



Drinking Water

State Revolving Fund Program

ANNUAL REPORT



State of Connecticut

2014

East Lyme Water Storage Tank Construction
DWSRF Project #2013-7022



Connecticut Drinking Water Fund

Supporting the Planning, Design, and Construction
of Drinking Water Infrastructure



Jewel Mullen, MD, MPH, MPA

Commissioner

Department of Public Health

*Programmatic and Fiscal Administration of Drinking Water
State Revolving Fund (DWSRF) Funded Projects and Set-Asides*



Denise L. Nappier

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*Fiscal Administration, Oversight of Loans, and
Administration of the Bond Financing Program*



Robert J. Klee

Commissioner

Department of Energy and Environmental Protection
Administration of Connecticut's Clean Water Fund

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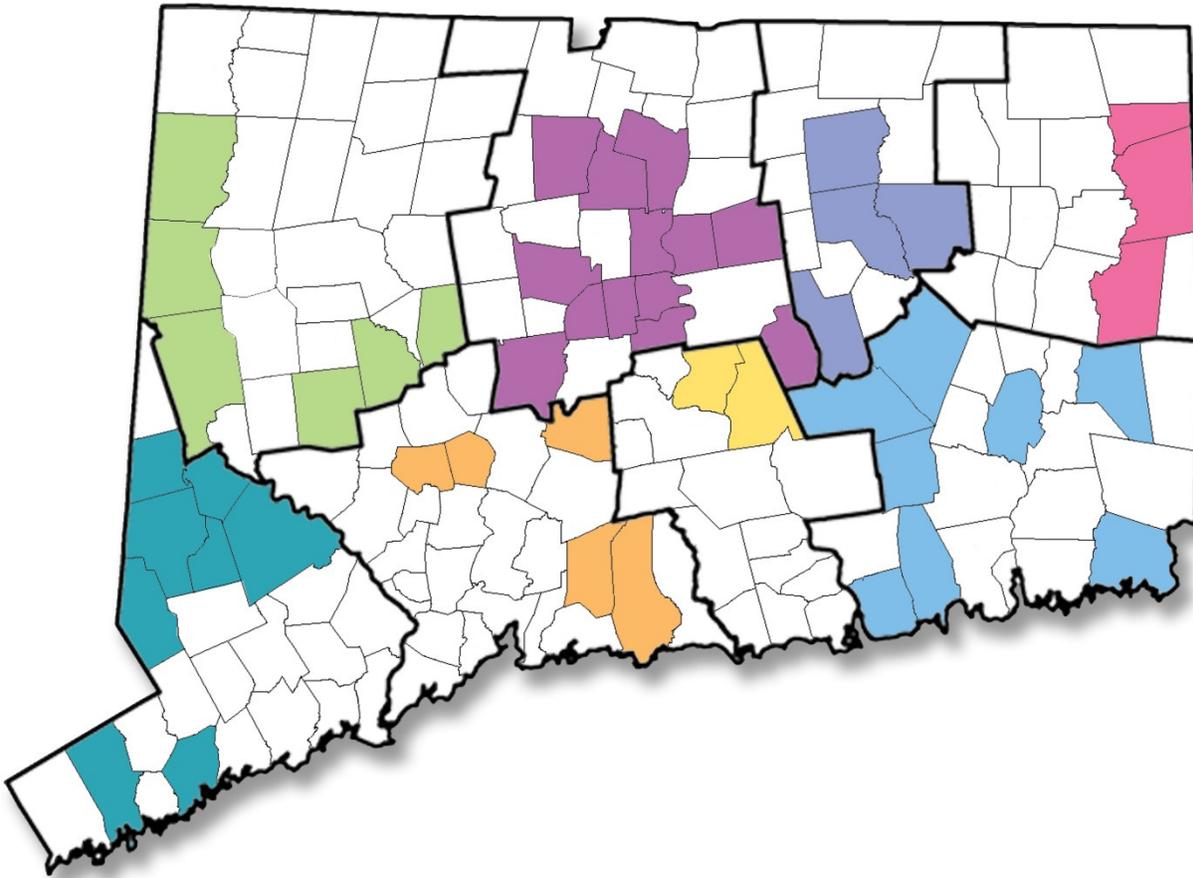
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DWSRF ANNUAL REPORT ACRONYM LIST

ARRA	American Recovery and Reinvestment Act of 2009
CPCN	Certificate of Public Convenience & Necessity
CGS	Connecticut General Statutes
CT AWWA	Connecticut Section of American Water Works Association
CWF	Clean Water Fund
CWSRF	Clean Water State Revolving Fund
DEEP	Department of Energy and Environmental Protection
DPH	Department of Public Health
DWF	Drinking Water Fund
DW NIMS	Drinking Water National Information Management System
DWS	DPH Drinking Water Section
DWSRF	Drinking Water State Revolving Fund
FFATA	Federal Funding Accountability and Transparency Act
FTE	Full Time Equivalent
FY	Fiscal Year of the State of CT (from July 1 to June 30 each year)
FFY	Federal Fiscal Year of the Federal Government (from October 1 to September 30 each year)
IFO	Interim Funding Obligation
IUP	Intended Use Plan
MOU	Memorandum of Understanding
OA	Operating Agreement between the State and the EPA
OPM	Office of Policy and Management
OTT	Office of the State Treasurer
PBR	Project Benefits Reporting Database
PLO	Project Loan Obligation
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
SA&P	Source Assessment & Protection (Unit within DWS)
ULOs	Unliquidated Obligations

COMMUNITIES OBTAINING PROJECT FUNDING THROUGH THE CONNECTICUT DRINKING WATER STATE REVOLVING FUND SINCE PROGRAM'S INCEPTION



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

Hartford County: **Bristol**, Farmington, **Manchester**, **Marlborough**, **Metropolitan District Commission (MDC)** (includes Hartford, Bloomfield, Windsor, Rocky Hill, East Hartford, Newington, Wethersfield, West Hartford), **New Britain**, Simsbury, **Southington**

Litchfield County: Kent, **New Milford**, Plymouth, **Sharon**, **Watertown**, **Woodlake Tax District (Woodbury)**

Middlesex County: East Hampton, **Portland**

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

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

Tolland County: **Coventry**, **Hebron**, **Mansfield**, Tolland

Windham County: Killingly, Plainfield, Putnam

Bold and italic Towns received multiple loans

REPORT INTRODUCTION

This is the Annual Report to the Governor on the Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2014. It has been prepared jointly by the Department of Public Health (DPH) Drinking Water Section (DWS) and the Debt Management Division of the Office of the State Treasurer (OTT).

The DWSRF provides financing for projects that have been identified by the DPH, through a call for projects, as part of the agency's responsibility for ensuring the quality and adequacy of Connecticut's public drinking water sources and systems. The DPH is the designated state agency that is authorized to enter into DWSRF Capitalization Grant agreements with the United States Environmental Protection Agency (EPA), accept capitalization grants, and otherwise manage the DWSRF program. The capitalization grant also provides funding for various set-aside activities. Each year the DPH is required to submit a grant application to EPA in order to receive its capitalization grant.

The DPH DWS uses the various DWSRF 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 drinking water for the state's citizens.

The DPH, the OTT, the Department of Energy and Environmental Protection (DEEP), and the Office of Policy and Management (OPM) have worked together since 1995 on various aspects of the

DWSRF program. With a great deal of consideration for existing regulations and procedures, the Drinking Water SRF Interagency Memorandum of Understanding (MOU) was drafted and details the roles and responsibilities of each agency. An overview of the participation and responsibilities of each State agency is noted later in this report as well as in Appendix I.

This report includes the history of the DWSRF, a review of the DWSRF during FY 2014, descriptions of the revenue bond program, and projections of future project funding. As a major recipient of federal financial assistance, the State will also provide this annual report and audited statements to EPA in order to comply with federal reporting requirements under the Safe Drinking Water Act (SDWA). The State must also comply with the federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2014, 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 program is available in a separate annual report.

Copies of the 2014 report and previous annual reports since 2001 are available on the Office of the State Treasurer's website at www.state.ct.us/ott and via a link from the DPH DWS website at www.ct.gov/dph/dwsrf.



Portland



East Lyme



Norwalk First Taxing District

EXECUTIVE SUMMARY

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

The DPH DWS focuses on public health 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 2,500 public drinking water systems, which provide drinking water to approximately 2.7 million people on a daily basis.

Approximately 897 of the 2,519 public water systems are eligible to receive DWSRF low-interest loans for drinking water infrastructure improvements. Funding is also available for various program set-asides to be used for activities related to the support of the DWSRF as well as oversight of all public water systems in the state. These activities include: providing assistance to improve the technical, managerial, and financial capacity of these systems. The DWS promotes asset management, and uses various tools to assist operators with the management of sizes of public water systems, with a particular focus on small systems.

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

During FY 2014, the DPH provided nearly \$28 million in funding for 17 infrastructure projects. Since its inception, the DWSRF program has provided more than \$188 million for 116 projects. Starting in 2010, the capitalization grants have included a requirement to provide a minimum amount of funding as subsidy. Several of the projects funded this year qualified for partial subsidy in the form of principal forgiveness, including those under the Emergency Power Generator Program and for small public water systems (systems with population under 10,000).

SUMMARY OF FY 2014 ACTIVITIES & ACCOMPLISHMENTS

- ✓ Executed 13 project commitments under the base DWSRF program totaling \$27.8 million (of which \$25.8 million was loan commitments and \$2.0 million was subsidy).
- ✓ Executed 4 project commitments under the Emergency Power Generator Program for over \$186,000.
- ✓ Processed 125 project payment reimbursement requests for approximately \$32 million.
- ✓ Conducted 316 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity and cross-connection control programs.
- ✓ 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.
- ✓ Reduced outstanding federal Unliquidated Obligations (ULO's) by 11%. Number 1 in the country for FY 2014 for the highest rate of ULO reduction. The current ULO meets the EPA national goal of less than 10%.
- ✓ Increased the pace of the program from 88% to 99%.
- ✓ Electronically processed nearly 453,000 individual sample analytical results into the Safe Drinking Water Information System (SDWIS).
- ✓ Reviewed and evaluated approximately 280 required notifications of proposed projects in public water system watersheds and aquifer protection area.
- ✓ Various staff participated in the LEAN Process to streamline the DWSRF loan process and the sanitary survey inspection process.
- ✓ Conducted the 2013 DWSRF Public Hearing/Open Forum.

HISTORY AND MANAGEMENT OF THE CONNECTICUT DWSRF PROGRAM

In 1996, Congress passed amendments to the SDWA authorizing the EPA to offer states Capitalization Grants to create the Drinking Water SRF. The SDWA provided for an annual Congressional authorization of \$1 billion nationally for the DWSRF through 2003, and as of June 30, 2014, the SDWA has not yet been reauthorized by Congress. However, in each subsequent year since 2003, Congress has appropriated funding for the DWSRF. Each state is allocated a certain amount of that appropriation.

Each year the State of Connecticut is required to submit a DWSRF Capitalization Grant application to EPA to capture its DWSRF allocation. The Intended Use Plan (IUP), which documents how the State intends to use the grant funds, is one of several documents the State must submit as part of its application. Connecticut General Statutes (CGS) Sections 22a-475 through 22a-483, inclusive, 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 FFYs 1998-2013, 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 FFY 2013 capitalization grant in the amount of \$8,421,000 was approved in September 2013. Beginning with the FFY 2014 allocation and through at least FFY 2017, Connecticut's allocation will be 1.01%. This increase is due to the results of the 2011 Drinking Water Infrastructure Needs Survey.

The state has received a total of \$157.2 million to date in capitalization grants, with a list shown in Appendix II. As required for each awarded grant, a

state match must be provided for 20% of the grant. The OTT is responsible for ensuring that the match is made. The cumulative amounts of state match are identified in Appendix III.

The DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State of Connecticut and the EPA. The OA establishes the basic framework and procedures of the DWSRF that are not expected to change annually. Beginning in 2011, the DPH initiated strategies to increase the number of loans and funds provided by the 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 process for emergency power generators.

On June 17, 2013, the DPH Drinking Water Section sent a letter to EPA 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

DWSRF Program Management

The following is a brief overview of State agency participation in the management of the DWSRF program. A more detailed explanation of each agency's roles and responsibilities is included in Appendix I.

- 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 (CWF).
- OTT is responsible for the fiscal administration of the DWSRF accounts and administration of the DWSRF financial plan as part of the Connecticut CWF. The OTT manages and administers the State's bond financings and provides the State Bond Commission bonding authorization requests for DWSRF projects under the CWF.
- The DEEP is responsible for the administration of the CWF of which DWSRF is a subaccount. As part of the CWF, the DEEP processes both the DPH's biennial DWSRF Capital Budget requests and the DWSRF State Bond Commission project allocation requests. The Public Utilities Regulatory Authority (PURA), part of DEEP, provides assistance to the DWSRF applicants that it regulates.

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.

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.



DPH Drinking Water Section Staff

PROJECT FINANCING

The DWSRF provides financial assistance to Public Water Systems (PWS) 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 DWSRF will fund. The major limitations on project financing are exclusions for projects that are primarily for growth. Other limitations are further described in the guidance documents available from the DPH and the EPA.

The DWSRF financial assistance consists of low-interest rate loans of approximately one-half of the market rate with up to 20 years repayment. The loan rate during FY 2014 was 2.0%. The DWSRF also provides technical assistance and training with a portion of the federal grant.

The FFY 2010 (Public Law 111-85) federal capitalization grant required subsidization for eligible projects for the first time in the history of the program. The program developed a mechanism for determining the amount of subsidy, and consistent with the federal law, subsidy has been provided in the form of loan principal forgiveness to borrowers. In FY 2011, the DWSRF began to offer federally funded loan subsidies designed to encourage PWS to initiate projects they normally would not be able to afford based on their current finances. Due to continued availability from the federal capitalization grant, subsidization will continue to be offered as part of the DWSRF funding package.

Prior to FY 2015, the DWSRF did not offer state-funded subsidizations. During FY 2014, the CT General Assembly passed Public Act 14-98 which authorized \$50 million in state general obligation bonds to fund principal forgiveness of loans (grants-in-aid) under the DWSRF program. This subsidy is anticipated to begin to be distributed during FY 2015.

Projects selected for financial assistance are chosen 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 public health protection through the distribution of adequate and safe drinking water.

