

STATE OF CONNECTICUT

2013 ANNUAL REPORT

State Revolving Fund Program: Drinking Water Fund



Connecticut Drinking Water Fund

*Supporting the Planning, Design, and Construction
of Water Quality Projects*



**Jewel Mullen, MD, MPH, MPA, Commissioner
Department of Public Health**

*Programmatic and fiscal administration of Drinking Water
State Revolving Fund (DWSRF) funded projects and of
set-asides*



Denise L. Nappier, State Treasurer

*Fiscal administration of DWSRF accounts, oversight of
loans, and administration of the DWSRF bond financing
program*



**Daniel C. Esty J.D., Commissioner,
Department of Energy and Environmental
Protection**

Administration of the Connecticut Clean Water Fund

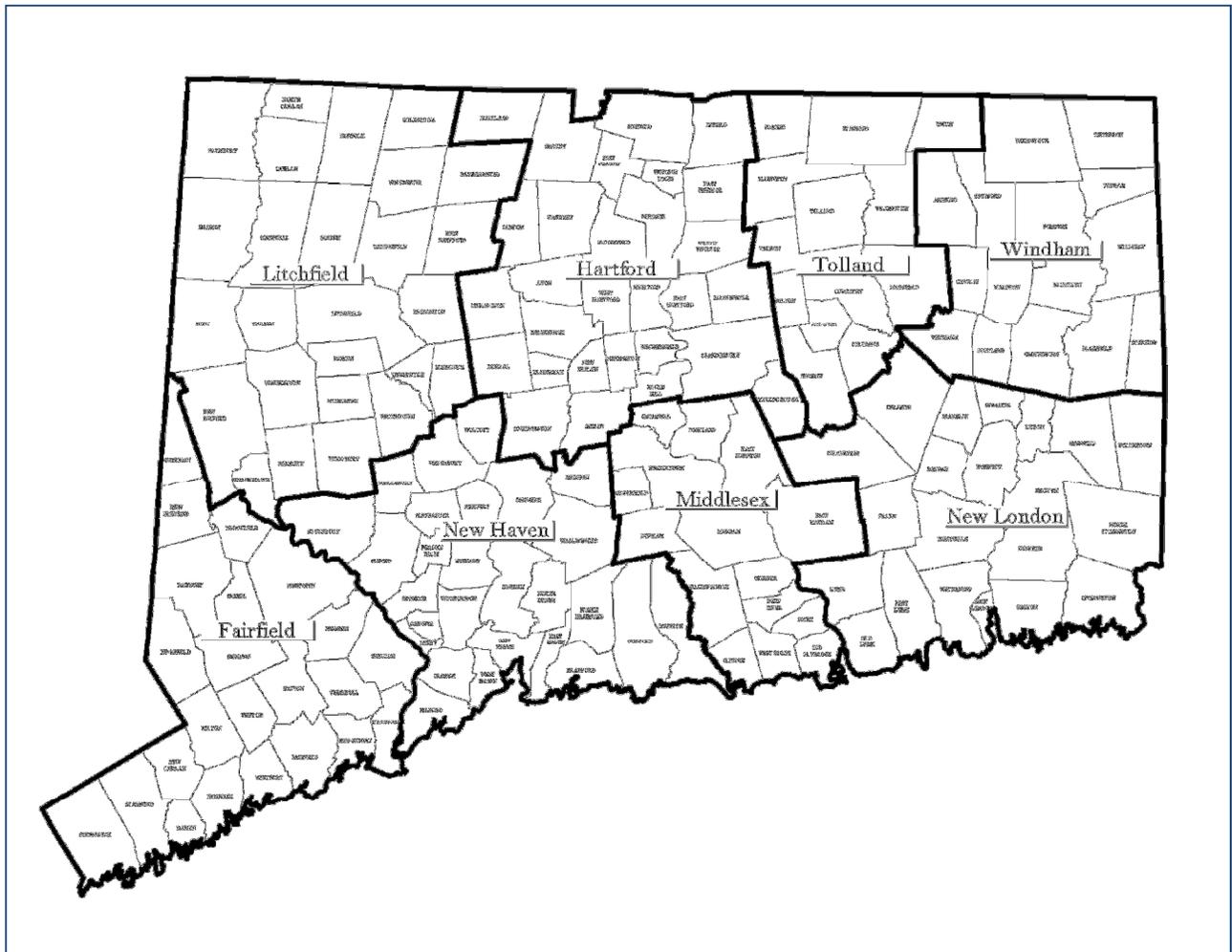
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Communities Served by the Drinking Water Fund

As Of June 30, 2013



Fairfield County: Bethel, Brookfield, Danbury, New Fairfield, Newtown, Norwalk, Ridgefield, Stamford, Woodbury

Hartford County: Farmington, Marlborough, Metropolitan District Commission (MDC), New Britain, Simsbury, Southington, Manchester

Litchfield County: Kent, New Milford, Plymouth, Sharon, Watertown

Middlesex County: East Hampton, Portland

New Haven County: Meriden, Naugatuck, North Branford, Prospect

New London County: Colchester, Griswold, Lebanon, Ledyard, Norwich, Salem, Old Lyme, East Lyme

Tolland County: Coventry, Hebron, Mansfield, Tolland

Windham County: Plainfield, Putnam

Report Introduction

The Drinking Water State Revolving Fund (Drinking Water SRF or DWSRF) provides financing for projects that have been identified by the Department of Public Health (DPH) as part of the agency's responsibility for ensuring the quality and adequacy of Connecticut's public drinking water sources. The DPH is the designated state agency that is authorized to enter into DWSRF Capitalization Grants with the United States Environmental Protection Agency, (US EPA) accept capitalization grants, and otherwise manage the DWSRF program. Each year the DPH is required to submit a grant application to EPA to receive its capitalization grant.

This is the Annual Report to the Governor on the Drinking Water SRF for fiscal year ending June 30, 2013. It has been prepared jointly by the DPH Drinking Water Section and the Debt Management Division of the State Treasurer's Office's.

This report includes the history of the Drinking Water SRF, a review of the SRF during FY 2013, descriptions of the revenue bond program, and projections of future project

funding and the management initiatives for FY 2014. As a major recipient of federal financial assistance, the State must provide this annual report and audited statements to comply with federal reporting requirements under the Safe Drinking Water Act. The State must also comply with the federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2013, as provided in this report have been prepared by a firm of independent certified public accountants.

This report includes some references to the Connecticut Clean Water Fund (CWF) and the Clean Water State Revolving Fund (Clean Water SRF). Information on the Clean Water programs is available in a separate annual report.

Copies of the 2013 report and previous annual reports since 2001 are available on the State Treasurer's website at www.state.ct.us/ott.



Executive Summary

Within Connecticut's borders, there are approximately 450,000 acres of wetlands, 6,000 miles of streams and rivers, over 2,000 lakes and reservoirs, and 600 square miles of estuarine water in Long Island Sound. Managing these resources for today and tomorrow is a critical goal of the State of Connecticut and the primary purpose for the creation of the Connecticut State Revolving Fund programs, the Clean Water SRF, and the Drinking Water SRF (or DWSRF).

The Drinking Water SRF is a designated federal state revolving fund under the federal Safe Drinking Water Act (SDWA) and is managed by the Department of Public Health (DPH), Drinking Water Section.

The DPH Drinking Water Section focuses on compliance with state and federal drinking water regulations, and the maintenance and improvement of water quality through sustainable public water systems. By providing technical assistance, education, regulatory enforcement, and financing to Connecticut's public drinking water systems, the State continues to demonstrate its commitment to drinking water treatment, water monitoring, drinking water source protection, and consumer education. These efforts assure the availability of high quality drinking water to Connecticut's citizens.

The DPH Drinking Water Section provides financing as well as technical assistance, education, and regulatory enforcement to over 2,600 public drinking water systems, which provide drinking water to approximately 2.7 million persons on a daily basis.

Approximately 1,050 of the 2,600 public water systems are eligible to receive DWSRF low-interest loans for drinking water infrastructure improvements. Funding is also available for program set-asides to be used for activities related to the maintenance and improvement of drinking water quality and to increase technical, managerial and financial capacity of public water systems in the State. The DPH Drinking Water Section promotes asset management, and uses various tools to assist operators with the management of small public water systems.

The primary sources of funding for the DWSRF financing program are revenue bonds and State contributions which are managed by the State Treasurer's Office, and yearly federal capitalization grants through the Safe Drinking Water Act administered by the U.S. Environmental Protection Agency (EPA). The State also received a grant from the American Recovery and Reinvestment Act of 2009 (ARRA).

The DPH expects that there will be approximately \$135 million available from the DWSRF for drinking water infrastructure projects in FY 2014 and FY 2015. Projects that are anticipated to be funded during this time frame are those listed in 2014 Project Priority List, the projects listed above the funding line in the 2015 Priority List and projects carried forward from previous Intended Use Plans (IUP).

The DPH intends to use up to 30% of the upcoming federal fiscal year (FFY) 2013 capitalization grant to provide partial subsidy to certain qualifying projects including all under the Emergency Power Generator Program and small public water systems (serves population under 10,000).

Summary of Activities and Accomplishments

The DPH Drinking Water Section uses the Drinking Water SRF resources including federal capitalization grants and the required state match, to assist public water systems and operators to meet critical needs, reduce public health risk, and maintain safe high quality water resources for the State's citizens.

Major accomplishments for the DWSRF during FY 2013 include:

- ✓ Executed ten project commitments under the base DWSRF Program totaling \$42.6 million (of which \$37.7 million was loan commitments and \$4.9 million was subsidy) that included 6 water main extensions and a water storage tank installation.
- ✓ Executed 30 project commitments under the Small System Emergency Power Generator Program for over \$750,000. Please note project cost may be lower than original Interim Funding Obligation amounts due to lower final project cost.
- ✓ Expanded the Small System Emergency Power Generator Program to include eligible PWSs that serve all populations.
- ✓ Processed 57 project payment reimbursement requests for approximately \$7.7 million.
- ✓ Conducted 405 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity and cross-connection control programs. Sanitary Surveys include:
 - Comprehensive water system infrastructure analyses
 - SDWA/State regulatory compliance reviews

- Financial and managerial capacity examinations for community public water systems
 - Identification and recommendation of basic infrastructure repair and replacement program needs
 - Technical assistance and training to public water systems on SDWA regulations
 - Guidance on sustainability initiatives including asset management, capital improvement planning, budgeting, and rate setting for community public water system
 - Guidance to small systems of the benefits of consolidation/interconnection with larger public water systems
- ✓ Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments. Promoted and provided on-site technical support for the EPA Check-Up Program for Small Systems (CUPSS) asset management software.
 - ✓ Electronically processed over 418,000 individual sample analytical results into the Safe Drinking Water Information System (SDWIS).
 - ✓ Provided training at the 2013 Annual Technical Conference and Vendor Exposition with the Connecticut Section of the American Water Works Association on February 27, 2013. There were several hundred attendees, many of which earned water system operator training hours and/or continuing education credits.
 - ✓ Developed new consent review outline/format for initial review of forthcoming PWS's Water Supply Plans.
 - ✓ Provided technical assistance to approximately 250 PWSs facing violations and deficiencies noted in violation letters issued by the DWS or cited during sanitary surveys.

- ✓ Provided technical assistance to approximately 50 food service establishments and daycare facilities that have incurred monitoring and reporting violations during the past year with a goal of returning them to compliance.
- ✓ Executed permanent note to the Amended ARRA loan agreement. This was the last remaining ARRA funded project and all project funds were expended during FY 2013.
- ✓ Assisted contractor with the development and testing of a new Geographic Information System (GIS) web application. This new application uses Safe Drinking Water Information System (SDWIS) data and other environmental data to assess the source water status for public water systems.

The DPH is committed to improving the pace of spending the available funds used for projects and the various set-asides. Changes that have occurred during FY 2013 include:

- Provided additional staff resources to the program.
- Created and maintained a pipeline of projects through close interaction with PWSs.
- Revised the DWSRF Priority Ranking System to place greater emphasis on ready-to-proceed projects in the first year of the two-year Project Priority List (PPL).

DWSRF Loans

Since inception, the Connecticut DWSRF has made 80 loan commitments totaling approximately \$159.3 million. This includes 12 subsidized loans made during FY 2010 committing \$17.2 million in funding provided by the ARRA.

The State recognizes the need for construction funds to be available to borrowers year-round. This need is addressed by making funds available to eligible projects through the execution of project loan agreements. Projects listed in the Intended Use Plan enter into a loan agreement with the terms and conditions for interim financing and permanent financing. After a project is completed, the loans bear interest rates set at half of the prevailing market rate in effect at the time the State makes the commitment. As of June 2013, the State disbursed \$100.8 million under the base DWSRF program and \$17.2 million under the ARRA program for drinking water projects to various public water system entities.



DPH and OTT Program Managers Working Together

2013 Projects

During FY 2013, the Drinking Water SRF made ten interim project commitments totaling \$42.6 million (of which \$37.7 million is for loans) for the following projects:

Town of Ledyard (Ledyard WPCA) – Water Main Extension to Aljen Heights (design phase) (\$4,550,411)

This project comprises of installation of a water main and a booster pump station to provide safe public drinking water to Avery Hill Trailer and Aljen Heights communities within Ledyard. The new water main will serve a total of 262 residential houses (178 are located in Aljen Heights Subdivision and 86 houses are located in Avery Hill Trailer Park). The water main installation has been completed, pressurized, and tested.

This project's Interim Funding Obligation closed on December 7, 2012. Of the total project financing, the loan amount was \$3,617,577 at an interest rate of 2%.

Town of East Lyme (East Lyme Water and Sewer Commission) – Regional Interconnection East Lyme through New London (Design: \$381,020 Construction: \$9,231,355)

East Lyme has two separate loan agreements, one for each phase, design and construction.

This project consists of installation of a storage tank, two booster pumping stations, and approximately four-mile transmission main along Route 85 in New London and Route 161 in East Lyme and Montville, respectively. The project is designed to transfer water between the Town of East Lyme and City of New London in order for the

Town of East Lyme to meet summertime peak demands of their current service area, address other public health needs, and meet water system operational needs within the Town of East Lyme and provide fire protection for enhanced public safety along the route of the transmission water main. Over \$9 million from the Drinking Water State Revolving Fund (DWSRF) is supporting this project. The project completion will be in the summer of 2014.

This project's Interim Funding Obligation for the design phase closed on July 12, 2012. Of the total project financing, the loan amount was \$361,660 at an interest rate of 2%. The Project Loan Obligation (PLO) for the design phase closed on June 28, 2013. The Interim Funding Obligation for the construction phase closed on June 28, 2013. The loan amount for this phase, which was also at an interest rate of 2%, was for \$7,375,853.



First Taxing District City of Norwalk – Spring Hill Water System Reliability Improvements (\$7,000,000)

The Spring Hill Water System Reliability Improvements project consists of a 1.0 million gallon elevated steel water storage tank, booster pumping station, and water main installation in various locations. This project is necessitated to maintain the supply capacity in the distribution system and to enhance the

operation of the system serving the Spring Hill High Level Service Area including Norwalk Hospital. The estimated project cost is \$8,827,433, in which \$7,000,000 will come from DWSRF program. Project construction is anticipated to start in the summer of 2013 and expected completion will be November 30, 2014.

This project's Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$7,000,000 at an interest rate of 2%.

Metropolitan District Commission – Water Main Replacement Cleveland Ave/Tower South (\$1,758,299)

The project consists of the replacement of a portion of water main in the vicinity of Tower Avenue, including Cleveland Avenue and Main Street in Hartford. This replaces the existing aging water main, which reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers. The water main is being replaced in conjunction with improvements to the sanitary and storm sewer systems.

This project's Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$1,629,943 at an interest rate of 2%.



MDC – Cleveland/Tower South – Project Under Construction

Metropolitan District Commission – Water Main Replacement – Franklin #5 (\$5,060,911)

The project consists of the replacement of a portion of water main in the vicinity of Franklin Avenue, including South Maple Avenue West, South Maple Avenue East, Griswold Street, Fairfield Avenue, Torwood Street, and Maple Avenue in Hartford. This replaces the existing aging water main, which reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers. The water main is being replaced in conjunction with improvements to the sanitary and storm sewer systems.

This project's Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$4,691,464 at an interest rate of 2%.

Metropolitan District Commission – Water Main Replacement – Franklin #13 (\$6,079,637)

The project consists of the replacement of a portion of water main in the vicinity of Franklin Avenue, including Warner Street, Wethersfield Avenue, and Mannz Street in Hartford, Connecticut. This replaces the existing aging water main, which reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers. The water main is being replaced in conjunction with improvements to the sanitary and storm sewer systems.

This project's Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$5,635,823 at an interest rate of 2%.

Metropolitan District Commission – Water Main Replacement – Farmington #6 (\$2,172,026)

The project consists of the replacement of a portion of water main in the vicinity of Farmington Avenue, between Prospect Avenue and Evergreen Street in Hartford. This replaces the existing aging water main, which reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers. The water main is being replaced in conjunction with improvements to the sanitary and storm sewer systems.

This project’s Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$2,013,468.

Metropolitan District Commission – Water Main Replacement – Hartford (Capitol, Linden, Broad) (\$2,293,678)

The project consists of the replacement of a portion of water main in portions of Linden Place, Capitol Avenue, and Broad Street in Hartford. This replaces the existing aging water main, which reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

This project’s Interim Funding Obligation closed on June 28, 2013. Of the total project financing, the loan amount was \$2,126,239.

City of Meriden (Meriden Water Division) Candlewood Trails Association – Water System Improvements (Ongoing Project)

The existing pumps and motors are beyond their useful service life and are costly to maintain. The new water storage tanks will improve the operation of the finished water pumping from the plant by allowing the pumps to cycle on/off rather than operate continuously to supply the distribution system. The tanks will also improve the reliability of the system, as currently there is no finished water storage in this area of the distribution system.

This project Interim Funding Obligation for the design phase closed on January 26, 2012 in the amount of \$184,997 at an interest rate of 2% for the design phase on January 26, 2012. A certificate to extend the scheduled completion date was closed on June 28, 2013. The construction phase of the project is being carried over and will be funded when the design is complete.



MDC Water Main Hartford – Capitol Avenue – Excavation for Water Main Replacement

Metropolitan District Commission – RF Automated Meter Reading Sys. & Metering Replacement Program- Phase III (\$4,097,882)

The project consists of furnishing and installing radio-based automated meter reading equipment for approximately 21,000 customers. Water meters will be replaced, along with meter interface units (MIUs), data collection units, installation and diagnostic field tools, portable field units, etc. The new meters will improve the accuracy of customer usage and encourage conservation, and the automated reading will reduce the amount of energy consumed to read the meters. This project was used to meet the Green Project Reserve (GPR) requirements of the FFY2010 Capitalization Grant, under the categories of water efficiency and energy efficiency.

This project’s Interim Funding Obligation closed on March 28, 2013. Of the total project financing, the loan amount was \$3,257,816 at an interest rate of 2%.



MDC RF III – New Meter Installed



MDC RF III – Setting Up & Registering the New Meter



MDC RF III – Installation of New Meter in Pit



MDC RF III – New Remote Reading Radio Frequency Device Attached to Underside of Meter Pit Cover

Emergency Generator Program

This program was established as the Small System Emergency Generator Program in response to two extreme weather events that occurred during the late summer and fall of 2011. These events left many customers of 214 small PWSs throughout Connecticut without water service for extended periods of time primarily due to power outages. Boil water advisories were issued to residents of public water systems that lost water service until water pressure was restored and water quality testing determined that the water was safe for consumption.



Jewett City – Delivery of 20kW Emergency Generator



Jewett City – Installation of Propane Fuel Tank for Emergency Generator

This program was announced on November 22, 2011, and projects specifically for emergency power generator systems were solicited as part of the Call for Projects.

The DPH received 63 applications requesting approximately \$1.6 million for generator projects in response to the solicitation. DPH reviewed and ranked these projects along with all of the other DWSRF projects and determined that 60 emergency generator projects were eligible for DWSRF funding.

DPH had allocated \$3.0 million in fiscal year 2012 to cover the anticipated costs associated with the purchase and/or installation of generator systems associated with these projects. Subsidization was provided for up to 45% of the cost of eligible components of each generator project that receives DWSRF funding. As of June 30, 2013, 30 loan commitments have been executed and are listed in Appendix XIV.

Due to demand and success of the program, it has been expanded to include those eligible systems that serve all populations. DPH has allocated \$3.5 million in state FY 2014 to cover the anticipated cost associated with the purchase and/or installation of generator systems associated with those projects. As in the previous year, subsidization will be provided for up to 45% of the eligible components of each generator project. The amount and percentage of subsidization will depend on the amount of the request and if the generator is for replacement or if purchasing for the first time.

Local Assistance and Other State Program Set-Aside

There are several set-asides allowed from the federal grants. The use of these set-asides provides for critical work that is important to the programmatic success of the Drinking Water SRF.

The following discussion focuses on the accomplishments achieved through the use of the set-aside funding.

Source Water/Wellhead Protection Program

The DPH Drinking Water Section continued to develop a proactive approach toward source water protection. The Source Water Protection Unit (SWP Unit) is responsible for the protection of Connecticut's 4,000 drinking water sources. Four full-time equivalent (FTE) staff members are funded by this set-aside, including one FTE that provides support to the DPH Drinking Water Section through the Environmental Engineering Unit.

The SWP Unit reviews applications for new sources of public water supply, and permits the sale, or change in use, of land classified as water company land. These laws ensure that only the safest water is made available for public consumption through protection of the land that surrounds Connecticut's public water supplies. The SWP Unit authorizes and issues permits for recreational activities on water company land, provided that the activities are adequately monitored and do not degrade the watershed. The SWP Unit continues to develop, enhance, and adapt source water protection laws. SWP Unit activities conducted in FY 2013 are as follows:

Reviewed and approved proposed sources of supply, including verification that

the water system has ownership or control of the sanitary radius for proposed ground water sources. Reviewed and approved existing private sources of drinking water proposed to be converted to public drinking water.

- Received and reviewed or continued to review 32 proposed sources of supply. Issued 24 approvals and 2 denials. The remainder are under active review
- All of the approved sources had full ownership or control of sanitary radius for each ground water source where applicable

Reviewed and evaluated approximately 270 required notifications of proposed projects in public water system watersheds and aquifer protection areas. For example, the SWP Unit reviewed an application for a proposed zoning change to create an overlay district within a municipality that had the potential to result in increased density of development within public water supply watershed areas.

Reviewed, approved, and issued:

- 5 Source Abandonment Permits
- 39 Water Company Land Change of Use Permits including approval for two applications for the first installation of solar photovoltaic electricity generating systems on water company land in the state
- 2 Recreational Activity Permits
- Conducted 2 DEEP Diversion Permit Reviews

Conducted an upgrade of the drinking water Geographic Information System (GIS) by upgrading the software to develop a browser-based application to provide an assessment of the risks to public water resources. The development of the GIS began on August 31, 2012, and is scheduled to be completed on August 31, 2013.

Collaborated with the DEEP on 1) the implementation of the aquifer protection area land use regulations and as a result over 90% of the state's aquifer protection areas have land use regulations implemented; and 2) emerging issues within the regulated aquifer protection areas.

Reviewed effects of new sources of public water systems on nearby wells. In accordance with CGS 25-33(b), required all proposed new sources for a public water supply to submit a description of potential effects that the proposed new source of water supply may have on nearby water supply systems including public and private wells.

Drafted proposed regulations for interference monitoring and to formalize the approval process for proposed new sources.

Issued Well Site Suitability Certificates with required monitoring for interference to any private or public wells nearby.

Continued the development of the Drinking Water Source Management Plan.

Collaborated with the Connecticut Section of the American Water Works Association to present a half-day training event for public water system employees on conducting sanitary survey inspections of public water supply watersheds.

Continued to work with multiple towns and the Departments of Transportation, Agriculture, and Economic and Community Development, as well as the DEEP, Office of Policy and Management, the Environment Policy Review Team, and the State Treasurer's Office to emphasize source water protection, including:

- Participation in an ongoing DEEP Remediation Transformation
- Worked with the Office of Policy and Management to ensure that the 2013-2018 Connecticut Plan of Conservation and Development includes appropriate SWP policies

Staff Reviewed

- 87 Sewage Bypass reports.
- 32 DEEP Aquatic Pesticide Permit Applications.
- Conducted environmental reviews for 16 projects proposed to be funded by the DWSRF and 20 projects proposed to be funded by other state agencies as required by the Connecticut Environmental Policy Act.

The Environmental Engineering Program provided detailed technical reviews of:

- DEEP's Phosphorous Report
- DEEP's General Permit for the Discharge of Low Flow Treatment Wastewater
- DEEP's Nonpoint Management Plan Update

Revised hands-on soil training workshop manual and program for local health departments, installers, and professional engineers for the proper siting of subsurface sewage disposal systems and promotion of drinking water/source water protection and wellhead protection in anticipation of an October 2013 training date.

The Environmental Engineering Program presented at the American Water Works Association's Watershed Protection Workshop Environmental Engineering Program conducted two trainings at the 50th Annual Yankee Conference on Environmental Health. The Presentations focused on watershed protection through the identification of failing and malfunctioning septic systems, regulations pertaining to subsurface sewage disposal systems, and protecting private and public drinking water wells.

