



# ***STATE OF CONNECTICUT***

**Drinking Water Fund**

**State Revolving Fund Program**

**2017 Annual Report**



*Tariffville Water Tank Construction Project*



MDC North Storage Basin tank construction



# Connecticut Drinking Water Fund

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



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Commissioner

Department of Public Health

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



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



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

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*DPH Drinking Water Section, Fiscal Office Staff and Deputy Commissioner Addo*

## DWSRF ANNUAL REPORT ACRONYM LIST

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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
DWINSA	Drinking Water Infrastructure Needs Survey and Assessment
DW NIMS	Drinking Water National Information Management System
DWS	DPH Drinking Water Section
DWSRF	Drinking Water State Revolving Fund
EPGP	Emergency Power Generator Program
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)
IFO	Interim Funding Obligation
IUP	Intended Use Plan
MOU	Memorandum of Understanding
OA	Operating Agreement between the State and the EPA
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



# REPORT INTRODUCTION

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This is the Annual Report to the Governor on the Connecticut Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2017. It has been prepared jointly by the Department of Public Health (DPH) Drinking Water Section (DWS) and the Office of the State Treasurer (OTT) Debt Management Division.

The DWSRF was established by the 1996 amendments to the Safe Drinking Water Act (SDWA) and is a financial assistance program to help water systems achieve the public health protection objectives of the SDWA. The DWSRF provides low-cost financing for drinking water infrastructure improvement 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 financial assistance provided by the DWSRF improves water system compliance with drinking water regulations and increases public health protection.

The primary sources of funding for the CT DWSRF are revenue bonds and State contributions, which are managed by OTT, and yearly federal capitalization grants from the United States Environmental Protection Agency (EPA). The DPH is the Connecticut state agency that is authorized to enter into DWSRF Capitalization Grant agreements with EPA and manage the DWSRF program. 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 to implement the DWSRF program.

An overview of the participation and responsibilities of each State agency is provided later in this report.

This report includes the history of the DWSRF, a review of the DWSRF during Fiscal Year (FY) 2017, 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 SDWA. The State must also comply with the federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2017, 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 (CWSRF). Information on the CWF program is available in a separate annual report.

Copies of the 2017 report and previous annual reports since 2001 are available on the Office of the State Treasurer's website at [www.ott.ct.gov](http://www.ott.ct.gov) and via a link from the DPH DWS website at [www.ct.gov/dph/dwsrf](http://www.ct.gov/dph/dwsrf).

## EXECUTIVE SUMMARY

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The DPH DWS's primary responsibility is to protect public health by ensuring that Connecticut's 2,497 public water systems provide safe, adequate, and sustainable drinking water to residents and visitors of our state. These responsibilities are carried out through the provision of technical assistance, education, regulatory oversight, enforcement, and low-cost financing for infrastructure improvements. The DWS is committed to maintaining high quality drinking water throughout Connecticut by ensuring that public water systems provide proper treatment, water quality monitoring, source water protection, and consumer education.

Approximately 30% of the public water systems are eligible to receive DWSRF low-interest loans for drinking water infrastructure improvements. Funding is also provided for activities that support the DWSRF as well as the DWS's Public Water System Supervision Program. These activities include: providing assistance to improve the technical, managerial, and financial capacity of these systems. The DWS promotes asset management planning, and uses various tools to assist operators with the management of public water systems, with a particular focus on small systems serving fewer than 10,000 persons.

During FY 2017, the DPH provided approximately \$23.1 million in funding for 21 infrastructure projects through 18 funding agreements. Since its inception, the DWSRF program has provided more than \$259.2 million for 171 projects. Since 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. There were 17 projects that qualified for partial subsidization in the form of principal forgiveness, including projects under the Emergency Power Generator Program.



*Southington Water Tank Construction*

## SUMMARY OF FY 2017 ACTIVITIES & ACCOMPLISHMENTS

- ✓ Executed 14 project commitments under the base DWSRF program totaling \$22.8 million (of which \$20 million was loan and approximately \$286,000 was subsidy).
- ✓ Executed 4 project commitments under the Emergency Power Generator Program totaling \$341,932 (of which \$252,749 was loan and \$89,183 was subsidy).
- ✓ Processed 56 project payment reimbursement requests for approximately \$27.6 million.
- ✓ Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments. Promoted use of the EPA Check-Up Program for Small Systems (CUPSS) asset management software.
- ✓ Maintained outstanding federal Unliquidated Obligations (ULO's) balance well below the EPA national goal of less than 10%. The ULOs at the end of FY 17 was at 4.9%. Since March 2013, the DWS has successfully reduced its ULOs by a total of 77%.
- ✓ Conducted 321 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity by staff funded through the DWSRF Program.
- ✓ The Connecticut General Statutes require that the Commissioner of Public Health convene a Water Utility Coordinating Committee (WUCC) for each Public Water Supply Management Area (PWSMA) to implement a coordinated drinking water supply system planning process. The Source Assessment and Protection Unit oversaw the timely completion of major components of this process in FY 2017.
- ✓ Issued \$50 million in Revenue Green Bonds to provide funding for ongoing and future projects.
- ✓ Issued \$2.5 million in Refunding Revenue Bonds to recognize total future debt service savings of approximately \$387,000.