Once a project is deemed eligible for funding, the applicant's capabilities are evaluated for technical, managerial, and financial capacity by the DWS engineering staff and the OTT to ascertain if the applicant's system can support a DWSRF loan and ensure that the project will address any violations or significant deficiencies that the PWS may have.

In accordance with the State's SRF regulations, and as required by the Connecticut General Statutes, financial assistance is provided to the borrower pursuant to a project loan and subsidization (when applicable) 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 borrower, and the amounts of loan and subsidy are equal only to the aggregate of such disbursed amounts. Thus, the borrower is obligated to repay only that amount that it actually draws down as loan for the payment of project costs.

Each funding agreement specifies a scheduled completion date, and the amortization of the loan is expected to begin within one year from that 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.

The DWSRF currently does not have a Disadvantaged Assistance Program component that would provide longer repayment terms or additional subsidization to PWS that might not otherwise be able to afford infrastructure improvement projects. The DWSRF program does provide additional points to those projects that build projects in towns that are at or below 80% of the state's Median Household Income level under the Affordability criteria within the priority ranking system. 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 large public health issue to tens of thousands of their customers to be out of power for several days in the event of a major power outage.

Intended Use Plan Summary

The DPH's Intended Use Plan (IUP) 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 IUP 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 IUPs. During FY 2014, Connecticut provided the 20% match of \$1.6 million for the FFY 2013 award and will be providing the match for the FFY 2014 award.

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 IUP.

The 2013 DWSRF Public Hearing and Open Forum was held on September 18, 2013. Applicants and interested parties participated at the hearing on projects to be funded during state fiscal years 2014 and 2015 and had the opportunity to give testimony on projects and the IUP. The Open Forum allowed applicants to speak directly with staff about projects or answer any questions.

Priority Ranking System and Project Priority List

The priority ranking system is a key component of the management of the DWSRF. Project eligibility applications are reviewed, ranked, and compiled to create a Project Priority List (PPL) to ensure that funding is available for projects that have the most pressing needs. The ranking system also incorporates procedures for emergencies. 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. Based on this system, the DWS develops a list of projects that will receive funding during the year. The PPL is part of the IUP.

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 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 and SDWA. 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 based on current data from the American Community Survey available at the time the PPL is generated. The American Community Survey data is updated on an annual basis.

The DPH approves project loans to recipients on the PPL 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 PPL. In these situations, the DWS continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible. The most up to date PPLs available are for fiscal years 2014 and 2015, and can be found on the DWS website. Projects on the PPL 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 PPL in order to allocate all available project funds.



DPH Engineers Reviewing Project Plans

FY 2014 FUNDED PROJECTS DETAIL

Base Program

During FY 2014, the Drinking Water SRF made 13 interim project commitments totaling \$27.7 million (including \$25.7 million in loans) for the following projects. A table listing all FY 2014 projects funded is included as Appendix IV.

Town of Ledyard (Ledyard WPCA) – Water Main Extension to Aljen Heights - (\$4,756,757.04 total funding)

An additional \$206,346 in funding was provided for this project for work which included installation of a water main and pump station to provide a safe and reliable drinking water supply to the residents of Aljen Heights Subdivision (a private subdivision); Avery Hill Water Association (AHWA), a community water system; and some residential homes located off Avery Hill Road in Ledyard. The AHWA has only a single well with multiple regulatory violations, and a majority of Aljen Heights homeowners have contaminated private wells.

The loan agreement has been amended to increase the project funding to cover the additional cost for booster pump station installation. The project is essential for the Ledyard WPCA to provide an adequate and potable water supply to serve those additional homes. This project's amended Interim Funding Obligation (IFO) closed on June 27, 2014. Of the total project financing, the loan amount was \$3,781,621.85 at an interest rate of 2%.



Ledyard - Avery Hill - Booster Pumps

City of Bristol - Old Wolcott Road - Storage Tank Improvements (\$501,000)

This project includes significant improvements to its existing above-ground concrete Old Wolcott Road Water Storage Tank to protect its structural integrity. These proposed improvements are based upon the recommendations identified in the recent inspection report of the tank prepared by the system's consultant. The scope of the work for this project includes the following: cleaning of the tank, repair of tank walls, coating of interior and exterior walls, replacement of roof hatch, overflow, air vent system, and security improvements. Installation of temporary storage facilities is necessary and will be used to maintain an adequate water supply since the tank will be taken off-line during construction.

The storage tank improvements project is necessary to prevent the tank from deterioration due to corrosion and other associated problems identified during the recent tank inspection. This project will help the city maintain a safe and adequate supply of potable water to its residents.

This project's IFO closed on August 20, 2013, with a loan amount of \$525,000 at an interest rate of 2%. The project was completed under budget and the Project Loan Obligation (PLO) for the project closed on June 27, 2014, in the amount of \$501,000.



Bristol- Old Wolcott Road Storage Tank

[Metropolitan District Commission \(MDC\) - Water Main Replacement- Farmington 7.2 \(\\$526,991\)](#)

This project consists of the replacement of a portion of water main in the vicinity of Farmington Avenue, including Lexington Street, Fenway Street, and Warrenton Avenue in West Hartford. The water main has exceeded its useful service life and is being replaced in conjunction with upgrades to the storm and sanitary sewer systems. This project will help MDC maintain a safe and adequate supply of potable water to its customers.

This project's IFO closed on October 10, 2013. Of the total project financing, the loan amount was \$488,520.65 at an interest rate of 2%.



MDC- Replacement of Water Main



[Woodlake Tax District - Atmospheric Storage Tank and Booster Pump Station Improvements \(\\$369,859\)](#)

The project will make significant improvements to the existing 520,000 gallon atmospheric storage tank and booster pumping station. These include cleaning, repairing, and coating of the tank's interior and exterior walls and replacing the roof hatch, as well as repairs and upgrades to the pumping equipment and upgrades to the electrical panel. Temporary storage tanks will be installed and utilized to maintain an adequate water supply since the tank will be taken off-line during construction.

The proposed storage tank improvements are necessary to prevent the tank from deterioration due to corrosion and other associated problems. The booster pump station needs upgrades to enhance its reliability; both are necessary to maintain the purity and adequacy of water delivered to residents.

This project's IFO closed on October 4, 2013, with a loan amount of \$369,859 at an interest rate of 2%. A certificate to extend the scheduled completion date was closed on May 27, 2014.



Woodlake Temporary Storage Tanks

Metropolitan District Commission – Water Main Replacement – Upper Albany #1 (\$4,348,771)

This project consists of the replacement of a portion of water main in the vicinity of Upper Albany Avenue including Guilford Street, Flint Street, Mather Street, Winter Street, Brook Street, and Bedford Street in Hartford. The water main has exceeded its useful service life and is being replaced in conjunction with upgrades to the storm and sanitary sewer systems. This project will help MDC maintain a safe and adequate supply of potable water to its customers.



This project’s IFO closed on October 10, 2013. Of the total project financing, the loan amount was \$4,031,310.72 at an interest rate of 2%.

MDC- Upper Albany Construction

City of Bristol – Grove Street Tank - (\$344,155)

The Bristol Water Department maintains and operates two storage tanks (Grove Street Tank #1 and Grove Street Tank #2) located off of Grove Street. Tank #1 was constructed in the early 1900’s and its condition was deteriorating. This project demolishes Tank #1, inlet and outlet piping, and associated appurtenances since the cost to rehabilitate the tank outweighs its benefits and the tank was not necessary to the operation of the system. As a result, new infrastructure must be installed to maintain the use of Tank #2, including a vault to house gauges and sample tap, electrical panel, inlet & outlet

piping, site improvements including security fencing, and other appurtenances.

This project will eliminate a deteriorating tank, which is a potential source of contamination. It will improve the operation and reliability of the system to provide a continuous supply of potable water to its customers.

This project’s IFO closed on April 15, 2014, with a loan amount of \$344,155 at an interest rate of 2%.

City of New London – Lake Konomoc Intake Pump Station - Phase 2 (\$5,970,473)

The project consists of the installation of a raw water intake pump station to be located adjacent to the existing water treatment plant (WTP). The new station is being constructed to allow New London to access additional water from Lake Konomoc and increase the safe yield of the source of supply to augment the demand of the system during peak demand periods and severe drought conditions, especially when the surface water in the lake is at a level lower than the elevation of the existing intake pipe for the WTP. This project will address the outstanding DPH Consent Order for not maintaining adequate supply capacity and not providing sufficient system capacity to meet peak demands and will help New London maintain a safe and adequate supply of potable water to its customers. This project’s IFO closed on June 17, 2014. Of the total project financing, the loan amount was \$5,534,628.47 at an interest rate of 2%.



New London- New Raw Water Pipe

[Metropolitan District Commission - Water Main Replacement - Retreat Avenue \(\\$1,824,572.45\)](#)

This project consists of the replacement of a portion of water main in the vicinity of Retreat Avenue, between Maple Avenue and Essex Street in Hartford. The water main has exceeded its useful service life and is being replaced in conjunction with upgrades to the storm and sanitary sewer systems. This project will help MDC maintain a safe and adequate supply of potable water to its customers.

This project's IFO closed on April 24, 2014. Of the total project financing, the loan amount was \$1,691,378.66 at an interest rate of 2%.



MDC- Retreat Avenue Construction



[Norwich Public Utilities - Design of 4 Projects \(\\$706,816\)](#)

The Stony Brook Filter Media project consists of the design phase to add a Dissolved Air Flotation (DAF) clarification process ahead of the existing treatments to improve disinfection by-product precursor and algae removal.

The Mohegan Tank Replacement project consists of the design phase of a new 2.0 MG concrete water tank to replace the existing 5.0 MG steel Mohegan Tank.

The Northern Stony Brook Transmission Main Renewal and Micro Turbine project consists of design phase to renew the northern portion of the existing Stony Brook Transmission Main and reduce pressure from the Stony Brook Tank to the Norwich Public Utilities (NPU) Low Pressure Zone through the use of a micro-turbine. The micro-turbine will be installed to provide system pressure regulation to the NPU Low Pressure zone, and recover energy which will then export the energy back into the power grid. A flow meter will be installed upstream of the micro-turbine to help monitor potential leakage in the transmission line.

The Southern Stony Brook Transmission Main Renewal project consists of the design phase to renew the southern portion of the existing Stony Brook Transmission Main.

These projects will improve the quality of the treated water being delivered to customers, as well as improve the reliability of the system to maintain a continuous and adequate supply of water.

This project's IFO closed on February 7, 2014. Of the total project financing, the loan amount was \$656,252.62 at an interest rate of 2%.

Metropolitan District Commission – Pump Station Upgrades Newington/Glastonbury (\$3,423,839)

The project consists of upgrades to the Newington and Vexation Hill pump stations in Newington and Buckingham pump station in Glastonbury, including replacing pumps, electrical, mechanical, and instrumentation and controls equipment, and the installation of metering points and back-up power including supporting structures. The project will improve the operation and reliability of each facility to ensure that customers continue to receive an uninterrupted supply of potable water.

This project’s IFO closed on January 28, 2014. Of the total project financing, the loan amount was \$3,173,898.75 at an interest rate of 2%.



MDC - Pump Station Upgrades



MDC - Pump Station Upgrades

Metropolitan District Commission – North Storage Basin Site Work (\$3,411,776)

This project consists of the site preparation and associated piping and valves for construction of a 2.5 MG water storage basin at the West Hartford Water Treatment Facility. The tank construction will begin when the site has been sufficiently prepared. The construction of this new tank is necessary in order to allow for other finished water storage basins to be taken off-line for needed repairs and improvements, while still maintaining an adequate supply of potable water to customers.

This project’s IFO closed on May 29, 2014. Of the total project financing, the loan amount was \$3,162,716.35 at an interest rate of 2%.



MDC - North Storage Basin Site Work

**Metropolitan District Commission – Reservoir 6
Phase II WTP Improvements (\$2,079,525)**

This project consists of process, safety, and building improvements to the Reservoir #6 Water Treatment Facility, including installation of piping for filter backwash recycling. The project will improve the operation and reliability of the facility to ensure that customers continue to receive an uninterrupted supply of potable water, and will increase safety in and around the water treatment plant.

This project's IFO closed on April 24, 2014. Of the total project financing, the loan amount was \$1,927,719.67 at an interest rate of 2%.



MDC - Reservoir 6- Filter Pipes



MDC - Reservoir 6- Filters

**Metropolitan District Commission – Wickham
Hill Storage Basin Phase I Improvements
(\$3,952,620)**

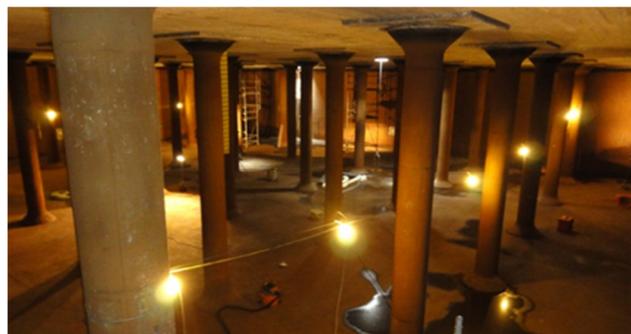
The work to be performed under this project includes improvements to the Wickham Hill Storage Basins. These improvements include work on the water storage basins, building renovations, site piping, and electrical improvements. Components to be upgraded include basin roof vents and manhole access hatches, installation of a membrane liner, installation of a solar-powered mixing system, new security alarms, addition to the recirculation pump chamber, water pump replacements, demolition of existing and replacement of overflow piping, installation of new valves, repairs to basin interiors, and installation of new fencing around facility.

The project will improve the operation and reliability of the finished water storage basins to ensure that customers continue to receive an uninterrupted supply of potable water.

This project's IFO closed on April 24, 2014. Of the total project financing, the loan amount was \$3,664,078.74 at an interest rate of 2%.



MDC - Wickham Hill Storage Basin, Interior (below)



Emergency Power Generator Program

This program was originally 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.



Manchester - Stationary Generator



Apple Valley Village -Small System Generator

During FY 2014, the DWS continued implementation of the second round of projects submitted under this program, which now includes eligible PWS of all sizes. Since it began, 34 subsidized loans have been executed totaling over \$900,000 for the purchase and/or installation of 38 generators. Funding applications for another 48 generators have been received and are at varying stages in the review process.

Subsidization provides for up to 25% or 45% of the cost of eligible components of each generator project that receives DWSRF funding. The amount and percentage of subsidization depends on the amount of the request and if the generator is for replacement or if purchasing for the first time.