The Environmental Engineering Program reviewed and approved six plans for large subsurface sewage disposal systems and provided direct contact with other state agencies when decisions may be affected by program policies and procedures.

The Environmental Engineering Program assisted municipalities in the development of wastewater management ordinances and regulations for the purposes of reducing potential wastewater impacts to environmentally sensitive areas, aquifer protection areas, and to reduce nonpoint source pollution.

The Environmental Engineering Program conducted 6 large system reviews, 8 central system reviews, one of which was denied, and issued 23 well exceptions, and 5 were returned for additional information.

Capacity Development

Under this set-aside, staff is responsible for initiatives that are consistent with the DWS's USEPA approved capacity development strategy and help to improve the technical, financial, and managerial capacity of PWSs. DPH's strategy contains long-term sustainability initiatives including: education, technical assistance, enforcement, consolidation, DWSRF assistance, and water system restructuring, assessing compliance with State regulations and the Safe Drinking Water Act. Systems that do not correct existing violations through technical assistance are referred for formal enforcement actions including possible takeover proceedings.



DPH Drinking Water Section staff reviewing project plans

Staff also assisted in the preparation of capitalization grants, work plans and reports. There were 12 FTEs within the Capacity Development unit in FY 2013. Consistent with the EPA approved capacity development strategy, FY 2013 activities included:

Conducted 265 public water system sanitary surveys which included financial, managerial, and technical capacity assessments.

Completed reviews of 36 projects submitted by public water systems for permit approval, including infrastructure projects and water company land use. Continued development of operators' and contractors' guidelines for the planning, design, and construction of infrastructure projects.

Received and processed 11 applications for a Sale of Excess Water permits. Enforced the state requirements through technical review of the water supply plans.

Reviewed 26 Water Company Screening Applications to determine potential status as a public water system and applicability of the Certificate of Public Convenience and Necessity (CPCN) process. Held technical assistance meetings for public water system infrastructure projects, including proposed new systems going through the CPCN process.

Partnered with three different health departments to ensure that all small public water systems are properly classified within its jurisdiction and that all public health compliance issues are addressed.

Provided technical assistance to public water systems facing violations and deficiencies noted during assessments or sanctions by other state agencies. Provided technical assistance to eight local health departments.

Prepared and submitted to the EPA the annual Drinking Water National Information Management Report and assisted in the preparation of the DWSRF Annual Report.

Reviewed and processed required documentation from DWSRF/ARRA loan applicants. Conducted site visits/reviews of DWSRF/ARRA applicants. Assisted in the processing of payment requests.

Provided technical assistance to small public water systems targeting those small systems identified with weaknesses during sanitary surveys or compliance assessments that are due to be surveyed within the required frequency.

Completed 70 Sanitary Surveys at small public water systems and four project reviews. The surveys included extensive technical assistance and technical, managerial, and financial capacity evaluations.

Provided capacity and technical assistance to multiple small public water systems that were out of compliance with drinking water quality standards ensuring that they regain their compliance status.

Provided DWSRF Program project support by:

- ✓ Soliciting for DWSRF projects
- ✓ Provided technical assistance to and met with DWSRF applicants and their consultants on program requirements
- ✓ Determining project eligibility and reviewing and ranking project applications
- ✓ Reviewed projects plans and specifications
- ✓ Tracked projects through completion including site inspections

- ✓ Reviewed and approved payment requests from loan applicants
- ✓ Entered and maintained data in the federal Projects Benefits Reporting system and Drinking Water National Information Management Systems
- ✓ Prepared state and federal DWSRF reports
- ✓ Coordinated and attended Public Hearing on DWSRF Intended Use Plan and the Project Priority List
- ✓ Attended workshops and trainings to improve the efficiency of the DWSRF program
- ✓ Provided technical assistance to approximately 250 public water systems facing violations and deficiencies noted in violation letters issued by the DWS or cited during sanitary surveys
- ✓ Provided technical assistance to approximately 50 food service establishments and daycare facilities that have incurred monitoring and reporting violations with a goal of returning to compliance

Capacity Development Coordinated Training Initiatives: ATCAVE

The Connecticut Section – American Water Works Association’s Annual Technical Conference and Vendor Exposition (ATCAVE) was held on February 27, 2013, in Cromwell, Connecticut. Several hundred participants attended for educational purposes or to meet with vendors on drinking water related products and services. Many of the attendees participated in one or more concurrent all-day trainings geared toward local health and operator certification. Training participants received operator training contacts and/or continuing education credits.

DPH Drinking Water Section staff participated as instructors, and staffed the DPH Drinking Water Section information booth. This workshop has become very successful and is one of the more important events in which the DPH Drinking Water Section participates.



DPH Drinking Water Section Staff at ATCAVE

Administrative Set-Aside

The State uses this set-aside for the financial administration of DWSRF. Funds are allowed to pay for support services provided by staff outside of the Drinking Water section which includes other state agencies. The total FTEs for the Administrative Set-Aside was four staff, although two of these staff members are not funded 100%. Some of the activities accomplished during FY 2013 included:

Reviewed and approved financial aspects of Financial Assistance Applications then drafted, finalized, and processed DWSRF loan agreements executed 10 loans under the base DWSRF and 30 under the Small System Emergency Power Generator Program.

Reviewed and processed 58 DWSRF and ARRA payment requests in the amount of \$7.7 million.

Provided required progress reports to EPA.

Provided assistance and documentation for the DWSRF Capitalization Grant, DWSRF Annual Report and Drinking Water National Information Management System (DWNIMS).



DPH Fiscal and Drinking Water Section Staff Meeting

Program Management Set-Aside

This set-aside is used to assist in the administration of the State's Public Water System Supervision (PWSS) Program. Nine FTE staff members are funded under the DPH Drinking Water Section's FY 2013 Program Management set-aside. Activities included:

- Prepared guidance documents, work plans, Standard Operating Procedures, and long-term strategies.
- Conducted 70 sanitary surveys and reports.
- Completed 7 project reviews.
- Maintained a quality assurance system in cooperation with EPA - Region 1.
- Assisted in security and emergency response initiatives.
- Submitted grant applications, associated work plans, and progress reports to the EPA. Participated in conference calls regarding grant funding and management.
- Met with Drinking Water SRF/ARRA applicants on program application and project financing process.
- Electronically processed over 418,000 individual sample analytical results into the Safe Drinking Water Information System (SDWIS).
- Monitored Quality Assurance/Quality Control procedures to help maintain accurate and reliable data in SDWIS.
- Ran compliance reports in SDWIS to help with the implementation of the Public Notification Rule.
- Reported required PWSS program information to EPA on a quarterly basis.
- Entered and maintained data in the Federal Projects Benefit Reporting System.
- Scanned, imported, and stored information in the DPH Drinking Water Section's electronic document management system, Laser Fiche, to make current and historical program information available to all DPH Drinking Water Section staff.
- Maintained the DPH Drinking Water Section website. The website is used as an important tool to deliver information to the public and the regulated community.
- Provided business support functions (i.e. archiving, mailing, answering phones) to help the entire DPH Drinking Water System operate effectively and efficiently.
- Continue the development and maintenance of a Quality Assurance/Quality Control application and procedures to help maintain high quality inventory and compliance data in SDWIS.
- Assisted a contractor with the development and testing of a new Geographic Information System (GIS) web application. This new application uses Safe Drinking Water Information Systems (SDWIS) data and other environmental data to assess the source water status for public water systems.
- Provided legal assistance to the Drinking Water Section regarding DWSRF Program.
- Developed and utilized accounting management reports.
- Developed draft Public Notification Rule webpage to provide information and templates to DWS staff and certified operators.

Project Financing

The Drinking Water SRF provides financial assistance to Public Water Systems that meet certain eligibility criteria. Within the parameters set by the EPA, the State exercises considerable flexibility in the type of planning, design, and construction projects that the Drinking Water SRF will fund. The major limitations on project financing are exclusions for projects that are primarily for growth. Other limitations are further described in the Drinking Water SRF guidance documents available from the DPH and the EPA.

In the course of a day, almost every Connecticut resident and each visitor to the State comes in contact with the drinking water provided by a public water system.

The State has worked diligently to recognize that water resources are not limitless and that responsible planning and conservation are essential elements to maintaining sufficient, safe drinking water.

The Drinking Water SRF financial assistance consists of low interest rate loans at one-half of the market rate with up to 20 years to repay. The Drinking Water SRF also provides technical assistance and training with a portion of the federal grant.

All projects are selected for financial assistance based on a priority ranking system created and managed by the DPH. As described below, the priority ranking system reinforces long-term goals of the State and reflects the DPH's philosophy of encouraging public health protection through the distribution of adequate and safe drinking water.

The Drinking Water SRF does not offer state funded grants. However, in FY 2011, the Drinking Water SRF began to offer federally funded loan subsidies designed to encourage more rapid compliance at a lower cost to users. Due to continued availability from the federal capitalization grant, subsidization will continue to be offered as part of the Drinking Water SRF funding package.

Once a project is deemed eligible for funding, the applicant's capabilities are evaluated by the DPH Drinking Water Section engineering staff and the State Treasurer's Office to ascertain if the applicant's system can support a Drinking Water SRF loan.

The DWSRF currently does not have a Disadvantaged Program component that would provide longer repayment terms or additional subsidization to systems that might not otherwise be able to afford infrastructure improvement projects. The program does provide additional points to those systems that build projects in towns that are at or below 80% of the state's Median Household Income level under the Affordability criteria. The creation of the Small System Emergency Power Generator Program and the incentive of up to 45% subsidy did bring to the program many systems that may not normally participate in the DWSRF but realize it would be a larger public health issue to tens to thousands of their customers to be out of power for several days in the event of a major power outage.

Drinking Water Infrastructure Needs Survey

The Drinking Water Infrastructure Needs Survey documents and assesses the 20-year costs and types of capital investment needs of public water systems that are required to protect public health and ensure compliance with the SDWA throughout Connecticut and the U.S.

Local water utilities make significant investments to install, upgrade, or replace equipment in order to deliver safe drinking water and protect public health. Every four years, EPA conducts a Drinking Water Infrastructure Needs Survey of the anticipated costs of these investments. The results are reported to Congress and are used to help determine the amount of funding each state receives for its DWSRF program, which funds the types of projects identified in the survey.

The most recent completed survey was done in 2011, with the report to Congress released in June 2013. The 2011 Survey for the years 2011 through 2031 was used to determine the federal Drinking Water SRF allocation for fiscal years 2014 through 2017. Connecticut was one of the many states that historically received the minimum 1% allocation. The most recent allocation received was \$8.9 million for FY 2012. The Department has recently applied for \$8.4 million for FY 2013.

The results of the 2011 needs survey, which were released in June 2013, showed the estimated need for Connecticut has grown substantially from \$1.394 billion in 2007 to \$3.578 billion in 2011. Based on this increase, starting with the FFY 2014 capitalization grant, Connecticut's allotment will increase from 1% to 1.01%.

Infrastructure Needs	Amounts (in Millions)
Transmission and Distribution	\$ 2,584.0
Treatment	545.1
Storage	267.3
Source	146.6
Other	35.0
Total	\$ 3,578.0

Compared with the other five New England States, 20-year needs in Connecticut were higher than New Hampshire (\$834.9 million), Rhode Island (\$148.2 million) and Vermont (\$510.8 million). This is due in part because these three states were also considered 1% states and had the option of just surveying the large (over 10,000 population serves) systems only. The medium system needs were estimated based on the needs of those states that participated fully in the survey. Maine's (\$1.179 billion) needs were also lower. As expected Massachusetts (\$7.70 billion) had the highest needs in New England.

As costs and need for infrastructure projects continue to increase, the demand for low cost loans will most likely also increase. For FY 2014 and FY 2015, the DPH received requests for loans for 69 infrastructure improvement projects totaling approximately \$161 million in eligible project cost. In addition, the DPH received 60 applications under the Emergency Power Generator Program totaling approximately \$3.5 million in eligible cost.

Project Priority List

The priority ranking system is a key component of the management of the Drinking Water SRF. Project eligibility applications are ranked and compiled to create a project priority list to ensure that funding is available for projects that have the most pressing needs, while reserving funds for other projects. The ranking system also incorporates procedures for emergencies.

The DPH Drinking Water Section develops a list of projects that will receive funding during the year and maintains a comprehensive priority list of eligible projects for funding in future years.

Priority for the use of funds is designated to those projects that address one or more of the following: water quality, water quantity, acquisitions and transfers, infrastructure upgrades, protective measures covering sources of water supply and distribution systems, and affordability.

The priority ranking criteria is used to award points for situations in which water quality impairments, water quantity deficiencies, or water system imperfections may increase risk to public health or result in noncompliance. The resulting Project Priority List shows name of the public water system, population of the public water system's service area, project description, the projected dollar amount of the project, the points awarded to the project, and other pertinent information. The highest points are assigned to projects that are designed to bring systems into compliance with quality and quantity regulations of the Connecticut public health code. Points are also awarded for the acquisition of an existing public water system and upgrades to emphasize the importance of supporting projects that achieve long-term solutions to existing or potential water quality or quantity deficiencies. Affordability points are given to projects

located in communities where the median household income is less than 80% of the State's average, based on current data from the American Community Survey available at the time the Project Priority List is generated. The American Community Survey data is updated on an annual basis.

In each fiscal year, the DPH approves project loans to recipients on the Project Priority List to the extent of funds available. Each recipient may apply for and receive a project loan and subsidies in an amount up to 100% of the eligible project cost. In some cases, based on readiness to proceed, a project may be bypassed on the Project Priority List. In these situations, the DPH Drinking Water Section continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible.

The DWS uses its computer-based application to track and continually update programmatic information on all Drinking Water SRF loan applications. The most recent list available, the fiscal years 2014 and 2015 Project Priority List, can be found on the DWS website, and a truncated version is shown in Appendix VII.



DPH Engineers Reviewing Project Plans

Intended Use Plan Summary

The DPH's Intended Use Plan shows the proposed use of state and federal funding assistance for drinking water quality and quantity projects as well as the uses of set-aside funds used to administer the drinking water program.

The current Intended Use Plan covers state fiscal years 2014 and 2015, from July 1, 2013 to June 30, 2015, and is based on 1) the use of anticipated FY 2013 and 2014 capitalization grant monies, 2) a state match of 20% of the fiscal year 2013 and 2014 capitalization grant awards, and 3) unobligated funds carried forward from previous Intended Use Plans. Connecticut will be providing the 20% match of \$1.6 million for FFY 2013 and an estimated \$1.6 million for FFY 2014, since the final amount has been released by USEPA.

Connecticut, at this time, intends to request the remaining portion of the banked FFY 2011 Small Systems Technical Assistance as part of the FFY 2013 capitalization grant application. The other set-asides have been requested at the maximum amount of set-asides allowed under the SDWA for administrative, technical assistance, state program management, and local assistance.

A brief explanation of each is located on the set-aside projection sheets. Unused set-aside monies from prior capitalization grant awards will be utilized on a first-in, first-out basis. If at any time the funds reserved for particular set-aside activities are not expended, the monies may be transferred to the DWSRF project fund after an amendment to the capitalization grant.

To date, the State has not transferred funds between the DWSRF and the Clean Water SRF, and the State does not anticipate making

such a transfer under the current Intended Use Plan.

Projects on the Project Priority List are currently in the process of moving forward and are at varying stages of progress. Due to delays in certain projects originally earmarked to receive funding, from time to time bypass procedures were implemented which adjusted the project priority list in order to allocate all available project funds. The current list of cumulative and pending projects allocated to receive DWSRF funding is shown in Appendix V.

Funding is allocated as follows: approximately 23% of the available project funds for systems serving populations under 10,000 and 77% of the available project funds for systems serving populations greater than 10,000. The goal was to provide at least 15% of the total funds to systems serving a population of less than 10,000 and Connecticut intends to meet or exceed this goal.

The 2013 DWSRF Public Hearing and Open Forum was held on September 18, 2013. Applicants and interested parties participate at the hearing on projects to be funding during state fiscal years 2014 and 2015 and have the opportunity to give testimony on several projects.

SRF Leveraged Program

The State Treasurer is authorized to issue bonds and provide low-cost financing for water quality projects. The resources used for the bonds include federal grants, state matching funds, and repayments from borrowers. The DWSRF program leverages these resources by issuing bonds to provide construction proceeds for loans. Loans made since 1996 have a borrower interest rate ranging from 2.0% to 4.6%. In FY 2013 the interest rate on the bonds is higher than the loan rate; thus borrowers receive a subsidy equal to the difference between the market rate and the interest rate of 2.06%. Debt service on the SRF bonds is paid from a combination of three sources: borrower loan repayments, interest earnings on the investment of SRF funds, and state match payments provided since the inception of the program. Each borrower is obligated to repay the principal amount of its loan.

Program assets and reserve funds are held as security for all bonds. As of June 30, 2013, the State held \$180.0 million in program assets invested in loans, the State's Short-Term Investment Fund, general obligation bonds and guaranteed investment contracts.

Earnings on these investments are applied to pay a portion of the debt service on the related SRF bonds. The DPH does not intend to leverage our capitalization grants until the pace of the DWSRF program meets or exceeds the federal goal.



State Treasury Staff Reviewing the New Loan and Grant Tracking System (LGTS)

Borrowers

All Connecticut community and nonprofit non-community public water systems are eligible to participate in the Drinking Water SRF. A public water system is defined as having 15 or more service connections or regularly serves at least 25 people 60 or more days a year. In Connecticut, there are approximately 1,050 eligible public water systems subdivided by regulation into two categories: community and non-community, which are owned and operated by municipalities, private, or nonprofit entities. Community water systems provide water to populations that reside in the same place for more than 60 days a year. Eligible non-community systems provide water to schools and other locations where the population changes more frequently.

The DPH emphasizes the importance of reaching potential applicants. Each year outreach initiatives have included statewide e-mail to eligible public water systems, statewide informational meetings, open forums and the posting of information on the DPH Drinking Water Section website. The DPH Drinking Water Section staff also participates as presenters and instructors in conferences and workshops in several locations around the state. The DWSRF program is also promoted during sanitary survey inspections of public water systems.

Portfolio Credit Quality

The overall financial condition of the state's municipal and privately owned public water systems reflects positively on the Drinking Water SRF. The analysis and review of borrowers and their financial condition prior to the approval of a project loan is essential to the long-term viability of the program.

Each borrower applying for financial assistance submits documentation to evidence its ability to repay debt and its technical and financial management capabilities. Required documents include financial statements, capital budgets, current operating budgets, projected budgets including the proposed debt, and economic data. Applicants must document their ability to charge rates for services and collect from their customers. Applicants may also be asked to provide information explaining the alternatives to the proposed project as well as the benefit of the project to customers.

The project-specific review includes an engineering report or a feasibility study, a project capital cost repayment analysis including any projected need for increases in user fees, and a review of any management contracts. Further information about the application and loan documents can be found in Appendix X and Appendix XI.

The Drinking Water SRF loan portfolio is diverse, with almost all of the loans and commitments to municipalities rated "A" or higher by Moody's Investors Service as shown in Appendix VI. Most of the private and nonprofit borrowers do not have credit ratings. The program's loan administration includes separate loan servicing by the program's trustee bank. No defaults have occurred to date. There is no grace period for loan repayments although the agreements allow up to 30 days to cure other defaults. A policy is in place to implement collection procedures in the event of a delayed payment. An outline of the standard loan agreement has been provided in Appendix XI.

Pending Projects

In accordance with section 22a-478(o) of the CGS, this annual report includes the list of new project funding agreements in Appendix V of this report.

The table in Appendix V of this report shows a total of \$172.1 million in loans to borrower with outstanding loans or undrawn loan commitments through June 30, 2013, and those with new loan commitments expected to be executed through June 30, 2014.



East Lyme-New London Interconnection Project Groundbreaking

(Left to right: Raul Tejada-DPH, Denise Ruzicka-DEEP, Lori Mathieu-DPH, George Kansas-Tighe & Bond, Bill Scheer, Town of East Lyme, & Paul Malmrose-Tighe & Bond)

Program Funding

The primary sources of funds for the Drinking Water SRF are federal capitalization grants, state contributions for the 20% match of the federal capitalization grants, proceeds of the revenue bonds, and earnings on the assets of the Drinking Water SRF.

The State can request up to 31% of the federal capitalization grant as set-asides to administer the Drinking Water SRF, and provide managerial and technical assistance to public water systems. For FFY 2010, the state recipients of the federal capitalization grant must provide a minimum subsidization to program participants. For FFY 2012, the federal capitalization grant also includes a requirement to provide subsidization to program participants. The State will continue to use principal forgiveness as subsidization similar to the ARRA. There are no state-funded grant programs associated with the Drinking Water SRF.

To maintain flexibility within its programs, the State has created the following separate accounts within the Connecticut CWF to accept federal capitalization grants and state matching funds for the Drinking Water SRF.

Fund	Account Name	Purpose/Requirements
21014	STATE Account (Clean Water)	State Grants State Match for the Drinking Water SRF and the Clean Water SRF
21018	Designated Federal Drinking Water Account	The Designated Qualifying State Revolving Fund Under Title VI of the Federal Water Quality Act and the Federal Safe Drinking Water Act

Appendix II and III show the total amounts for the DWSRF project funds and set-aside accounts available to Connecticut based upon EPA approval of the Capitalization Grants for Connecticut.

Federal Capitalization Grants

The 1996 amendments to the SDWA established the State Drinking Water SRF, and the SDWA both authorized the Drinking Water SRF and continues to place legal constraints on each state program. Federal regulations limit the uses of the Drinking Water SRF equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing of prior debt, or administrative expenses associated with qualified projects.

The Clean Water SRF and the Drinking Water SRF have many similarities. However, one major difference is that the Drinking Water SRF can make loans to private entities that own and operate public water systems. The initial federal authorizations ended in 2003, and as of June 30, 2013, the SDWA has not yet been reauthorized by Congress. However, in each subsequent year since 2002, Congress has appropriated funding for the DWSRF. Each year Connecticut has been allocated 1% of the federal funds available for federal capitalization grants to State Drinking Water SRF. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2012 totaled \$148.8 million. Since last year's report, the State was granted the FFY 2012 award of \$9.0 million.

While states have significant latitude in the creation of the SRF program, the federal capitalization grants and the required match for the Drinking Water SRF must be maintained by the SRF in perpetuity.

Federal capitalization grants are paid to the State as cash draws under the federal payment system, which is initiated when a written payment request is submitted by the DPH. The periodic cash draws by the State are based on the amount of incurred costs for eligible projects or activities by either all or a specific group of projects receiving loans, as elected by the State from time to time. The State has elected to base its cash draws on the costs incurred by a specified group of projects on a dollar-for-dollar basis.

Set-asides are funds allocated for a range of specific activities including SRF program administration and management, technical assistance for small water systems, and operator education and support. As mentioned previously, these approved purposes can use as much as 31% of each capitalization grant.

State Authorizations

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Connecticut Clean Water Fund including the Clean Water SRF and Drinking Water SRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. As projects are approved, authorizations are allocated to the Drinking Water SRF from the total available authorizations.

Revenue Bonds

To date, revenue bond authorizations of \$141.7 million for projects have been made available to the Drinking Water SRF.

Each rating reflects only the views of the respective rating agency, and an explanation of the significance of any rating may be obtained from the rating agency. There is no assurance that ratings will continue for any given period or that they will not be revised or withdrawn entirely by a rating agency if in their judgment, circumstances so warrant.

The bonds are rated at the highest available credit rating from three rating agencies:

<i>Fitch Ratings</i>	<i>AAA</i>
<i>Standard and Poor's</i>	<i>AAA</i>
<i>Moody's Investor's Service</i>	<i>Aaa</i>

Required State Matching Funds

The State has provided sufficient funds in the Drinking Water SRF to meet the required State match of all amounts drawn to date. Connecticut's match has been made in the form of cash contributions in the Drinking Water SRF for a total of \$26.5 million.

At present, future match requirements will be provided with cash contributions from the State. It is anticipated that match requirements for all awarded grants will be met before additional grants are drawn by the State from the EPA.



DPH Commissioner Mullen Reviewing Loan Agreement with Regulatory Services Branch Chief Ellen Blaschinski

Program Management

The DPH, the State Treasurer's Office, the DEEP, and the Office of Policy and Management have worked together since 1995. With a great deal of consideration for existing regulations and procedures, the Drinking Water SRF Interagency Memorandum of Understanding (MOU) details the roles and responsibilities of each agency. An overview of the participation and responsibilities of each State agency is available in Appendix VIII and Appendix IX of this report.

On November 21, 2012, the DPH solicited for drinking water infrastructure projects to be funded by the DWSRF in state FY 2014 and 2015. The DPH received 129 project eligibility applications from public water systems (PWS) during the solicitation period for approximately \$164 million in total funding. This amount includes 60 emergency power generator projects for approximately \$3.5 million.

