |
| Restricted cash | 86,071 |
| | <u><u>\$ 455,038</u></u> |

The notes to the financial statements are an integral part of this statement.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

History and Organization

In 1967, the General Assembly created the Southeastern Connecticut Water Authority (the "Authority") as a public purpose governmental organization. The Authority exists to plan, operate, maintain and, when needed, construct water supply systems for the 18 southeastern Connecticut regional Authorities of Bozrah, Colchester, East Lyme, Franklin, Griswold, Groton, Ledyard, Lisbon, Montville, New London, North Stonington, Norwich, Preston, Salem, Sprague, Stonington, Voluntown and Waterford, and the three boroughs of Jewett City, Stonington and the City of Groton.

The seven-member Authority governing board is appointed by a 42-member Representative Advisory Board comprised of two members for each of the region's constituent municipalities. The Representative Advisory Board also monitors Authority finances through an annual audit. The Authority's statutory powers include the power of eminent domain, the authority to issue bonded debt, the ability to set service rates, the right to receive grants and generally to do anything necessary or convenient to carry out its purposes.

The Authority has been servicing the region for over forty years. The Authority's mission is to provide southeastern Connecticut with an ample supply of good quality drinking water at a reasonable cost. The direct mission is carried out through the 15 public water supply systems that the Authority owns and operates. The Authority promotes regional consideration of public water supply issues.

Special Act No. 04-2, approved on May 4, 2004, extended the period from 2016 to 2045 during which the State of Connecticut may guarantee Authority loans for up to a total of fifteen million dollars.

The Authority has been determined to be a municipal agency since its creation and, accordingly, is classified under Section 115(1) of the Internal Revenue Code, which provides that gross taxable income does not include income derived from any public utility and accruing to a state or any political subdivision. Therefore, no provision or liability for Federal and state income taxes is reflected in the accompanying basic financial statements.

Basis of Accounting

For financial purposes, the Authority is considered a special purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for water use charges. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents and Investments

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds, and treasury bills with original maturities of less than three months.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority deposits may not be returned to it. The Authority's policy for custodial credit risk is to allow the Authority to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio. The Authority's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Authority does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Authority follows the limitations specified in the Connecticut General Statutes. Generally, the Authority's deposits cannot be 75% or more of the total capital of any one depository.

Restricted Cash – Certain assets are classified as restricted because their use is limited. Restricted cash relates to escrowed accounts in connection with the Thames River Interconnection Agreement.

Investments are measured by the Authority at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Authority at the net asset value per share as determined by the fund.

Fair Value Measurements – The Authority utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (“observable inputs”) and the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (“unobservable inputs”) and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the Authority has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Authority's own assumptions about assumptions that market participants might use.

The Authority's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Authority has no financial assets measured using Level 2 or Level 3 at June 30, 2021.

User Charges and Other Receivables

User charges and other receivables include amounts due from other governments and individuals for services provided by the Authority. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate. There was no allowance for uncollectible receivables at June 30, 2021.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, are nonfinancial in nature, and useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological, or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction-in-progress is not depreciated. Capital assets of the Authority are depreciated or amortized using the straight line method over the following estimated useful lives:

| Assets | Years |
|---------------------------------|-------|
| Water diversion permits | 24 |
| Supply and distribution mains | 80 |
| Pump structures | 40-50 |
| Pumping equipment | 15 |
| Treatment equipment | 25 |
| Wells and fences | 20 |
| Office furniture and equipment: | |
| General | 16.5 |
| Radios | 10 |
| Computers and miscellaneous | 8 |
| Computer software | 5 |
| Tools and equipment | 10 |
| Transportation equipment | 5 |
| Organization and engineering | 20 |

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports a deferred outflow of resources in the Statement of Net Position related to pension contributions made subsequent to the measurement date. These amounts are deferred and included in pension expense in the subsequent year. Also, the Authority reports a deferred outflow of resources related to pension results from differences between expected and actual experience in the Statement of Net Position. These amounts are deferred and included in pension expense in a systematic and rational manner.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

Compensated Absences

Employees of the Authority earn sick leave, which can accumulate, and vacation leave based on the provisions of negotiated contracts or other personnel policies. Vacation leave vests with the employee and is payable upon termination of employment.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Connecticut Municipal Employees Retirement System (CMERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by CMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/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 Authority 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. The balance is classified as unrestricted.