Four Generator Project loans were closed during FY 2014: Apple Valley Village, Manchester Water Department (two loans), and Sharon Housing Authority. All of these generators will be used to power the water supply system in the event of a power outage to maintain a safe and adequate supply of potable water.

Funding for small systems continues to be a priority for the DPH. During FY 2014, four projects received a total of \$606,483. Overall, since the DWSRF program began, the DPH has exceeded the goal of providing at least 15% of available funds to small system projects.

A cumulative list of all projects funded since the Program's inception, including those funded by ARRA, is included in Appendix VI.

A listing of projects that have closed on the Project Loan Obligation and have commenced repayment are located in Appendix VII.

Projects Completed During FY 2014*

PWS Name (Applicant)	ID #	Town	Brief Description
City of Norwich	2011-7005	Norwich	Pump, Drives and Tanks (Design)
City of Norwich	2011-7006	Norwich	Transmission Mains, Meter and Microturbine (Design)
Candlewood Trails Assn.	2012-7007	New Milford	Pump House, Water Storage Tank
City of Meriden	2012-7008	Meriden	Broad Brook WTP and Pump Station Improvements (Design)
Metropolitan District (Metering III)	2013-7012	Various Towns	RF Automated Meter Reading System and Meter Replacement
Metropolitan District (Capitol, Broad and Linden)	2013-7013	Hartford	Water Main Replacement
City of Bristol	2013-7016	Bristol	Improvements to Old Wolcott Road Storage Tank
Apple Valley Village	2013-9007	Southington	Generator
Candlewood Trails Assn.	2013-9027	New Milford	Generator
Country Acres Mobile Home Park	2013-9028	Killingly	Generator
Woodland Summit Community Water Association	2013-9029	Tolland	Generator
Town of Manchester	2013-9031	Manchester	Generator
Town of Manchester	2013-9032	Manchester	Generator
City of Danbury (Hawthorne Terrace Assn.)	2013-9033	Danbury	Generator
Sharon Housing Authority	2013-9035	Sharon	Generator

* Project completed means work completed for funding purpose only; may or may not have signed permanent loan note or repaid.



ONGOING AND PENDING PROJECTS

In accordance with Section 22a-478(o) of the CGS, this report includes the list of total loans outstanding, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2015.

The table in Appendix VII of this report shows a total of \$208.1 million in loans to borrower with outstanding loans or undrawn loan commitments through June 30, 2014, and those with new loan commitments expected to be executed through June 30, 2015.

East Lyme-New London Regional Interconnection Project Storage Tank Construction



Project Ground Breaking (July 2013)



Water Storage Tank Foundation (September 2013)



Project Construction (March 2014)



Tank Construction Completed (June 2014)

Drinking Water Infrastructure Needs Survey and Future Funding Needs

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 survey of the anticipated costs of these investments. The results are reported to Congress and are used to determine the amount of funding each state receives for its DWSRF program, which funds the types of projects identified in the survey. Connecticut was one of the many states that historically received the minimum 1% allocation.

The most recently completed survey was done in 2011, with the report to Congress released in June 2013. The 2011 Survey for the years 2011 through 2030 was used to determine the federal DWSRF allocation for fiscal years 2014 through 2017. The results of the 2011 needs survey 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 NEED AMOUNTS (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), Vermont (\$510.8 million), and Maine (\$1.179 billion). 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 costs. In addition, the DPH received 60 applications under the Emergency Power Generator Program totaling approximately \$3.5 million in eligible costs.

Additional information on the needs survey can be found on DPH's and EPA's websites.

FY 2014 SET-ASIDES DETAIL

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 breakdown of set-aside funding by year is located in Appendix VIII. The Intended Use Plan describes the State's intended uses for set-aside and project funds. Those uses are also listed in this report

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 DWS, which includes other state agencies. Four total staff were funded by the Administrative Set-Aside, although two of these staff members were not funded 100%. The total FTE is 2.8. Some of the activities accomplished during FY 2014 included:

Reviewed and approved financial aspects of DWSRF Applications, including the financial viability of the applicants, then drafted, finalized, and processed DWSRF loan agreements and executed 13 loans under the base DWSRF and 4 under the Emergency Power Generator Program.

Reviewed and processed 111 base DWSRF payment requests in the amount of \$31.6 million.

Reviewed and processed 14 emergency generator payment requests in the amount of approximately \$409,000.

Provided various required reports, including Quarterly and Annual progress reports and the Cash Management Plan, to EPA.

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

Provided assistance on the financial aspects of the program and its requirements to borrowers as needed.

Participated in the DWSRF Public Hearing / Open Forum.

Participated in LEAN training/workshop during January 2014 to streamline DWSRF project loan process.

Participated in monthly DWSRF fiscal meetings, increasing communication and coordination amongst the DWS, the DPH Business Office, and the OTT pertaining to the DWSRF Program.

Participated in various EPA DWSRF webinars.

SMALL SYSTEMS TECHNICAL ASSISTANCE SET-ASIDE

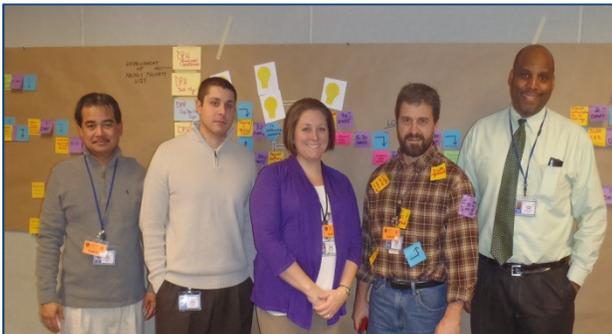
The State uses this set-aside to provide technical assistance to those PWSs that serve fewer than 10,000 people. One FTE was funded under this set-aside. Some of the activities accomplished during FY 2014 include:

Conducted 42 sanitary surveys of community, non-transient non-community, and transient non-community PWS serving fewer than 10,000 persons. The surveys included assessments of technical, financial, and managerial capacity. Reports, including identification of any violations and/or deficiencies of the system, were written for each survey, and technical assistance was provided to help the PWS, including information on asset management.

Provided technical assistance and enforcement referrals to local health departments for maximum contaminant level violations, source water construction violations and cross-connections identified at 12 Non-Transient Non-Community (NTNC) and Transient Non-Community (TNC) food service establishments.

Conducted 10 regulatory compliance reviews of engineering plans and specifications for existing small PWS infrastructure improvements.

Attended EPA's Small Water System Conference during September 2013.



DPH LEAN TEAM PROCESS LEADERS

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 were funded under the DWS FY 2014 Program Management set-aside. Activities included:

Coordinated DWS grant administration/lead interaction with EPA for grant administration, applications, including work plans and reporting.

Coordinated the drafting of project funding agreements and related documents. The process includes the DWS, DPH Business Office and OTT.

Processed electronically nearly 453,000 individual sample analytical results into the Safe Drinking Water Information System (SDWIS).

Conducted 11 water supply plan reviews.

Drafted Standard Operating Procedures (SOP) for water supply plan review. Completed flowchart of water supply plan review.

Provided technical assistance to the Water Planning Council in the areas of Water Utility Coordinating Committee, water supply planning, and the Connecticut Drought Advisory Committee.

Coordinated activities with the Environmental Health Section's Laboratory Certification Program in assisting public water systems regarding water quality testing issues.

Participated in LEAN training to streamline DWSRF project loan process and sanitary survey inspection process.

Continued Memorandum of Agreement

between DPH and UCONN School of Engineering that allows UCONN students to intern with the DPH DWS.

Entered into a Memorandum of Agreement

between DPH and UCONN College of Agriculture and Natural Resources that allows UCONN students to intern with the DPH DWS.

Posted water quality monitoring schedules twice a month on the DWS website to inform labs and water systems of current and outstanding monitoring and other regulatory requirements.

Entered and Maintained data in the federal PBR and DW NIMS databases.

Maintained a quality assurance database that currently contains 80 quality control checks.

Developed and published a Public Notification Rule webpage on the DWS website.

Provided monthly Public Notification Rule compliance reports. The reports are viewed by staff and violations are issued to PWSs that fail to provide public notification to their customers.

Provided technical assistance to approximately 303 PWSs facing violations and deficiencies. The PWSs include primary day cares and food service establishments.

Provided training at the 2014 Annual Technical Conference and Vendor Exposition with the Connecticut Section of the American Water Works Association on March 4, 2014. There were several hundred attendees, many of which earned water system operator training hours and/or continuing education credits.

Conducted a review of administrative documents contained in DWSRF Financial Assistance Application.

LOCAL AND OTHER STATE PROGRAM MANAGEMENT SET-ASIDE

This set-aside is divided into two sections - Capacity Development and Source Water/ Wellhead Protection. A total of 16 FTEs were funded under this set-aside.

Capacity Development

Under this set-aside, staff are responsible for initiatives that are consistent with the DWS's EPA 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, water system restructuring, promoting the use of asset management, and assessing compliance with State regulations and the SDWA. Systems that do not correct existing violations through technical assistance are referred for formal enforcement actions including possible takeover proceedings.

Staff also assisted in the preparation of capitalization grants, work plans, and reports. There were 12 FTEs funded under Capacity Development in FY 2014. Consistent with the EPA approved capacity development strategy and work plans, FY 2014 activities included:

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 DW NIMS report and assisted in the preparation of the DWSRF Annual Report.

Conducted 274 sanitary surveys of community, non-transient non-community, and transient non-community PWS. The surveys included assessments of technical, financial and managerial capacity. Reports, including identification of any violations and/or deficiencies of the system, were written for each survey, and technical assistance was provided to help the PWS, including information on asset management.

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

Provided technical assistance to small public water systems targeting those small systems identified with weaknesses during sanitary surveys or compliance assessments.

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

Provided technical assistance to approximately 303 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 200 public water systems that received a significant violation as a result of a site inspection or as noted in a sanitary survey report.

Participated in various EPA webinars, including those for DWSRF and the implementation of new federal drinking water quality rules

Participated in LEAN training to streamline DWSRF project loan process and sanitary survey inspection process.

Provided DWSRF Program project support:

- ✓ Solicited for DWSRF projects
- ✓ Provided technical assistance to and met with DWSRF applicants and their consultants on program requirements
- ✓ Determined project eligibility and reviewed and ranked project applications
- ✓ Reviewed projects plans and specifications
- ✓ Tracked projects through completion, including site inspections
- ✓ Reviewed and approved payment requests from borrowers
- ✓ Entered and maintained data in the federal PBR system and DW NIMS databases
- ✓ Prepared state and federal DWSRF reports
- ✓ Coordinated and attended Public Hearing/Open Forum on DWSRF IUP and PPL
- ✓ Attended workshops and trainings to improve the efficiency of the DWSRF program
- ✓ Updated the DWSRF webpage and developed a dedicated page for American Iron & Steel requirements



DPH Drinking Water Section staff reviewing project plans

Capacity Development Coordinated Training Initiatives: ATCAVE

The Connecticut Section – American Water Works Association’s Annual Technical Conference and Vendor Exposition (ATCAVE) was held on March 4, 2014, in Waterbury, 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.

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



DPH Drinking Water Section Staff at ATCAVE 2012

Source Water/Wellhead Protection Program

The DPH Drinking Water Section continued to develop a proactive approach toward source water protection. The Source Assessment and Protection Unit (SA&P Unit) is responsible for the protection of Connecticut’s 4,000 drinking water sources. Four FTE staff members are funded by this set-aside, including one FTE that provides

support to the DWS through the DPH Environmental Health Section’s (EHS) Environmental Engineering Unit.

Source Water Protection

The SA&P Unit maintains a Strategic Plan for the Implementation of Drinking Water Source Protection in Connecticut. The unit coordinates, manages, and regulates source protection through the proactive enhancement and oversight of existing laws and regulations. This ensures that only the safest water is made available for public consumption through protection of the land that surrounds Connecticut’s public water supplies. The unit continues to develop, enhance, and adapt source water protection laws. Activities conducted in FY 2014 include:

Received and reviewed 25 proposed sources of supply, including verification that the water system has ownership or control of the sanitary radius for proposed ground water sources. Thirteen approvals were issued with no denials. The remaining proposals are being actively reviewed.

Reviewed and approved existing private sources of drinking water proposed to be converted to public drinking water.

- All of the approved sources had full ownership or control of the sanitary radius for each ground water source where applicable

Reviewed and evaluated approximately 280 required notifications of proposed projects in public water system watersheds and aquifer protection areas. For example, the SA&P Unit reviewed an application for a zoning amendment that would allow certain types of farm operations in public water source water areas. The SA&P Unit provided recommendations for source protection to be incorporated into the zoning amendment.

Continued to enhance the drinking water Geographic Information System (GIS) capabilities and data, including interaction with state agencies to improve data sharing. Created new data layers to inventory Water Company Owned land. Created a map of future sources of drinking water for the High Quality Source List developed pursuant to CGS Section 25-33q.

Completion of the development of the web-based GIS product. The new application enhances connections to the State's SDWIS database and provides users the ability to create customized source water assessment reports.

Initiation of a parcel prioritization project to identify parcels within the state for the potential to protect drinking water sources.

Issued Two Source Abandonment Permits. Five additional permits are under review

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

Continued the development of the Drinking Water Source Management Plan.

Participated in the Association of State Drinking Water Administrators' Drinking Water Harmful Algal Blooms (HAB) and Toxins discussion group and the New England Interstate Water Pollution Control Commission's HAB workgroup

Collaborated with the DPH toxicologist to initiate an investigation on whether it is appropriate to create State Maximum Contaminate Levels (MCLs) that are lower than the federal MCLs for known carcinogens in public drinking water.

Continued outreach efforts by creating a Connecticut Source Water Collaborative modeled after the National Source Water Collaborative; during FY 2014, two meetings were held

Reviewed

- 58 Sewage Bypass reports.
- 33 DEEP Aquatic Pesticide Permit Applications.
- 12 Permits for recreational activities in public water supply source water areas
- 26 Water Company Land Change of Use Permits. Twenty-three were approved and 3 were denied. One of the approved permits consolidated 4 different projects with similar source protection requirements into one streamlined permit.

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.

Environmental Engineering Program

The EHS Environmental Engineering Program supports the implementation of drinking water source and wellhead protection in linking the protection of public water supplies with septic system approval, maintenance, training, and repair.

Revised presentation materials for the Phase I and II subsurface sewage disposal systems training for new local health officials

Reviewed and approved 4 plans for large/small subsurface sewage disposal systems and provided direct contact with other state agencies when decisions may be affected by program policies and procedures.