On March 26, 2013, federal Public Law 113-6 was enacted, which included the federal fiscal year 2013 DWSRF appropriation. This law carries forward the same requirements contained in the FFY 2012 DWSRF appropriation (Public law 112-74) which included:

- Establishment of minimum and maximum amounts of subsidization that may be used for drinking water infrastructure projects. States are required to provide a minimum of 20% and a maximum of 30% of the FFY 2012 capitalization grant in the form of subsidization.
- Elimination of the federal mandate for a minimum percentage of the capitalization grant for Green Project Reserve (GPR) projects and made the GPR projects provisions discretionary for State DWSRF programs.

- Establishment of the permanent applicability of the federal Davis-Bacon law requirements to construction contracts funded under the DWSRF.
- Projects that receive federal funds regardless of the amount are subject to federal cross cutters.
- DPH is required to identify projects that will be used to satisfy federal equivalency requirements.

For the purpose of satisfying capitalization grant reporting requirements under the Federal Financial Accountability and Transparency Act (FFATA), the DPH will only report on DWSRF projects in an equivalent amount of each capitalization grant as requested by USEPA.

The FFY 2014 appropriation has not been made as of the publishing of this annual report so any new federal requirements that may be associated with this appropriation are not yet known.

On June 17, 2013, the DPH Drinking Water Section sent a letter to USEPA Region I with an update on the progress that has been made to increase the pace of the program. Some of the changes that have been made to help maximize the use of available funding each year include:

- Providing additional staff resources to the program
- Reducing program administration costs and delays associated with an annual Project Priority List by moving to a two-year list
- Revising the DWSRF Priority Ranking System to place greater emphasis on ready-to-proceed projects
- Creating a pipeline of projects through close interaction with public water systems concerning their needs and working to better promote and explain the DWSRF process

Brief History and Background of Connecticut Drinking Water SRF Program

In 1996, Congress passed amendments to the SDWA authorizing the United States EPA to offer states Capitalization Grants to create the Drinking Water SRF. The SDWA provided for an annual Congressional authorization of \$1 billion for the DWSRF through 2003.

Each year the State of Connecticut is required to submit a Capitalization Grant application to EPA to capture its DWSRF allocation. The IUP, which documents how the State intended to use the grant funds, is one of the documents the State must submit as part of its application. Sections 22a-475 through 22a-483, inclusive, of the Connecticut General Statutes govern the establishment and administration of the DWSRF.

In FFY 1997, Congress exceeded its original appropriation and authorized \$1.275 billion for the DWSRF. Connecticut's allocation of this appropriation was \$ 21,408,200. In FFY 1998-2012, Connecticut's allocation was for just 1% of the national allotment and allotted funds ranged from approximately \$7.1 million for FFY 1998 to a high of \$13.5 million for FFY 2010. The State received FFY 2011 allocation of \$9.4 million during July 2012 and was awarded FFY 2012 allocation of \$8.9 million in September 2012. The FFY 2013 capitalization grant in the amount of \$8,421,000 was submitted in August 2013.

The Connecticut Department of Public Health (DPH) is the lead agency for the DWSRF. As the lead, DPH coordinates activities between three different state agencies with the charge of implementing certain aspects of and overseeing the DWSRF.

There is significant coordination of efforts both within DPH and among the agencies of the State, including the State Treasurer's Office, the Department of Energy and Environmental Protection (DEEP), and the Office of Policy and

Management (OPM). DPH entered into an Interagency Memorandum of Understanding (MOU) with the State Treasurer's Office and DEEP, and the MOU is an attachment to the Operating Agreement (OA) between the State of Connecticut and the EPA. The OA is filed with EPA as part of the State's Capitalization Grant application and establishes the basic framework and procedures of the DWSRF that are not expected to change annually. Since 2011, the DPH initiated strategies to increase the pace of its DWSRF. The most significant changes were made within the management of the program and DWSRF Priority Ranking System as well as the streamlining of the project funding for emergency generators.

The following is a brief overview of State agency participation:

- The DPH is responsible for programmatic and fiscal administration of DWSRF infrastructure improvement projects and the set-aside projects and accounts. The DPH also provides the Capital Budget requests and State Bond Commission authorization requests for DWSRF projects to the DEEP for processing under the Clean Water Fund.
- The State Treasurer's Office is responsible for the fiscal administration of the DWSRF accounts, and administration of the DWSRF financial plan as part of the Connecticut Clean Water Fund. The Office manages and administers the State's bond financings and provides the State Bond Commission bonding authorization requests for DWSRF projects under the Clean Water Fund.
- The DEEP is responsible for the administration of the Connecticut Clean Water Fund of which DWSRF is a sub-account. As part of the Connecticut Clean Water Fund, the DEEP processes both the DPH's biannual DWSRF Capital Budget requests and the DWSRF State Bond Commission project allocation requests. The Public Utilities Regulatory Authority (PURA), now part of DEEP, provides assistance to the DWSRF applicants it regulates.

Compliance with Operating Agreement and Grant Conditions

Connecticut has complied with the conditions of the Drinking Water SRF Operating Agreement with EPA:

- Attorney General Certification included with FFY 2013 grant application meets the requirement of the State having the authority to conduct the DWSRF program
- Deposit state matching funds. The State provided \$1.2 million as state match for the capitalization grant in FY 2013
- During September 2012, the EPA approved the use of the DWSRF Annual Report, with slight modifications can be used to fulfill the requirements of the Biennial Report
- Review technical, financial, and managerial capacity of assistance recipients
- Establish DWSRF loan account, set-aside account, and DWSRF administration account
- Require DWSRF loan recipient to adhere to accounting and auditing procedures
- Submit Intended Use Plan and use all funds in accordance with the plan
- Complied with enforceable requirements of the Safe Drinking Water Act
- Independent auditor has evaluated program on a yearly basis
- Implement/maintain system to minimize risk of waste, fraud, abuse, and corrective action
- Developed and submitted project priority ranking system
- Submitted and obtained EPA approval for Drinking Water SRF Set-Aside Work plans
- Request approval from the EPA Project Officer as needed prior to any significant deviation to the approved work plans

DPH has also met the following conditions of the capitalization grant with the EPA:

Applicant Credit Evaluation: State Treasurer's Office staff conducts a credit review evaluation for all municipal public water systems and private water systems. This evaluation determines whether an applicant has the ability to repay a loan. For all public water systems, the expected revenue stream from user fees must be sufficient to repay the loan, pay operation and maintenance costs, and pay for other necessary expenses.

Use Funds in Timely and Expeditious Manner: Public water systems with binding commitments have moved in an expeditious and timely manner to start and complete construction.

Ensure Recipient Compliance with Applicable Federal Cross-Cutting Authorities: The State of Connecticut and all of its assistance recipients have complied with all applicable federal cross-cutting authorities. Section 6.7 "Compliance with Federal and State Requirements" is stated in the executed loan agreements. In order to establish an overall fair-share objective for Minority and Women's Business Enterprises (MBE/WBE), the DWSRF utilized the same percentages that were approved by the EPA for the Clean Water program of 3% for MBE participation and 5% for WBE participation.

Conduct Environmental Reviews: The ten public water systems that received assistance during FY 2013 were reviewed and approved using the DPH Drinking Water Section's "Environmental Reviews of DWSRF Project" guidance document.

Green Project Reserve: The Metropolitan District's RF Automated Meter Reading System & Meter Placement Program as noted on page 9 of this report was used to meet the Green Project Reserve requirements of the FFY 2010 Capitalization grant

DWSRF Program Activities and Initiatives

The DWSRF Program Activities and Initiatives include the status of the State's meeting or obtaining short-term goals and accomplishments thus far. The DPH in consultation with the Fund Administrator in the State Treasurer's Office, develops goals for each program of the Drinking Water SRF and set-asides. The DWSRF short-term goals are focused on continued development and implementation of all facets of the DWSRF program. The DWSRF long-term goals outlined on page 33 and in the Operating Agreement between the State of Connecticut and the EPA, express strategic principles for guiding the DWSRF into the future.

The short-term goals as indicated below are benchmarks for measuring overall success and effectiveness of the program.

Short-Term Goals

The short-term and long-term program goals noted below include several new activities.

SHORT-TERM GOALS-FINANCIAL

- Approve loans and financial assistance for projects funded from all previous unspent grant funds and the FFY 2013 and FFY 2014 capitalization grants in accordance with the current IUP.
- Continue to implement:
 - a. Effective and efficient fiscal management of DWSRF funds;
 - b. Routine procedures for entering into project funding agreements with recipients; and
 - c. Effective and efficient communications between State agencies for fiscal components of the DWSRF program.

- Complete a review of DWSRF fiscal elements as required by the EPA.
- Input project financial information into the DWSRF Project Benefits Reporting (PBR) and Drinking Water National Information Management System (DWNIMS) on-line database.
- Maintain a financing plan that secures the perpetuity of the DWSRF and meets loan demand.

SHORT-TERM GOALS- PROGRAMMATIC

- Review and approve applications for DWSRF assistance for projects ranked on the Project Priority List with an overall goal of committing all available project funds during the IUP period and increasing the pace of the DWSRF program.
- Continue to focus on pace and ULOs in order to increase DWSRF program pace and decrease ULO's below 10%.
- Reduce as quickly as possible DPH's ULOs associated with capitalization grant awards (projects and set/asides) received from USEPA.
- Maintain a pipeline of projects through close interaction with public water systems.
- Ensure DWSRF loan recipients are submitting invoices to DPH in a timely manner during planning, design, and construction phases of their projects.
- Continue utilizing two year planning period to coincide with the biennial State budget cycle.
- Implement provisions of the FFY 2013 and FFY 2014 appropriations.

- Continue to implement the following existing DWSRF elements, including reevaluation and improvement when necessary:
 - a. Review of the Priority Ranking System;
 - b. Procedures for determining technical review and approval of DWSRF projects;
 - c. Routine procedures for monitoring oversight and contract compliance of DWSRF set-aside projects;
 - d. Communication and information connections between State agencies for programmatic components of the DWSRF; and
 - e. Procedures for evaluating technical and managerial capacity and sustainability aspects of proposed projects.
- Revise the DWSRF Inter-Agency Memorandum of Understanding to reflect modifications made with respect to each agency's responsibilities to the DWSRF Program to reflect the statutory changes approved in 2010.
- Implement the provisions of the FFY 2013 and FFY 2014 appropriations.
- Input project information into the DWSRF PBR and DWNIMS online database.
- Revise the OA as necessary to reflect any revisions in processing DWSRF projects.
- Complete a review of DWSRF programmatic elements as required by EPA.
- Utilize the Emergency Power Generator Program (formerly the Small System Emergency Power Generator Program) as an initial model for streamlining DWSRF requirements for small systems that undertake projects with a total project cost of less than \$100,000.
- Improve PWS education and proficiency in sustainable infrastructure and asset management.
- Continue transitioning into the Loans and Grants Tracking System database that will improve communication between State agencies and information sharing with EPA for projects funded through the DWSRF program.
- Ensure the IUP and actions undertaken comply with the Connecticut Conservation and Development Policies Plan.

The major activities planned for 2014 in order to meet these goals include:

Administrative Set-aside and Projects Update

Four staff members, the equivalent of 2.80 FTEs, are funded under this set-aside and focus on the administrative aspects of the DWSRF. Activities planned for FY 2014 include:

- Review and provide comments to the federal capitalization grant application prior to submission to EPA.
- Review DWSRF Financial Assistance Applications.
- Evaluate financial viability for eligible systems requesting funds through the DWSRF Loan Program.
- Review, approve, and process payment requests.
- Participate in DWSRF Public Hearing/Open Forum on the Project Priority List.
- Continue evaluation on ways to streamline the Drinking Water SRF loan process to improve program efficiency.
- Meet with stakeholders and applicants as needed.
- Draft, finalize, and process loan agreements and associated documents.
- Development and utilization of accounting management reports.
- Attend workshops and trainings to improve the efficiency of the DWSRF program.

State and Local Program Set-Aside

Source Water Protection Unit

The SWP Unit maintains a *Strategic Plan for the Implementation of Drinking Water Source Protection in Connecticut*. The SWP Unit coordinates, manages, and regulates source protection through the proactive enhancement and oversight of existing source protection laws and regulations, integration with water supply planning, education of local land use officials, and involvement with stakeholders on a continuous basis.

The focus of the three staff under this set-aside will continue to be the implementation of drinking water wellhead protection.

OBJECTIVES

- Efficiently enhance, oversee, and enforce existing public health source protection laws and regulations, and maintain a 100 percent minimized risk to public health in source water areas for community water systems (both surface and ground water) by substantial implementation of the source water protection actions as identified in the SWP Unit Strategic Plan. If necessary, propose legislation designed to better protect and monitor land around public water supplies.
 - Educate, train, and support municipalities and water systems, and link to related programs to emphasize proactive public health protection through source water protection.
 - Work to streamline the SWP Unit workflow, including evaluating ways to make the permitting process more efficient and improving performance via an improved geographical information system.
- ### IMPLEMENTATION PLAN:
- 1) Efficiently maintain regulatory programs including water company lands, well siting, water supply planning, recreational use permits, and environmental reviews.
 - 2) Conduct and oversee watershed management planning and watershed surveys, and integrate source water protection into individual and regional water supply plans.
 - 3) Enhance, oversee, and enforce existing public health source protection laws and regulations.
 - 4) Educate local land use officials and involve stakeholders on a continuous basis.
 - 5) Integrate drinking water source protection with water supply management planning and other related programs.
 - 6) Provide review comments to state and local agencies on proposed development projects that may have an impact on sources of public drinking water.
 - 7) Upgrade the Drinking Water Geographic Information System and its link to Source Water Assessment Plan information.
 - 8) Propose legislation designed to better protect and monitor land around public water supplies when necessary.
 - 9) Encourage the development of drinking water quality management and collaboration for the protection of source water throughout the state.
 - 10) Research emerging risks to source water including road salt, invasive plants and algae.
 - 11) Update the strategic plan with the intent to streamline the SWP Unit workflow, including evaluating ways to make the permitting process more efficient and improving performance via an improved geographical information system.
 - 12) Develop and analyze staff work plans to maximize efficiency and productivity.

Activities Scheduled for Fiscal Year 2014 include:

- Review and approve of proposed sources of supply, including verification that the water system has ownership or control of the sanitary radius for proposed ground water sources. Develop and implement a process to review and approve sources of water supply for bottled water companies pursuant to CGS Section 21a-150a to 21a-150j.
- Review and evaluate potential impacts of proposed projects in public water system watersheds and aquifer protection areas.
- Review and approve: Water Company Land Permits, recreational activity permit proposals, and renewals and watershed surveys. Review and provide comments regarding potential impacts to public drinking water sources of supply to DEEP's Diversion Permits for Non-Consumption Use and Remediation Permits for use of chemicals in source water areas.
- Continue to enhance drinking water Geographic Information System (GIS) capabilities and data, including continued interaction with state agencies to improve data sharing. Develop a new GIS software product. Hold meetings with the software development team in accordance with the contract.
- Review Effects of New Sources for Public Water Systems on Nearby Wells [CGS Sections 25-33(b)].
- Continue to link the protection of public water supplies with septic system approval, maintenance, training, and repair.
- Educate and provide guidance to local officials and link them with related state and federal programs.
- Continue to work with multiple towns and the Departments of Transportation (DOT), the Department of Energy and Environmental Protection, Agriculture, and Economic and Community Development, as well as the Office of Policy and Management, Council on Environmental Quality, the Environmental Review Team, and the State Treasurer's Office, to emphasize source water protection.
- Evaluate land applications of pesticides and herbicides within drinking water watersheds. Work with state agencies, municipalities, utilities and stakeholders to develop responsible techniques and usages of pesticides and herbicides.
- Develop and compile literature on emerging source water topics, including cyanotoxins and invasive species, and post on the DPH Drinking Water Section website.
- Continue outreach efforts such as hosting water utilities stakeholder's meeting slated for fall of 2013 in order to discuss source water protection issues and provide tools to protect drinking water supplies.
- Research emerging potential source water contaminants, such as hexavalent chromium, perchlorate and 1,4-dioxane and evaluate the impact to Connecticut's public water sources. Evaluate if action is necessary to protect public health.
- The Environmental Engineering Program, continues to advocate the protection of public water supplies through reduction of non-point source pollution from subsurface sewage disposal systems. Continue to review and approve well exception requests, central system exception requests, and holding tanks and provide technical assistance to municipalities and DPH Drinking Water Section.

- The Environmental Engineering Program, educate and provide guidance to local officials and others and link them with related state and federal programs.
 - The Environmental Engineering Program, continue to provide technical assistance and detailed technical document reviews for DPH and other agency documents.
 - The Environmental Engineering Program, modify as needed hands-on training program to ensure proper siting of subsurface sewage disposal systems to prevent negative impacts to water quality and promote drinking water/source water protection, nonpoint source pollution and wellhead protection. The program is offered to local health departments, installers, professional engineers, and other interested parties.
 - The Environmental Engineering Program, review and approval plans for large and small subsurface sewage disposal systems and provide direct contact with other state agencies such as the DEEP or the DPH Drinking Water Section when decisions may be affected by their program policies and procedures.
 - Assist municipalities in the development of wastewater management ordinances and regulations for the purposes of reducing potential wastewater impacts to environmentally sensitive areas including aquifer protection areas.
- Provide technical assistance to PWSs on violation and deficiencies noted during sanitary surveys.
 - Perform technical, financial, and managerial capacity assessments of PWSs during sanitary surveys.
 - Conduct reviews of water quality and quantity of newly developed drinking water sources and review engineering plans and specifications for new water system designs in accordance with RCSA 16-262m and under the authority of RCSA Section 19-13-B102.
 - Work with Connecticut's drinking water industry, the Association of State drinking Water Administrators and the USEPA with the goal of achieving optimization of existing surface water treatment plants.
 - Continue to provide assistance at meetings for public water systems facing sanctions at other State agencies.
 - Assist in the implementation of the Drinking Water SRF Program by:
 - Soliciting DWSRF Eligibility applications
 - Determining project eligibility, reviewing and ranking Eligibility Applications, preparing Project Priority Lists
 - Providing technical assistance to applicants and their representatives
 - Coordinate and conduct public hearing on project priority list
 - Prepare capitalization grant application, Intended Use Plan and required reports
 - Track progression of projects throughout construction to completion
 - Review and process project payment requests from applicants
 - Coordinate the preparation of DWSRF loan agreements with the DPH Fiscal Office, Contracts and Grants Management Section and the State Treasurer's Office.
 - Participate as necessary in training programs related to technical, managerial, and financial capacity for public water system operators and local health officials.

Capacity Development

Eleven staff will continue to be funded under this set-aside and will continue working on the implementation of the Capacity Development strategy as well as improving the pace of processing DWSRF loans. Activities for FY 2014 will include:

- Enter and maintain data in the federal DWSRF Projects Benefit Reporting system.
- Conduct sanitary surveys on community, non-transient non-community (NTNC) and transient non-community PWSs.

- Review and approve Sale of Excess Water (SEW) permits. Enforce the requirement for a SEW permit for public water systems that sell bulk water to neighboring public water systems. This requirement is a critical step in assuring the adequate capacity both of the public water system selling the water and the public water system purchasing the water.
- Complete reviews of Water Company Screening Applications to determine potential status as a public water system and applicability of the Certificate of Public Convenience and Necessity process.
- Provide technical assistance and enforcement referral to local health departments for maximum contaminant level violations, source water construction violations, and cross-connections identified at food service establishments.
- Contract with a qualified consultant to develop templates, tools, and resources to be used by Capacity Development staff.
- Attend workshops and trainings to improve the efficiency of the DWSRF Program.

Program Management Set-Aside

These funds are designated for the administration of the State Public Water Supply Supervision Program. Activities to be conducted by the ten staff during FY 2014 include:

- Prepare guidance documents, work plans, progress reports, standard operating procedures, and long-term strategies for DWSRF program management and EPA required program management reports (e.g. Quality Management Plan, Quality Assurance Progress Plan, Performance Partnership Agreement) status reports, and contracts related to technical assistance to public water system in capacity development efforts.
- Coordinate DWS grant administration/lead interaction with EPA for grant administration, applications, and reporting.
- Conduct sanitary surveys of PWS's water works and treatment infrastructures.
- Respond to acute water quality violations.
- Continue to provide direct technical assistance to public water systems and laboratories regarding the required reporting of water quality and inventory/facility data in Safe Drinking Water Information System and electronic data interchange (EDI), provide information and educational opportunities to public water systems via internet posting.
- Identify water systems that would most benefit from collaboration or regionalization and assisting in developing and evaluating process to aid in the success of DWS capacity development efforts.
- Provide technical assistance to the Water Planning Council in the areas of the Water Utility Coordinating Committee, water supply planning, and the Connecticut Drought Advisory Committee.
- Coordinate activities with the Environmental Health Section's Laboratory Certification Program in assisting public water systems regarding water quality testing issues.
- Electronically process all incoming water quality test results accurately and efficiently.
- Revise the approval process and other regulatory mechanisms and provide direct technical assistance to public water systems to better address capacity development concerns.
- Prepare standard operating procedures for water supply plans, sale of excess water permits, diversion permits, and water company lands to ensure consistency.
- Continue the development and maintenance of the data quality assurance/quality control application and procedures to continue maintaining high quality data in SDWIS.
- Complete the development of the DPH Drinking Water Section webpage to provide information and templates related to the Public Notification Rule.
- Provide legal assistance to the DPH Drinking Water Section.
- Run compliance reports to help determine water systems compliance with the Public Notification Rule.
- Continue the enhancements, maintenance and organization of the DPH Drinking Water Section electronic document management system to make current and historical program information available to all DPH Drinking Water Section staff.
- Entering and maintaining data in the federal Projects Benefits Reporting System and Drinking Water National Information Management System.
- Development and utilization of accounting management reports.
- Coordinate the preparation of DWSRF loan agreements with the DPH Fiscal Office, Office of Grants and Contracts and the State Treasurer's Office.
- Attend workshops and trainings to improve the efficiency of the DWSRF program.
- Continue Memorandum of Agreement between DPH and UCONN School of Engineering that allows UCONN students to intern with the DPH DWS.

Small Systems Technical Assistance Set-Aside

One staff person will continue to be funded under this set-aside. Activities to be funded to assist small public water systems (population of less than 10,000) during FY 2014 include:

- Conduct sanitary surveys of community, non-transient, non-community, and transient non-community public water systems serving fewer than 10,000 people (small systems).
- Assess existing small public water system's technical, financial, and managerial capacity during sanitary surveys.
- Provide technical assistance to small PWSs on violations and deficiencies noted during sanitary surveys.
- Educate and assist small systems in applying for DWSRF loans for infrastructure improvement projects.
- Conduct regulatory compliance reviews of engineering plans and specifications for small public water system infrastructure improvements, including projects funded under the DWSRF.
- Hire a contractor to provide training to teach small system trustees, operators, and municipal officers the value and method of asset management to improve the technical, financial, and managerial capacity of those individuals involved in managing the utilities. The goal of the training will result in a system having an asset management plan to show DPH during sanitary surveys and as requested.
- Provide technical assistance and enforcement referral to local health departments for maximum contaminant level violations and cross-connections identified at NTNC and TNC food service establishments.
- New Small PWSs: Conduct reviews of water quality and quantity of newly developed drinking water sources and review engineering plans and specifications for new water system designs in accordance with RCSA Section 16-262m.
- Evaluate the adequacy and protection of the small distribution networks with emphasis on viability of the small systems cross-connection program.
- Perform assessments of larger PWS (those serving greater than 10,000 persons) as needed to determine their ability to absorb small PWS through consolidation projects and/or their ability to offer assistance to specific small systems to address technical, financial, or managerial deficiencies.
- Participate as necessary in training programs related to the technical, managerial, and financial capacity for PWS operators and local health officials.

Long-Term Projections/Goals

DPH has established management goals for the DWSRF program as part of its statewide public health performance improvement initiative. The condition of the DWSRF continues to be enhanced by the placement of the DWSRF within the financial structure of the CWF. This helps to assure that the DWSRF will benefit from the same management and financial planning mechanisms as the CWF program. In addition to the long-term goals outlined in the OA, ongoing discussions about the following issues will shape the program in the coming years:

- DPH's commitment to monitor, track and continue to improve the pace of the DWSRF program.
 - Coordination within the DPH, and continued collaboration with other State agencies where possible and advantageous, to maximize the effectiveness of the program and meet the State's water quality goals.
 - The amount of administrative and program set-asides allowed by the EPA and the discretion the State will exercise in the use of those dollars.
- The EPA's program guidelines and regulations and their impact on the DWSRF program at the State level.
 - The amount of DWSRF funding available for drinking water infrastructure projects and the number of potential project loans.
 - Continued improvement to use set-aside funds to maximize effectiveness as it relates to Connecticut's aging drinking water infrastructure, drinking water regulatory compliance, PWS's and Connecticut residents. Areas of concern include PWS sustainable infrastructure programs, long term water supply planning and small water systems.
 - Continued improvement on the determination of the PWS infrastructure needs projections for Connecticut through ongoing participation and support for the Drinking Water Infrastructure Needs Survey.
 - Offer, as effectively as possible, a low cost financing mechanism to eligible PWSs that possess self-sustaining technical, managerial, and financial capabilities.

Condition of the Fund

Each year, the Department of Public Health and the State Treasurer's Office in conjunction with the DEEP estimate the amount of funding that will be available for specific projects. The amount is based on the remaining authorizations and the allocations approved through the State Bond Commission.