The components of net position are detailed below:

Net Investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

Restricted Net Position – the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds.

Unrestricted – all other amounts that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted amounts of net position are available for use for expenditures incurred, it is the Authority's policy to use restricted amounts first and then unrestricted amounts as they are needed.

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

Note 2 – Deposits

Cash and Cash Equivalents

Cash of the Authority consists of the following at June 30, 2021:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 368,967 |
| Restricted cash | <u>86,071</u> |
| | <u>\$ 455,038</u> |

Custodial Credit Risk on Deposits

As of June 30, 2021, the carrying amount of the Authority's deposits with financial institutions was \$455,038. The bank balance of the deposits was \$517,631 and \$433,646 was covered by Federal Depository Insurance.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

Note 3 – Capital Assets

Changes in the Authority's capital assets are as follows:

| | <u>Balance at</u> <u>July 1, 2020</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at</u> <u>June 30, 2021</u> |
|--|--|---------------------|-------------------|---|
| Capital assets not being depreciated: | | | | |
| Land | \$ 38,848 | \$ - | \$ - | \$ 38,848 |
| Construction in progress | 161,875 | 21,831 | - | 183,706 |
| Intangibles | <u>124,717</u> | <u>-</u> | <u>-</u> | <u>124,717</u> |
| Total capital assets not being depreciated | <u>325,440</u> | <u>21,831</u> | <u>-</u> | <u>347,271</u> |
| Capital assets being depreciated: | | | | |
| Water diversion permits | 161,112 | - | - | 161,112 |
| Water distribution system | 11,343,555 | 61,725 | (27,350) | 11,377,930 |
| Machinery and equipment | 172,412 | - | - | 172,412 |
| Vehicles | <u>178,441</u> | <u>37,055</u> | <u>-</u> | <u>215,496</u> |
| Total capital assets being depreciated | <u>11,855,520</u> | <u>98,780</u> | <u>(27,350)</u> | <u>11,926,950</u> |
| Total capital assets | <u>12,180,960</u> | <u>120,611</u> | <u>(27,350)</u> | <u>12,274,221</u> |
| Less accumulated depreciation: | | | | |
| Water diversion permits | 78,508 | 6,700 | - | 85,208 |
| Water distribution system | 5,156,526 | 209,655 | (18,098) | 5,348,083 |
| Machinery and equipment | 159,639 | 6,946 | - | 166,585 |
| Vehicles | <u>157,068</u> | <u>21,230</u> | <u>-</u> | <u>178,298</u> |
| Total accumulated depreciation | <u>5,551,741</u> | <u>244,531</u> | <u>(18,098)</u> | <u>5,778,174</u> |
| Capital assets being depreciated, net of depreciation | <u>6,303,779</u> | <u>(145,751)</u> | <u>(9,252)</u> | <u>6,148,776</u> |
| Total | <u>\$ 6,629,219</u> | <u>\$ (123,920)</u> | <u>\$ (9,252)</u> | <u>\$ 6,496,047</u> |

Note 4 – Escrowed Accounts -Thames River Interconnection Agreement

On May 24, 2004, the Authority entered into a water supply agreement with several local towns, water authorities, and the Mohegan Tribe for water supplied from the Authority under the Thames River. Upon initial water delivery, the Town of Montville and the Mohegan Tribe are liable for \$25,000 each in an escrow set up and maintained by the Authority. The initial water delivery was in February 2008. As such, the Authority established an account for the \$50,000, which is earmarked for costs associated with emergency repairs of the regional assets and water tank cleaning and repairs. At June 30, 2021, the restricted cash and investments of \$275,692 are for the Thames River Interconnection agreement. The contract restricts the expenditure for the designated purpose. In the event the water supply agreement is terminated for any reason, any remaining funds held in escrow shall be released per the terms of the agreement.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