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.

Participated in DEEP's Nonpoint Source Phosphorus work group assisting in the drafting of several documents pertaining to sewage disposal and recommendation for phosphorus reduction within the state

Reviewed and commented on DEEP's general permit for the discharge of low flow water treatment wastewater

Prepared materials and conducted training for the Inspector of Subsurface Sewage system class

Conducted 14 central system reviews; 12 were approved

Reviewed 14 well exceptions; 1 was denied and several were returned for additional information prior to being approved and approved 3 easements for sewage disposal systems.

Collaborated with DEEP to update the Statewide Nonpoint Source Management Plan and the Long Island Sound Study's Comprehensive Conservation and Management Plan

Reviewed and commented on DEEP's General Permit for the Discharge of Low Flow Water Treatment Wastewater

Prepared material and conducted training on Inspection of Subsurface Sewage Disposal Systems at time of home sales



MDC's Nepaug Reservoir Watershed Area

COMPLIANCE WITH OPERATING AGREEMENT, GRANT CONDITIONS, & PROGRAM REQUIREMENTS

As described previously, the DPH has an Operating Agreement with the EPA for the administration of the DWSRF program. The OA includes several conditions that must be met on an ongoing basis. During FY 2014, the following activities related to these conditions were completed.

- 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 \$7.1 million as state match for the capitalization grants
- Review technical, financial, and managerial capacity of assistance recipients
- Establish DWSRF loan account, set-aside account, and DWSRF administration account
- Require DWSRF loan recipients to adhere to accounting and auditing procedures
- Submit IUP and used all funds in accordance with the IUP
- Complied with enforceable requirements of the SDWA
- Independent auditor has evaluated program on a yearly basis
- Implemented/maintained system to minimize risk of waste, fraud, abuse, and corrective action
- Submitted and obtained EPA approval for DWSRF Set-Aside Work plans
- Requested approval from the EPA Project Officer as needed prior to any significant deviation to the approved work plans

Each capitalization grant award also includes many awards and programmatic conditions. DPH has also met the following conditions of the capitalization grant with the EPA:

Applicant Credit Evaluation: OTT staff conducted a credit review evaluation for all borrowers. This evaluation determined 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 funded activities, and submit monthly payment requests.

DPH has also met the following requirements of the DWSRF Program:

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. A “Compliance with Federal and State Requirements” clause is included in every loan agreement, which requires compliance with all applicable state and federal laws and regulations.

Conduct Environmental Reviews: All public water system projects that received assistance during FY 2014 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

Minority and Women’s Business Enterprises

(MBE/WBE): The DWSRF utilized the same percentages that were approved by the EPA for the Clean Water SRF program of 3% for MBE participation and 5% for WBE participation. The DPH is utilizing equivalency for MBE/WBE reporting beginning with the October 2014 report.

Green Project Reserve: The Metropolitan District’s RF Automated Meter Reading System & Meter Replacement Program - Phase III project was used to meet the Green Project Reserve (GPR) requirements of the FFY 2010 Capitalization grant. This project was considered “categorical” and did not need a business case, with 50% counted as energy efficiency and 50% as water efficiency. The total funding for this project was \$3,485,165, or 26% of the cap grant, exceeding the 20% minimum. The business case for the FFY 2011 GPR requirement is being finalized.

American Iron and Steel: Beginning with the FFY 2014 appropriation enacted on January 17, 2014, projects must comply with new American Iron and Steel (AIS) requirements for certain materials and

products used in the construction of the project. None of the projects funded between 1/17/2014 and 6/30/2014 were required to comply with AIS, as they all had engineering plans and specifications approval issued prior to 1/17/2014.

Bypassed Projects: During FY 2014, it was necessary to bypass several projects due to withdrawal by the applicant, notification of a delay by the applicant, or a determination that a project is no longer eligible for funding. A list of these projects is included in Appendix IX.

Federal Funding Accountability and

Transparency Act (FFATA): The projects listed in the below table were reported via the Federal Subaward Reporting System on April 28, 2014, to meet the FFY 2010 FFATA requirement for project funds. The FFY 2011, 2012, and 2013 project reporting requirements are expected to be met during FY 2015. These projects will be used for all equivalency reporting, include MBE/WBE utilization and DUNS Number requirement.

Loan Agrmnt #	Loan Agrmnt Date	PWSID	Public Water System Name	Project Name	FFATA Reported Amount	FFATA Assigned Cap Grant FFY	FFATA Report Date
2013-7025	3/13/2014	CT0950011	New London Dept. of Public Utilities	Lake Konomoc Intake Pump Station – Phase 2	\$5,970,473	2010	4/28/2014
2014-7031	3/13/2014	CT0640011	Metropolitan District Comm.	Wickham Hill Storage Basins – Phase 1	\$3,244,897	2010	4/28/2014
Total reported:					\$9,215,370		

Additional Subsidization

As explained in the project financing section of this report, the DWSRF program has been providing additional subsidy with project loans beginning with the FFY 2010 capitalization grant. The following table shows the progress towards meeting the requirement per FFY grant award. No project loans have been executed yet with subsidization under the FFY 2013 award, however it is expected that several will be executed during FY 2015.

Cap Grant FFY	Minimum Amount of Federal Subsidy to Disburse	Maximum Amount of Federal Subsidy to Disburse	Total Federal Subsidy Amount Committed as of June 30, 2014	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 2014	Remaining Federal Subsidy Amount Expected to be Disbursed	Estimated Month for Full Disbursement of Federal Subsidy
2010	\$ 4,071,900	N/A	\$ 4,262,889	\$ 1,101,086	\$ 3,644,504	\$ 1,719,471	September 2015
2011	\$ 2,825,400	N/A	\$ 2,909,234	\$ 131,642	\$ 1,528,372	\$ 1,512,505	September 2015
2012	\$ 1,795,000	\$2,692,500	\$ 684,905	\$ 1,599,430	\$ -	\$ 2,284,335	December 2016
2013	\$ 1,684,200	\$2,526,300	\$ -	\$ 2,105,250	\$ -	\$ 2,105,250	December 2017

DWSRF Program Goals

The DPH, in consultation with the OTT Fund Administrator, develops goals for the DWSRF program, which are detailed in the IUP. The DWSRF short-term goals are focused on continued development and implementation of all facets of the DWSRF program. The short-term goals are benchmarks for measuring overall success and effectiveness of the program. The DWSRF long-term goals express strategic principles for guiding the DWSRF into the future. Many of these goals are associated with the normal operation of the program, and the activities associated with achieving these goals are included throughout this report. Those goals for which activities are not addressed elsewhere are noted below.

Beginning with the Emergency Power Generator Program, the DPH developed streamlined procurement procedures that allow small, low-cost (less than \$100,000) generator projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting requirements. This process has proved to work very well and during FY 2014, the DPH began development of similar procedures to be used for other types of small projects costing less than \$100,000. It is expected that these procedures will greatly improve the overall DWSRF process for small water systems and increase the number of projects funded for these systems.

The DWS continued to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Most of the activities during FY 2014 involved modifications to the current project database to help ensure smoother development and transfer of information.

The DPH completed two semiannual assessments of the implementation of the DWSRF Cash Management policy and procedure manual, which included status of pre-draw protocol, quality control and quality measurement, as well as a review of best management practices. The assessment revealed that the DPH has adequate internal control systems and has complied with EPA requirements for the administration of the DWSRF grant monies.

In September 2013, the DPH developed a strategy to reduce Connecticut's DWSRF Unliquidated Obligations (ULOs), the funds in which the program has been awarded and have not yet been drawn. With an increase in the DWSRF program pace and resulting disbursements, as well as increased DWSRF set-aside spending rates, the DPH has led the nation in DWSRF ULO reduction rate. The CT DWSRF ULOs have been reduced from 20.3 % in July 2013 to 9.2% as of June 2014. This reduction has satisfied EPA's national goal to reduce DWSRF ULOs to less than 10%. Over this same time period, the pace of the program has increased from 88% to 99%.

BORROWERS

All Connecticut community and nonprofit non-community public water systems are eligible to obtain funding through the DWSRF. 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 897 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 Clean Water SRF and the DWSRF have many similarities. However, one major difference is that the DWSRF can make loans to private entities that own and operate public water systems.

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. DWS staff has also participated 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. Further information about the application process can be found in Appendix X.

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.

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.

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 XI. 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 XII.

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 DWSRF.

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 was required to 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. Prior to FY 2015, there was 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.

FUND	ACCOUNT NAME	PURPOSE/REQUIREMENTS
21014	STATE ACCOUNT (CLEAN WATER)	State Grants
21017	STATE ACCOUNT (DRINKING WATER)	State Grants
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

Federal Capitalization Grants

The SDWA 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. Appendix II shows 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. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2013 totaled \$157.2 million. Since last year's report, the State was granted the FFY 2013 award of \$8.4 million. The FFY 2014 grant in the amount of \$8.9 million should be awarded in early fall 2014. 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.

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 \$33.5 million as of June 30, 2014 (Appendix III).

At present, future match requirements will be provided with cash contributions from the State. During FY 2014, a total of \$7,066,176 was provided for state match. Appendix III tabulates the cumulative state matches made. Match requirements for grants awarded in the future will be met before grants are drawn by the State from the EPA. The state match amount for each capitalization grant is disbursed for project costs prior to drawing any federal funds for each respective capitalization grant. During FY 2014, the state match dollars for the FFY 2009, 2010, 2011, and 2012 cap grants were disbursed.

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 \$269.0 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.

CT State Revolving Fund Revenue bonds are rated at the highest available credit rating from three rating agencies:

Fitch Ratings AAA

Standard and Poor's AAA

Moody's Investors Service Aaa

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 2014 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 2.0%. 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, 2014, the State held \$199.1 million in program assets invested in loans, the State's Short-Term Investment Fund, general obligation bonds, and guaranteed investment contracts.

CONDITION OF THE FUND

Each year, the Department of Public Health and the Office of the State Treasurer, 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 2014, 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 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 available at the Department's web site www.ct.gov/dph.

Since the inception of the Program, the Drinking Water SRF has over \$188 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.

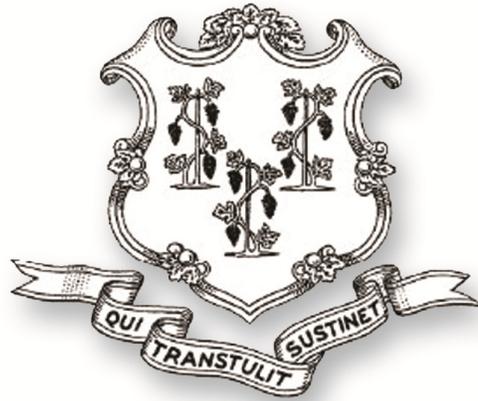
Since 2001, the State has issued revenue bonds to expand the Drinking Water SRF and its ability to fund critical water quality projects. State bond authorizations for the Drinking Water SRF have only been used for project purposes.

The volume of projects funded in each year, as measured by DWF agreements executed with PWSs, is a reflection of both past demands on the program and the availability of funding through the State Bond Commission. Program capacity projections show that combined with the clean water state revolving program, the programs can sustain bond issuance of approximately \$115 million in revenue bonds per year through 2024 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 Office of the State Treasurer will work together to develop assumptions based on the current project needs in order to maintain the sustainability of the DWF.

APPENDICES



Appendix I: Management of DWSRF Program

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 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 897 public water systems are eligible for DWSRF 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 improvement 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 a two-year project priority list.
- Providing project information to the DEEP for development of the biennial capital budget.
- Distributing applications and project information to the Office of the State Treasurer and when applicable, the DEEP's PURA, for review and approval. Once approved, the loans with the DWSRF borrowers are signed by the DPH.
- 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 Public Hearing and Open Forum on the IUP and Project Priority List.
- Participates as a member of the Drinking Water SRF Interagency Committee.

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 (now DEEP), the Department of Public Utility Control (DPUC), and the Office of the State Treasurer. 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 as the Public Utilities Regulation Authority (PURA) and the DEEP coordinates the capital budget requests for entire the Clean Water Fund, including the DWSRF. DEEP participates as a member of the Drinking Water SRF Interagency Committee.

Appendix I: Management of DWSRF Program (cont.)

Office of the State Treasurer

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 Office of the State Treasurer 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 DWF. A financial administrator, who works for the State Treasurer, manages and coordinates the various financial components of the CWF and DWF 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 and 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.
- Participates 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. A dual entry general ledger accounting system was developed by the Office of the State Treasurer.

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

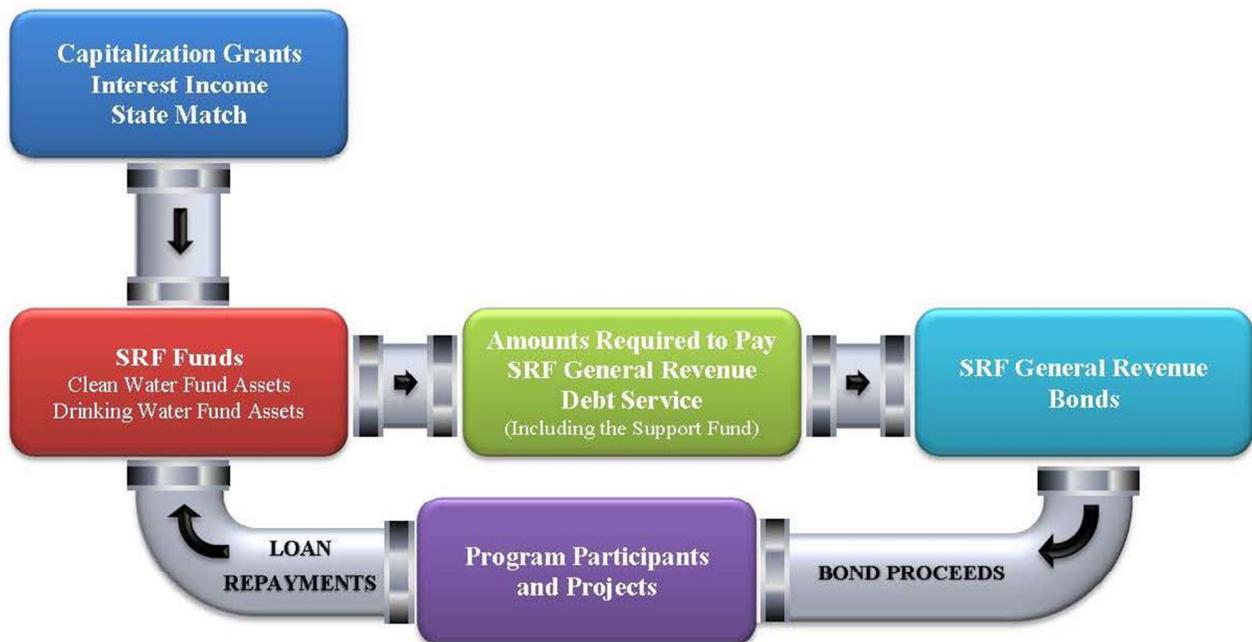
- Maintain accurate project funding and accounting systems for the DWSRF.
- Develop the Fund’s capacity to provide low-cost financing for eligible projects, as simply and effectively as possible.
- Fund loan amounts to the maximum extent possible.
- Provide effective financial management to ensure integrity of the DWSRF.
- 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 OTT are involved in the evaluation of each loan application and after review by both offices, all loan and subsidy agreements are approved by the Commissioner of the DPH. The OTT 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 a Project Priority List and obtaining 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.