The Drinking Water SRF depends on the State's continued willingness to commit financial resources to the program. In FY 2013, the State continued to demonstrate its commitment with annual authorizations, consistent staffing levels, and resources to meet existing and future program needs.

Authorizations for Clean Water and Drinking Water projects have been provided for FY 2014 and FY 2015, and the DPH was able to initiate the project priority process and create the priority list for these years. The current Project Priority List for the base Drinking Water SRF Program is shown in Appendix VII and at the Department's web site www.ct.gov/dph.

Since the inception of the Program, the Drinking Water SRF has over \$150 million in completed projects and project commitments. Many of the borrowers have multiple loans and the largest number of loans and commitments continue to be with the MDC, New Britain, and Norwalk.

Since 2001, the State has issued revenue bonds to expand the Drinking Water SRF and its ability to fund critical water quality projects. State bond authorizations for the Drinking Water SRF have only been used for project purposes.

The volume of projects funded in each year, as measured by DWF agreements executed with PWSs, is a reflection of the both past demands on the program and the availability of funding through the State Bond Commission. Program capacity projections show that the program can sustain bond issuance of approximately \$10 million to \$12 million in revenue bonds per year through 2020 without additional State funds.

There is evidence that meaningful progress in water quality improvements, increased managerial and financial capacity, needs monitoring, and oversight of water resources has been made through the Drinking Water SRF programs. Maintenance and continued improvement of the existing water infrastructure in Connecticut are dependent upon consistent funding for the DWSRF.

The projected investment needed to sustain the demands of the DWF is part of the analysis of the DWF's sustainability. The DPH and the State Treasurer's Office will work together to develop assumptions based on the current project needs in order to maintain the sustainability of the DWF.

DWSRF Annual Report Acronym List

ARRA	American Recovery and Reinvestment Act of 2009
ATCAVE	Annual Technical Conference and Vendor Expo
CPCN	Certificate of Public Convenience & Necessity
CGS	Connecticut General Statutes
CT AWWA	Connecticut Section of American Water Works Association
CWF or CWSRF	Clean Water Fund and Clean Water State Revolving Fund
DEEP	Department of Energy and Environmental Protection (formerly the Department of Environmental Protection)
DPH	Department of Public Health
DWS	DPH Drinking Water Section
DWF or DWSRF	Drinking Water State Revolving Fund
EPA	United States Environmental Protection Agency
FY	Fiscal year or the State of Connecticut Fiscal Year from July 1 to June 30 each year
FFY	Federal Fiscal Year of Federal Government Fiscal Year from October 1 to September 30 each year
IUP	Intended Use Plan
MOU	Memorandum of Understanding
OA	Operating Agreement between the State and the EPA
OPM	Office of Policy and Management
OTT	State Treasurer's Office
PBR	Project Benefits Reporting
PURA	Public Utilities Regulatory Authority
PWS	Public Water System
RCSA	Regulations of Connecticut State Agencies
SDWA	Safe Drinking Water Act
SDWIS	Safe Drinking Water Information System
SRF	State Revolving Fund
SWP	Source Water Protection (unit within DWS)
ULOs	Unliquidated Obligations

Appendices



Appendix I: State Match for Federal Capitalization Grants

Fiscal Year	Federal Proceeds Drawn*	Cumulative Federal Drawn*	20% Match	Match Provided	Cumulative Match Provided	Over/Under Match
19897	\$0	\$0	\$0	\$0	\$0	\$0
1998	\$0	\$0	\$0	\$0	\$0	\$0
1999	\$0	\$0	\$0	\$0	\$0	\$0
2000	\$ 3,376,664	\$ 3,376,664	\$ 675,333	\$0	\$0	\$0
2001	\$13,156,884	\$ 16,533,548	\$ 3,306,710	\$10,398,696	\$ 10,398,696	\$ 7,091,986
2002	\$ 6,730,236	\$ 23,263,784	\$ 4,652,757	\$0	\$ 10,398,696	\$ 5,745,939
2003	\$16,527,779	\$ 39,791,563	\$ 7,958,313	\$0	\$ 10,398,696	\$ 2,440,383
2004	\$ 4,966,467	\$ 44,758,030	\$ 8,951,606	\$0	\$ 10,398,696	\$ 1,447,090
2005	\$ 1,694,187	\$ 46,452,217	\$ 9,290,443	\$0	\$ 10,398,696	\$ 1,108,253
2006	\$ 6,636,504	\$ 53,088,721	\$ 10,617,744	\$ 5,000,000	\$ 15,398,696	\$ 4,780,952
2007	\$19,027,960	\$ 72,116,681	\$ 14,423,336	\$ 1,610,500	\$ 17,009,196	\$ 2,585,860
2008	\$14,083,541	\$ 86,200,222	\$ 17,240,044	\$ 1,600,820	\$ 18,610,016	\$ 1,369,972
2009	\$ 5,297,252	\$ 91,497,474	\$ 18,299,495	\$ 1,660,620	\$ 20,270,636	\$ 1,971,141
2010	\$ 4,204,590	\$ 95,702,064	\$ 19,140,413	\$ 1,956,020	\$ 22,226,656	\$ 3,086,243
2011	\$ 6,714,587	\$ 102,416,651	\$ 20,483,330	\$ 1,827,687	\$ 24,054,343	\$ 3,571,013
2012	\$ 3,504,257	\$ 105,920,908	\$ 21,184,182	\$ 1,250,398	\$ 25,304,741	\$ 4,120,559
2013	\$ 8,556,905	\$ 114,477,813	\$ 22,895,563	\$ 1,169,861	\$ 26,474,602	\$ 3,579,039
Totals to 2013		\$ 114,477,813	\$ 22,895,563		\$ 26,474,602	

* Note, does not include ARRA draws of \$19,498,128 which do not require a state match.

Appendix II: Federal Capitalization Grants Project Funds (As of June 30, 2013)

Fiscal Year	Project Funds	Total Capitalization Grant
1997	\$14,771,658	\$21,408,200
1998	\$4,913,697	\$7,121,300
1999	\$5,150,022	\$7,463,800
2000	\$5,352,330	\$7,757,000
2001	\$5,374,479	\$7,789,100
2002	\$5,556,225	\$8,052,500
2003	\$5,522,829	\$8,004,100
2004	\$5,729,139	\$8,303,100
2005	\$5,716,995	\$8,285,500
2006	\$5,678,217	\$8,229,300
2007	\$6,500,910	\$8,229,000
2008	\$6,924,100	\$8,146,000
2009	\$4,399,080	\$8,146,000
2010*	\$9,215,370	\$13,483,000
2011	\$6,022,180	\$9,418,000
2012	\$6,192,750	\$8,975,000
2013**	\$5,622,130	\$8,421,000
Total	\$103,019,981	\$148,810,900
2009 ARRA***	\$17,257,500	\$19,500,000
Total	\$120,277,481	\$168,310,900

* \$90,000 of FFY 2010 award (\$13,573,000) was withheld by EPA for SRF Tracking System

** FFY 2013 was received after 6/30/13 and is not included in the totals.

*** This is the American Recovery and Reinvestment Act of 2009.

Appendix III: Set-Aside Management

The Drinking Water SRF has several program set-asides that give the State extensive flexibility to explore multiple options to support eligible participants in the Drinking Water SRF. Set-asides are funds allocated for a range of specific activities such as encouraging source water protection and supporting other State drinking water program activities which can represent up to 31% of the capitalization grant. The Intended Use Plan describes the State's intended uses for set-aside and project funds. Those uses are also listed in this report.

The following descriptions include the set-aside categories, percentages of the federal capitalization grant taken, and the use of the funds:

Administrative Set-Aside - (up to 4%)

These funds are used in various aspects of administering the Drinking Water SRF. Funds are earmarked for the DPH and the State Treasurer's Office. Administrative functions include:

- Reviewing and approving eligibility and Financial Assistance Applications and meeting with applicants as needed.
- Drafting and processing loan agreements including loan closings.
- Reviewing and approving project costs;
- Determining if the applicants possess adequate financial capabilities to ensure long-term compliance with applicable state and federal regulations.
- Receiving, reviewing, and processing payment requests.
- Assisting in the preparation of the capitalization grant application and various Drinking Water SRF reports.

Local Assistance and Other State Programs Set-Aside - (up to 15%)

Source Water Protection – The DPH Drinking Water Section also uses the Local Assistance set-aside for source water protection of wellheads. Funds are designated for the following source water protection activities:

- Delineation and assessment of source water protection areas.
- Review and approve: Water Company Land Change of Use permits, new Recreation permits, sewage bypass reports, and water supply plans.
- Loans to systems to acquire land or conservation easements.
- Development and implementation of wellhead protection programs.
- Technical assistance for systems as part of a capacity development strategy.
- Linking the protection of public water supplies with subsurface sewage disposal system approval, maintenance, training and repair.
Provide guidance on proposed legislation and its potential impact on the DWS.

Capacity Development – This set-aside is used to fund staff for assessing compliance with State regulations and the SDWA, soliciting, reviewing, and approving Eligibility Applications and Financial Assistance Applications, processing payment requests for loan recipients, and assisting in the preparation of DWSRF related reports. The staff also assesses the managerial and technical capacities of public water systems by conducting and reviewing sanitary surveys. Systems that do not correct existing violations through technical assistance are referred for formal enforcement actions including possible takeover proceedings.

Small Systems Technical Assistance Set-Aside – (up to 2%)

These funds are designated for technical assistance to small systems. Some of the activities include:

- Conducting sanitary surveys of community, non-transient non-community and transient non-community public water systems serving fewer than 10,000 persons (small systems).
- Providing technical assistance to small public water systems on violations and deficiencies noted during sanitary surveys.
- Conducting regulatory compliance reviews of engineering plans and specifications for existing small public water system infrastructure improvements including projects funded under the Drinking Water SRF.
- Educating and assist small systems in applying for DWSRF loans for infrastructure improvement projects.
- Continue implementing electronic reporting by water systems.
- Managing State Drinking Water Information System.
- Web-page development and management.
- Develop and coordinate reports to the Environmental Protection Agency.
- Develop fact sheets, brochures, pamphlets, and electronic public informational services (e-mail, internet, and DPH's Health Alert Network).
- Coordinate with public water systems, businesses, trade associations, etc. to provide speakers to and/or initiate conferences and workshops.
- Prepare, review and submit formal enforcement actions on non-compliant water systems for processing.
- Preparing and submitting funding request to the State Bond Commission.
- Coordinate the drafting, reviewing, and processing of loan agreements.
- Staff has presented information on operator certification to various industry groups such as water system owners and operators, and well drillers.
- Coordinate activities with DPH Environmental Health's Section's Laboratory Certification Program in assisting PWS regarding water quality testing issues.

State Program Management Set-Aside – (up to 10%)

These funds are designated for the administration of the State Public Water Supply Supervision Program. The Program provides technical assistance through source water protection, capacity development, and operator certification programs. Activities include:

- Developing, tracking, and submitting grant applications, work plans and progress reports to the Environmental Protection Agency.

Set-Asides Management

<i>As of 6/30/2013</i>	Administration	State Management	Small Systems Technical Assistance	Local Assistance	Total
Set-Aside Maximum Percentage:	4%	10%	2%	15%	
1997 Award	\$ 856,328	\$ 2,140,820	\$ 428,164	\$ 3,211,230	\$ 6,636,542
Drawn thru 6/30/13	856,328	2,140,820	428,164	3,211,230	6,636,542
Balance	-	-	-	-	-
1998 Award	284,852	712,130	142,426	1,068,195	2,207,603
Drawn thru 6/30/13	284,852	712,130	142,426	1,068,195	2,207,603
Balance	-	-	-	-	-
1999 Award	298,552	746,380	149,276	1,119,570	2,313,778
Drawn thru 6/30/13	298,552	746,380	149,276	1,119,570	2,313,778
Balance	-	-	-	-	-
2000 Award	310,280	775,700	155,140	1,163,550	2,404,670
Drawn thru 6/30/13	310,280	775,700	155,140	1,163,550	2,404,670
Balance	-	-	-	-	-
2001 Award	311,564	778,910	155,782	1,168,365	2,414,621
Drawn thru 6/30/13	311,564	778,910	155,782	1,168,365	2,414,621
Balance	-	-	-	-	-
2002 Award	322,100	805,250	161,050	1,207,875	2,496,275
Drawn thru 6/30/13	322,100	805,250	161,050	1,207,875	2,496,275
Balance	-	-	-	-	-
2003 Award	320,164	800,410	160,082	1,200,615	2,481,271
Drawn thru 6/30/13	320,164	800,410	160,082	1,200,615	2,481,271
Balance	-	-	-	-	-
2004 Award	332,124	830,310	166,062	1,245,465	2,573,961
Drawn thru 6/30/12	332,124	830,310	166,062	1,245,465	2,573,961
Balance	-	-	-	-	-
2005 Award	331,420	828,550	165,710	1,242,825	2,568,505
Drawn thru 6/30/13	331,420	828,550	165,710	1,242,825	2,568,505
Balance	-	-	-	-	-
2006 Award	\$ 329,172	\$ 822,930	\$ 164,586	\$ 1,234,395	\$ 2,551,083
Drawn thru 6/30/13	329,172	822,930	164,586	1,234,395	2,551,083
Balance	-	-	-	-	-

<i>As of 6/30/2013</i>	Administration	State Management	Small Systems Technical Assistance	Local Assistance	Total
2007 Award	329,160	-	164,580	1,234,350	1,728,090
Drawn thru 6/30/13	329,160	-	164,580	1,234,350	1,728,090
Balance	-	-	-	-	-
2008 Award	-	-	-	1,221,900	1,221,900
Drawn thru 6/30/13	-	-	-	1,221,900	1,221,900
Balance	-	-	-	-	-
2009 Award	561,680	1,637,500	325,840	1,221,900	3,746,920
Drawn thru 6/30/13	561,680	1,637,500	302,369	796,360	3,297,909
Balance	-	-	23,471	425,540	449,011
2010 Award	452,920	1,507,300	271,460	2,035,950	4,267,630
Drawn thru 6/30/13	452,920	-	265,744	152,317	870,981
Balance	-	1,507,300	5,716	1,833,633	3,396,649
2011 Award	376,720	1,606,400	-	1,412,700	3,395,820
Drawn thru 6/30/13	96,927	486,721	-	-	583,648
Balance	279,793	1,119,679	-	1,412,700	2,812,172
2012 Award	359,000	897,500	179,500	1,346,250	2,782,250
Drawn thru 6/30/13	-	-	-	-	-
Balance	359,000	897,500	179,500	1,346,250	2,782,250
2009 ARRA Award	780,000	1,170,000	292,500	-	2,242,500
Drawn thru 6/30/13	780,000	1,169,859	260,769	-	2,240,628
Balance	-	141	1,731	-	1,872
TOTAL Awarded:	\$6,556,036	\$16,060,090	\$3,082,158	\$22,335,135	\$48,033,419
Drawn thru 6/30/12:	\$5,917,243	\$12,535,470	\$2,871,740	\$17,267,012	\$38,591,465
TOTAL Balance:	\$ 638,793	\$ 3,524,620	\$ 210,418	\$ 5,068,123	\$ 9,441,954

Appendix IV: Drinking Water SRF Closed Loans as of June 30, 2013

Closing Date	Entity	Project Number	SCD*	IFO/ PLO*	Amount	New PLO	New IFO Amount
07/19/2012	East Lyme	2012-7010	12/31/2012	IFO	\$ 361,660.21		\$ 361,660.21
10/26/2012	SCWA	2012-7009	6/30/2012	PLO	158,058.72	\$158,058.72	
10/31/2012	Norwich	2011-7006	12/31/2012	IFO	147,979.25		147,989.25
12/7/2012	Ledyard	2013-7011	12/31/2013	IFO	3,617,576.78		3,617,576.78
3/28/2013	MDC	2013-7012	7/31/2013	IFO	3,257,816.18		3,257,816.18
3/28/2013	Candlewood Trails Assoc.	2012-7007	3/31/2013	IFO	526,290.00		526,290.00
4/30/2013	Norwich	2011-7005	4/30/2013	IFO	184,996.50		184,996.50
5/30/2013	MDC	2013-7013	6/1/2014	IFO	2,126,239.00		2,126,239.00
6/28/2013	MDC	2013-7014	3/31/2015	IFO	4,691,464.00		4,691,464.00
6/28/2013	MDC	2013-7015	5/31/2015	IFO	5,635,823.50		5,635,823.50
6/28/2013	MDC	2013-7017	10/31/2014	IFO	2,013,468.10		2,013,468.10
6/28/2013	MDC	2013-7019	6/30/2014	IFO	1,629,943.17		1,629,943.17
6/28/2013	Meriden	2012-7008	6/30/2013	IFO	1,597,152.61		1,597,152.61
6/28/2013	1 st Taxing District of Norwalk	2013-7024	12/31/2014	IFO	7,000,000		7,000,000
6/28/2013	Norwich	2011-7006	6/30/2013	IFO	147,989.25		147,989.25
6/28/2013	East Lyme	2013-7022	6/30/2014	IFO	7,375,853.68		
6/30/2013	East Lyme	2012-7010	12/31/2012	PLO	360,515.90	360,515.90	360,515.90
TOTALS:					\$40,832,836.85	\$518,574.62	\$40,314,262.23

ARRA (PLO) Closed Loans – FY 2013						
Closing Date	Entity	Project Number	SCD*	New PLO Amount	Subsidy Amount	Total Project
7/26/2012	MDC	2010-8009-1	7/31/2012	\$193,644.19	\$251,614.64	\$445,258.83
1/31/2013	MDC	2010-8009-2	7/31/2012	\$193,644.19		\$193,644.19
				\$387,288.38	\$251,614.64	\$638,903.02

* SCD (Scheduled Completion Date); IFO (Interim Funding Obligations); PLO (Permanent Loan Obligations)

Appendix V: Cumulative and Pending Projects Commitments

Project Name	Total IFO/PLO (as of 6/30/13)	Undrawn Loan Commitments	Additional Loan Commitments (thru 6/30/14)	Total Commitments
Aquarion Water(BHC)	\$ 161,326			\$ 161,326
Blue Trails Waste Association			12,000	12,000
Bristol			838,497	838,497
Brookfield	716,972			716,972
Candlewood Trails Assoc.	410,777	115,513		526,290
Colchester	1,958,021			1,958,021
Cook Willow	362,158			362,158
Crystal Lake	182,310			182,310
East Lyme	726,699	7,375,854		8,102,553
First Taxing District of Norwalk		7,000,000		7,000,000
Harrybrooke Park Condo	97,118			97,118
Hillside Water Corp	85,202			85,202
Lake Waubeeka Assoc.- Danbury			369,600	369,600
Ledyard	4,181,448	1,501,860		5,683,308
MDC	7,732,098	18,005,062	36,228,507	61,965,667
Meriden	1,100,026	497,127	2,016,000	3,613,153
New Britain	17,737,424		4,579,200	22,316,624
New London			5,562,000	5,562,000
Newtown	397,407			397,407
Norwich	1,805,013	207,357	7,865,879	9,878,249
Point- o-Woods	719,989			719,989
Portland	2,592,200			2,592,200
Putnam Water Pollution Control	939,971		1,643,040	2,583,011
Ridgefield	460,545			460,545
Rollingwood Condo- Brookfield			231,332	231,332
Second Taxing District- City of Norwalk	19,627,024			19,627,024
Sharon	1,084,452			1,084,452
Southern CT Water Authority	153,656			153,656
Southington	3,992,974		6,805,000	10,797,974
Stonegate Springs			132,000	132,000
Tariffville Fire-Water Dept.			252,000	252,000
Twin Hills	77,572			77,572
Watertown Fire District	621,545			621,545
Woodlake Taxing District	531,820		369,859	901,679
Woodland Summit Comm. Water			29,600	29,600
2012- Generator Program	234,076	95,812	1,690,625	2,020,513
TOTAL:	\$ 68,689,823	\$34,798,585	\$68,625,139	\$172,113,547

Appendix VI: Financial Assistance by Bond Rating

Borrower	Total Commitment	AAA	A and AA	B to Baa	Not Rated
PUBLIC					
Bristol	\$ 838,497		\$ 838,497		
Brookfield	716,972		716,972		
Colchester	1,958,021		1,958,021		
East Lyme	8,102,553		8,102,553		
First Taxing District-City of Norwalk	7,000,000				\$ 7,000,000
Ledyard	5,683,308		5,683,308		
MDC	61,965,667		61,965,667		
Meriden	3,613,153		3,613,153		
New Britain	22,316,624		22,316,624		
New London	5,562,000		5,562,000		
Newtown	397,407		397,407		
Norwich	9,878,249		9,878,249		
Portland	2,592,200		2,592,200		
Putnam Water Pollution Control	2,583,011				2,583,011
Ridgefield	460,545	\$460,545			
Second Taxing District- City of Norwalk	19,627,024				19,627,024
Sharon	1,084,452		1,084,452		
Southington	10,797,974		10,797,974		
Watertown Fire District	621,545				621,545
Woodlake Taxing District	901,679				901,679
Subtotal:	\$ 166,700,881				
PRIVATE					
Aquarion Water(BHC)	\$ 161,326			\$161,326	
Blue Trails Water Assoc.	12,000				\$ 12,000
Candlewood Trails Assoc.	526,290				526,290
Cook Willow	362,158				362,158
Crystal Lake	182,310				182,310
Harrybrooke Park Condo	97,118				97,118
Hillside Water Corp	85,202				85,202
Lake Waubeeka Assoc.-Danbury	369,600				369,600
Point- o-Woods	719,989				719,989
Rollingwood Condo- Brookfield	231,332				231,332
Southern CT Water Authority	153,656		\$153,656		
Stonegate Springs	132,000				132,000
Tariffville Fire- Water Dept.	252,000				252,000
Twin Hills	77,572				77,572
Woodland Summit Comm. Water	29,600				29,600
2012- Generator program	2,020,513				2,020,513
Subtotal:	\$ 5,412,666				
FY 2013 Total (Public and Private):	\$172,113,547	\$465,545	\$135,660,733	\$161,326	\$35,830,943

Appendix VII: Project Priority List – FY2014 (Draft)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
1	55	2013-0135	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - West Hartford Water Treatment Facility - Rehabilitation of 6 and 9 MG Basins	268,000	\$4,620,000	\$184,800	2013 0640011m	up to 20 Years	Yes
2	55	2013-0134	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Reservoir #6 Water Treatment Facility Filtered Water Basin Rehab	100,000	\$3,050,000	\$122,000	2013 0640011L	up to 20 Years	Yes
3	55	2013-0127	CT1310011	SOUTHINGTON WATER DEPARTMENT	SOUTHINGTON	DWSRF - Well #2A Construction Project (Well #2 Back-up)	40,408	\$1,525,000		2013 1310011a	up to 20 Years	No
4	55	2012-0014	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	DWSRF - Stony Brook Buoyant Media	38,920	\$1,523,000	\$60,920	2012 1040011b	up to 20 Years	Yes
5	50	2012-0039	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - RF Automated Meter Reading - Phase IV	198,000	\$5,000,000	\$200,000	2012 0640011v	up to 20 Years	Yes
6	50	2013-0114	CT0340171	LAKE WAUBEEKA ASSOCIATION (5)	DANBURY	DWSRF - Water Treatment System Upgrades (2)	712	\$462,000	\$92,400	2013 0340171a	up to 20 Years	No
7	50	2013-0117	CT0180261	ROLLINGWOOD CONDOMINIUMS (5)	BROOKFIELD	DWSRF - Water System Interconnection(2)	646	\$289,165	\$57,833	2013 0180261a	up to 20 Years	No
8	45	2013-0122	CT0890011	NEW BRITAIN WATER DEPARTMENT	NEW BRITAIN	DWSRF - Elam Street Storage Tank Replacement and Associated Improvements	73,164	\$4,770,000	\$190,800	2013 0890011a	up to 20 Years	Yes
9	40	2013-0162	CT1160011	PUTNAM WATER POLLUTION CONTROL AUTHORITY (5)	PUTNAM	DWSRF - Manganese Treatment (2)	7,338	\$2,053,800	\$410,760	2013 1160011a	up to 20 Years	Yes
10	35	2013-0128	CT1310011	SOUTHINGTON WATER DEPARTMENT	SOUTHINGTON	DWSRF - East Side Water Storage Tank and Pump Station	3,000	\$5,280,000		2013 1310011b	up to 20 Years	No