# HISTORY & MANAGEMENT OF THE CONNECTICUT DWSRF

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, 2017, the DWSRF funding within 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 based on the results of the latest national Drinking Water Infrastructure Needs Survey and Assessment (DWINSA). Beginning with the FFY 2014 allocation and through at least FFY 2017, Connecticut's allocation is 1.01%, based on the results of the 2011 DWINSA.

Each year the State of Connecticut is required to submit a DWSRF Capitalization Grant application to EPA to capture its DWSRF allocation. Connecticut General Statutes (CGS) Sections 22a-475 through 22a-483, inclusive, govern the establishment and administration of the DWSRF.

The State has received a total of \$183.5 million to date in capitalization grants, and as required for each awarded grant, a state match equaling 20% of the grant must also be provided. An additional \$19.5 million capitalization grant was received under the American Reinvestment and Recovery Act of 2009.

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.

## DWSRF Program Management

- The DPH is responsible for programmatic and fiscal administration of DWSRF infrastructure improvement projects and the set-aside projects and accounts.
- 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 DEEP is responsible for the administration of the CWF of which DWSRF is a subaccount.

Appendix I provides additional details on the roles of these three agencies.



*MDC Nepaug Reservoir and Watershed*

## PROGRAM FUNDING

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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.

### **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 cumulative amounts for the DWSRF project funds and set-aside accounts that have been made 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 2017 totaled \$183.5 million. Since last year's report, the State was granted the FFY 2016 award of \$8.4 million. The FFY 2017 grant in the amount of \$8.3 million should be awarded in early fall 2017. 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.

### **Required State Matching Funds**

The State has provided sufficient funds in the Drinking Water SRF to meet the required State match. Connecticut's match has been made in the form of cash contributions in the Drinking Water SRF for a total of \$40.4 million as of June 30, 2017 (Appendix II).

Match requirements for grants awarded in the future will be met on or before grants are drawn

by the State from the EPA. In some instances when project payment requests are large, funds from both the match monies and subsequent grants may be paid out on the same day. The state match amount for each capitalization grant is disbursed for project costs prior to drawing any federal funds for each respective capitalization grant.

### **State Authorizations**

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Connecticut Clean Water Fund including the Clean Water SRF and Drinking Water SRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. As of June 30, 2017, the State Bond Commission has approved \$299.0 in Revenue allocations and \$20.0 million in General Obligation allocations to the Drinking Water program.

### **Revenue Bonds - SRF Leveraged Program**

The State Treasurer is authorized to issue bonds and provide low-cost financing for water quality projects. The DWSRF program leverages federal grants, state matching funds, and repayments from borrowers to issue SRF revenue bonds to provide proceeds for loans.

The SRF revenue bonds are currently rated the highest available credit rating by three national credit rating agencies. 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.

Currently, the average coupon on the leveraged revenue bonds is higher than the interest rate charged to borrowers. The interest rate of loans

made to the borrowers is generally 2%, while the average coupon rate on the last revenue bond issue was 4.8%. Therefore the debt service on the SRF bonds is paid from a combination of borrower loan repayments and interest earnings on the investment of SRF funds. Program assets and reserve funds are held as security for all bonds. As of June 30, 2017, the State held \$319.2 million in DWSRF program assets invested in loans, the State's Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