Note 5 – Long-Term Obligations

The following table summarizes changes in the Authority's long-term indebtedness for the year ending June 30, 2021:

| Type | Original Amount | Year of Issue | Year of Maturity | Interest Rate | Balance July 1, 2020 | Additions | Reductions | Balance June 30, 2021 | Current Portion |
|-----------------------------|-----------------|---------------|------------------|---------------|----------------------|-------------------|-------------------|-----------------------|-------------------|
| Bonds/Notes | | | | | | | | | |
| Capital Improvement Bond | \$ 1,530,000 | 03/01/07 | 03/01/27 | 4.00-4.75% | \$ 665,000 | \$ - | \$ 95,000 | \$ 570,000 | \$ 95,000 |
| Bond anticipation note | 175,000 | 10/15/20 | 10/14/21 | 2.0% | - | 175,000 | - | 175,000 | 175,000 |
| Drinking Water State: | | | | | | | | | |
| Revolving Loan Fund Note | 158,059 | 10/26/12 | 06/30/32 | 2.0% | 103,720 | - | 7,724 | 95,996 | 7,881 |
| Revolving Loan Fund Note | 15,771 | 09/15/14 | 02/28/33 | 2.0% | 11,514 | - | 803 | 10,711 | 819 |
| Revolving Loan Fund Note | 11,601 | 09/15/14 | 02/28/33 | 2.0% | 8,469 | - | 590 | 7,879 | 602 |
| Revolving Loan Fund Note | 157,020 | 04/30/18 | 11/30/27 | 2.0% | 126,631 | - | 15,680 | 110,951 | 15,996 |
| Total Bonds/Notes | | | | | 915,334 | 175,000 | 119,797 | 970,537 | 295,298 |
| Net Pension Liability | | | | | 658,869 | 61,798 | - | 720,667 | - |
| Total Long-Term Obligations | | | | | <u>\$ 1,574,203</u> | <u>\$ 236,798</u> | <u>\$ 119,797</u> | <u>\$ 1,691,204</u> | <u>\$ 295,298</u> |

All debt is secured by full faith and credit of the Authority.

The annual requirements to amortize bonds and notes payable at June 30, 2021, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|-------------------|------------------|---------------------|
| 2022 | \$ 297,841 | \$ 31,240 | \$ 329,081 |
| 2023 | 120,808 | 22,765 | 143,573 |
| 2024 | 121,330 | 17,986 | 139,316 |
| 2025 | 121,860 | 13,197 | 135,057 |
| 2026 | 122,403 | 8,397 | 130,800 |
| 2027 | 122,956 | 3,587 | 126,543 |
| 2028-2032 | 62,163 | 2,506 | 64,669 |
| 2033 | 1,176 | 4 | 1,180 |
| | <u>\$ 970,537</u> | <u>\$ 99,682</u> | <u>\$ 1,070,219</u> |

Bond Authorized and Unissued

At June 30, 2021, there were no authorized and unissued bonds.

Note 6 – Employee Retirement Systems and Pension Plans

Connecticut Municipal Employees Retirement System

Description of Retirement System

The Authority is a participating municipality of the Connecticut's Municipal Employees Retirement System (“CMERS”), which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut General Statute Title 7, Chapter 113. CMERS is a multiemployer cost-sharing defined benefit pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members. The Authority had 7 participants in CMERS at June 30, 2021.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

CMERS is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis as they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The benefits provided to participants by CMERS include retirement, disability, and death benefits as follows:

General Employees – Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service.

Policemen and Firemen – Compulsory retirement age for police and fire members is age 65.

Normal Retirement – For members not covered by social security, the benefit is 2% of average final compensation times years of service.

For members covered by social security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 or until a social security disability award is received, is computed as if the member is not under social security.

Early Retirement – Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement – Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firefighters and police officers, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

Employees are eligible for non-service related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit – The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contribution Requirements

Employer – As a participating municipality, the Authority makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability, and a prior service amortization payment, which covers the liabilities of CMERS not met by member contributions.

Employees – For employees not covered by social security, each person is required to contribute 6% of compensation. For employees covered by social security, each person is required to contribute 3.25% of compensation up to the social security taxable wage base plus 6% of compensation, if any, in excess of such base.

The Authority’s required contribution to CMERS is currently 14.95% of covered payroll. Such contribution was \$73,111 for the year ended June 30, 2021, related to covered payroll of \$489,038.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------|
| Inflation | 2.50 Percent |
| Salary increases, including inflation | 3.50-10.00 Percent |
| Long-term investment rate of return, net of pension investment expense, including inflation | 7.00 Percent |

Mortality rates - For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality

Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.

Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

The collective total pension liability as of June 30, 2020 is based upon the June 30, 2020 actuarial valuation. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

The long-term expected rate of return on pension investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| U.S. Equities | 20% | 5.3% |
| Developed Non-U.S. Equities | 11% | 5.1% |
| Emerging Markets (Non-U.S.) | 9% | 7.4% |
| Core Fixed Income | 16% | 1.6% |
| Inflation Linked Bonds | 5% | 1.3% |
| Emerging Market Bonds | 5% | 2.9% |
| High Yield Bonds | 6% | 3.4% |
| Real Estate | 10% | 4.7% |
| Private Equity | 10% | 7.3% |
| Alternative Investments | 7% | 3.2% |
| Liquidity Fund | 1% | 0.9% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability of CMERS, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

| | <u>1% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|--------------------------------|--|--------------------------------|
| Sensitivity of the proportionate share of the net pension liability | \$ 1,027,025 | \$ 720,667 | \$ 463,995 |

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

At June 30, 2021, the Authority reported a liability in the Statement of Net Position for its proportionate share (0.1835150%) of the net pension liability. The amount recognized by the Authority as its proportionate share of the net pension liability was \$720,667.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

The Authority recognized the total proportionate share of the collective pension expense in the government-wide Statement of Activities associated with the Authority of \$179,056 for the fiscal year ended June 30, 2021.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to CMERS in its government-wide Statement of Net Position from the following sources:

| | <u>Deferred Outflows (Inflows) of Resources</u> |
|--|---|
| Difference between expected and actual experience | \$ (44,388) |
| Change in assumptions | 118,657 |
| Change in proportionate share | 8,356 |
| Net difference between projected and actual earnings on plan investments | 75,628 |
| Authority contributions subsequent to the measurement date | <u>73,111</u> |
| Total | <u>\$ 231,364</u> |

The deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date of June 30, 2020, will be recognized as a reduction of the net pension liability in the subsequent year.

Other deferred outflows and inflows are amortized over a closed five-year period.

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal year ended <u>June 30,</u> | |
|--------------------------------------|------------|
| 2022 | \$ 142,476 |
| 2023 | 81,014 |
| 2024 | (984) |
| 2025 | 8,858 |

Note 7 – Contingent Liabilities

Litigation

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Note 8 – Risk Management

The Authority is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Note 9 - Operating Leases

The Authority leases a tract of land approximately seven acres in size, which contains one 225 gallon per minute well, one 120 gallon per minute well, a pump house, and a well enclosure. The present term of the lease is 25 years, expiring June 30, 2040, with the right to renew for an additional twenty-five year period. The payments are \$8,269 per year and can be adjusted every five years according to changes in the Consumer Price Index.

The Authority also leases office space under a five-year lease that expires on November 30, 2025. Monthly payments are \$1,750 or \$21,000 per year.

Note 10 – Recently Issued Accounting Standards Not Yet Adopted

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the Authority as to the impact to the financial statements.

GASB Statement No. 87, Leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Authority is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 92, Omnibus 2020. Statement 92 includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The issues covered by GASB Statement No. 92, Omnibus 2020, include:

- Modification of the effective date of Statement No. 87, Leases, as well as associated implementation guidance, to fiscal years beginning after December 15, 2019, to address concerns regarding interim financial reports;
- Reporting intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan;
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for pensions and OPEB;
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to pension and OPEB arrangements; and
- Measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement postpones the effective dates of the following GASB Statements and Implementation Guides for one year from their original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The GASB encourages and permits earlier application of these standards to the extent specified in each pronouncement as originally issued.

Southeastern Connecticut Water Authority
Notes to Financial Statements
June 30, 2021 (continued)

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, Leases. It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset — an intangible asset — and a corresponding subscription liability (with an exception for short-term SBITAs — those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.
- The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 11 – Subsequent Events

Management has evaluated subsequent events from the financial statement date of June 30, 2021 through August 24, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

**CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Authority's proportion of the net pension liability | <u>0.183515%</u> | <u>0.178516%</u> | <u>0.170244%</u> | <u>0.185240%</u> | <u>0.185240%</u> | <u>0.184747%</u> | <u>0.184747%</u> |
| Authority's proportionate share of the net pension liability | <u>\$ 720,667</u> | <u>\$ 658,869</u> | <u>\$ 651,113</u> | <u>\$ 306,203</u> | <u>\$ 363,584</u> | <u>\$ 252,939</u> | <u>\$ 190,045</u> |
| Authority's covered-employee payroll | <u>\$ 489,038</u> | <u>\$ 469,861</u> | <u>\$ 458,914</u> | <u>\$ 440,250</u> | <u>\$ 429,097</u> | <u>\$ 385,114</u> | <u>\$ 409,965</u> |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | <u>147.36%</u> | <u>140.23%</u> | <u>141.88%</u> | <u>69.55%</u> | <u>84.73%</u> | <u>65.68%</u> | <u>46.36%</u> |
| System fiduciary net position as a percentage of the total pension liability | <u>71.18%</u> | <u>72.69%</u> | <u>73.60%</u> | <u>91.68%</u> | <u>88.29%</u> | <u>92.72%</u> | <u>90.48%</u> |

See accompanying Independent Auditors' Report.