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
11	35	2010-0132	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Bloomfield Bear Ridge Pump Station Replacement	160	\$1,100,000	\$44,000	2010 0640011t	up to 20 Years	Yes
12	25	2012-0032	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Trans. Main replacement - Hartford; Hamilton & Park Phase II	268,000	\$4,750,000	\$190,000	2012 0640011o	up to 20 Years	Yes
13	25	2013-0104	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	Emergency Power Generator Program - Cobblestone Drive Pump Station, Hamden	383,623	\$45,000	\$20,250	2013 0930011a	up to 20 Years	Yes
14	25	2013-0105	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	Emergency Power Generator Program - Linsley Lake Road Pump Station, North Branford	383,623	\$47,000	\$21,150	2013 0930011b	up to 20 Years	Yes
15	25	2013-0053	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator Program - Barkhamsted HQ	366,315	\$150,000	\$25,000	2013 0640011c	up to 20 Years	Yes
16	25	2013-0037	CT0800011	MERIDEN WATER DIVISION	MERIDEN	Emergency Power Generator Program	59,500	\$225,000	\$25,000	2013 0800011a	up to 20 Years	Yes
17	25	2013-0115	CT0170011	BRISTOL WATER DEPARTMENT	BRISTOL	DWSRF - Dewitt Drive Storage Tank Improvements	41,100	\$531,000		2013 0170011a	up to 20 Years	No
18	25	2012-0013	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	DWSRF - Royal Oaks Project	38,920	\$2,042,004	\$81,680	2012 1040011a	up to 20 Years	Yes
19	25	2012-0015	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	DWSRF - Mohegan Park Water Tank	38,920	\$2,254,920	\$90,197	2012 1040011c	up to 20 Years	Yes
20	25	2012-0016	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	DWSRF - Northern Stony Brook Transmission Main Renewal & Micro-Turbine	38,920	\$2,252,500	\$90,100	2012 1040011d	up to 20 Years	Yes
21	25	2012-0017	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	DWSRF - Southern Stony Brook Transmission Main renewal	38,920	\$1,644,200	\$65,768	2012 1040011e	up to 20 Years	Yes

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
22	25	2013-0099	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Power Generator Program - Reservoir Road 1, Lebanon	38,920	\$231,900	\$25,000	2013 1040011a	up to 20 Years	Yes
23	25	2013-0094	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Power Generator Program - West Town Street, Norwich	38,920	\$76,225	\$34,301	2013 1040011b	up to 20 Years	Yes
24	25	2013-0101	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Power Generator Program - Cherry Lane, Montville	38,920	\$172,425	\$25,000	2013 1040011d	up to 20 Years	Yes
25	25	2013-0102	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Power Generator Program - Reservoir Road 2, Lebanon	38,920	\$78,690	\$35,411	2013 1040011e	up to 20 Years	Yes
26	25	2013-0123	CT0800011	MERIDEN WATER DIVISION	MERIDEN	DWSRF - Water Main Cement Lining - Phase I	10,000	\$1,000,000	\$40,000	2013 0800011a	up to 20 Years	Yes
27	25	2013-0124	CT0800011	MERIDEN WATER DIVISION	MERIDEN	DWSRF - Swain Avenue Water Main Replacement Project	10,000	\$1,100,000	\$44,000	2013 0800011b	up to 20 Years	Yes
28	25	2013-0051	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator Program - Nepaug Dam, Collinsville	6,324	\$180,000	\$25,000	2013 0640011a	up to 20 Years	Yes
29	25	2012-0026	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Franklin #4	3,559	\$8,245,000	\$329,800	2012 0640011i	up to 20 Years	Yes
30	25	2012-0030	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Franklin #1	2,200	\$3,904,000	\$156,160	2012 0640011m	up to 20 Years	Yes
31	25	2012-0029	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement Park #1 & 3 (3)	2,040	\$2,360,871	\$94,435	2012 0640011L	up to 20 Years	Yes
32	15	2013-0093	CT1620011	WINSTED WATER WORKS (5)	WINCHESTER	Emergency Power Generator Program	8,500	\$49,000	\$12,250	2013 1620011a	up to 20 Years	No
33	15	2013-0125	CT1280011	TARIFFVILLE FIRE DISTRICT WATER DEPARTMENT (5)	SIMSBURY	DWSRF - Water Storage Tank Rehabilitation and Accessory Upgrade(2)	1,324	\$315,000	\$63,000	2013 1280011a	up to 20 Years	No
34	15	2013-0072	CT1501111	RUMSEY HALL SCHOOL (5)	WASHINGTON	Emergency Power Generator Program	398	\$1,800	\$810	2013 1501111a	up to 20 Years	No
35	15	2013-0088	CT1040091	SUNNY WATERS MHP (5)	NORWICH	Emergency Power Generator Program	306	\$7,000	\$3,150	2013 1040091a	up to 20 Years	Yes

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
36	15	2013-0042	CT0340111	AQUA VISTA WATER SYSTEM - UPPER (5)	DANBURY	Emergency Power Generator Program	260	\$10,000	\$4,500	2013 0340111a	up to 20 Years	No
37	15	2013-0044	CT0380041	STONEGATE SPRINGS (5)	DURHAM	Emergency Power Generator Program	250	\$125,000	\$45,000	2013 0380041a	up to 20 Years	No
38	15	2013-0046	CT1680021	TOWN IN COUNTRY CONDOMINIUM - UPPER (5)	WOODBURY	Emergency Power Generator Program	240	\$20,000	\$9,000	2013 1680021a	up to 20 Years	No
39	15	2013-0119	CT1420041	WOODLAND SUMMIT COMMUNITY WATER ASSOCIATION (5)	TOLLAND	DWSRF - New Filtration System (2)	216	\$25,000	\$5,000	2013 1420041a	up to 20 Years	No
40	15	2013-0068	CT0780041	WHITE OAK CONDOMINIUM (5)	MANSFIELD	Emergency Power Generator Program	192	\$10,000	\$4,500	2013 0780041a	up to 20 Years	No
41	15	2013-0038	CT0400051	OLD NEWGATE RIDGE WATER COMPANY (5)	EAST GRANBY	Emergency Power Generator Program	180	\$45,000	\$20,250	2013 0400051a	up to 20 Years	No
42	15	2013-0059	CT1420021	BAXTER FARMS (5)	TOLLAND	Emergency Power Generator Program	175	\$30,000	\$13,500	2013 1420021a	up to 20 Years	No
43	15	2013-0043	CT0347051	AQUA VISTA WATER SYSTEM - LOWER (5)	DANBURY	Emergency Power Generator Program	128	\$12,000	\$5,400	2013 0347051a	up to 20 Years	No
44	15	2013-0086	CT0180161	WHISCONIER VILLAGE (5)	BROOKFIELD	Emergency Power Generator Program	123	\$50,000	\$22,500	2013 0180161a	up to 20 Years	No
45	15	2013-0045	CT1686091	TOWN IN COUNTRY CONDO - LOWER (5)	WOODBURY	Emergency Power Generator Program	120	\$20,000	\$9,000	2013 1686091a	up to 20 Years	No
46	15	2013-0091	CT0671021	WELLSWOOD ESTATES (5)	HEBRON	Emergency Power Generator Program	112	\$20,000	\$9,000	2013 0671021a	up to 20 Years	No
47	15	2013-0098	CT0270111	EVERGREEN TRAILER PARK SYSTEM #4 (5)	CLINTON	Emergency Power Generator Program	110	\$30,000	\$13,500	2013 0270111a	up to 20 Years	No
48	15	2013-0087	CT0720101	ASH WATER COMPANY (5)	LEDYARD	Emergency Power Generator Program	108	\$7,000	\$3,150	2013 0720101a	up to 20 Years	No
49	15	2013-0089	CT1680041	QUASSUK HEIGHTS GARDENS (5)	WOODBURY	Emergency Power Generator Program	108	\$25,000	\$11,250	2013 1680041a	up to 20 Years	No
50	15	2013-0083	CT0790021	HILLSIDE WATER CORPORATION (5)	MARLBOROUGH	Emergency Power Generator Program	106	\$12,000	\$3,000	2013 0790021a	up to 20 Years	No
51	15	2013-0067	CT0030051	WOODLAWN APARTMENTS (5)	ASHFORD	Emergency Power Generator Program	102	\$12,000	\$5,400	2013 0030051a	up to 20 Years	No
52	15	2013-0048	CT0878011	BREEZY KNOLL ASSOCIATION (5)	MORRIS	Emergency Power Generator Program	100	\$15,000	\$6,750	2013 0878011a	up to 20 Years	No

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
53	15	2013-0118	CT0380041	STONEGATE SPRINGS (5)	DURHAM	DWSRF - Water System Improvements	95	\$165,000	\$33,000	2013 0380041a	up to 20 Years	No
54	15	2013-0065	CT0860051	DEER RUN WATER SUPPLY (5)	MONTVILLE	Emergency Power Generator Program	84	\$8,000	\$3,600	2013 0860051a	up to 20 Years	No
55	15	2013-0040	CT0990031	NORTHFORD GLEN CONDOMINIUM (5)	NORTH BRANFORD	Emergency Power Generator Program	84	\$22,000	\$9,900	2013 0990031a	up to 20 Years	No
56	15	2013-0182	CT320171	COVENTRY HOUSING AUTHORITY - LOWER SYSTEM (5)	COVENTRY	Emergency Power Generator Program	80	\$23,000	\$10,350	2013-320171a	up to 20 Years	No
57	15	2013-0049	CT0815051	MIDDLEBURY COMMONS (5)	MIDDLEBURY	Emergency Power Generator Program	76	\$15,000	\$6,750	2013 0815051a	up to 20 Years	No
58	15	2013-0066	CT0780131	WOODSEGE APARTMENTS (5)	MANSFIELD	Emergency Power Generator Program	70	\$12,000	\$5,400	2013 0780131a	up to 20 Years	No
59	15	2013-0097	CT0270101	EVERGREEN TRAILER PARK SYSTEM #3 (5)	CLINTON	Emergency Power Generator Program	68	\$25,000	\$11,250	2013 0270101a	up to 20 Years	No
60	15	2013-0058	CT0970512	CEDARHURST ASSOCIATION	NEWTOWN	Emergency Power Generator Program	68	\$15,000	\$6,750	2013 0970512a	up to 20 Years	No
61	15	2013-0090	CT0110031	SHARON HEIGHTS WATER ASSOCIATION (5)	BLOOMFIELD	Emergency Power Generator Program	51	\$14,000	\$6,300	2013 0110031a	up to 20 Years	No
62	15	2013-0095	CT0270041	EVERGREEN TRAILER PARK SYSTEM #1 (5)	CLINTON	Emergency Power Generator Program	45	\$25,000	\$11,250	2013 0270041a	up to 20 Years	No
63	15	2013-0061	CT0030061	MAR-LEA PARK APARTMENTS (5)	ASHFORD	Emergency Power Generator Program	42	\$12,000	\$5,400	2013 0030061a	up to 20 Years	No
64	15	2013-0047	CT0861111	FOX LAUREL MOBILE HOME PARK LLC (5)	MONTVILLE	Emergency Power Generator Program	40	\$22,000	\$9,900	2013 0861111a	up to 20 Years	No
65	15	2013-0062	CT0670041	HEBRON ARMS APARTMENTS (5)	HEBRON	Emergency Power Generator Program	39	\$12,000	\$3,000	2013 0670041a	up to 20 Years	No
66	15	2013-0092	CT0731021	ROUND HILL APARTMENTS (5)	LISBON	Emergency Power Generator Program	36	\$12,000	\$5,400	2013 0731021a	up to 20 Years	No
67	15	2013-0096	CT0270091	EVERGREEN TRAILER PARK SYSTEM #2 (5)	CLINTON	Emergency Power Generator Program	35	\$25,000	\$11,250	2013 0270091a	up to 20 Years	No
68	15	2013-0039	CT1099141	ARNIO DRIVE LLC (5)	PLAINFIELD	Emergency Power Generator Program	33	\$5,000	\$2,250	2013 1099141a	up to 20 Years	No
69	15	2013-0085	CT1210011	SALEM MANOR SYSTEM #1 (5)	SALEM	Emergency Power Generator Program	32	\$60,000	\$27,000	2013 1210011a	up to 20 Years	No

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
70	15	2013-0060	CT0480081	MEADOW BROOK APARTMENTS (5)	ELLINGTON	Emergency Power Generator Program	30	\$12,000	\$5,400	2013 0480081a	up to 20 Years	No
71	15	2013-0050	CT1120264	WINDHAM 4H CAMP (5)	POMFRET	Emergency Power Generator Program	25	\$24,500	\$11,025	2013 1120264a	up to 20 Years	No
72	15	2013-0084	CT1211911	SALEM MANOR SYSTEM #2 (5)	SALEM	Emergency Power Generator Program	25	\$60,000	\$27,000	2013 1211911a	up to 20 Years	No
73	10	2013-0121	CT0990011	BLUE TRAILS WATER ASSOCIATION (5)	NORTH BRANFORD	DWSRF - System Flushant Valve Replacements (2)	228	\$15,000	\$3,000	2013 0990011a	up to 20 Years	No
74	10	2013-0120	CT1420041	WOODLAND SUMMIT COMMUNITY WATER ASSOCIATION (5)	TOLLAND	DWSRF - Pressure Tank Replacement (2)	216	\$12,000	\$2,400	2013 1420041b	up to 20 Years	No

THERE ARE INSUFFICIENT FUNDS AVAILABLE TO PROVIDE FINANCING TO THE PROJECTS LISTED BELOW.

THESE PROJECTS MAY RECEIVE FUNDING IF ADDITIONAL FUNDS BECOME AVAILABLE OR OTHER PROJECTS LISTED ABOVE DO NOT PROCEED IN A TIMELY MANNER

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
31	25	2012-0029	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Park #1 & 3 (3)	2,040	\$3,742,529		2012 0640011L	up to 20 Years	Yes
75	25	2012-0036	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - East Hartford	1,836	\$450,000		2012 0640011s	up to 20 Years	Yes
76	25	2012-0027	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Upper Albany #2	1,600	\$2,091,000		2012 0640011j	up to 20 Years	Yes
77	25	2012-0028	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Farmington #4	1,560	\$1,550,000		2012 0640011k	up to 20 Years	Yes
78	25	2013-0129	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Hartford	605	\$12,000,000		2013 0640011g	up to 20 Years	Yes
79	25	2013-0100	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Generator Frances Street, Montville	530	\$88,890		2013 1040011c	up to 20 Years	Yes

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
80	25	2013-0139	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Pond Lily Avenue Water Main Replacement	100	\$170,000		2013 0930011f	up to 20 Years	Yes
81	25	2013-0138	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Allen Place Water Main Replacement	40	\$152,000		2013 0930011e	up to 20 Years	Yes
82	25	2012-0035	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - various Hartford	(4)	\$5,000,000		2012 0640011r	up to 20 Years	Yes
83	20	2013-0137	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Millrock Basin Overflow Modifications	122,824	\$310,000		2013 0930011d	up to 20 Years	Yes
84	20	2010-0108	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Simsbury Rd Pump Station Upgrade, Bloomfield	950	\$1,035,000		2010 0640011n	up to 20 Years	Yes
85	20	2010-0109	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Uplands Way Pump Station Upgrade, Glastonbury	588	\$1,035,000		2010 0640011m	up to 20 Years	Yes
86	15	2013-0110	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Lookout Mountain Storage Tank Painting	53,000	\$75,000		2013 0770021k	up to 20 Years	No
87	15	2013-0111	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Pipe Rehabilitation and Replacement	53,000	\$600,000		2013 0770021l	up to 20 Years	No
88	15	2013-0074	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Replace Clarifier Siphons at the Globe Hollow Water Treatment Plant	18,000	\$80,000		2013 0770021h	up to 20 Years	No
89	15	2013-0078	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF New State Road Wellfield Chlorine Conversion	18,000	\$150,000		2013 0770021f	up to 20 Years	No
90	15	2013-0063	CT0490021	HAZARDVILLE WATER COMPANY	ENFIELD	Emergency Generator Town Farm Road Well	17,716	\$80,000		2013 0490021a	up to 20 Years	No

Appendix VII: Project Priority List- FY 2014 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
91	15	2013-0064	CT0490021	HAZARDVILLE WATER COMPANY	ENFIELD	Emergency Power Generator Queens Street, Avery Wells	17,716	\$145,000		2013 0490021b	up to 20 Years	No
92	15	2013-0073	CT0330011	CROMWELL FIRE DISTRICT	CROMWELL	Emergency Power Generator	12,825	\$250,000		2013 0330011a	up to 20 Years	No
93	15	2013-0069	CT0720041	SCWA TOWER - FERRY VIEW DIVISION	LEDYARD	Emergency Power Generator	2,412	\$33,000		2013 0720041a	up to 20 Years	No
94	15	2013-0070	CT0860011	SCWA - MONTVILLE DIVISION	MONTVILLE	Emergency Power Generator	2,174	\$33,000		2013 0860011a	up to 20 Years	No
95	15	2013-0082	CT0320091	CONNECTICUT WATER COMPANY - COVENTRY HILLS	COVENTRY	Emergency Power Generator Program	654	\$32,500		2013 0320091a	up to 20 Years	No
96	15	2013-0133	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Wethersfield	500	\$5,000,000		2013 0640011k	up to 20 Years	Yes
97	15	2013-0071	CT0860081	SCWA - CHESTERFIELD DIVISION	MONTVILLE	Emergency Power Generator	355	\$33,000		2013 0860081a	up to 20 Years	No
98	10	2013-0079	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Oxford Street Valve Pit Rehabilitation	18,000	\$24,000		2013 0770021g	up to 20 Years	No
99	5	2013-0081	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF SCADA System/Software Upgrade	53,000	\$102,000		2013 0770021i	up to 20 Years	No
100	5	2013-0109	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Globe Hollow WTP Particle Replacement Counters	53,000	\$25,000		2013 0770021j	up to 20 Years	No
101	5	2013-0026	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Effluent Pump #3 Replacement at the Globe Hollow WTP	18,000	\$40,000		2013 0770021b	up to 20 Years	No
102	5	2013-0027	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Globe Hollow WTP Fuel Tank Replacement	18,000	\$175,000		2013 0770021c	up to 20 Years	No
103	5	2013-0113	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Well 7 & 8 Power and Signal Wire Replacement	18,000	\$70,000		2013 0770021n	up to 20 Years	No

Appendix VIII: Project Priority List – FY2015 (Draft)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
1	70	2013-0140	CT0590011	GROTON UTILITIES	GROTON	DWSRF - Water Treatment Plant Upgrade	40,115	\$34,000,000		2013 0590011a	up to 20 Years	No
2	50	2013-0126	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Automated Meter Reading Phases III & IVa	124,000	\$8,400,000	\$336,000	2013 0930011a	up to 20 Years	Yes
3	40	2012-0012	CT0450011	EAST LYME WATER DEPARTMENT	EAST LYME	DWSRF - Meter Replacement Program	13,000	\$2,607,354		2012 0450011a	up to 20 Years	No
4	5	2013-0116	CT1050732	CONNECTICUT WATER COMPANY - SHORELINE REGION - SOUND VIEW (2), (5)	OLD LYME	DWSRF - Old Lyme Beach Shores Association Water Main Replacement	1,600	\$762,000	\$152,400	2013 1050732a	up to 20 Years	No
5	25	2013-0129	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Hartford	2,422	\$12,000,000	\$480,000	2013 0640011g	up to 20 Years	Yes
6	25	2012-0029	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Park #1 & 3	2,040	\$3,757,529	\$150,301	2012 0640011L	up to 20 Years	Yes
7	25	2012-0036	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - East Hartford	1,836	\$450,000	\$18,000	2012 0640011s	up to 20 Years	Yes
8	25	2012-0027	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Upper Albany #2	1,600	\$2,091,000	\$83,640	2012 0640011j	up to 20 Years	Yes
9	25	2012-0028	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Farmington #4	1,560	\$1,550,000	\$62,000	2012 0640011k	up to 20 Years	Yes
10	25	2013-0100	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Emergency Power Generator Program - Frances Street, Montville	530	\$88,890	\$40,001	2013 1040011c	up to 20 Years	Yes

Appendix VIII: Project Priority List- FY 2015 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
11	25	2013-0139	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Pond Lily Avenue Water Main Replacement	100	\$170,000	\$6,800	2013 0930011f	up to 20 Years	Yes
12	25	2013-0138	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Allen Place Water Main Replacement	40	\$152,000	\$6,080	2013 0930011e	up to 20 Years	Yes
13	25	2012-0035	CT0640011	METROPOLITAN DISTRICT COMMISSION (4)	HARTFORD	DWSRF - Water Main Replacement - various Hartford	(3)	\$4,491,227	\$179,649	2012 0640011r	up to 20 Years	Yes

THERE ARE INSUFFICIENT FUNDS AVAILABLE TO PROVIDE FINANCING TO THE PROJECTS LISTED BELOW.

THESE PROJECTS MAY RECEIVE FUNDING IF ADDITIONAL FUNDS BECOME AVAILABLE OR OTHER PROJECTS LISTED ABOVE DO NOT PROCEED IN A TIMELY MANNER.

13	25	2012-0035	CT0640011	METROPOLITAN DISTRICT COMMISSION (4)	HARTFORD	DWSRF - Water Main Replacement	(3)	\$508,773		2013 0930011d	up to 20 Years	Yes
14	20	2013-0137	CT0930011	REGIONAL WATER AUTHORITY	NEW HAVEN	DWSRF - Millrock Basin Overflow Modifications	122,824	\$310,000		2013 0930011d	up to 20 Years	Yes
15	20	2010-0108	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Simsbury Road Pump Station Upgrade, Bloomfield	950	\$1,035,000		2010 0640011n	up to 20 Years	Yes
16	20	2010-0109	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Uplands Way Pump Station Upgrade, Glastonbury	588	\$1,035,000		2010 0640011m	up to 20 Years	Yes
17	15	2012-0038	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Raw Water Pipeline-Phase I - Reservoir No. 6 to Reservoir No. 5	268,000	\$5,000,000		2012 0640011u	up to 20 Years	Yes
18	15	2013-0110	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Lookout Mountain Storage Tank Painting	53,000	\$75,000		2013 0770021k	up to 20 Years	No

Appendix VIII: Project Priority List- FY 2015 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
19	15	2013-0111	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Pipe Rehabilitation and Replacement	53,000	\$600,000		2013 0770021i	up to 20 Years	No
20	15	2013-0074	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Replace Clarifier Siphons at the Globe Hollow WTP	18,000	\$80,000		2013 0770021h	up to 20 Years	No
21	15	2013-0078	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF New State Road Wellfield Chlorine Conversion	18,000	\$150,000		2013 0770021f	up to 20 Years	Yes
22	15	2013-0073	CT0330011	CROMWELL FIRE DISTRICT	CROMWELL	Emergency Power Generator	12,825	\$250,000		2013 0330011a	up to 20 Years	No
23	15	2013-0063	CT0490021	HAZARDVILLE WATER COMPANY	ENFIELD	Emergency Power Generator Town Farm Road Well	17,716	\$80,000		2013 0490021a	up to 20 Years	No
24	15	2013-0064	CT0490021	HAZARDVILLE WATER COMPANY	ENFIELD	Emergency Generator Queens Street, Avery Wells	17,716	\$145,000		2013 0490021b	up to 20 Years	No
25	15	2013-0069	CT0720041	SCWA TOWER - FERRY VIEW DIVISION	LEDYARD	Emergency Power Generator	2,412	\$33,000		2013 0720041a	up to 20 Years	No
26	15	2013-0070	CT0860011	SCWA - MONTVILLE DIVISION	MONTVILLE	Emergency Power Generator	2,174	\$33,000		2013 0860011a	up to 20 Years	No
27	15	2013-0130	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - West Hartford	1,817	\$5,500,000		2013 0640011h	up to 20 Years	Yes
28	15	2013-0131	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Bloomfield	660	\$4,000,000		2013 0640011i	up to 20 Years	Yes
29	15	2013-0082	CT0320091	CONNECTICUT WATER COMPANY - COVENTRY HILLS	COVENTRY	Emergency Power Generator	654	\$32,500		2013 0320091a	up to 20 Years	No
30	15	2013-0133	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Wethersfield	500	\$5,000,000		2013 0640011k	up to 20 Years	Yes

Appendix VIII: Project Priority List- FY 2015 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
31	15	2013-0071	CT0860081	SCWA - CHESTERFIELD DIVISION	MONTVILLE	Emergency Power Generator	355	\$33,000		2013 0860081a	up to 20 Years	No
32	15	2013-0132	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Rocky Hill	(3)	\$6,000,000		2013 0640011j	up to 20 Years	No
33	10	2013-0076	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Globe Hollow Water Treatment Plant Security Improvements	18,000	\$130,000		2013 0770021d	up to 20 Years	No
34	10	2013-0079	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Oxford Street Valve Pit Rehabilitation	18,000	\$24,000		2013 0770021g	up to 20 Years	No
35	5	2013-0081	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF SCADA System/Software Upgrade	53,000	\$102,000		2013 0770021i	up to 20 Years	No
36	5	2013-0109	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Globe Hollow WTP Particle Replacement Counters	53,000	\$25,000		2013 0770021j	up to 20 Years	No
37	5	2013-0026	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Effluent Pump #3 Replacement at the Globe Hollow WTP	18,000	\$40,000		2013 0770021b	up to 20 Years	No
38	5	2013-0027	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Globe Hollow Water Treatment Plant Fuel Tank Replacement	18,000	\$175,000		2013 0770021c	up to 20 Years	No
39	5	2013-0113	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Wells 7 & 8 Power and Signal Wire Replacement	18,000	\$70,000		2013 0770021n	up to 20 Years	No
	Ineligible	2013-0077	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF Middle Zone Interconnection (with CT Water Company)	53,000			2013 0770021e		
	Ineligible	2013-0112	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	DWSRF - Well 2A Remediation Project	53,000			2013 0770021m		

Appendix VIII: Project Priority List- FY 2015 Draft (cont.)