<i>Summary of Bond Resolutions</i>				
Resolutions	Security	Fund Account	Restricted/ Unrestricted	Debt Outstanding as of 6/30/2014 (Millions)
General Revenue Resolution <i>adopted Dec 17, 2002</i>	Available Money Assets of the Fund	Loan Fund	Restricted	\$672.76 million CW \$35.3 million DW \$708.06 million
		Debt Service Fund (DSF)	Restricted	
		Support Fund	Restricted	
		Revolving Fund	Unrestricted	
Bond Resolution <i>adopted Dec 7, 1990</i>	Revenue, Loans DSF and DSRF	Loan Fund	Restricted	\$0
		Debt Service Fund	Restricted	
		Debt Service Reserve Fund (DSRF)	Restricted	
		Sr. Sinking Fund	Restricted	
Subordinate Bond Resolution <i>adopted Feb 7, 1996</i>	Second Lien on Revenue and Loans	Debt Service Fund	Restricted	\$0

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.

Appendix II: Federal Capitalization Grant (As of June 30, 2014)

Fiscal Year	Project Funds	Set-Aside Funds	Total Capitalization Grant
1997	\$14,771,658	\$6,636,542	\$21,408,200
1998	\$4,913,697	\$2,207,603	\$7,121,300
1999	\$5,150,022	\$2,313,778	\$7,463,800
2000	\$5,352,330	\$2,404,670	\$7,757,000
2001	\$5,374,479	\$2,414,621	\$7,789,100
2002	\$5,556,225	\$2,496,275	\$8,052,500
2003	\$5,522,829	\$2,481,271	\$8,004,100
2004	\$5,729,139	\$2,573,961	\$8,303,100
2005	\$5,716,995	\$2,568,505	\$8,285,500
2006	\$5,678,217	\$2,551,083	\$8,229,300
2007	\$6,500,910	\$1,728,090	\$8,229,000
2008	\$6,924,100	\$1,221,900	\$8,146,000
2009	\$4,399,080	\$3,746,920	\$8,146,000
2010*	\$9,215,370	\$4,267,630	\$13,483,000
2011	\$6,022,180	\$3,395,820	\$9,418,000
2012	\$6,192,750	\$2,782,250	\$8,975,000
2013	\$5,622,130	\$2,798,870	\$8,421,000
Total	\$108,642,111	\$48,589,789	\$157,231,900
2009 ARRA**	\$17,257,500	\$2,242,500	\$19,500,000
Total	\$125,899,611	\$50,832,289	\$176,731,900

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

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

Appendix III: State Match for Federal Capitalization Grants

Fiscal Year	Federal Grants Awarded*	Cumulative Federal Grants*	State Match Provided	Cumulative State Match Provided**
1997	\$0	\$0	\$0	\$0
1998	\$6,636,542	\$6,636,542	\$10,398,696	\$10,398,696
1999	\$14,771,658	\$21,408,200	\$0	\$10,398,696
2000	\$14,585,100	\$28,529,500	\$0	\$10,398,696
2001	\$7,757,000	\$35,993,300	\$0	\$10,398,696
2002	\$7,789,100	\$43,750,300	\$0	\$10,398,696
2003	\$8,052,500	\$51,539,400	\$0	\$10,398,696
2004	\$8,004,100	\$67,596,000	\$0	\$10,398,696
2005	\$0	\$67,596,000	\$0	\$10,398,696
2006	\$8,303,100	\$75,899,100	\$5,000,000	\$15,398,696
2007	\$8,285,500	\$84,184,600	\$1,610,500	\$17,009,196
2008	\$8,229,300	\$92,413,900	\$1,600,820	\$18,610,016
2009	\$16,375,000	\$108,788,900	\$1,660,620	\$20,270,636
2010	\$2,199,180	\$110,988,080	\$1,956,020	\$22,226,656
2011	\$19,429,820	\$130,417,900	\$1,827,687	\$24,054,343
2012	\$0	\$130,417,900	\$1,250,398	\$25,304,741
2013	\$18,393,000	\$148,810,900	\$1,169,861	\$26,474,602
2014***	\$8,421,000	\$157,231,900	\$7,066,176	\$33,540,778
Totals to 2014		\$157,231,900		\$33,540,778

* Does not include ARRA award of \$19,500,000 which did not require a state match.

** Cumulative over-match to date totals \$2,077,110

*** FY 2014 state match provided via cash \$6,000,000 per State Bond Commission approval December 2013 and interest subsidy GO bonds \$1,066,176.

Appendix IV: Drinking Water SRF Binding Commitments For FY 2014

Loan Agreement #	Loan Agreement Execution Date	PWSID	Public Water System Name	Project Name	Total Funding Amount	Loan Amount	Subsidy Amount	Assigned Cap Grant FFY for Subsidy
2013-7011-1*	6/27/2014	CT0727051	Ledyard WPCA - Gales Ferry ¹	Water Main Extension – Aljen Heights	\$206,345.99	\$164,045.06	\$42,300.93	2010
2013-7016 †	7/25/2013	CT0170011	Bristol Water Department	Old Wolcott Road Storage Tank Improvements	\$525,000.00	\$525,000.00	-	-
2013-7018	9/18/2013	CT0640011	Metropolitan District Comm. (MDC)	Water Main Replacement - Farmington 7.2	\$526,991.00	\$488,520.65	\$38,470.35	2011
2013-7020	9/9/2013	CT1680031	Woodlake Tax District ¹	Atmospheric Storage Tank and Booster Pump Station Improvements	\$369,859.00	\$369,859.00	-	-
2013-7021	9/18/2013	CT0640011	MDC	Water Main Replacement - Upper Albany #1	\$4,348,770.72	\$4,031,311.28	\$317,460.00	2011
2013-7023	4/15/2014	CT0170011	Bristol Water Department	Grove St. Storage Tank	\$344,155.00	\$344,155.00	-	-
2013-7025	3/13/2014	CT0950011	New London Dept. of Public Utilities	Lake Konomoc Intake Pump Station - Phase 2	\$5,970,473.00	\$5,534,628.47	\$435,844.53	2012
2013-9007 ‡	8/15/2013	CT1310031	Apple Valley Village ¹	Emergency Generator	\$10,175.00	\$5,596.25	\$4,578.75	2011
2013-9031 #	7/10/2013	CT0770021	Manchester Water Dept.	Emergency Generator	\$115,000.00	\$63,250.00	\$51,750.00	2011
2013-9032 ^	7/10/2013	CT0770021	Manchester Water Dept.	Emergency Generator	\$40,000.00	\$22,000.00	\$18,000.00	2011
2013-9035	10/30/2013	CT1250021	Sharon Ridge Apartments ¹	Emergency Generator	\$20,998.00	\$11,548.90	\$9,449.10	2011
2014-7026	3/12/2014	CT0640011	MDC	Water Main Replacement - Retreat Avenue	\$1,824,572.45	\$1,691,378.66	\$133,193.79	2012
2014-7027	1/13/2014	CT1040011	Norwich Public Utilities	Design phase of 4 projects	\$706,816.00	\$656,252.62	\$50,563.38	2011
2014-7029	1/2/2014	CT0640011	MDC	Buckingham, Newington & Vexation Hill pump station upgrades	\$3,423,839.00	\$3,173,898.75	\$249,940.25	2011
2014-7030	3/12/2014	CT0640011	MDC	Reservoir #6 Bloomfield Phase II WTP Improvements	\$2,079,525.00	\$1,927,719.67	\$151,805.33	2011
2014-7031	3/13/2014	CT0640011	MDC	Wickham Hill Storage Basins – Phase I Improvements	\$3,952,620.00	\$3,664,078.74	\$288,541.26	2011
2014-7032	5/2/2014	CT0640011	MDC	WHWTP - North Storage Basin site work	\$3,411,776.00	\$3,162,716.35	\$249,059.65	2012
				Total funded amount:	\$27,876,916.44	\$25,835,958.84	\$2,040,957.60	

* - Loan 2013-7011-1 was initially executed on 11/27/2012; an amendment for the additional amount show was executed on 6/9/2014

† - Loan 2013-7016: This project was completed and the Project Loan Obligation (PLO) closed on 6/27/2014 in the final amount of \$501,000

‡ - Loan 2013-9007: This project was completed and the PLO closed on 6/15/2014 in the final amount of \$9,280

- Loan 2013-9031: This project was completed and the PLO closed on 2/28/2014 in the final amount of \$111,461

^ - Loan 2013-9032: This project was completed and the PLO closed on 2/28/2014 in the final amount of \$37,555

1 - These Public Water Systems are considered "small" for the purposes of DWSRF funding.

Appendix V: Cumulative DWSRF Project Information & Disbursements

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
Metropolitan District (A)	C 97 0640011a	Bloomfield	Filtration Plant Improvement	400,000	\$2,093,000	-	\$1,163,888	2.60%
Metropolitan District (C)	C 97 0640011c	Bloomfield, Hartford, West Hartford	Water Main Replacement	400,000	\$2,038,000	-	\$861,978	2.50%
Town of Portland	C 97 1180081a	Portland	Interconnection With MDC	8,270	\$2,500,000	-	\$2,500,000	2.50%
Harrybrooke Condominium	PDC 97 0960131a	New Milford	Interconnection With United Water	110	\$300,000	-	\$231,327	4.11%
Sharon Water & Sewer (B)Refinance	DC 97 1250011b	Sharon	Refinance Intake & Pipeline	1,288	\$1,084,010	-	\$1,084,010	2.77%
Sharon Water & Sewer (A)	DC 98 1250011a	Sharon	Water Main Replacement	1,288	\$1,100,000	-	\$1,100,000	2.77%
New Britain Water Dept.	PDC 98 1530011a	New Britain	New Water Treatment Plant - Phase I	85,000	\$12,682,987	-	\$12,682,987	2.77%
Crystal Lake Condominium Association	C 97 1210021/ 31a	Salem	Construct New System	40	\$325,000	-	\$359,202	4.68%
Bridgeport Hydraulic Co. (Stamford) - Aquarion	PDC 97 1350011a	Stamford	Upgrade Pump Station	105,460	\$391,038	-	\$391,038	4.11%
Cook Willow Realty	DC 97 1110111a	Plymouth	Interconnection To Ct. Water Company	85	\$705,332	-	\$704,259	4.11%
Norwich Water Dept.	DC 97 1040011a	Norwich	Replacement Of Asbestos Cement Pipes With Ductile Iron Pipe	7200	\$2,737,000	-	\$1,898,651	2.77%
Watertown Fire District(a)	DC 98 1530011a	Watertown	Construct Pump Station	35,000	\$950,000	-	\$717,731	2.73%
Twin Hills Water District	C 97 0340131a	Coventry	Distribution Source	156	\$223,500	-	\$207,421	2.60%
Sharon Sewer & Water (a)	DC 97 0640011c	Sharon	Pump Station	1,288	\$210,000	-	\$210,000	2.60%
Metropolitan District (b)	C 97 0640011b	West Hartford	Facility Repairs	400,000	\$3,996,250	-	\$3,086,188	2.60%
New Britain Water Phase II	PDC 98 0890011a	New Britain	Continued Construction of Water Treatment Plant	74,400	\$24,000,000	-	\$24,000,000	2.43%
Sharon Water & Sewer	DC 01 1250011a	Sharon	Water Main Replacement	704	\$655,000	-	\$438,153	2.40%

Appendix V: Cumulative DWSRF Project Information & Disbursements (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
Hillside Corporation	PDC 00 0790021a	Marlborough	Replace Water Main & Distribution System	136	\$170,000	-	\$149,052	3.84%
Town Of Newtown - High School	C 02 0970442a	Newtown	Interconnect to Town Water	1173	\$516,000	-	\$516,000	2.10%
Metropolitan District Commission (x)	C 01 0640011x	Bloomfield	Construction of Water Mains	381,000	\$2,343,735	-	\$2,343,735	2.10%
Town of Newtown - Elementary School	D 03 0970422a	Newtown	Interconnect to Town Water	560	\$450,000	-	\$171,738	2.03%
Unionville Water Company	C 97 0520011b	Farmington	Interconnection to MDC	13,400	\$1,646,970	-	\$1,646,970	3.56%
Watertown Fire District (b)	DC 98 1530011b	Watertown	Upgrade Chemical Feed Equipment	35,000	\$435,500	-	\$435,500	3.43%
Southington Water Department (a)	D 03 1310011a	Southington	Wellhead Protection	40,408	\$4,643,030	-	\$4,356,916	2.32%
Second Taxing District – City of Norwalk	D 04 1030021a	Norwalk	Water Treatment Plant Upgrade	42,000	\$24,715,165	-	\$24,715,165	2.04%
Town of Ledyard (a)	DC 03 0727031a	Ledyard	Interconnection to Elem. School	2,400	\$952,000	-	\$926,006	2.05%
Southington Water Department (b)	DC 03 0727031b	Southington	Water Main Extension	40,408	\$1,500,000	-	\$1,037,097	2.21%
Woodlake Tax District	PDC 03 1680031a	Woodbury	Land Purchase / Well Development	912	\$404,500	-	\$404,494	2.55%
Town of Colchester	C 04 0280111a	Colchester	Water Treatment Plant Upgrade	4001	\$2,600,000	-	\$2,496,990	2.12%
CT Water Company – Shoreline Region – Point O’ Woods	DC 07 1050752a	Old Lyme	Water Main Installation	928	\$800,000	-	\$800,000	2.44%
City of Norwich / Norwich Water	DC 07 1040011d	Norwich	Water Storage Tank	36,067	\$450,000	-	\$450,000	2.27%
Town of Brookfield	2010-7001	Brookfield	Water Main Extension –	485	\$71,000	-	\$15,000	2.06%
Town of Portland	2010-7003	Portland	Water Main Installation	5,010	\$816,000	-	\$816,000	2.00%
Town of Ledyard	2010-7004	Ledyard	Water Storage Tank	4,134	\$1,629,000	-	\$1,629,000	2.00%
Brookfield Municipal Bldgs	2010-8001	Brookfield	ARRA Water Main Extension – Silvermine Road	485	\$1,901,979	\$1,062,955	\$827,361	2.06%
Tolland Water Department	2010-8002	Tolland	ARRA Consolidation of Torrey Rd Public Water System	1,251	\$170,336	\$96,240	\$74,096	2.06%