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

**CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 73,111 | \$ 64,512 | \$ 53,877 | \$ 51,685 | \$ 48,831 | \$ 43,826 | \$ 49,114 |
| Contributions in relation to the contractually required contribution | <u>(73,111)</u> | <u>(64,512)</u> | <u>(53,877)</u> | <u>(51,685)</u> | <u>(48,831)</u> | <u>(43,826)</u> | <u>(49,114)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's covered-employee payroll | <u>\$ 489,038</u> | <u>\$ 469,861</u> | <u>\$ 458,914</u> | <u>\$ 440,250</u> | <u>\$ 429,097</u> | <u>\$ 385,114</u> | <u>\$ 409,965</u> |
| Contributions as a percentage of covered-employee payroll | <u>14.95%</u> | <u>13.73%</u> | <u>11.74%</u> | <u>11.74%</u> | <u>11.38%</u> | <u>11.38%</u> | <u>11.98%</u> |

See accompanying Independent Auditors' Report.

APPENDIX C – FORM OF OPINION OF BOND COUNSEL

October 14, 2021

Southeastern Connecticut Water Authority
1649 Route 12
Gales Ferry, CT 06335

RE: Southeastern Connecticut Water Authority
\$270,000 General Obligation Bond Anticipation Notes, dated October 14, 2021
and due on October 13, 2022

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Southeastern Connecticut Water Authority (the "Issuer") of \$270,000 General Obligation Bond Anticipation Notes, dated October 14, 2021 (the "Notes").

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Issuer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Issuer authorized to issue the Notes, in connection with the issuance and delivery of the Notes, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Notes and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of _____, the Notes will be the valid and binding general obligations of the Issuer payable from any moneys, contracts, earnings and revenues of the Issuer, including, without

limitation, water system supply revenues, subject only to any agreements with the holders of any particular bonds or notes pledging any particular moneys, earnings or revenues.

2. Under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax.

The opinions set forth in the preceding paragraphs are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Under existing law, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

The Issuer has designated the Notes as, and the Notes are qualified to be, "qualified tax-exempt obligations" of the Issuer in accordance with Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinions are based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may effect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in the gross income of the owners thereof for purposes of federal income taxation, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

APPENDIX D - NOTICE OF SALE

SOUTHEASTERN CONNECTICUT WATER AUTHORITY

\$270,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

PROPOSALS will be received by the SOUTHEASTERN CONNECTICUT WATER AUTHORITY (the "Authority"), by TELEPHONE BID by Susan Caron, Vice President, Munistat Services, Inc., the Authority's Municipal Advisor at (860) 372-1887, and by ELECTRONIC BID via PARITY®, until 11:30 A.M. (Eastern Time) on WEDNESDAY,

SEPTEMBER 22, 2021

for the purchase, when issued, of all, or any part of, the Authority's \$270,000 General Obligation Bond Anticipation Notes, dated October 14, 2021 and due October 13, 2022 (the "Notes").

The Notes are due and payable as to both principal and interest at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are **not** subject to redemption prior to maturity.

Nature of Obligation. The Notes will constitute general obligations of the Authority, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. The Notes are payable from any moneys, contracts, earnings and revenues of the Authority, including, without limitation, water system supply revenues, subject only to any agreements with the holders of any particular bonds or notes pledging any particular moneys, earnings or revenues.

Bank Qualification. The Notes **shall be** designated by the Authority as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available federal funds through the facilities of The Depository Trust Company, New York, New York on October 14, 2021, unless the option for non-book-entry is exercised, in which case payment shall be made in immediately available federal funds to the Authority in accordance with the Authority's instructions.

Book-Entry. Except as provided below, the Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued, except as set forth below under "Option for Non-Book-Entry", to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the

Notes in principal amounts of \$5,000, or any integral multiples thereof, with transfers of ownership affected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Authority or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Authority will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. Upon receipt from the Authority, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the noteholder.