Rank	Points	Project #	PWSID	PWS Name	Town of PWS	Project Name	Population Served by Project	Amount Requested	Estimated Subsidization Amount (1)	DWSRF #	Loan Repayment Period	Received Affordability Points
	Ineligible	2013-0052	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator - West Branch HQ, Colebrook	N/A			2013 0640011b		
	Ineligible	2013-0054	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator Goodwin Gatehouse	N/A			2013 0640011d		
	Ineligible	2013-0055	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator Goodwin Hydro Powerhouse	N/A			2013 0640011e		
	Ineligible	2013-0056	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Emergency Power Generator Colebrook Dam	N/A			2013 0640011f		
	Ineligible	2013-0057	CT0429123	CHATHAM CORNER BUILDING	EAST HAMPTON	Emergency Power Generator	93			2013 0429123a		

Footnotes:

- 1) Projects eligible to receive subsidization and subsidization levels are more fully described in Section III (C) of the Intended Use Plan. Amounts are estimated based on the anticipation that the Federal Fiscal Year 2014 capitalization grant will contain the same subsidization provisions as the FFY2013 capitalization grant and the amount of the FFY2014 grant will be \$8,093,000, as currently proposed in the President's FFY2014 budget. Actual subsidization amounts may be different. These PWSs serve a population less than 10,000 and are considered "small" for the purposes of DWSRF
- 2) The amounts listed for these Small Systems are estimated at the maximum available subsidy. In order to qualify, systems must meet the conditions set forth in Section III (C)(4) of the Intended Use Plan.
- 3) Population information not provided.
- 4) Project #13 will only receive \$4,491,227 in SFY2015 due to limited available funding. The remaining \$508,773 is included below the 2015 funding line. If additional funds become available, the remainder of the project costs may be funded.
- 5) This PWS serves a population less than 10,000 and is considered "small" for the purposes of DWSRF. Please refer to Section VI.A. of the Intended Use Plan for more information.
- 6) Projects appearing on the SFY2015 list that also appear on the SFY2014 list may only receive funding during one SFY; sufficient funding is not expected to be available during SFY2014, but may be available during SFY2015.

Appendix IX: Program Management

Department of Public Health (DPH)

The DPH is a State of Connecticut regulator focused on protecting public health by regulating access to the health care professions as well as community-based and environmental providers, and provides regulatory oversight of health care facilities and other services including drinking water systems. The DPH is the primary agency responsible for the administration of state and federal drinking water regulations. This mandate focuses on the use and the protection of the State's drinking water resources and assuring the quality and adequacy of Connecticut's public drinking water sources. The DPH Drinking Water Section within the DPH is responsible for enforcement of and compliance with State and federal laws, rules and regulations pertaining to drinking water and its use in the State. CGS Section 25-32 grants DPH jurisdiction over all matters concerning the purity and adequacy of drinking water and provides regulatory oversight of public water systems throughout the State. In the course of a day, virtually every Connecticut resident as well as many others who visit the State come into contact with drinking water provided by a public water system. DPH monitors approximately 4,000 public water systems in Connecticut. Of those, approximately 2,600 public water systems are eligible for Drinking Water SRF funding. Public water systems monitoring activities include:

- Emphasizing the importance of reaching these potential applicants through the implementation of its public outreach initiatives simultaneously with the development of the Drinking Water SRF program.
- Reach and maintain low levels of ULOs associated with capitalization grant awards (projects and set-asides).

- Determining future needs and setting priorities with the preparation of an annual project priority list.
- Providing project information to the DEEP for development of the biennial capital budget.
- Distributing applications and project information to the State Treasurer's Office and when applicable, the DEEP's PURA, for review and approval. Once approved, the loans with the Drinking Water SRF borrowers are signed by the DPH. As mentioned in the 2011 DWSRF Annual Report, the DEEP is no longer required to approve DWSRF loans after October 1, 2010.
- Establishing a compliance schedule for each step of the project, including planning, design and construction.
- Quarterly and Annual reporting on the details of these and other program activities to the EPA.
- Conducting the annual Public Hearing and Open Forum on the Project Priority List.

Department of Energy and Environmental Protection (DEEP)

The Connecticut Drinking Water SRF, as one of the major programs of the Connecticut Clean Water Fund, was created and initially managed through the coordination of the DPH, the Department of Environmental Protection, the Department of Public Utility Control (DPUC) and the State Treasurer's Office. The State Clean Water Act gave the agencies certain statutory responsibilities for the Drinking Water SRF, and the agencies worked together through an Interagency Committee. As the program has evolved, the DPUC has been absorbed into the DEEP and the DEEP coordinates the capital budget requests for entire Clean Water Fund, including the DWSRF.

Appendix X: Program Management by the State Treasurer's Office

The State Treasurer, elected for a term of four years as prescribed by the State Constitution, is responsible for the safe custody of the property and money of the State and makes disbursements on warrants drawn and presented by the State Comptroller. The State Treasurer receives all money belonging to the State, makes disbursements as directed by Statute, and manages, borrows, and invests all funds for the State. The State Bond Commission delegates to the State Treasurer the authority and responsibility for determining the State's financing plans including the terms and conditions of issuing State general obligation and revenue bonds. The State Treasurer also invests all funds in the State's General Fund as well as the assets of the State pension, trusts, and other funds.

The State Treasurer's Office has responsibilities for the Drinking Water SRF's financing program and various financial components of the Drinking Water SRF. The State Treasurer and the Commissioner of the Department of Environmental Protection entered into a Memorandum of Agreement in 1989 which was later modified by a Memorandum of Understanding in 2009, and also signed by the Department of Public Health Commissioner. These Agreements delegate to the State Treasurer various financial components of the CWF and the Drinking Water Fund and certain responsibilities with respect to the implementation and management of the CWF and the Drinking Water Fund. A financial administrator who works for the State Treasurer, manages, and coordinates the various financial components of the CWF and the Drinking Water Fund Programs on a day-to-day basis. The activities of the financial administrator are coordinated with those of the DPH, the DEEP, and OPM.

The financial administrator is also responsible for:

- The review of supporting data for financing of DWF & CWF projects and credit-related documents submitted by the borrowers
- Preparation and review of loan and grant agreements and related documents
- Investment of bond proceeds and other funds to maximize the yield and meet programmatic requirements
- Management of the bond financing for the DWF & CWF programs including documentation of the projects to meet Internal Revenue Service requirements
- Coordination of the independent audit of the State's federal account and the audit of all program accounts by the State Auditors of Public Accounts and the preparation of the annual report
- Ongoing procedures including: surveillance of the borrowers' financial condition; compliance with secondary market disclosure regulations; loan administration, including preparation of loan schedule information and coordination with the trustee on billing and collection of loan payments
- Participation in the development of financing plans to fund new initiatives, which might expand the use of revolving funds and leverage financing concepts within the State
- Participation as a member of the Drinking Water SRF Interagency Committee.

The DPH and the State Treasurer have joint responsibility for the program's data management systems. An extensive project tracking system is maintained by the DPH and the DEEP. A dual entry general ledger accounting system was developed by the State Treasurer's Office.

The program management goals and objectives of the State Treasurer’s Office relating to the Drinking Water SRF are to:

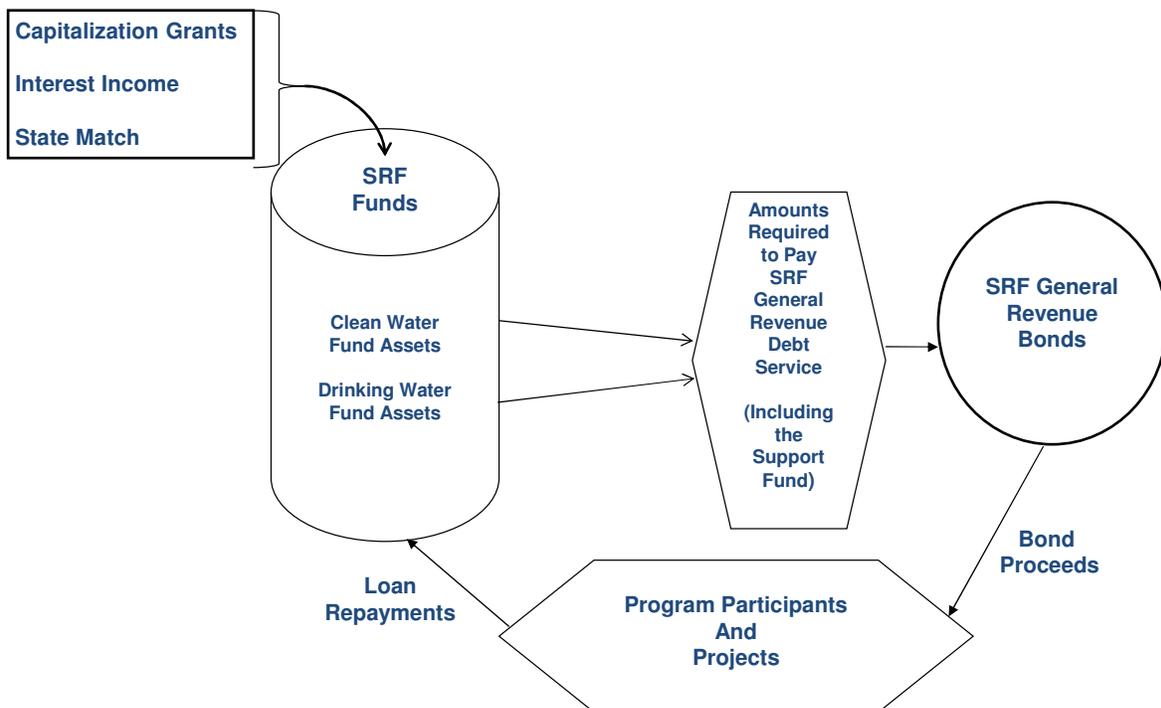
- Maintain accurate project funding and accounting systems for the Drinking Water SRF;
- Develop the Fund’s capacity to provide low-cost financing for eligible projects, as simply and effectively as possible;
- Fund loan amounts to the maximum extent possible;
- Provide effective financial management to ensure integrity of the Drinking Water SRF; and
- Maintain both the federal tax-exempt status and the high credit ratings of the program’s publicly issued debt.

Financing Program Administration

Both the DPH and the State Treasurer’s Office are involved in the evaluation of each loan application and after review by both offices, all loan and subsidy agreements are approved by the Commissioners of the DPH. The State Treasurer’s Office has the responsibility to structure loans based on consideration of the borrower’s financial condition and financial management capabilities, protection of the high credit quality of the state fund, as well as the laws and regulations of the State. Although there is some flexibility with regard to the timing of approvals, in all cases funding is subject to a project being listed on the Project Priority List and State Bond Commission approval.

Flow of Funds

A schematic of the flow of funds for the Drinking Water SRF, which is part of the Connecticut Clean Water Fund Financing Program, follows:



Program Bond Resolutions

There are three resolutions under which bonds are outstanding as summarized below. As more fully described in the financial statements, the bonds are special obligations of the State

payable solely from all moneys available for debt service payments under the resolutions. The flow of funds, security provisions and the accounts held by trustee under each resolution are discussed in the financial statements.

Summary of Bond Resolutions				
Resolutions	Security	Fund Account	Restricted/Unrestricted	Debt Outstanding as of 6/30/2013 (Millions)
General Revenue Resolution	Available Money Assets of the Fund	Loan	Restricted	\$743 million CW \$41 million DW \$784 million
<i>adopted Dec 17, 2002</i>		Fund		
		Debt Service Fund (DSF)	Restricted	
		Support Fund	Restricted	
		Revolving Fund	Unrestricted	
Bond Resolution	Revenue, Loans DSF	Loan	Restricted	\$0
<i>adopted Dec 7, 1990</i>	and DSRF	Fund		
		Debt Service Fund	Restricted	
		Debt Service Reserve Fund (DSRF)	Restricted	
		Sr. Sinking Fund	Restricted	
Subordinate Bond Resolution	Second Lien on Revenue and Loans	Debt Service	Restricted	\$0
<i>adopted Feb 7, 1996</i>		Fund		

Bond Debt Service

Repayment of the revenue bonds comes from loan repayments, interest earnings on assets, and the State's earlier interest subsidy contributions. While all loan repayments are available for the payment of the bonds, a portion of loan repayments is retained in the debt service fund as a cash flow cushion in conformance with rating agency default coverage guidelines. The debt service schedule for all bonds outstanding is provided in the financial statements.

Cross-Collateralization

Both the DWF and the CWF make loans from the proceeds of revenue bonds. Loan repayments from both State Revolving Fund Programs are available to pay all bonds whether the loans were made under the Drinking Water or the Clean Water programs. This cross-collateralization of the State Revolving Fund Programs has been structured in accordance with the EPA regulations, interpretations and guidance and the Bond Resolution, as amended and supplemented.

Investments and Reserve Account Information

As further described in the financial statements, the State currently invests Drinking Water Fund assets in the State's Short-Term Investment Fund and in guaranteed investment agreements with financial institutions. The 2002 bond resolution requires that the investment agreements be with, or be guaranteed by, institutions with ratings in the two top rating categories given by Standard & Poor's and Moody's Investors Service or any rating service recognized by the State Banking Commissioner, or agencies or instrumentalities whose market value is at least 100% of the funds invested. Upon the issuance of the 2003 bonds and the restructuring of the program's debt, certain long-term investments pursuant to investment agreements with AA providers that are collateralized with securities issued or guaranteed by the U.S. Government, may be unrestricted assets. The restricted accounts for the Drinking Water SRF are related to each bond issue and are described in the financial statements.

CONNECTICUT CLEAN WATER FUND RESTRICTED ACCOUNTS*

Bond Series	Revenue Bond Amount	Federal Grants Pledged	State Required Match (GO Bonds and Project Funding)	Direct Loan Repayments	Reserve Fund 'Free-Up'	GO Interest Subsidy	Support Fund Assets
Clean Water Fund							
1991	\$100,000,000	\$37,126,619	\$12,873,381	\$0	\$0	\$25,374,384	\$0
1992	105,000,000	25,155,089	26,144,911	1,200,000	0	\$7,078,288	0
1993	50,000,000	23,600,217	0	1,399,783	0	\$6,784,356	0
1994	75,000,000	32,222,500	0	2,900,000	2,377,500	\$4,875,088	0
1996	80,000,000	18,064,373	5,000,000	7,183,127	9,752,500	\$2,730,388	0
1997	110,000,000	20,415,930	19,000,000	4,016,570	11,567,500	\$6,065,301	0
1999	125,000,000	25,088,408	18,000,000	5,389,093	14,022,500	\$6,282,430	0
2001	70,385,254	3,124,857	0	5,000,000	23,270,000	\$5,390,670	0
2003	95,255,000	0	0	0	0	0	17,378,036
2004	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2006	145,000,000	0	0	0	0	0	55,788,121
2008	171,195,000	0	0	0	0	0	18,463,136
2009	194,765,000	0	0	0	0	0	10,739,528
2011	166,464,150	0	0	0	0	0	23,837,704
2012	0	0	0	0	0	0	0
2013	124,935,000	0	0	0	0	0	0
	1,612,982,409	184,797,993	81,018,292	27,088,573	60,990,000	64,580,906	126,206,525
Drinking Water Fund							
Bond Series	Revenue Bond Amount	Federal Grants Pledged	State Required Match (GO Bonds)	Direct Loan Repayments	Reserve Fund 'Free-Up'	State Required Match - State Cash Contribution	Support Fund Assets
2001	29,614,746	13,206,447	10,398,696	0	0	0	0
2002	0	0	0	0	0	0	0
2003	22,830,000	0	0	0	0	0	6,043,487
2004	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2006	5,000,000	0	0	0	0	5,000,000	1,546,584
2007	0	0	0	0	0	1,610,500	0
2008	25,000,000	0	0	0	0	1,600,820	3,715,256
2009	4,675,000	0	0	0	0	1,660,620	0
2010	0	0	0	0	0	1,956,020	0
2011	16,464,850	0	0	0	0	1,827,687	0
2012	0	0	0	0	0	1,250,398	0
2013	0	0	0	0	0	1,169,861	0
	103,584,596	13,206,447	10,398,696	0	0	16,075,906	11,305,327
	\$1,716,567,005	\$198,004,440	\$91,416,988	\$27,088,573	\$60,990,000	\$80,656,812	\$137,511,852

* includes Debt Service Reserves 1991 to 2001; Restricted assets 2003 to 2012 except Loan Fund, Debt Service Fund, Rebate Account

Appendix XI: Application Process

To qualify for funding, the project must be listed on the DPH's Project Priority List. Once a project is placed on the Project Priority List, the potential loan recipient applies for financial assistance for the specific project. The application must pass four levels of approval:

- **Evaluation and Enforcement and Project Administration (DPH):** The proposed project must address the needs cited by the DPH and comply with regulatory and statutory requirements for the project. All project costs requested in the application must be eligible for funding in accordance with state and federal regulations. Applicants applying for Drinking Water State Revolving Fund loans for professional services are required to follow the Qualifications Based Selection, or QBS, process. QBS is an objective and fair process used to select architects, engineers, and land surveyors based on the design professional's qualifications in relation to the project. Selecting design professionals is one of the keys to a successful project. The design will determine, among other things, the cost of the project.
- **Environmental Review (DPH):** Based on information received from the borrowers, the DPH prepares an environmental assessment of all activities to be undertaken in order to ensure that the project is consistent with the State Plan of Conservation and Development and the required environmental cross-cutter programs. DPH identifies those programs that need to evaluate and provide comment on the proposed project activities and sends a letter to each

program requesting comment.

As of April 1, 2011, this process has been modified. DPH still prepares an initial environmental assessment. However, each project now has a Scoping Notice prepared and posted in the Council on Environmental Quality's Environmental Monitor. This notice is available for public and state agency review and comment, including OPM and all cross-cutters. A final assessment, incorporating all appropriate comments, is then completed. Applicants are provided with all comments received and must address any concerns or requirements identified by OPM or the cross-cutters.

- **Credit Review (State Treasurer's Office, and the interagency committee):** The applicant must be creditworthy, and the Drinking Water SRF underwriting standards must be met. The State Treasurer's Office reviews the financial information submitted with each application. The interagency committee determines whether, and on what general terms and conditions, financial assistance will be provided. The loan agreements are written to permit eventual financing through a revenue bonding program.

At each level of approval, modifications can be made to address any concerns. Once all approvals are in place and after completion of an overall review of the Project Loan Agreement and the other loan documents, a closing is scheduled with the State Treasurer's Office. The Project Loan Agreement is then forwarded and signed first by the borrower, and then by the DPH Commissioner. The State Attorney General also reviews and signs the documents. Once the loan agreement is signed by all parties, it is considered executed.

Loan funds are disbursed on a first-come, first-served basis as project costs are incurred. Under the terms of the loan, the specific amounts disbursed to any borrower will depend upon the actual progress of construction.

Project audit requirements are subject to the provisions of the Single Audit Act Chapter 55b of the Connecticut General Statutes.

Once disbursements are complete, the interim loan is converted to a Project Loan Obligation (PLO). The borrower is billed according to the terms of the PLO. Generally, all borrowers make monthly principal and interest payments. The DPH and its staff of engineers and administrators assist each borrower through the process as each department completes its work.

Appendix XII: Summary of Project Funding Agreements

In accordance with the State's SRF and as required by the Connecticut General Statutes, financial assistance is provided to the borrower pursuant to a project loan and subsidization funding agreement between the borrower and the State. Under each agreement, the State agrees to make loans and provide subsidy for eligible project costs as incurred by the borrower, upon the terms and in the maximum amount specified. Funds are disbursed to pay eligible project costs as incurred by the public water system, and the amounts of loan and subsidy are equal only to the aggregate of such disbursed amounts. Thus, the public water system is obligated to repay only that amount that it actually draws down as loan for the payment of project costs.

The FFY 2010 (Public Law 111-85) federal capitalization grants required subsidization for eligible projects. The program developed a mechanism for determining the amount subsidy, and consistent with the federal law, subsidy has been provided in the form of loan forgiveness to borrowers since 2010.

Each funding agreement specifies a scheduled completion date, and the amortization of the loan is expected to begin one year from the project's scheduled completion date with the final maturity set at 20 years from the scheduled completion date. Loans are secured by a pledge of full faith and credit and/or a dedicated source of revenue. Principal and interest payments are payable in equal monthly installments, with an option to pay the first year's payments with a single annual installment not later than one year after the scheduled completion date.

Below is a section-by-section summary of a typical project agreement:

SECTION I	Definitions		
SECTION II	The Project: Project Description and Eligible Project Costs		
SECTION III	The Subsidization: The Project Subsidy, Increase in Project Subsidy, Required Repayment of the Subsidy, Disbursement of Project Subsidy, and Audit Requirements for Subsidy		
SECTION IV	The Loan: The Loan Commitment, Increase in Loan Commitment, The Interim Funding Obligations and Project Loan, Disbursement of Project Loan and Project Subsidy, Required Repayment of Obligations, Optional Prepayment of Principal, Method of Payments, New Municipality, and Timing of Disbursement of Advance		
SECTION V	Representations & Warranties: Existence and Power, Authority, No Litigation Pending, Expenditure of Project Loan and Project Subsidy by Municipality, Validity, and Events of Default		
SECTION VI	Conditions Precedent: Written Documentation, Evidence of Municipal Action, Opinion of Bond Counsel, Signature and No Litigation Certificate, No Event of Default, Representations and Warranties, Compliance with Federal and State Requirements, Procedures for Compliance with Davis-Bacon Act, Compliance with Federal Regulations Concerning Grants and Agreements, and Reporting Requirements		
SECTION VII	Agreements of the Municipality: Design and/or Construction, Municipality to Pay Excess Cost of Project, Inspection of Project by State, Maintenance of Project Records, Maintenance of Existence, Use of Proceeds, Tax Compliance, Nondiscrimination, Executive Orders of the Governor, Insurance, Indemnification, Audits, Waiver of Governmental Immunity, Expenses, Completion of Project; Audit, Maintenance of Project, Continuing Disclosure; Official Statement, and MBE/WBE Requirements		
SECTION VIII	Agreements of the State: Loan and Subsidy, Termination, Notification of Approval, Audit and Project Subsidy		
SECTION IX	Defaults: Events of Default and Remedies		
SECTION X	Miscellaneous: Waivers, Notices, Litigation, Connecticut Law, Interpretation, Severability, Survival of Representations, Warranties and Covenants, Successors and Assigns, Incorporation of Other Documents, Amendments, Cancellation, Effective Date, Other Provisions of State Contracts, and Public Records Disclosure		
Exhibit I	Form of Interim Funding Obligation	Exhibit VIII	Form of Request for Advance
Exhibit II	Form of Project Loan Obligation	Exhibit IX	Closing Statement
Exhibit III	Form of Opinion of Bond Counsel	Exhibit X	Conditions Precedent
Exhibit IV	Form of Signature No Litigation Certificate	Exhibit XI	Insurance Requirements
Exhibit V	Continuing Disclosure Agreement	Exhibit XII	Disadvantaged Business Enterprise Payment Report-Contractor/Consultant
Exhibit VI	Budget	Exhibit XIII	Davis-Bacon Certification Form
Exhibit VII	Certification of System of Charges, Assessments and Other Revenues	Exhibit XIV	DWSRF Budget Revision Request Instructions and Form
		Exhibit XV	Authorization for ACH Payment