Appendix V: Cumulative DWSRF Project Information & Disbursements (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
East Lyme Water & Sewer Commission	2010-8003	East Lyme	ARRA System-wide Chlorine Disinfection	15,245	\$955,879	\$506,673	\$401,454	2.06%
Barlow Mountain & Scotland Elementary Schools	2010-8004	Ridgefield	ARRA Water Main Extension for Consolidation	1,000	\$1,426,870	\$687,466	\$529,288	2.06%
Norwich Public Utilities	2010-8005	Norwich	ARRA Water Storage Tank Repairs/Painting – Fitch Hill	36,067	\$750,000	\$423,750	\$326,250	2.06%
Norwich Public Utilities	2010-8006	Norwich	ARRA Water Storage Tank Repairs/Painting Pump Station Upgrades – Fairview	36,067	\$330,189	\$185,461	\$144,728	2.06%
Metropolitan District	2010-8008	Hartford	ARRA RF Automated Reading System & Meter Replacement – Phase II	388,700	\$5,929,684	\$3,332,524	\$2,579,412	2.06%
Metropolitan District	2010-8009	Hartford	ARRA Water main Replacement – Tower Ave.	35,000	\$2,220,054	\$1,254,431	\$965,723	2.06%
Woodlake Tax District	2010-8010	Woodbury	ARRA New Wells & Related Work	912	\$579,717	\$179,276	\$243,157	2.06%
Putnam Water Pollution Control Authority	2010-8011	Putnam	ARRA Park Street Well field Expansion	7,300	\$1,890,316	\$1,382,925	\$1,075,271	2.06%
CT Water Co. & Gallup Water Service Inc.	2010-8012	Plainfield	ARRA Interconnection to Harrington Mobile Home Park	2,538	\$237,115	\$133,105	\$104,010	2.06%
Manchester Water Department	2010-8013	Manchester	ARRA Hercules Drive Booster Pump Station	51,066	\$667,449	\$377,109	\$290,340	2.06%
Town of Portland	2011-7002	Portland	Water Storage Tank	5,010	\$1,025,000	-	\$975,034	2.00%
City of Norwich	2011-7005	Norwich	Pump Drives & Tanks (Design)	36,067	\$232,700	\$40,841	\$160,285	2.00%
City of Norwich	2011-7006	Norwich	Transmission Mains, Meter & Microturbine (Design)	36,067	\$186,150	\$37,948	\$147,989	2.00%
Candlewood Trails Association	2012-7007	New Milford	Pumphouse, Water Storage Tank	312	\$662,000	\$132,355	\$524,466	2.00%

Appendix V: Cumulative DWSRF Project Information & Disbursements (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
City of Meriden	2012-7008	Meriden	Broad Brook WTP & Pump Station Improvements (Design)	36,500	\$2,008,997	\$411,844	\$1,597,153	2.00%
Southeastern Water Authority	2012-7009	Ledyard	AMR Radio Frequency Meters	3,017	\$198,816	\$40,757	\$158,059	2.00%
Town of East Lyme-Water & Sewer Commission	2012-7010	East Lyme	Regional Interconnection-East Lyme to New	15,245	\$381,020	\$20,504	\$360,516	2.00%
Town of Ledyard	2013-7011+	Ledyard	Water Main Extension to Aljen Heights	780	\$4,756,757	\$905,517	\$3,424,598	2.00%
Metropolitan District (Metering III)	2013-7012	Various Towns	RF Automated Meter Reading System & Meter Replacement	72,000	\$4,097,882	\$704,575	\$2,732,375	2.00%
Metropolitan District (Capitol, Broad, & Linden)	2013-7013	Hartford	Water Main Replacement	798	\$2,293,678	\$146,607	\$1,861,703	2.00%
Metropolitan District (Franklin #5)	2013-7014+	Hartford	Water Main Replacement	2,929	\$5,060,911	\$293,073	\$3,721,619	2.00%
Metropolitan District (Franklin #13)	2013-7015+	Hartford	Water Main Replacement	3,169	\$6,079,637	\$216,776	\$2,752,760	2.00%
City of Bristol	2013-7016	Bristol	Improvements to Old Wolcott Road	41,100	\$252,000	-	\$501,000	2.00%
Metropolitan District (Farmington #6)	2013-7017+	Hartford	Water Main Replacement	768	\$2,172,026	\$42,938	\$545,250	2.00%
Metropolitan District (Farmington #7.2)	2013-7018+	Hartford	Water Main Replacement	424	\$526,991	\$30,514	\$387,492	2.00%
Metropolitan District (Cleveland Ave & Tower Ave. South)	2013-7019+	Hartford	Water Main Replacement	550	\$1,758,299	\$90,147	\$1,144,738	2.00%
Woodlake Tax District	2013-7020+	Woodbury	Improvements to finished water storage tank & pump station	912	\$369,859	-	\$0	2.00%
Metropolitan District (Upper Albany #1)	2013-7021+	Hartford	Water Main Replacement	1,284	\$4,348,771	\$197,321	\$2,505,705	2.00%
Town of East Lyme-Water & Sewer Commission (new)	2013-7022+	East Lyme	Regional Interconnection-East Lyme to New London (construction)	15,245	\$9,231,355	\$1,372,606	\$5,323,034	2.00%

Appendix V: Cumulative DWSRF Project Information & Disbursements (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
City of Bristol	2013-7023†	Bristol	Demolition of old storage tank and construction of new vault & piping to newer tank	41,100	\$344,155	-	\$0	2.00%
City of Norwalk First Taxing District	2013-7024†	Norwalk	Replacement of storage tank, pump station, and water main	4,000	\$7,000,000	-	\$4,277,987	2.00%
City of New London	2013-7025†	New London	Installation of new raw water intake pump station	26,273	\$5,534,628	\$0	\$0	2.00%
Metropolitan District (Retreat)	2014-7026†	Hartford	Water Main Replacement	798	\$1,691,379	\$107,465	\$1,364,658	2.00%
City of Norwich (Stony Brook/ Mohegan)	2014-7027†	Norwich	Design of 4 projects: Stony Brook DAF,	36,067	\$716,000	\$27,781	\$352,777	2.00%
Metropolitan District (Buckingham/Newington on PS)	2014-7029†	Newington/Glastonbury	Improvements to three pump stations	400,000	\$3,423,829	\$0	\$0	2.00%
Metropolitan District (Reservoir 6)	2014-7030†	Bloomfield	Filter backwash recycle process installation	400,000	\$2,079,525	\$0	\$0	2.00%
Metropolitan District (Wickham Hill)	2014-7031†	East Hartford	Improvements to finished water storage basins	133,000	\$3,952,620	\$0	\$0	2.00%
Metropolitan District (North Storage Basin)	2014-7032†	West Hartford	Site preparation work for new tank construction	400,000	\$3,411,726	\$0	\$0	2.00%

* The total amount of funding provided may be more than the initial funding amount due to lower project costs, additional funding, capitalized interest, or prepayments. † All funds not yet disbursed (P = Planning, D = Design, C = Construction)

EMERGENCY GENERATOR PROJECTS - Cumulative

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
PORTLAND WATER DEPARTMENT	2013-9001	PORTLAND	Emergency Generator	5,010	\$28,644	\$11,710	\$14,313	2%
JEWETT CITY WATER COMPANY - FRONT & REAR BUILDING	2013-9002	GRISWOLD	Emergency Generator	6,840	\$64,496	\$29,023	\$35,473	2%
BLUE TRAILS WATER ASSOCIATION	2013-9003	NORTH BRANFORD	Emergency Generator	228	\$23,976	\$9,627	\$11,766	2%
IDLEVIEW MOBILE HOME PARK	2013-9004	NAUGATUCK	Emergency Generator	138	\$13,871	\$6,066	\$7,507	2%
HARMONY ACRES MOBILE HOME PARK	2013-9005	PROSPECT	Emergency Generator	465	\$34,719	\$14,398	\$17,818	2%
LAKEVIEW MOBILE HOME PARK	2013-9006†	GRISWOLD	Emergency Generator	99	\$8,945	\$0	\$0	2%
APPLE VALLEY VILLAGE	2013-9007	SOUTHINGTON	Emergency Generator	70	\$10,175	\$4,163	\$5,117	2%
WOODLAKE TAX DISTRICT - PUMP STATION & WELL FIELD	2013-9008	WOODBURY	Emergency Generator	912	\$60,183	\$25,018	\$30,577	2%
SOUTH KENT SCHOOL	2013-9009	KENT	Emergency Generator	194	\$6,085	\$2,738	\$3,347	2%
CTWC - PILGRIM HILLS DIVISION	2013-9010	COVENTRY	Emergency Generator	229	\$20,999	\$8,591	\$10,499	2%
CTWC - GENERAL WATER DIVISION	2013-9011	COVENTRY	Emergency Generator	306	\$20,999	\$8,591	\$10,500	2%
CTWC - WELLSWOOD VILLAGE DIVISION	2013-9012	HEBRON	Emergency Generator	60	\$20,609	\$8,431	\$10,304	2%
CTWC - MILL AT STONECROFT DIVISION	2013-9013	HEBRON	Emergency Generator	127	\$22,609	\$8,431	\$10,304	2%
SCWA- CHRISWOOD DIVISION	2013-9014†	LEDYARD	Emergency Generator	164	\$28,793	\$0	\$0	2%
CTWC - LEBANON ELDERLY DIVISION	2013-9015	LEBANON	Emergency Generator	67	\$18,964	\$8,534	\$10,430	2%
CTWC - GALLUP WATER - COUNTRY MOBILE DIVISION	2013-9016	GRISWOLD	Emergency Generator	186	\$15,910	\$6,509	\$7,955	2%
CTWC - REDWOOD FARMS DIVISION	2013-9017	MANCHESTER	Emergency Generator	424	\$20,999	\$8,591	\$10,499	2%

EMERGENCY GENERATOR PROJECTS - Cumulative (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
CTWC - ROLLING HILLS PUMP STATION & WELL FIELD	2013-9018	MANSFIELD	Emergency Generator	300	\$36,909	\$15,099	\$18,455	2%
CTWC - SPICE HILL DIVISION	2013-9019	EAST HAMPTON	Emergency Generator	712	\$24,558	\$10,139	\$12,391	2%
CTWC - PINWOODS LANE DIVISION	2013-9020	MANSFIELD	Emergency Generator	68	\$15,910	\$6,509	\$7,955	2%
CTWC - LONDON PARK DIVISION	2013-9021	HEBRON	Emergency Generator	221	\$15,910	\$6,509	\$7,955	2%
CTWC - RIVERCREST DIVISION	2013-9022	PORTLAND	Emergency Generator	88	\$15,910	\$6,509	\$7,955	2%
SCWA-LANTERN HILL DIVISION	2013-9023†	STONINGTON	Emergency Generator	92	\$21,093	\$0	\$0	2%
CTWC - FOREST HOMES ASSOCIATION	2013-9024	MARLBOROUGH	Emergency Generator	100	\$16,088	\$6,703	\$8,193	2%
TARIFFVILLE FIRE DISTRICT WATER DEPT.	2013-9025	SIMSBURY	Emergency Generator	1,477	\$38,022	\$15,554	\$19,011	2%
CLC OWNERS CORPORATION	2013-9026	NEW MILFORD	Emergency Generator	736	\$24,750	\$11,138	\$13,613	2%
CANDLEWOOD TRAILS ASSOCIATION	2013-9027	NEW MILFORD	Emergency Generator	312	\$64,968	\$29,236	\$35,732	2%
COUNTRY ACRES MOBILE HOME PARK	2013-9028	KILLINGLY	Emergency Generator	48	\$13,763	\$4,934	\$6,066	2%
WOODLAND SUMMIT WATER ASSOCIATION	2013-9029†	TOLLAND	Emergency Generator	216	\$17,968	\$4,315	\$5,274	2%
BIRCH MOUNTAIN PUMP STATION	2013-9031	MANCHESTER	Emergency Generator	51,066	\$115,000	\$50,157	\$61,303	2%
UPPER GLASTONBURY PUMP STATION	2013-9032	MANCHESTER	Emergency Generator	51,066	\$40,000	\$16,900	\$20,655	2%
HAWTHORNE TERRACE ASSOCIATION	2013-9033	DANBURY	Emergency Generator	156	\$18,000	\$8,100	\$9,900	2%
QUIONNIPAUG HILLS - UPPER & LOWER	2013-9034	GUILFORD	Emergency Generator	564	\$43,849	\$14,082	\$17,211	2%
SHARON RIDGE APARTMENTS	2013-9035	SHARON	Emergency Generator	62	\$20,998	\$9,449	\$11,549	2%

* The total amount of funding provided may be more than the initial funding amount due to lower project costs, additional funding, capitalized interest, or prepayments. † All funds not yet disbursed

Appendix VI: Drinking Water Project Loan Obligations – FY 2014

Base Program						
Closing Date	Entity	Project Number	PLO Amount	Subsidy Amount	Interest Paid	Capitalized Interest
12/31/2013	Meriden	2012-7008	\$1,597,152.61	\$411,844.39	\$ 27,293.96	\$ -
3/31/2014	Candlewood Trails	2012-7007	\$524,466.21	\$132,354.72	-	\$11,188.34
4/30/2014	Norwich	2011-7005	\$160,284.87	\$40,841.23	-	\$1,900.61
4/30/2014	Norwich	2011-7006	\$147,989.25	\$37,948.44	\$ 1,342.39	\$ 823.41
6/27/2014	Bristol	2013-7016	\$501,000.00	\$ -	\$ 5,550.72	-
Grand Total			\$2,930,892.94	\$622,988.78	\$34,187.07	\$13,912.36