Option For Non-Book-Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all of the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Authority as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Bank, Registrar, Transfer Agent and Paying Agent for such Notes, shall indicate this preference to the Authority at the time of the submission of the bid. The Authority reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the winning bidder as Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the winning bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Authority any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes if the winning bidder is so designated. The terms and covenants of the Notes issued in non-book-entry form shall be the same as if the Notes were issued in book-entry form, except as required to reflect that the Notes are non-book-entry and the designation of the purchaser as Certifying Bank, Registrar, Transfer Agent and Paying Agent.

Bid Terms and Basis of Award. Except as otherwise provided herein, bidders may submit proposals for all or any part of the Notes, but any proposal for a part must be for a minimum of \$100,000 of principal amount or integral multiples of \$5,000 in excess thereof. A separate proposal is required for each part of the Notes for which a separate stated interested rate is bid. Bidders are to name one rate of interest in a multiple of one hundredths (1/100ths) of one per cent for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected, the Notes will be awarded to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest cost to the Authority, which will be determined for each interest

rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest cost, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified. No bid for less than par and accrued interest, if any, will be considered. The Authority reserves the right to award to any bidder all or any part of the Notes bid in its proposal. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The right is reserved to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Authority further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Authority will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Authority by telephone call to Susan Caron, the Authority's Municipal Advisor, at (860) 372-1887. All telephone bids must be completed by 11:30 A.M. (Eastern Time) on Wednesday, September 22, 2021, and shall be submitted in the form of the Bid Form attached hereto as Attachment A. All telephone bids shall be deemed to incorporate the provisions of this Notice of Sale.

For the purpose of the bidding process, the time maintained by the Authority's Municipal Advisor shall constitute the official time.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of **PARITY®** by 11:30 A.M. (Eastern Time) on Wednesday, September 22, 2021. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Authority neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe. All bids shall be deemed to incorporate the provisions of this Notice.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Authority, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Authority. By submitting a bid for the Notes via **PARITY®**, the bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Authority will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY®**

facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.

Disclaimer. Each of *PARITY*® prospective electronic bidders shall be solely responsible to make necessary arrangements to access *PARITY*® for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Authority nor *PARITY*® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Authority or *PARITY*® shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Authority is using *PARITY*® as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Notes. The Authority is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY*® are the sole responsibility of the bidders; and the Authority is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone *PARITY*® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by *PARITY*®, this Notice shall control.

For the purpose of the sealed proposals bidding procedure and the electronic proposals bidding procedure, the time maintained on *PARITY*® shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent. Unless the winning bidder on the Notes is designated as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes as provided in "Option For Non-Book-Entry" above, the Notes will be certified by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Bond Counsel Opinion. The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form attached as Appendix C. The opinion will appear on each Note certificate and will state that the Notes are valid and binding obligations of the Authority. Absent special circumstances preventing compliance, Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it a completed "issue price" certificate regarding public offering prices with respect to the Notes awarded to such bidder, as described below under "Establishment of Issue Price".

Establishment of Issue Price. In order to provide the Authority with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Authority at or prior to the delivery of the Notes an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public (the "Initial Offering Price") or

the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Michael Botelho, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, 17th floor, Hartford, CT 06103, Telephone: (860) 548-2637, E-mail: mbotelho@uks.com and (2) the Municipal Advisor at Susan Caron, Vice President, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, CT 06443, Telephone: (860) 372-1887, E-mail: susan.caron@munistat.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Authority and the Municipal Advisor may act on behalf of the Authority.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Authority that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Notes, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes, and understands that upon award by the Authority that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Authority.

By submitting a bid, the bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Authority intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Rule”) because:

- (1) the Authority shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Authority anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Authority anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Authority, or the Municipal Advisor on behalf of the Authority, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment B. If the winning bidder is purchasing any Maturity (as hereinafter defined) of the Notes for its own account and not with a view to distribution or resale of such Maturity to the Public, then the winning bidder shall provide Bond Counsel and the Municipal Advisor a completed “Certificate as to Issue Price” (in form satisfactory to Bond Counsel) for such Maturity or Maturities of the Notes.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Authority, or the Municipal Advisor on behalf of the Authority, shall at the time of award advise the winning bidder. The Authority may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Notes (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Notes as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 3:30 p.m. (Eastern Time) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (A)(I) of the first price at which ten percent (10%) of each Maturity of Notes has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Notes that satisfy the Actual Sales Rule as of the Sale Date, and (B) those Maturities of the Notes that the winning bidder is purchasing for its own account and not with a view to distribution or resale of such Maturity to the Public. After such receipt, the Authority, or Bond Counsel on behalf of the Authority, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Notes shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Notes subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Notes (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Notes to the Public on or before the date of award at the Initial Offering

Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell unsold Notes of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third party distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such third party distribution agreement to (A) report the prices at which it sells to the Public the unsold Notes of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a third party distribution agreement participating in the initial sale of the Notes to the Public).