Appendix XIII: Cumulative DWSRF Projects Information/Loan Status

PWSNAME (Applicant)	ID#	TOWN	LOAN AMOUNT	INT RATE	TERM (years)	BRIEF DESCRIPTION	POP. SERVED	TOTAL CUMULATIVE PROJECT FUNDING*
Metropolitan District (A)	C 97 0640011a	Bloomfield	\$1,163,888	2.6%	20	Filtration Plant Improvement	400,000	\$1,163,888
Metropolitan District (C)	C 97 0640011c	Bloomfield, Hartford, West Hartford	\$861,978	2.5%	20	Water Main Replacement	400,000	\$861,978
Town Of Portland	C 97 1180081a	Portland	\$2,500,000	2.5%	20	Interconnection With MDC	8,270	\$2,500,000 (State)
Harrybrooke Condominium	PDC 97 0960131a	New Milford	\$231,327	4.11%	20	Interconnection With United Water	110	\$231,327
Sharon Water & Sewer (B)Refinance	DC 97 1250011b	Sharon	\$1,084,010	2.77%	20	Refinance Intake & Pipeline Upgrades	1,288	\$1,084,010
Sharon Water & Sewer (A)	DC 98 1250011a	Sharon	\$1,100,000	2.77%	20	Water Main Replacement	1,288	\$1,100,000 (State)
New Britain Water Dept.	PDC 98 1530011a	New Britain	\$12,682,987	2.77%	20	New Water Treatment Plant - Phase I	85,000	\$12,682,987 \$11,189,038 (Federal) \$1,493,949 State
Crystal Lake Condominium Association	C 97 1210021/ 31a	Salem	\$359,902	4.68%	20	Construct New System	40	\$359,902
Bridgeport Hydraulic Co. (Stamford) - Aquarion	PDC 97 1350011a	Stamford	\$391,038	4.11%	20	Upgrade Pump Station	105,460	\$391,038
Cook Willow Realty	DC 97 1110111a	Plymouth	\$704,259	4.11%	20	Interconnection To Ct. Water Company	85	\$704,259
Norwich Water Dept.	DC 97 1040011a	Norwich	\$1,898,651	2.77%	20	Replacement Of Asbestos Cement Pipes With Ductile Iron Pipe	7,200	\$1,898,651
Watertown Fire District(a)	DC 98 1530011a	Watertown	\$717,731	2.73%	20	Construct Pump Station	35,000	\$717,731
Twin Hills Water District	C 97 0340131a	Coventry	\$207,421	2.60%	20	Distribution Source Improvements	156	\$207,421
Sharon Sewer & Water (a)	DC 97 0640011c	Sharon	\$210,000	2.60%	20	Pump Station	1,288	\$210,000
Metropolitan District (b)	C 97 0640011b	West Hartford	\$3,086,188	2.60%	20	Facility Repairs	400,000	\$3,086,188
New Britain Water Phase II	PDC 98 0890011a	New Britain	\$24,000,000	2.43%	20	Continued Construction of Water Treatment Plant	74,400	\$24,000,000
Sharon Water & Sewer	DC 01 1250011a	Sharon	\$438,153	2.40%	20	Water Main Replacement	704	\$438,153
Hillside Corporation	PDC 00 0790021a	Marlborough	\$149,052	3.84%	20	Replace Water Main & Distribution System	136	\$149,052
Town Of Newtown High School	C 02 0970442a	Newtown	\$516,000	2.10%	20	Interconnect to Town Water	1173	\$516,000

PWSNAME (Applicant)	ID#	TOWN	LOAN AMOUNT	INT RATE	TERM (years)	BRIEF DESCRIPTION	POP. SERVED	TOTAL CUMULATIVE PROJECT FUNDING*
Metropolitan District Commission (x)	C 01 0640011x	Bloomfield	\$2,343,735	2.10%	20	Construction of Water Mains	381,000	\$2,343,735
Town of Newtown Elementary School	D 03 0970422a	Newtown	\$171,738	2.03%	20	Interconnect to Town Water	560	\$171,738
Unionville Water Company	C 97 0520011b	Farmington	\$1,646,970	3.56%	20	Interconnection to MDC	13,400	\$1,646,970
Watertown Fire District (b)	DC 98 1530011b	Watertown	\$435,500	3.43%	20	Upgrade Chemical Feed Equipment	35,000	\$435,500
Southington Water Department (a)	D 03 1310011a	Southington	\$4,356,916	2.32%	20	Wellhead Protection Project	40,408	\$4,356,916
Second Taxing District – City of Norwalk	D 04 1030021a	Norwalk	\$24,715,165	2.04%	20	Water Treatment Plant Upgrade	42,000	\$24,715,165
Town of Ledyard (a)	DC 03 0727031a	Ledyard	\$926,006	2.05%	20	Interconnection to Elem. School	2,400	\$926,006
Southington Water Department (b)	DC 03 0727031b	Southington	\$1,037,097	2.21%	20	Water Main Extension	40,408	\$1,037,097
Woodlake Tax District	PDC 03 1680031a	Woodbury	\$404,494	2.55%	20	Land Purchase / Well Development	912	\$404,494
Town of Colchester	C 04 0280111a	Colchester	\$2,496,990	2.12%	20	Water Treatment Plant Upgrade	4001	\$2,496,990
CT Water Company – Shoreline Region – Point O' Woods	DC 07 1050752a	Old Lyme	\$800,000	2.44%	20	Water Main Installation	928	\$800,000
City of Norwich / Norwich Water Department	DC 07 1040011d	Norwich	\$450,000	2.27%	20	Water Storage Tank	36,067	\$450,000
Town of Brookfield	D 06 0189043a	Brookfield	\$71,000	2.06%	20		485	\$15,000
Town of Ledyard	C 05 0720031a	Ledyard	\$1,629,000	2.00%	20	Water Storage Tank	4,134	\$1,629,000
Town of Portland	DC 08 1130011a	Portland	\$816,000	2.00%	20	Water Main Installation	5,010	\$816,000
Town of Portland	DC 07 1130011b	Portland	\$975,034	2.00%	20	Water Storage Tank	5,010	\$975,034
City of Norwich	2010- 1040011c	Norwich	\$147,989	2.00%	20	Transmission Mains, Meter & Microturbine (Design)	36,067	\$71,211,
City of Norwich	2010- 1040011b	Norwich	\$184,997	2.00%	20	Pump Drives & Tanks (Design)	36,067	\$68,449 (\$14,032 subsidy)
City of Meriden	2010- 0800011a	Meriden	\$1,597,153	2.00%	20	Broad Brook WTP & Pump Station Improvements (Design)	36,500	\$1,198,989 (\$283,655 subsidy)
Candlewood Trails Association	2010- 09600901 a	New Milford	\$526,290	2.00%	20	Pumphouse, New Wells, Water Storage Tank	312	\$517,700 (\$105,924 subsidy)
Southeastern Water Authority	2010- 0720041a	Ledyard	\$158,059	2.00%	20	AMR Radio Frequency Meters	3017	\$198,816 (\$40,757 subsidy)
Town of East Lyme- Water & Sewer Commission	2012- 7010	East Lyme	\$360,516	2.00%	20	Regional Interconnection- East Lyme to New London (design)	15,245	\$381,020 (\$20,509 subsidy)

PWSNAME (Applicant)	ID#	TOWN	LOAN AMOUNT	INT RATE	TERM (years)	BRIEF DESCRIPTION	POP. SERVED	TOTAL CUMULATIVE PROJECT FUNDING*
Town of Ledyard	2013-7011	Ledyard	\$3,617,577	2.00%	20	Water Main Extension to Aljen Heights	780	\$2,661,279 (\$545,562 subsidy)
Metropolitan District (Metering III)	2013-7012	Various Towns	\$3,257,816	2.00%	20	RF Automated Meter Reading System & Meter Replacement	72,000	\$1,419,198 (\$290,936 subsidy)
Metropolitan District (Capitol, Broad, & Linden)	2013-7013	Hartford	\$2,126,239	2.00%	20	Water Main Replacement	798	\$238,866 (\$17,437 subsidy)
Metropolitan District (Franklin #5)	2013-7014	Hartford	\$5,060,911	2.00%	20	Water Main Replacement	2,929	\$0
Metropolitan District (Franklin #13)	2013-7015	Hartford	\$6,079,637	2.00%	20	Water Main Replacement	3,169	\$0
Metropolitan District (Farmington #6)	2013-7017	Hartford	\$2,172,026	2.00%	20	Water Main Replacement	768	\$0
Metropolitan District (Cleveland Ave & Tower Ave. South)	2013-7019	Hartford	\$1,629,943	2.00%	20	Water Main Replacement	550	\$0
Town of East Lyme- Water & Sewer Commission (new)	2013-7022	East Lyme	\$7,375,854	2.00%	20	Regional Interconnection- East Lyme to New London (construction)	15,245	\$0

* Final Loan Amount may be different than the initially reported IFO loan amount due to lower project costs, additional funding, capitalized interest or prepayments.
(P = Planning, D = Design, C = Construction)

Appendix XIV: ARRA Project Information/Loan Status

PWS NAME (Applicant)	ID #	TOWN	TOTAL AMOUNT	INT RATE	TERM (years)	BRIEF DESCRIPTION	POP. SERVED	TOTAL CUMULATIVE PROJECT FUNDING*
CT Water Co. & Gallup Water Service Inc.	2010-8012	Plainfield	\$237,115	2.06%	20	Interconnection to Harrington Mobile Home Park	2,538	\$104,010 (Loan) \$133,105 (Subsidy)
Barlow Mountain & Scotland Elementary Schools	2010-8004	Ridgefield	\$1,426,870	2.06%	20	Water Main Extension for Consolidation	1,000	\$529,288 (Loan) \$687,466 (Subsidy)
Putnam Water Pollution Control Authority	2010-8011	Putnam	\$1,890,316	2.06%	20	Park Street Well field Expansion	7,300	\$1,075,271 (Loan) \$1,382,925 (Subsidy)
Brookfield Municipal Bldgs	2010-8001	Brookfield	\$1,901,979	2.06%	20	Water Main Extension – Silvermine Road	485	\$827,361 (Loan) \$1,062,955 (Subsidy)
East Lyme Water & Sewer Commission	2010-8003	East Lyme	\$955,879	2.06%	20	System-wide Chlorine Disinfection	15,245	\$401,454 (Loan) \$506,673 (Subsidy)
Tolland Water Department	2010-8002	Tolland	\$170,336	2.06%	20	Consolidation of Torrey Rd Public Water System	1,251	\$74,096 (Loan) \$96,240 (Subsidy)
Metropolitan District	2010-8008	Hartford	\$5,929,684	2.06%	20	RF Automated Reading System & Meter Replacement – Phase II	388,700	\$2,579,412 (Loan) \$3,332,524 (Subsidy)
Woodlake Tax District	2010-8010	Woodbury	\$579,717	2.06%	20	New Wells & Related Work	912	\$138,027 (Loan) \$179,276 (Subsidy)
Norwich Public Utilities	2010-8005	Norwich	\$750,000	2.06%	20	Water Storage Tank Repairs/Painting – Fitch Hill	36,067	\$326,250 (Loan) \$423,750 (Subsidy)
Norwich Public Utilities	2010-8012	Norwich	\$330,189	2.06%	20	Water Storage Tank Repairs/Painting Pump Station Upgrades – Fairview Reservoir	36,067	\$144,728 (Loan) \$185,461 (Subsidy)
Manchester Water Department	2010-8006	Manchester	\$667,449	2.06%	20	Hercules Drive Booster Pump Station	51,066	\$290,340 (Loan) \$377,109 (Subsidy)
Metropolitan District	2010-8009	Hartford	\$2,220,054	2.06%	20	Water main Replacement – Tower Ave.	35,000	\$965,623 (Loan) \$1,254,431 (Subsidy)

* Final Loan Amount may be different than the initially reported IFO loan amount due to lower project costs, additional funding, capitalized interest or prepayments.

(P = Planning, D = Design, C = Construction)

Appendix XV: Emergency Generator Program

Public Water System Name	Town	Total Project Cost	Population Served	Disbursements
1. CTWC - PILGRIM HILLS DIVISION	COVENTRY	\$ 19,090.00	229	\$19,090 (\$8,590 subsidy)
2. CTWC - GENERAL WATER DIVISION	COVENTRY	19,091.00	306	\$19,091 (\$8,591 subsidy)
3. HAWTHORNE TERRACE ASSOCIATION	DANBURY	18,000.00	156	\$0
4. CTWC - SPICE HILL DIVISION	EAST HAMPTON	22,530.00	712	\$22,530 (\$10,139 subsidy)
5. CTWC - GALLUP WATER - COUNTRY MOBILE DIVISON	GRISWOLD	14,463.00	186	\$14,464 (\$6,509 subsidy)
6. LAKEVIEW MOBILE HOME PARK	GRISWOLD	8,945.00	99	\$0
7. JEWETT CITY WATER COMPANY - FRONT BUILDING	GRISWOLD	24,660.00	6,840	\$0
8. JEWETT CITY WATER COMPANY - REAR BUILDING	GRISWOLD	39,836.00	6,840	\$0
9. QUIONNIPAUG HILLS - UPPER SYSTEM	GUILFORD	22,275.39	564	\$0
10. QUIONNIPAUG HILLS - LOWER SYSTEM	GUILFORD	21,573.50	564	\$0
11. CTWC - LONDON PARK DIVISION	HEBRON	14,463.86	221	\$14,464 (\$6,509 subsidy)
12. CTWC - MILL AT STONECROFT DIVISION	HEBRON	18,735.00	127	\$18,735 (\$8,431 subsidy)
13. CTWC - WELLSWOOD VILLAGE DIVISION	HEBRON	18,735.00	60	\$18,735 (\$8,431 subsidy)
14. SOUTH KENT SCHOOL	KENT	6,085.00	194	\$0
15. COUNTRY ACRES MOBILE HOME PARK	KILLINGLY	13,763.00	48	\$0
16. CTWC - LEBANON ELDERLY DIVISION	LEBANON	18,964.00	67	\$18,964 (\$8,534 subsidy)
17. SCWA- CHRISWOOD DIVISION	LEDYARD	28,793.00	164	\$0
18. CTWC - REDWOOD FARMS DIVISION	MANCHESTER	19,090.00	424	\$19,090 (\$8,591 subsidy)
19. CTWC - PINWOODS LANE DIVISION	MANSFIELD	14,463.86	68	\$14,464 (\$6,509 subsidy)
20. CTWC - ROLLING HILLS WELL FIELD	MANSFIELD	14,463.86	300	\$33,554 (\$15,099 subsidy)
21. CTWC - ROLLING HILLS PUMP STATION	MANSFIELD	19,090.00	300	Combined loan see #21
22. CTWC - FOREST HOMES ASSOCIATION	MARLBOROUGH	14,896.46	100	\$14,896 (\$6,703 subsidy)
23. IDLEVIEW MOBILE HOME PARK	NAUGATUCK	13,871.00	138	\$13,481 (\$6,066 subsidy)
24. CLC OWNERS CORPORATION	NEW MILFORD	24,750.00	736	\$0
25. CANDLEWOOD TRAILS ASSOCIATION	NEW MILFORD	64,968.00	312	\$0
26. BLUE TRAILS WATER ASSOCIATION	NORTH BRANFORD	23,976.00	228	\$21,393 (\$6,627 subsidy)
27. PORTLAND WATER DEPARTMENT	PORTLAND	26,022.90	5,010	\$26,023 (\$11,730 subsidy)

Public Water System Name	Town	Total Project Cost	Population Served	Disbursements
28. CTWC - RIVERCREST DIVISION	PORTLAND	14,463.86	88	\$14,464 (\$6,509 subsidy)
29. HARMONY ACRES MOBILE HOME PARK	PROSPECT	34,719.00	465	\$31,995 (\$14,398 subsidy)
30. TARIFFVILLE FIRE DISTRICT WATER DEPT.	SIMSBURY	38,022.00	1,477	\$34,565 (\$15,554 subsidy)
31. SCWA-LANTERN HILL DIVISION	STONINGTON	21,093.00	92	\$0
32. WOODLAND SUMMIT WATER ASSOCIATION	TOLLAND	17,970.00	216	\$0
33. WOODLAKE TAX DISTRICT - PUMP STATION	WOODBURY	33,100.55	912	\$55,595 (\$25,018 subsidy)
34. WOODLAKE TAX DISTRICT - WELL FIELD	WOODBURY	<u>27,082.28</u>	912	Combined with #33
	TOTAL	\$ 752,045.52		
Project total cost is based on current IFO amount and may be lower than IFO amount based on final invoices.				

Financial Statements



**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)**

**AUDIT REPORTS AND SCHEDULES IN
ACCORDANCE WITH OMB CIRCULAR A-133**

June 30, 2013 and 2012

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2013 and 2012**

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SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Dr. Jewel Mullen, Commissioner,
Department of Public Health,
State of Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the



entity's internal control. An audit also includes evaluating the appropriateness of accounting principles 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.

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account. U.S. generally accepted accounting principles require that State of Connecticut's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of State of Connecticut.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the State of Connecticut as of June 30, 2013 and 2012, or the changes in financial position or cash flows thereof for the years then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account as of June 30, 2013 and 2012, and the changes in its financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 - 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account'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 the 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 SRF's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
September 17, 2013

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2013
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Fund provides an introduction to the major activities affecting the operation of the state revolving fund. This is a narrative overview and analysis of the activities of the State of Connecticut Drinking Water Fund for the fiscal year ended June 30, 2013. The information contained in this discussion should be considered in conjunction with the Fund's financial statements and the notes that follow.

Financial Highlights

Changes in the Fund's Net Position - The Drinking Water Fund's net position at the close of the fiscal year 2013 was \$136,881,833 including total assets of \$179,979,730 and deferred outflows of resources of \$834,584 offset by liabilities of \$43,932,481 compared to fiscal year 2012's net position of \$132,401,515 including total assets of \$190,687,799 and deferred outflows of resources of \$917,851 offset by liabilities of \$59,204,135.

Net Position of the Drinking Water Fund is categorized as follows:

Restricted - includes assets that have been restricted in use in accordance with the terms of an award, agreement, by state law. Restricted assets represent the amount of assets which relate to the federal capitalization grants and associated state match. The majority of the assets are invested and portions are restricted in accordance with the requirements of state statutes and the federal Safe Drinking Water Act.

Unrestricted - includes all assets not restricted and available for any program purpose.

The financial statements show funds restricted for loans of \$110,677,097 an increase of \$6,873,019 or 6.6% above the 2012 balance.

Loans Receivable - Total loans receivable increased by \$1,225,262 from \$67,464,561 to \$68,689,823 due to the net of new loans (\$6,008,398) and principal repayments (\$4,783,136).

Bonds Outstanding - The outstanding debt decreased by \$14,413,691 to \$41,029,868, due to principal pay downs and a refunding/cash defeasance.

Operating Revenues - The Fund's gross operating revenue decreased \$60,017 or 3.8% to \$1,534,979.

Statement of Cash Flows - The Statement of Cash Flows shows a decrease in cash for the year of \$449,946.

Capitalization Grants - During the year, \$9,676,924 was drawn from the EPA for projects. To date, the State has drawn a cumulative total of \$133,975,941. To date, cumulative federal

drinking water capitalization grant awards totaled \$168,310,900. The state has provided the required 20% match of the capitalization grant drawn of \$22,895,563. The match has been provided by the State and used for the program purposes in accordance with the State's agreement with the US EPA.

Overview of the Financial Statements

The Drinking Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Public Health (DPH). The Treasurer is responsible for reporting the detailed financial information in the Drinking Water Fund financial statements, which incorporates information generated and prepared by the DPH Business Office and DPH Drinking Water Section.

The Drinking Water Fund is a part of the Clean Water Fund which is classified as an enterprise fund within the Proprietary Funds of the State of Connecticut. Proprietary Funds focus on the determination of the change in fund net assets, financial position, and cash flow for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Statements of Revenues, Expenses and Changes in Net Position divide the activities of the Fund into two categories:

Operating Activities, including the Drinking Water State Revolving Fund project financing program (the Loan Program); and

Nonoperating Activities, including the revenue bonds issued for the Fund (the Revenue Bond Program) and the investment of the Drinking Water State Revolving Fund assets.

For the Loan Program activities, the financial statements indicate the amount of loans financed and the amount of repayments collected during the past year. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and state matching funds. The amount of capitalization grants remaining for future use is disclosed in the Notes to the Financial Statements.

The Revenue Bond Program is the leveraged financing strategy implemented by the Connecticut Clean Water Fund that maximizes the financing capacity of the respective federal capitalization grants, the required 20% state match for these grants and the Fund's assets. Based on this strategy, the Connecticut Clean Water Fund issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund. For the Revenue Bond Program activities, the financial statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future.

The financial statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments.

Since 2001, the proceeds of the Connecticut Clean Water Fund bonds have been used for both clean water and drinking water projects. All of the currently outstanding bonds were issued under the 2002 general bond resolution as further described in Notes to the Financial Statements. All of the accounts established under the 2002 general bond resolution, whether restricted or unrestricted, are held by US Bank (the Trustee), as further described in the Notes to the Financial Statements.

Operating Activities

The Drinking Water Loan Program

Loans are made to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time. Although there are no state grants available to participants in this program, portions of the federal capitalization grant and the 2009 ARRA funding are used to subsidize the projects.

At year end, construction loans in progress totaled \$5,335,916. Payments to public water systems for ongoing projects totaled \$6,008,398. Completed projects which were permanently financed during the year totaled \$712,219. There were 10 new construction loan commitments made to public water systems during the year totaling \$37,709,845.

At year-end there are no delinquent loans in the Drinking Water loan program. Further details about the loans can be found in the Notes to the Financial Statements.

Loan repayment collection services are provided by the Trustee, US Bank. Repayments on all DWF loans made by the State since 1998 are paid to the Drinking Water State Revolving Fund account held at US Bank. These funds provide security for the Bonds and any new Bonds issued hereafter.

Non-Operating Activities

Investment of Funds

The federal capitalization grants and state matching funds are used to provide leveraged financing for eligible projects in accordance with the terms of an award, agreement, by state law and as further defined in the 2002 general bond resolution. Federal capitalization grants and state matching funds are initially held by the Trustee in the form of cash, permitted investments, or State general obligation bonds. Funds are then used for program purposes, in accordance with the federal capitalization grant agreements, federal law, state law and the bond resolutions of the fund.

The State currently invests in the State's Short Term Investment Fund (STIF) and in guaranteed investment agreements with financial institutions. The 2002 bond resolution requires that the investment agreements be with, or be guaranteed by, institutions with ratings in the top two rating categories given by Standard & Poor's and Moody's Investors Service, or any rating

service recognized by the State Banking Commissioner. Certain monies held in the Fund are invested pursuant to investment agreements with providers rated AA or higher which are collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities whose market value is at least 100% of the funds invested.

The Bond Program

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. Pursuant to the 2002 bond resolution and the State Act, the long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution, the latest of three resolutions used for program purposes including the funding of loans to Drinking Water Fund Borrowers. During the year, the state did not issue bonds for new drinking water projects. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

The issuance of bonds under the 2002 general bond resolution resulted in the creation of three additional fund accounts. These accounts are the Senior Sinking Fund and the Support Fund, which are restricted accounts, and the General Revenue Revolving Fund account which is unrestricted. All three accounts are held by the Trustee.

The program's advisors are:

- Bond Counsel - Edwards Wildman Palmer, LLP
- Bond Counsel - Hardwick Law Firm, LLC
- Financial Advisors - Lamont Financial Services Corporation
- Financial Advisors - First Southwest
- Trustee - US Bank
- Loan Repayment Collection Services - US Bank
- Verification Agent - AMTEC
- Arbitrage Rebate Calculation Services - AMTEC
- Auditor - Seward & Monde CPAs
- General Counsel - Attorney General of the State of Connecticut

Credit Ratings

The Connecticut Clean Water Fund is the recipient of credit ratings from three nationally recognized credit rating agencies as follows: AAA from Standard and Poor's, AAA from Fitch Investors Services and Aaa from Moody's' Investor Services.

SELECTED FINANCIAL INFORMATION

	2013	2012	Increase (Decrease)
Total Net Position	\$136,881,833	\$132,401,515	\$4,480,318
Loans Outstanding - current and long term portions	\$68,689,823	\$67,464,561	\$1,225,262
Operating Revenues-Interest on Loans	\$1,534,979	\$ 1,594,996	(\$60,017)
Operating Expenses- Less grants to recipients	\$3,830,472	\$4,126,245	(\$295,773)
Interest on Investments	\$1,057,816	\$ 1,123,590	(\$65,774)
Interest Expense	\$2,458,345	\$3,058,622	(\$600,277)
Federal Capitalization Grants	\$9,676,924	\$ 6,703,602	\$2,973,322

ECONOMIC CONDITIONS AND OUTLOOK

Connecticut continued to experience slow and erratic growth through 2013. Like other states, Connecticut has maintained a persistent focus on economic development and job creation. Budget deficits have been dealt with using various strategies and programs designed to bring a variety of manufacturing and technology and research companies to the state, which have been successful. Recovery continued during fiscal year 2013, however volatility in the jobs numbers hampered the state's ability to reduce unemployment and the unemployment rate at June 2013 was 8.0 percent. By the end of the fiscal year, the State's economic and financial situation continued to slowly improve and as a result, the state ended fiscal year 2013 with a \$400 million budget surplus. Concern remains about Connecticut's debt levels despite several mitigating factors including Connecticut's ranking highest in per capita income, legislative approval of additional funding for the State Employee's Retirement Plan, changes in state employee pension and health benefits, and expectations of job growth over the next year.

With its diversified economy, measures to spur economic growth will mean continued need for transportation and water infrastructure upgrades and energy improvements. The state's adopted fiscal year 2014 and fiscal year 2015 capital budget includes a significant increase in authorizations for clean water revenue bonds (historic high). With the infusion of over \$700 million in new bond authorizations over the FY 2013-2015 biennium, a portion of which will be used for eligible Drinking Water Projects. The Clean Water Fund and the Drinking Water State Revolving Fund will be able to continue its significant efforts to get necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the Fund to provide timely and innovative financial assistance for critical projects. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the Drinking Water Fund.

The major focus for the Drinking Water Fund continues to be setting priorities and providing financing for critical work, especially for small water systems. The Connecticut Department of Public Health and the Office of the Treasurer, working together, will continue to assist state legislators and public water systems in determining the most cost effective and efficient way to meet their water quality needs.

The Office of the Treasurer Debt Management Division continually monitors the impact of credit ratings of investment providers and municipalities, assists in the preparation of comments on financial regulation and participates in industry discussions on infrastructure, including water and transportation, as well as the economic development and growth potential for the state.