Emergency Generator Program						
Closing Date	Entity	Project Number	PLO Amount	Subsidy Amount	Interest Paid	Capitalized Interest
7/30/13	CT Water Company*	Various	\$134,264.48	\$109,143.36	\$867.08	\$ -
11/13/13	South Kent School*	2013-9009	\$3,358.84	\$2,738.25	\$12.09	\$ -
1/13/2014	Harmony Acres Mobile Home Park	2013-9005	\$17,818.32	\$14,397.86	\$ -	\$220.94
1/13/2014	Idleview Mobile Home Park	2013-9004	\$7,507.38	\$6,066.23	\$ -	\$93.09
1/13/2014	Blue Trails Water*	2013-9003	\$11,914.02	\$9,626.97	\$143.73	\$ -
1/15/2014	Apple Valley Village	2013-9007	\$5,117.31	\$4,162.61	\$ -	\$29.68
1/21/2014	Jewett City Water Co.	2013-9002	\$35,472.80	\$29,023.20	\$386.26	\$ -
1/21/2014	Sharon Housing Authority*	2013-9035	\$11,577.13	\$9,449.10	\$28.23	\$ -
1/22/2014	CLC Owner's Corp*.	2013-9026	\$13,750.89	\$11,137.50	\$138.39	\$ -
1/24/2014	Tariffville Fire District*	2013-9025	\$19,249.44	\$15,554.25	\$238.69	\$ -
1/28/2014	Country Acres Mobile Home Park	2013-9028	\$6,065.64	\$4,934.01	\$ -	\$35.18
1/31/2014	Woodlake Tax District	2013-9008	\$30,577.44	\$25,017.92	\$ -	\$383.92
2/28/2014	Manchester Water Dept. -Birch Mountain Pump Station	2013-9031	\$20,655.25	\$16,899.75	\$ -	\$ -
2/28/2014	Manchester Water Dept.-Upper Glastonbury PS	2013-9032	\$61,303.37	\$50,157.31	\$ -	\$ -
3/31/2014	Candlewood Trails Association	2013-9027	\$35,732.40	\$29,235.60	\$259.29	\$ -
4/30/2014	Hawthorne Terrace Association*	2013-9033	\$9,923.10	\$8,100.00	\$23.10	\$ -
Grand Total			\$424,287.81	\$345,643.92	\$2,096.86	\$762.81

* Paid-In-Full

Appendix VII: Cumulative Outstanding & Pending Loan Commitments

Project Name	Total Drawn IFO/PLO (as of 6/30/14)	Undrawn IFO Loan Commitments	Est. Additional Loan Commitments (thru 6/30/15)	Total Loan Commitments
Apple Valley Village	\$4,924			\$4,924
Aquarion Water(BHC)	140,283			140,283
Bristol	501,000	\$344,155	\$371,000	1,216,155
Brookfield	681,381			681,381
Candlewood Trails Assoc.	556,020			556,020
Colchester	1,846,666			1,846,666
Cook Willow	327,515			327,515
Country Acres Park	3,553			3,553
Crystal Lake	159,968			159,968
East Lyme	6,005,920	2,052,819	1,825,148	9,883,887
First Taxing District of Norwalk	4,277,987	2,722,013		7,000,000
Groton Utilities			23,800,000	23,800,000
Harmony Acres	17,145			17,145
Harrybrooke Park Condo	83,036			83,036
Hillside Water Corp	77,529			77,529
Idleview Park	7,224			7,224
Jewett City	34,132			34,132
Ledyard	5,376,473	357,024		5,733,497
Manchester	80,803		911,400	992,203
MDC	22,818,123	20,478,079	16,887,419	60,183,621
Meriden	1,484,303		14,674,960	16,159,263
New Britain	15,903,274		3,339,000	19,242,274
New London		5,534,628		5,534,628
Newtown	363,738			363,738
Norwich	2,193,746	303,476	10,767,939	13,265,161
Point- o-Woods	686,595			686,595
Portland	2,381,144			2,381,144
Putnam Water Pollution Control	887,098			887,098
Quonnapaug Hills	17,211	6,906		24,117
Regional Water Authority			6,019,759	6,019,759
Ridgefield	437,816			437,816
Second Taxing District- City of Norwalk	18,525,435			18,525,435
Sharon	912,570			912,570
Southern CT Water Authority	146,940			146,940
Southington	3,727,233		4,763,500	8,490,733
Tariffville Fire-Water Dept.			157,500	157,500
Twin Hills	64,391			64,391
Watertown Fire District	317,967			317,967
Woodlake Taxing District	533,406	369,859		903,265
Woodland Summit Comm. Water	5,274	4,608		9,882
Generator Program			800,000	800,000
TOTAL:	\$91,587,823	\$32,173,567	\$84,317,625	\$208,079,015

Appendix VIII: Set-Aside Funding by Year & Category

Set-Asides Management

<i>As of 6/30/2014</i>	Administration	State Management	Small Systems Technical Assistance	Local Assistance	Total
Set-Aside Maximum Percentage:	4%	10%	2%	15%	
1997-2008 Awarded	\$ 4,025,716	\$ 9,241,390	\$ 2,012,858	\$ 16,318,335	\$ 31,598,299
Drawn thru 6/30/14	4,025,716	9,241,390	2,012,858	16,318,335	31,598,299
Balance	-	-	-	-	-
2009 Award	561,680	1,637,500	325,840	1,221,900	3,746,920
Drawn thru 6/30/14	561,680	1,637,500	352,840	1,221,900	3,746,920
Balance	-	-	-	-	-
2009 Award-ARRA	780,000	1,170,000	292,500	-	2,242,500
Drawn thru 6/30/14	780,000	1,170,000	292,500	-	2,242,500
Balance	-	-	-	-	-
2010 Award	452,920	1,507,300	271,460	2,035,950	4,267,630
Drawn thru 6/30/14	452,920	1,507,300	271,460	2,035,950	4,267,630
Balance	-	-	-	-	-
2011 Award	376,720	1,606,400	0.0	1,412,700	3,395,820
Drawn thru 6/30/14	376,720	1,606,400	0.0	400,808	2,383,928
Balance	-	-	-	1,011,892	1,011,892
2012 Award	359,000	897,500	179,500	1,346,250	2,782,250
Drawn thru 6/30/14	210,234	122,456	155,782	-	488,472
Balance	148,766	775,044	28,079	1,346,250	2,298,139
2013 Award	336,840	842,100	356,780	1,263,150	2,798,870
Drawn thru 6/30/14	-	-	-	-	-
Balance	336,840	842,100	356,780	1,263,150	2,798,870
TOTAL Awarded:	\$6,892,876	\$16,902,190	\$3,438,938	\$23,598,285	\$50,832,289
Drawn thru 6/30/14:	\$6,407,270	\$15,285,046	\$3,054,079	\$19,976,993	\$44,723,388
TOTAL Balance:	\$ 485,606	\$ 1,617,144	\$ 384,859	\$ 3,621,292	\$ 6,108,901

Appendix IX: Bypassed Project List- FY 2014

Projects from FY2014 Project Priority List bypassed & not funded:								
Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
1	55	CT0640011	Metropolitan District Commission	Hartford	West Hartford Water Treatment Facility Rehab of 6 & 9 MG Basins	\$4,620,000	Project delayed due to design considerations, budgeting, and sequential projects necessary to be completed first (North Storage Basin); expect rollover to subsequent funding cycle	Bypass
6	50	CT0180261	Rollingwood Condominiums	Brookfield	Water System Interconnection	\$289,165	Project was completed without DPH review & contract authorization; interconnection activated & no longer a PWS	Deemed Ineligible
79	10	CT0990011	Blue Trails Water Association	North Branford	System Flushant Valve Replacements	\$15,000	Project was undertaken without DPH review & contract authorization;	Deemed Ineligible
43	15	CT0380041	Stonegate Springs	Durham	Emergency Power Generator Program	\$125,000	Project withdrawn by applicant	Withdrawn
59	15	CT0380041	Stonegate Springs	Durham	Water System Improvements	\$165,000	Project withdrawn by applicant	Withdrawn
17	35	CT0640011	Metropolitan District Commission	Hartford	Bloomfield Bear Ridge Pump Station Replacement	\$1,100,000	Project not ready to proceed; withdrawn by DPH	Withdrawn
11	35	CT1040011	Norwich Public Utilities	Norwich	Emergency Power Generator Program - Reservoir Road 1, Lebanon	\$231,900	Project withdrawn by applicant; receiving funding from FEMA	Withdrawn
12	35	CT1040011	Norwich Public Utilities	Norwich	Emergency Power Generator Program - West Town Street, Norwich	\$76,225	Project withdrawn by applicant; receiving funding from FEMA	Withdrawn
13	35	CT1040011	Norwich Public Utilities	Norwich	Emergency Power Generator Program - Cherry Lane, Montville	\$172,425	Project withdrawn by applicant; receiving funding from FEMA	Withdrawn
14	35	CT1040011	Norwich Public Utilities	Norwich	Emergency Power Generator Program - Reservoir Road 2, Lebanon	\$78,690	Project withdrawn by applicant; receiving funding from FEMA	Withdrawn

Appendix IX: Bypassed Project List- FY 2014 (cont.)

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
9	35	CT0640011	Metropolitan District Commission	Hartford	Emergency Power Generator Program - Barkhamsted HQ	\$150,000	Project determined to be ineligible for DWSRF funding	Deemed Ineligible
10	35	CT0800011	Meriden Water Division	Meriden	Emergency Power Generator Program	\$225,000	Project withdrawn by applicant; receiving funding from FEMA	Withdrawn
31	25	CT0800011	Meriden Water Division	Meriden	Water Main Cement Lining - Phase I	\$1,000,000	Project withdrawn by applicant (expect rollover to subsequent funding cycle)	Withdrawn
8	40	CT1160011	Putnam Water Pollution Control Authority	Putnam	Manganese Treatment	\$2,083,800	Project withdrawn by applicant (obtained other source of funding - USDA)	Withdrawn

Projects from FY2015 Project Priority List bypassed & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
8	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Farmington #4	\$1,550,000	Project not ready to proceed; withdrawn by DPH	Withdrawn
9	25	CT0320091	Connecticut Water Company - Coventry Hills	Coventry	Emergency Power Generator Program	\$32,500	Project withdrawn by applicant	Withdrawn
11	25	CT0930011	Regional Water Authority	New Haven	Pond Lily Avenue Water Main Replacement	\$170,000	Project withdrawn by applicant	Withdrawn
12	25	CT0930011	Regional Water Authority	New Haven	Allen Place Water Main Replacement	\$152,000	Project withdrawn by applicant	Withdrawn

Projects from prior years' Project Priority Lists (carryovers) bypassed and not funded

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
-	-	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Huyslope	\$2,900,000	Project will be delayed indefinitely; bypassed by DPH	Bypass

Appendix X: Application Process

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

- **Administrative Review (DPH):** Applicants must submit documentation that they have the authority and approvals to undertake the project.
- **Technical Review (DPH):** Applicants applying for DWSRF 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.

Projects for construction activities are reviewed for technical components, and the contract documents must contain required language. Contracts must follow open, competitive bidding and comply with all applicable state and federal contracting requirements.

- **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 & Development and the required environmental cross-cutter programs. DPH determines whether a project is not expected to have any environmental impact or if a Scoping Notice must be prepared. If a Scoping Notice is necessary, it is 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 (OTT):** The applicant must be creditworthy, and the DWSRF underwriting standards must be met. The Office of the State Treasurer reviews the financial information submitted with each application. 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, a Project Loan Agreement is 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. An Interim Funding Obligation (IFO) closing is then scheduled with the Office of the State Treasurer.

Appendix XI: Financial Assistance by Bond Rating

Borrower	Total Loan Commitment	AAA	A and AA	B to Baa	Not Rated
PUBLIC					
Bristol	1,216,155		1,216,155		
Brookfield	681,381		681,381		
Colchester	1,846,666		1,846,666		
East Lyme	9,883,887		9,883,887		
First Taxing District-City of Norwalk	7,000,000				7,000,000
Groton	23,800,000		23,800,000		
Jewett City	34,132				34,132
Ledyard	5,733,497		5,733,497		
MDC	60,183,621		60,183,621		
Manchester	992,203		992,203		
Meriden	16,159,263		16,159,263		
New Britain	19,242,274		19,242,274		
New London	5,534,628		5,534,628		
Newtown	363,738		363,738		
Norwich	13,265,161		13,265,161		
Portland	2,381,144		2,381,144		
Putnam Water Pollution Control	887,098				887,098
Ridgefield	437,816	437,816			
Second Taxing District- City of Norwalk	18,525,435		18,525,435		
Sharon	912,570		912,570		
Southington	8,490,733		8,490,733		
South Central CT Regional Water	6,019,759		6,019,759		
Southeastern CT Water Authority	146,940				146,940
Tariffville Fire- Water Dept.	157,500				157,500
Watertown Fire District	317,967				317,967
Woodlake Taxing District	903,265				903,265
Subtotal:	\$205,116,833				
PRIVATE					
Apple Valley Village	4,924				4,924
Aquarion Water(BHC)	140,283			140,283	
Candlewood Trails Assoc.	556,020				556,020
Cook Willow	327,515				327,515
Country Acres Park	3,553				3,553
Crystal Lake	159,968				159,968
Harmony Acres	17,145				17,145
Harrybrooke Park Condo	83,036				83,036
Hillside Water Corp	77,529				77,529
Idleview Park	7,224				7,224
Point- o-Woods	686,595				686,595
Quonnipaug Hills	24,117				24,117
Twin Hills	64,391				64,391
Woodland Summit Comm. Water	9,882				9,882
Emergency Generator program	800,000				800,000
Subtotal:	\$2,962,182				
Total (Public and Private):	\$208,079,015	437,816	195,232,115	140,283	12,268,801
% of Total		0.2%	93.8%	0.1%	5.9%

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. 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

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, 2014 and 2013

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2014 and 2013**

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SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
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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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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 8, 2014 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 8, 2014

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 was \$161,683,867 including total assets of \$199,096,380 offset by liabilities of \$37,814,215 which is an increase of \$24,802,034 compared to fiscal year 2013.