No Continuing Disclosure or Official Statement. Since the principal amount of the Notes is less than \$1,000,000, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Authority will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

Delivery, Payment and Closing Requirements. At or prior to the delivery of the Notes, the winning bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut (see “Bond Counsel Opinion” above); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Authority to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes.

The Authority will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Authority’s costs of issuance except to the extent specifically stated in this Notice of Sale. The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Authority shall have no responsibility for such clearance, exemption or preparation.

CUSIP Numbers. Unless the winning bidder requests the non-book-entry option, the Notes will be delivered to DTC or its agent on or about October 14, 2021. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. The Authority’s Municipal Advisor will apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on

the Notes shall be paid by the Authority provided, however, that the Authority assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

SOUTHEASTERN CONNECTICUT
WATER AUTHORITY

By: EDWARD MONAHAN
Chairman

By: PAUL B. ECCARD
Treasurer

September 14, 2021

(See attached form of Proposal for Notes)

ATTACHMENT A

BID FORM – PROPOSAL FOR NOTES

Edward Monahan, Chairman
Paul B. Eccard, Treasurer
Southeastern Connecticut Water Authority
1649 Route 12
Gales Ferry, CT 16335

Southeastern Connecticut Water Authority Officials:

Subject to the provisions of the Notice of Sale dated September 14, 2021, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$270,000 General Obligation Bond Anticipation Notes of the Southeastern Connecticut Water Authority (the “Issuer”) and to pay therefor par and pay the premium specified below, if any, as follows:

For \$ _____ of \$270,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 14, 2021 and maturing on October 13, 2022, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

For \$ _____ of \$270,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 14, 2021 and maturing on October 13, 2022, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

For \$ _____ of \$270,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Issuer, dated October 14, 2021 and maturing on October 13, 2022, bearing an interest rate of _____ % per annum, we bid par plus a premium of \$ _____. The net interest cost to the Issuer is _____ % (four decimals).

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in immediately available federal funds on the date of the Notes.

Dated: September 22, 2021

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)

We request that the Notes not be issued in book-entry form, but be registered in the name of the bidder, as provided in the Notice of Sale.

Only if submitting request that Notes not be issued in book-entry form: We request to be designated as the Certifying Bank, Registrar, Transfer Agent and Paying Agent for the Notes, as provided in the Notice of Sale.

ATTACHMENT B

ISSUE PRICE CERTIFICATE

Southeastern Connecticut Water Authority
\$[Par] General Obligation Bond Anticipation Notes
Dated and Issued October 14, 2021

The undersigned, on behalf of [Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Notes”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [Short Name of Underwriter], the purchaser of the Notes.

2. ***Purchase Price.*** The Southeastern Connecticut Water Authority (the “Issuer”) sold to [Short Name of Underwriter], for delivery on or about October 14, 2021 (the “Issue Date”), the Notes at a price of par (\$[Par]), plus an aggregate net premium of \$_____ and less an underwriter’s discount of \$_____, resulting in an aggregate net purchase price of \$_____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of September 22, 2021 (the “Sale Date”), the reasonably expected initial offering price(s) of the Notes to the Public by [Short Name of Underwriter] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Notes used by [Short Name of Underwriter] in formulating its bid to purchase the Notes. Attached as **Schedule B** is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Notes.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Notes.

4. ***Defined Terms.***

(a) “Maturity” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or

more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of the selling group or a party to a third party distribution agreement participating in the initial sale of the Notes to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Notes under the Code and with respect to compliance with the federal income tax rules affecting the Notes. Updike, Kelly & Spellacy, P.C., bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Notes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Notes. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of October 14, 2021.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

| Maturity <u>Date</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> | <u>Price (\$, not Yield)</u> |
|-------------------------|------------------------------|------------------------------|----------------------------------|
|-------------------------|------------------------------|------------------------------|----------------------------------|

Schedule B to Issue Price Certificate

[Copy of Bid]