REQUIRED SUPPLEMENTARY INFORMATION

The Drinking Water Fund does not separately report required supplementary information that contains budgetary comparison schedules; schedules presenting infrastructure assets or supplementary pension fund information because this information is recorded by the State of Connecticut.

The Notes to the Financial Statements provide additional information that further explains and supports the information in the financial statements. The Notes provide additional information that is essential to a full understanding of the data provided in the Drinking Water Fund's financial statements.

CONTACTS

This financial report is designed to provide a general overview of the Drinking Water Fund's finances. Questions about this report or requests for additional information should be addressed to:

Drinking Water Fund Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3000
www.state.ct.us/ott

Questions about the Drinking Water Fund and water quality in Connecticut should be addressed to:

Connecticut Department of Public Health
Drinking Water Section
410 Capitol Avenue, MS# 51 WAT
P.O. Box 340308
Hartford, CT 06134-0308
Telephone (860) 509-7333
www.ct.gov/dph

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2013 and 2012**

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,173,993	\$ 7,623,939
Interest receivable - investments	216,061	233,923
Interest receivable - loans	61,214	8,380
Grant receivable	758,502	309,108
Loans receivable	10,285,921	4,895,759
Total current assets	18,495,691	13,071,109
Noncurrent assets:		
Loans receivable	58,403,902	62,568,802
Revolving fund	41,842,874	47,396,919
Restricted assets:		
Bond proceeds fund	5,369,059	11,361,131
Revolving fund	14,205,558	15,364,574
Debt service fund	33,490,146	31,348,099
Support fund	8,172,500	9,577,165
Total restricted assets	61,237,263	67,650,969
Total noncurrent assets	161,484,039	177,616,690
Total assets	179,979,730	190,687,799
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings	834,584	917,851
Total deferred outflows of resources	834,584	917,851
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	685,873	882,649
Bonds payable	5,726,569	4,951,563
Total current liabilities	6,412,442	5,834,212
Noncurrent liabilities:		
Premium on revenue and refunding bonds	2,216,740	2,877,927
Bonds payable	35,303,299	50,491,996
Total noncurrent liabilities	37,520,039	53,369,923
Total liabilities	43,932,481	59,204,135
NET POSITION		
Unrestricted	26,204,736	28,597,437
Restricted for loans	110,677,097	103,804,078
Total net position	\$ 136,881,833	\$ 132,401,515

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Interest on loans	\$ 1,534,979	\$ 1,594,996
OPERATING EXPENSES		
Salaries	1,520,601	1,747,222
Employee benefits	1,115,284	1,161,445
Other	1,194,587	1,217,578
Project grants	1,769,955	906,252
Total operating expenses	<u>5,600,427</u>	<u>5,032,497</u>
Operating loss	<u>(4,065,448)</u>	<u>(3,437,501)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	1,057,816	1,123,590
Amortization of bond premium	516,651	283,945
Interest expense	<u>(2,458,345)</u>	<u>(3,058,622)</u>
Total nonoperating revenues (expenses)	<u>(883,878)</u>	<u>(1,651,087)</u>
Loss before federal capitalization grants and transfers	<u>(4,949,326)</u>	<u>(5,088,588)</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	4,098,198	1,698,100
Project funds - grants	1,769,955	906,252
Set-aside activities	3,808,771	4,099,250
Total federal capitalization grants	<u>9,676,924</u>	<u>6,703,602</u>
OPERATING TRANSFERS	<u>(247,280)</u>	<u>5,644,432</u>
Change in net position	4,480,318	7,259,446
NET POSITION, beginning	<u>132,401,515</u>	<u>125,142,069</u>
NET POSITION, ending	<u>\$ 136,881,833</u>	<u>\$ 132,401,515</u>

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 1,482,145	\$ 1,703,943
Loan originations	(6,008,398)	(1,698,100)
Principal paid on loans receivable	4,783,136	5,291,906
Payments to employees for salaries and benefits	(2,635,885)	(2,908,667)
Payments on project grants	(1,769,955)	(906,252)
Other payments	(1,194,587)	(1,217,578)
Net cash provided (used) by operating activities	(5,343,544)	265,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	9,227,530	5,918,106
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(4,951,563)	(4,643,268)
Proceeds from bonds payable	1,241,167	-
Premium on bonds payable	203,812	-
Payment to refunded revenue bond escrow agent	(11,460,807)	-
Interest paid on bonds payable	(2,162,690)	(2,390,567)
Operating transfers	(247,280)	5,644,432
Net cash used by noncapital financing activities	(17,377,361)	(1,389,403)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,075,678	1,142,119
Decrease (increase) in revolving fund	5,554,045	(7,058,499)
Decrease in restricted assets	6,413,706	536,964
Net cash provided (used) by investing activities	13,043,429	(5,379,416)
Net change in cash and cash equivalents	(449,946)	(585,461)
CASH AND CASH EQUIVALENTS, beginning	7,623,939	8,209,400
CASH AND CASH EQUIVALENTS, ending	\$ 7,173,993	\$ 7,623,939
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	(\$ 4,065,448)	(\$ 3,437,501)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable - loans	(52,834)	108,947
Decrease (increase) in loans receivable	(1,225,262)	3,593,806
Net cash provided (used) by operating activities	(\$ 5,343,544)	\$ 265,252

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

STATE of CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2013 and 2012

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established in 1998 pursuant to Connecticut General Statutes Section 22a-475 to 22a-483, provides assistance to the public water systems in Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act (SDWA). The SRF is funded through revenue bonds and federal grants as established under the SDWA, which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the SRF conform to U.S. generally accepted accounting principles as applicable to government enterprises. The following is a summary of the SRF's significant accounting policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and the flow of economic resources as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Operating and Nonoperating Revenues and Expenses

The SRF's principal operation consists of making low interest loans and grants to public water systems in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel, other expenses and grants incurred in the initial approval, disbursement and ongoing servicing of these loans and grants and incurred in set-aside activities.

Nonoperating revenues include interest earned on investments and nonoperating expenses include interest expense on revenue and refunding bonds.

Revenue Recognition

Federal capitalization grants are reported as nonoperating revenue and are recognized as federal funds are drawn and as the SRF expenses are incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude restricted assets from cash and cash equivalents for purposes of the statements of cash flows due to the limitations imposed on their use by the Clean Water Fund Revenue Bond Program General Bond Resolution, adopted by the State Bond Commission on December 17, 2002 (the "Resolution").

Investments

The SRF's policy is to present all investments at fair value except for money market investments and investment contracts, which the SRF has elected to report at amortized cost. The fair value of investments traded on public markets is determined using quoted market prices. The fair value of state general obligation bonds, which are not traded on a public market, is estimated using a comparison of other State general obligation bonds. Based on this comparison, the cost or par value of the state general obligation bonds approximates their estimated fair value.

There were no material investment gains or losses for the years ended June 30, 2013 and 2012.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to public water systems in the State of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the SDWA. Interest rates on the loans range from 2.00% to 4.68% and interest income is recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the public water systems, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as changes in the size of the public water system loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

Restricted Assets

Restricted assets consist of investments, which are segregated into funds and accounts in accordance with the Resolution as previously described, plus amounts determined to be prudent by management including amortizing long-term investments. The Resolution restricts investments to: a) the State Treasurer's Short-Term Investment Fund, b) Tax Exempt Proceeds Fund of the State, c) interest bearing time deposits held by the

trustee, a member bank of the Federal Reserve System, or a bank which is insured by the Federal Deposit Insurance Corporation and d) Investment Obligations as defined in the Resolution.

Bond Premiums/Deferred Loss

The premiums on the revenue and refunding bonds are being amortized over the term of the bonds on a straight-line basis, which yields results equivalent to the interest method.

The deferred loss on early retirement of bonds (Note 8) is being amortized over the shorter of the life of the refunded or refunding bonds.

Revenue Bonds

The following funds and accounts have been established in accordance with the Resolution adopted December 17, 2002:

Fund/Account	Description and Use
Revolving Fund	The Revolving Fund consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. The State maintains the Revolving Fund in accordance with the Federal Act. The State shall transfer to the Debt Service Fund any amounts necessary, together with any amounts on deposit therein, sufficient to pay principal of, redemption premium, if any, and interest on bonds.
Bond Proceeds Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds are expensed for purposes of financing loans to borrowers under the State Revolving Fund program and if other monies are not available, payment of principal and interest on bonds.
Debt Service Fund	Receives amount from the Revolving Fund, Support Fund and, if necessary, Bond Proceeds Fund sufficient to pay the debt service on the bonds. Pays principal and interest on outstanding bonds.
Support Fund	The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Monies in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.
Administrative Fund: Cost of Issuance Account	Established outside the SRF, receives a portion of the revenue bond proceeds. Investment income is transferred to the revenue fund for debt service payments. Used to pay issuance cost on revenue bonds.
Rebate Fund	Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement. Used for IRS obligations as required.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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 SRF only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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 SRF does not have any items that qualify for reporting in this category.

Net Position

Net position is classified in the following categories:

- a. Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The SRF does not have capital assets.
- b. Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Subsequent Events

Management of the SRF has evaluated subsequent events through September 17, 2013, the date the financial statements were available to be issued.

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment with a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the SRF's deposits may not be recovered.

Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the SRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Cash and cash equivalents

Cash and cash equivalents of the SRF include funds held by the Connecticut State Comptroller and US Bank (Trustee).

As of June 30, 2013 and 2012 funds held by the State Comptroller were \$7,935,525 and \$7,936,627, respectively. These funds are included with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2013 and 2012, the Trustee held cash included in restricted assets in the amount of \$0 and \$267,742, respectively.

As of June 30, 2013 funds held in Connecticut Short Term Investment Funds (STIF) were \$80,340,173, of which \$5,369,059 is included in the bond proceeds fund, \$41,842,874 is included in the revolving fund and \$33,128,240 is included in the debt service fund on the Statement of Net Position. As of June 30, 2012 funds held in STIF were \$89,582,862, of which \$11,361,131 is included in the bond proceeds fund, \$47,396,919 is included in the revolving fund and \$30,824,812 is included in the debt service fund on the Statement of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2013 by Standard and Poor's, in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. The State Treasurer is authorized to invest STIF funds in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

As of June 30, 2013 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$361,906 which is included in the debt service fund on the Statement of Net Position. As of June 30, 2012 funds held in FIGMM were \$255,545 which is included in the debt service fund on the Statement of Net Position.

FIGMM is a money market investment pool, managed by Fidelity Investments, normally investing at least 80% of assets in U.S. Government securities and repurchase agreements for those securities and generally maintaining a dollar-weighted average maturity of 60 days or less.

Investments

As of June 30, 2013, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 5,528,501	\$ -	\$ -	\$ 2,573,368	\$ 2,955,133	AA+
Guaranteed Investment Contracts	580,284	-	-	-	580,284	A-
Guaranteed Investment Contracts	5,880,687	-	-	5,880,687	-	A2
U.S. Treasury State & Local Governments	4,637,083	1,207,144	3,360,560	-	69,379	AA+
Connecticut General Obligation Bonds	5,751,503	-	-	5,751,503	-	AA
	<u>\$ 22,378,058</u>	<u>\$ 1,207,144</u>	<u>\$ 3,360,560</u>	<u>\$ 14,205,558</u>	<u>\$ 3,604,796</u>	

As of June 30, 2012, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 6,529,125	\$ -	\$ -	\$ 6,529,125	\$ -	Aaa
Guaranteed Investment Contracts	5,718,877	-	-	2,573,368	3,145,509	AA+
Guaranteed Investment Contracts	547,988	-	-	-	547,988	A
U.S. Treasury State & Local Governments	5,883,668	1,246,585	4,567,704	-	69,379	AA+
Connecticut General Obligation Bonds	6,262,081	-	-	6,262,081	-	AA
	<u>\$ 24,941,739</u>	<u>\$ 1,246,585</u>	<u>\$ 4,567,704</u>	<u>\$ 15,364,574</u>	<u>\$ 3,762,876</u>	

Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investments coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

Credit Risk

The SRF minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

Concentration of Credit Risk

The SRF currently invests approximately 54% and 51%, at June 30, 2013 and 2012, respectively, in long-term investment agreements with Natixis Funding Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified public water systems. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly installments. Prepayments are not subject to any penalty.

Loans receivable by type are as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Construction in process	\$ 5,335,916	\$ 39,737
Completed projects	<u>63,353,907</u>	<u>67,424,824</u>
	<u>\$ 68,689,823</u>	<u>\$ 67,464,561</u>

Aggregate maturities of loans receivable in subsequent years for completed projects are as follows:

<u>Year ending June 30</u>	
2014	\$ 4,950,005
2015	4,991,786
2016	5,045,477
2017	5,087,320
2018	5,076,563
Thereafter	<u>38,202,756</u>
	<u>\$ 63,353,907</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the cumulative amounts of funds awarded and drawn, as well as the amount of funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2013</u>	<u>2012</u>
Awarded	\$ 148,810,900	\$ 130,417,900
Drawn	<u>114,477,813</u>	<u>105,920,909</u>
Available federal letter of credit	<u>\$ 34,333,087</u>	<u>\$ 24,496,991</u>

As part of the State grant agreements with EPA and in accordance with State and Federal statutes, the State is required to provide a 20% match on all federal grant drawdowns. As of June 30, 2013 and 2012, the required State match was \$22,895,563 and \$21,184,182, respectively. As of June 30, 2013 and 2012, the State match provided was \$28,079,562 and \$25,304,741, respectively.

The following represents a summary of the cumulative amount of funds awarded and drawn under the American Recovery and Reinvestment Act of 2009 (ARRA) award as of June 30:

	<u>2013</u>	<u>2012</u>
Awarded	\$ 19,500,000	\$ 19,500,000
Drawn	<u>19,498,128</u>	<u>18,872,503</u>
Available federal letter of credit	<u>\$ 1,872</u>	<u>\$ 627,497</u>

6 - RESTRICTED ASSETS

Restricted assets as of June 30 are comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ -	\$ 267,742
Cash equivalents:		
Money market investment pool	38,859,205	42,441,488
Investments:		
U.S. Treasury State and Local Governments	4,637,083	5,883,668
Guaranteed Investment Contracts	11,989,472	12,795,990
Connecticut General Obligation Bonds	<u>5,751,503</u>	<u>6,262,081</u>
	<u>\$ 61,237,263</u>	<u>\$ 67,650,969</u>

7 - RELATED PARTY TRANSACTIONS

The SRF is one fund of many within the State of Connecticut financial reporting structure and as a result, certain transactions including operating transfers, loans receivable and allocation of expenses among funds are under the direction of the State.

Investments

The SRF has invested in the State Treasurer's Short Term Investment Fund and holds State General Obligation Bonds as presented in Note 3.

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2013 and 2012, the actual rates were 73.34% and 66.47%, respectively, of the SRF wages and the amounts charged aggregated \$1,115,284 and \$1,161,445, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Issued	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2013
Revenue bonds payable	\$ 50,794,273	\$ -	\$ 10,703,295	\$ 4,110,192	\$ 35,980,786
Refunding bonds payable	4,649,286	1,241,167	-	841,371	5,049,082
	<u>\$ 55,443,559</u>	<u>\$ 1,241,167</u>	<u>\$ 10,703,295</u>	<u>\$ 4,951,563</u>	<u>\$ 41,029,868</u>

A summary of changes in bonds payable during the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Issued	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2012
Revenue bonds payable	\$ 55,152,397	\$ -	\$ -	\$ 4,358,124	\$ 50,794,273
Refunding bonds payable	4,934,430	-	-	285,144	\$ 4,649,286
	<u>\$ 60,086,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643,268</u>	<u>\$ 55,443,559</u>

Revenue Bonds

The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities and public water systems, for use in connection with the financing or refinancing of waste water and drinking water treatment projects.

The State of Connecticut has issued the following bonds, of which a portion has been allocated to the SRF:

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2013
6/1/2001	Clean Water Fund Revenue Bonds, 2001 Series	\$ 29,614,747	\$ -
7/10/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	33,063,800	992,970
7/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	7,572,339	3,807,915
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	943,666
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	14,160,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	4,230,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	15,654,150
2/21/2013	State Revolving Fund Refunding General Revenue Bonds, 2013 Series B	1,241,167	1,241,167
		<u>\$ 122,631,203</u>	<u>\$ 41,029,868</u>

Debt service on the outstanding bonds will be paid solely from Available Moneys in the SRF and the Clean Water Fund. Available Moneys include all funds in the SRF legally available and therefore can be used for any lawful purpose. The bond proceeds fund, the debt service fund and the support fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment of all bonds issued under the 2002 Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2003 Series dated July 10, 2003 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 Series Bonds between the SRF and the Clean Water Fund with \$33,063,800 allocated to the SRF and \$85,021,200 allocated to the Clean Water Fund. Debt service on the 2003 Series Bonds is paid from any available monies in the SRF and the Clean Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution. After a review of the total expenditures from both programs since 2003, as of July 1, 2006, the State transferred \$10,210,105 in 2003 bond proceeds from the Drinking Water Fund to the Clean Water Fund. An equal principal amount of 2003 bonds will now be designated Clean Water bonds and will be payable from Clean Water revenues for their remaining term. Other related accounts were affected and adjusted to reflect the transfer.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2006 Series dated July 27, 2006 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2006 Series Plan of Finance, the State allocated the proceeds of 2006 Series Bonds between the Clean Water Fund and the SRF with \$145,000,000 allocated to the Clean Water Fund and \$5,000,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2008 Series dated August 6, 2008 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2008 Series Plan of Finance, the State allocated the proceeds of 2008 Series Bonds between the Clean Water Fund and the SRF with \$171,195,000 allocated to the Clean Water Fund and \$25,000,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2009 Series dated June 25, 2009 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2009 Series Plan of Finance, the State allocated the proceeds of 2009 Series Bonds between the Clean Water Fund and the SRF with \$194,765,000 allocated to the Clean Water Fund and \$4,675,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2011 Series dated March 24, 2011 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2011 Series Plan of Finance, the State allocated the proceeds of 2011 Series Bonds between the Clean Water Fund and the SRF with \$166,470,850 allocated to the Clean Water Fund and \$16,464,150 allocated to the SRF.

The SRF's revenue bonds payable are serial bonds, of which \$35,980,786 and \$50,794,273 was outstanding as of June 30, 2013 and 2012, respectively. The serial bonds mature through June 30, 2028 and have interest rates ranging from 1.0% to 5.0%.

Refunding Bonds - 2003 Series

On July 10, 2003 the State issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series B with interest rates of 2.0% to 5.9% to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with a principal balance totaling \$17,834,000 and interest rates of 4.0% to 5.5%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the SRF. The Refunded Bonds had redemption dates through October 1, 2011.

The net proceeds of the 2003 Series B Refunding Bonds were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$17,834,000 were removed from the SRF's Statement of Net Position.

The difference of \$1,045,694 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2016. Amortization of the deferred loss for the years ended June 30, 2013 and 2012 totaled \$246,349 and \$321,205, respectively.

Cash Defeasance - 2008

On June 30, 2008 the SRF paid \$5,622,931 to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$5,514,266 and interest rates of 4.0% to 6.0%.

The \$5,622,931 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on various dates through October 1, 2012.

The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$5,514,266 were removed from the SRF's Statement of Net Position. As of June 30, 2013 and 2012, the outstanding principal balance of the Refunded Bonds was \$-0- and \$1,393,351, respectively.

The difference of \$7,572 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2013. Amortization of the deferred loss for the years ended June 30, 2013 and 2012 totaled \$2,103 and \$2,944, respectively.

Cash Defeasance - 2011

On March 24, 2011 the SRF paid \$7,281,610 to advance refund Clean Water Fund 2003 Series A Revenue Bonds (Refunded Bonds) with principal balances totaling \$6,453,836 and an interest rate of 5.0%. The Refunded Bonds were scheduled to mature at various dates through October 1, 2019, but have a redemption date of October 1, 2013.

The \$7,281,610 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service until the Refunded Bonds are called on October 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$6,453,836 were removed from the SRF's Statement of Net Position. As of June 30, 2013 and 2012, the outstanding principal balance of the Refunded Bonds was \$6,453,836.

The difference of \$521,185 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2014. Amortization of the deferred loss for the years ended June 30, 2013 and 2012 totaled \$162,146

Refunding Bonds - 2013 Series B

On February 21, 2013 the State issued \$1,241,167 of State Revolving Fund Refunding General Revenue Bonds 2013, Series B with interest rates of 2.0% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2006 B (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through July 1, 2027, but have a redemption date of July 1, 2016.

The net proceeds of the 2013 Series B Refunding Bonds were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds will be called on July 1, 2016. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$1,252,500 were removed from the SRF's Statement of Net Position. The outstanding principal balance of the Refunded Bonds for the year ended June 30, 2013 was \$1,252,500.

The difference of \$193,376 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2017. Amortization of the deferred loss for the year ended June 30, 2013 totaled \$38,675.

Cash Defeasance - 2013

On February 21, 2013 the SRF paid \$10,014,715 to advance refund Clean Water Fund 2003 Series A Revenue with principal balances totaling \$7,908,129 and interest rates of 3.0% to 4.5% and Clean Water Fund 2006 Series A Revenue with principal balances totaling \$1,542,667 and interest rates of 4.25% to 5.0%. The 2003 Series A bonds were scheduled to mature at various dates through October 1, 2025, but will be redeemed on October 1, 2013. The 2006 Series A bonds were scheduled to mature at various dates through July 1, 2027, but will be redeemed on July 1, 2016.

The \$10,014,715 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are redeemed. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$9,450,796 were removed from the SRF's Statement of Net Position. The outstanding principal balance of the Refunded Bonds for the year ended June 30, 2013 was \$9,450,796.

The difference of \$215,789 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2017. Amortization of the deferred loss for the years ended June 30, 2013 totaled \$43,158.

Bond Maturities

Requirements at June 30, 2013 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,726,569	\$ 1,706,405
2015	5,543,970	1,490,343
2016	5,958,462	1,274,808
2017	5,362,800	1,071,717
2018	5,228,550	825,038
2019-2023	9,078,733	2,099,729
2024-2028	4,130,784	450,626
	<u>\$ 41,029,868</u>	<u>\$ 8,918,666</u>

9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2013 and 2012:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2011	\$ 24,286,490	\$ 100,855,579	\$ 125,142,069
Change in net position	<u>4,310,947</u>	<u>2,948,499</u>	<u>7,259,446</u>
Balance at June 30, 2012	28,597,437	103,804,078	132,401,515
Change in net position	<u>(2,392,701)</u>	<u>6,873,019</u>	<u>4,480,318</u>
Balance at June 30, 2013	<u><u>\$ 26,204,736</u></u>	<u><u>\$ 110,677,097</u></u>	<u><u>\$ 136,881,833</u></u>

The net position reserved for loans represents amounts accumulated from federal drawdowns, less set-aside activity expenses not exceeding 31% of the federal grant and subsidies, and the State's match of federal funds.

10 - OPERATING TRANSFERS

Operating transfers consist of the following for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Transfers related to CWF debt service	(\$ 1,382,843)	(\$ 605,966)
State match	1,169,861	1,250,398
Reallocation of funds from CWF	-	5,000,000
Transfer related to cost of issuance of bond offerings	(7,554)	-
Other miscellaneous transfers	<u>(26,744)</u>	<u>-</u>
	<u><u>(\$ 247,280)</u></u>	<u><u>\$ 5,644,432</u></u>

11 - LOAN FUNDING COMMITMENTS

The operating agreements for the federal capitalization grants require that the SRF enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant.

The following represents a summary of loan commitments at June 30:

	<u>2013</u>	<u>2012</u>
Total funds committed to public water systems	\$ 172,113,547	\$ 91,495,470
Loan amount outstanding to public water systems	<u>68,689,823</u>	<u>67,464,561</u>
Loan commitments outstanding	<u>\$ 103,423,724</u>	<u>\$ 24,030,909</u>

In addition, the SRF had ARRA project grant commitments of \$251,026 as of June 30, 2012.

12 - RISK MANAGEMENT

The State of Connecticut is responsible for risk management of the SRF activities through the use of commercial and self-insurance.

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ms. Denise L. Nappier, Treasurer

Dr. Jewel Mullen, Commissioner,
Department of Public Health,
State of Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SRF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRF's internal control. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SRF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
September 17, 2013

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ms. Denise L. Nappier, Treasurer

Dr. Jewel Mullen, Commissioner,
Department of Public Health,
State of Connecticut

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2013. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the SRF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the SRF's compliance.

Opinion of Each Major Federal Program

In our opinion, the SRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the SRF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SRF's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
September 17, 2013

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2013

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.468	\$ 9,058,951
Capitalization Grants for State Revolving Fund	ARRA - 66.468	<u>617,973</u>
		<u>\$ 9,676,924</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent that administrative costs have been incurred by the SRF and charged to the grant and federal funds have been loaned or granted to public water systems during the year.

B - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2013 totaled \$4,098,198, of which \$193,644 were from ARRA grants. Grants disbursed to subrecipients during year ended June 30, 2013 totaled \$1,769,955, of which \$251,515 were from ARRA grants.

C - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$68,689,823 as of June 30, 2013.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes X No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for State Revolving Fund
ARRA 66.468	Capitalization Grants for State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low risk auditee? X Yes No

. . . Continued . . .

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013
. . . Continued . . .

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