Assets of the Drinking Water Fund are categorized as follows:

Restricted - includes assets that have been restricted in use in accordance with the terms of an award, agreement, by state law or as further defined in the 2002 general bond resolution, the latest of three resolutions the Connecticut Clean Water Fund has issued bonds under since 1991.

Unrestricted - includes all assets not restricted and available for any program purpose of the Drinking Water Fund in accordance with the terms of an award, agreement, by state law or as further defined in the 2002 general bond resolution.

The financial statements show funds restricted for loans of \$132,337,391 an increase of \$21,660,294 or 19.6% above the 2013 balance.

Loans Receivable - Total loans receivable increased by \$22,898,001 from \$68,689,823 to \$91,587,824 due to the net of new loans (\$28,449,686) and principal repayments (\$5,551,685).

Bonds Outstanding - No new bonds were issued during the year. The outstanding debt decreased by \$5,726,569 to \$35,303,299, due to scheduled principal pay downs.

Operating Revenues - The Fund's gross operating revenue (interest on loans) increased \$253,314 or 16.5% to \$1,788,293.

Capitalization Grants - During the year, \$26,519,290 was drawn from the EPA for projects and administrative expenses. To date, the State has drawn a cumulative total of \$160,545,215. To date, cumulative federal drinking water capitalization grant awards totaled \$176,731,900.

The State must provide matching funds in the amount of 20% of the federal capitalization grant. As of the end of fiscal year 2014, the State has provided \$33,540,778 in match funds, exceeding the 20% required by the federal government. 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.

The Statements of Net Position include all of the assets and liabilities of the Fund.

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 during fiscal year 2014, portions of the federal capitalization grant and the 2009 ARRA funding are used to subsidize the projects. During the 2014 Legislative Session, the Connecticut General Assembly authorized \$50 million in state General Obligation Bonds for grants for the drinking water program effective July 1, 2014.

At year end, construction loans in progress totaled \$30,417,180. Payments to public water systems for ongoing projects totaled \$28,449,686. Completed projects which were permanently financed during the year totaled \$3,355,181. There were 17 new construction loan commitments made to public water systems during the year totaling \$25,835,959.

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 fiscal year 2014, 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 - Squire Patton Boggs, 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

	2014	2013	Increase (Decrease)
Total Net Position	\$161,683,867	\$136,881,833	\$24,802,034
Loans Outstanding - current and long term portions	\$91,587,824	\$68,689,823	\$22,898,001
Bonds Payable	\$35,303,299	\$41,029,868	(\$5,726,569)
Operating Revenues-Interest on Loans	\$1,788,293	\$1,534,979	\$253,314
Interest on Investments	\$847,872	\$1,057,816	(\$209,944)
Interest Expense	\$2,063,690	\$2,458,345	(\$394,655)
Federal Capitalization Grants Drawn	\$26,519,290	\$9,227,530	\$17,291,760

ECONOMIC CONDITIONS AND OUTLOOK

Connecticut continued to experience slow growth through 2014. Like other states, Connecticut has maintained a persistent focus on economic development and job creation. Recovery continued during fiscal year 2014, the state's unemployment rate steadily declined from a high of 7.9 percent in July 2013 to 6.7 percent in June 2014 and initial claims for unemployment insurance also decreased by 1.0 percent June 2014 over June 2013. The average annual wage in Connecticut increased by 0.2 percent to \$62,283, while the number of business establishments increased by 1.6 percent over the previous year. 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 have been successful. 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 2014 with an estimated \$120 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 Clean Water and Drinking Water revenue bond authorizations over the FY 2013-2015 biennium, 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.ct.gov/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
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**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2014 and 2013**

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,436,608	\$ 7,173,993
Interest receivable - investments	171,464	216,061
Interest receivable - loans	377,473	61,214
Grant receivable	714,451	758,502
Loans receivable	35,548,916	10,285,921
Total current assets	44,248,912	18,495,691
Noncurrent assets:		
Loans receivable	56,038,908	58,403,902
Revolving fund	56,299,196	41,842,874
Restricted assets:		
Bond proceeds fund	48	5,369,059
Revolving fund	7,803,375	14,205,558
Debt service fund	25,918,321	33,490,146
Support fund	6,712,091	8,172,500
Match account	2,075,529	-
Total restricted assets	42,509,364	61,237,263
Total noncurrent assets	154,847,468	161,484,039
Total assets	199,096,380	179,979,730
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings	401,702	834,584
Total deferred outflows of resources	401,702	834,584
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	610,275	685,873
Bonds payable	5,543,970	5,726,569
Total current liabilities	6,154,245	6,412,442
Noncurrent liabilities:		
Premium on revenue and refunding bonds	1,900,641	2,216,740
Bonds payable	29,759,329	35,303,299
Total noncurrent liabilities	31,659,970	37,520,039
Total liabilities	37,814,215	43,932,481
NET POSITION		
Unrestricted	29,346,476	26,204,736
Restricted for loans	132,337,391	110,677,097
Total net position	\$ 161,683,867	\$ 136,881,833

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Interest on loans	\$ 1,788,293	\$ 1,534,979
OPERATING EXPENSES		
Salaries	1,776,707	1,520,601
Employee benefits	1,468,814	1,115,284
Other	1,317,732	1,194,587
Project grants	3,644,189	1,769,955
Total operating expenses	<u>8,207,442</u>	<u>5,600,427</u>
Operating loss	<u>(6,419,149)</u>	<u>(4,065,448)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	847,872	1,057,816
Amortization of bond premium	316,099	516,651
Interest expense	<u>(2,063,690)</u>	<u>(2,458,345)</u>
Total nonoperating revenues (expenses)	<u>(899,719)</u>	<u>(883,878)</u>
Loss before federal capitalization grants and transfers	<u>(7,318,868)</u>	<u>(4,949,326)</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	18,275,477	4,098,198
Project funds - grants	3,644,189	1,769,955
Set-aside activities	4,555,573	3,808,771
Total federal capitalization grants	<u>26,475,239</u>	<u>9,676,924</u>
OPERATING TRANSFERS	<u>5,645,663</u>	<u>(247,280)</u>
Change in net position	24,802,034	4,480,318
NET POSITION, beginning	<u>136,881,833</u>	<u>132,401,515</u>
NET POSITION, ending	<u>\$ 161,683,867</u>	<u>\$ 136,881,833</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, 2014 and 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 1,472,034	\$ 1,482,145
Loan originations	(28,449,686)	(6,008,398)
Principal paid on loans receivable	5,551,685	4,783,136
Payments to employees for salaries and benefits	(3,245,521)	(2,635,885)
Payments on project grants	(3,644,189)	(1,769,955)
Other payments	(1,317,732)	(1,194,587)
Net cash used by operating activities	(29,633,409)	(5,343,544)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	26,519,290	9,227,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(5,726,569)	(4,951,563)
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	(1,706,406)	(2,162,690)
Operating transfers	5,645,663	(247,280)
Net cash used by noncapital financing activities	(1,787,312)	(17,377,361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	892,469	1,075,678
Decrease (increase) in revolving fund	(14,456,322)	5,554,045
Decrease in restricted assets	18,727,899	6,413,706
Net cash provided by investing activities	5,164,046	13,043,429
Net change in cash and cash equivalents	262,615	(449,946)
CASH AND CASH EQUIVALENTS, beginning	7,173,993	7,623,939
CASH AND CASH EQUIVALENTS, ending	\$ 7,436,608	\$ 7,173,993
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 6,419,149)	(\$ 4,065,448)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(316,259)	(52,834)
Increase in loans receivable	(22,898,001)	(1,225,262)
Net cash used by operating activities	(\$ 29,633,409)	(\$ 5,343,544)

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, 2014 and 2013

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, 2014 and 2013.

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) 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 c) 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:

<u>Fund/Account</u>	<u>Description and Use</u>
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 expended 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.

Subsequent Events

Management of the SRF has evaluated subsequent events through September 8, 2014, 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, 2014 and 2013 funds held by the State Comptroller were \$8,154,090 and \$7,935,525, 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, 2014 funds held in Connecticut Short Term Investment Funds (STIF) were \$81,838,466, of which \$48 is included in the bond proceeds fund, \$56,299,196 is included in the revolving fund and \$25,539,222 is included in the debt service fund on the Statement of Net Position. As of June 30, 2013 funds held in 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.

STIF is a money market investment pool, rated AAAM as of June 30, 2014 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, 2014 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$2,454,628, of which \$379,099 is included in the debt service fund and \$2,075,529 is included in the match account on the Statement of Net Position. As of June 30, 2013 funds held in FIGMM were \$361,906 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, 2014, 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	\$ 5,330,741	\$ -	\$ -	\$ 2,573,368	\$ 2,757,373	AA+
Guaranteed Investment Contracts	524,779	-	-	-	524,779	A-
U.S. Treasury State & Local Governments Connecticut General Obligation Bonds	3,429,939	1,123,192	2,237,367	-	69,380	AA+
	<u>5,230,007</u>	<u>-</u>	<u>-</u>	<u>5,230,007</u>	<u>-</u>	AA
	<u>\$ 14,515,466</u>	<u>\$ 1,123,192</u>	<u>\$ 2,237,367</u>	<u>\$ 7,803,375</u>	<u>\$ 3,351,532</u>	

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 Connecticut General Obligation Bonds	4,637,083	1,207,144	3,360,560	-	69,379	AA+
	<u>5,751,503</u>	<u>-</u>	<u>-</u>	<u>5,751,503</u>	<u>-</u>	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>	

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 40% and 54%, at June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
Construction in process	\$ 30,417,180	\$ 5,335,916
Completed projects	<u>61,170,644</u>	<u>63,353,907</u>
	<u>\$ 91,587,824</u>	<u>\$ 68,689,823</u>

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

<u>Year ending June 30</u>	
2015	\$ 5,131,736
2016	5,165,239
2017	5,208,829
2018	5,199,842
2019	5,257,044
Thereafter	<u>35,207,954</u>
	<u>\$ 61,170,644</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>2014</u>	<u>2013</u>
Awarded	\$ 157,231,900	\$ 148,810,900
Drawn	<u>141,045,215</u>	<u>114,527,797</u>
Available federal letter of credit	<u>\$ 16,186,685</u>	<u>\$ 34,283,103</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, 2014 and 2013, the required State match was \$31,464,380 and \$22,895,563, respectively. As of June 30, 2014 and 2013, the State match provided was \$33,540,778 and \$28,079,562, respectively. In fiscal year 2014, the State established a separate account in order to be able to clearly track the State match deposits and State match expenditures in order to ensure compliance with the federal capitalization grant requirement.

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>2014</u>	<u>2013</u>
Awarded	\$ 19,500,000	\$ 19,500,000
Drawn	<u>19,500,000</u>	<u>19,498,128</u>
Available federal letter of credit	<u>\$ -</u>	<u>\$ 1,872</u>

6 - RESTRICTED ASSETS

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

	<u>2014</u>	<u>2013</u>
Cash	\$ -	\$ -
Cash equivalents:		
Money market investment pool	27,993,898	38,859,205
Investments:		
U.S. Treasury State and Local Governments	3,429,939	4,637,083
Guaranteed Investment Contracts	5,855,520	11,989,472
Connecticut General Obligation Bonds	<u>5,230,007</u>	<u>5,751,503</u>
	<u>\$ 42,509,364</u>	<u>\$ 61,237,263</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, 2014 and 2013, the actual rates were 82.67% and 73.34%, respectively, of the SRF wages and the amounts charged aggregated \$1,468,814 and \$1,115,284, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Issued	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2014
Revenue bonds payable	\$ 35,980,786	\$ -	\$ -	\$ 4,595,803	\$ 31,384,983
Refunding bonds payable	5,049,082	-	-	1,130,766	3,918,316
	<u>\$ 41,029,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,726,569</u>	<u>\$ 35,303,299</u>

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>

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, 2014
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	-
7/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	7,572,339	2,677,149
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	710,833
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	11,535,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	4,025,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	15,114,150
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>\$ 35,303,299</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 \$31,384,983 and \$35,980,786 was outstanding as of June 30, 2014 and 2013, 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, 2014 and 2013 totaled \$188,903 and \$246,349, 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, 2014 and 2013, the outstanding principal balance of the Refunded Bonds was \$-0-.

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, 2014 and 2013 totaled \$-0- and \$2,103, 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, 2014 and 2013, the outstanding principal balance of the Refunded Bonds was \$-0-, and \$6,453,836, respectively.

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, 2014 and 2013 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, 2014 and 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 years ended June 30, 2014 and 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, 2014 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, 2014 and 2013 totaled \$43,158.

Bond Maturities

Requirements at June 30, 2014 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	1,798,900	615,708
2020-2024	8,551,984	1,670,149
2025-2028	2,858,633	264,498
	<u>\$ 35,303,299</u>	<u>\$ 7,212,261</u>

9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2014 and 2013:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</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	26,204,736	110,677,097	136,881,833
Change in net position	<u>3,141,740</u>	<u>21,660,294</u>	<u>24,802,034</u>
Balance at June 30, 2014	<u>\$ 29,346,476</u>	<u>\$ 132,337,391</u>	<u>\$ 161,683,867</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>2014</u>	<u>2013</u>
Transfers related to CWF debt service	(\$ 1,420,513)	(\$ 1,382,843)
State match	1,066,176	1,169,861
Transfer from State for match	6,000,000	-
Transfer related to cost of issuance of bond offerings	-	(7,554)
Other miscellaneous transfers	<u>-</u>	<u>(26,744)</u>
	<u>\$ 5,645,663</u>	<u>(\$ 247,280)</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>2014</u>	<u>2013</u>
Total funds committed to public water systems	\$ 208,079,015	\$ 172,113,547
Loan amount outstanding to public water systems	<u>91,587,824</u>	<u>68,689,823</u>
Loan commitments outstanding	<u>\$ 116,491,191</u>	<u>\$ 103,423,724</u>

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

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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, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2014.

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 8, 2014

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, 2014. 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, 2014.

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 8, 2014

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, 2014

<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	\$ 26,473,367
Capitalization Grants for State Revolving Fund	ARRA - 66.468	<u>1,872</u>
		<u>\$ 26,475,239</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, 2014

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, 2014 totaled \$18,275,477, of which \$-0- were from ARRA grants. Grants disbursed to subrecipients during year ended June 30, 2014 totaled \$3,644,189, of which \$-0- were from ARRA grants.

C - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$91,587,824 as of June 30, 2014.

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, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 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 \$ 794,201

Auditee qualified as low risk auditee? 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, 2014

. . . 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.