### Green Bonds

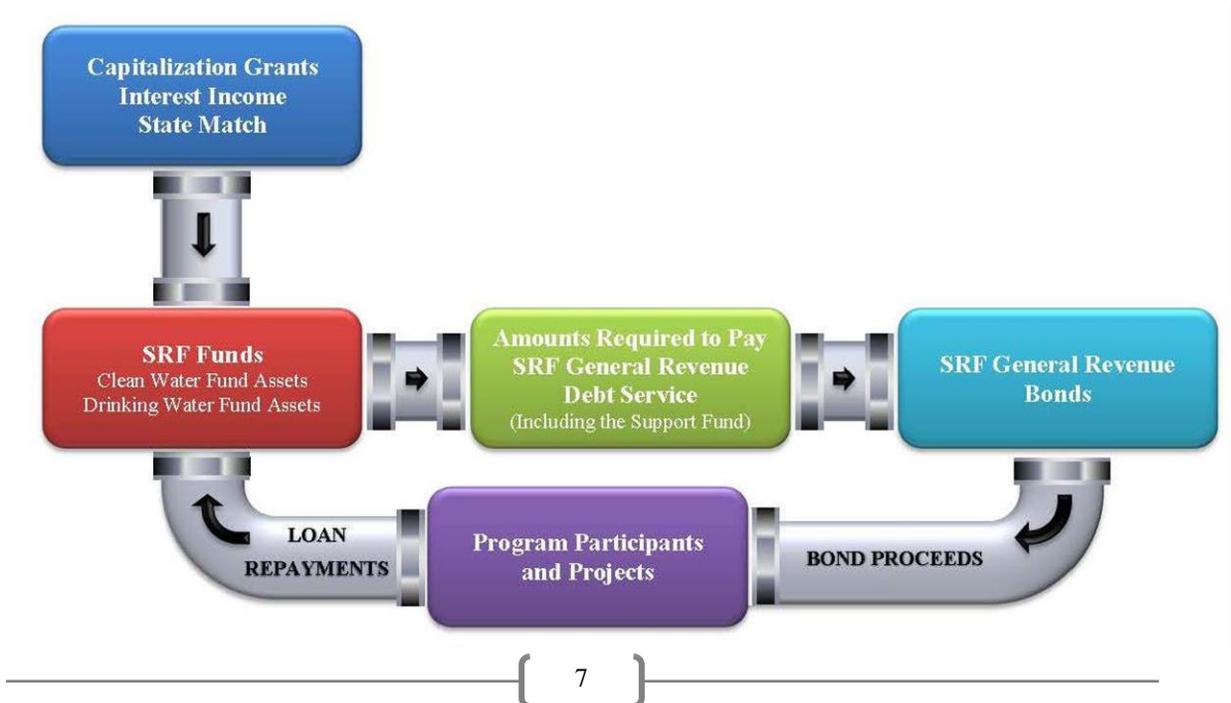
Bonds are described as being "Green" if the proceeds of the bonds will be applied exclusively for projects and activities that promote climate or other environmentally sustainable purposes in alignment with the Green Bond Principles, 2016. On June 15, 2017, the State issued \$250 million of Green Bonds to finance clean water and drinking water infrastructure projects, with approximately \$50 million set-aside for drinking water. The State also chose to pursue receiving a second opinion by Sustainalytics. This company is a provider of environmental, social, and governance research and analysis. Sustainalytics evaluated the State's SRF Programs, the planned use of the 2017A bonds, and the alignment thereof with relevant industry standards. Their provided opinion

declares that the State's approach to selecting projects and managing green bond proceeds is "robust, and its reporting on the use of proceeds is transparent." Sustainalytics concluded that the State's program aligns with the four pillars of the Green Bond Principles, 2016 guidance. To date, the State has issued \$500 million in revenue Green Bonds and \$190 million in general obligation Green Bonds. The projects funded by bonds are detailed in Appendix VI.



### 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:



## CONDITION OF THE FUND

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Each year, the DPH and the OTT, 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. Due to state budget constraints and increasing drinking water project priorities, staffing levels for the DWSRF program is near its lowest since the program's inception. The program is operating with less than adequate staff needed to attain all program goals. The DPH was directed by Public Act 16-2 (May Sp. Sess. 2016) to prepare a report concerning the expenditures necessary to ensure the continued administration of safe drinking water standards for public drinking water, including the DWSRF program. This report was completed and is available on the DPH website.

The DPH was able to initiate the project priority process and create the priority list for the year, due to the availability of funds remaining from previous authorizations. The current Project Priority List for the base Drinking Water SRF Program is available at the Department's web site [www.ct.gov/dph](http://www.ct.gov/dph).

Since the inception of the program, the Drinking Water SRF has over \$259.2 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, Meriden, New Britain, Norwich, Norwalk, RWA, and Southington.

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 public water systems (PWSs), is a reflection of

both past demands on the program and the availability of funding through the State Bond Commission. Program capacity and cash flow projections show that combined with the Clean Water State Revolving Fund Program, the programs can sustain bond issuance of approximately \$250 million in revenue bonds per year through 2050 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 DWSRF program. Maintenance and continued improvement of the existing water infrastructure in Connecticut are dependent upon consistent funding for the DWSRF.

The projected financial needs of the DWSRF Program are part of the analysis of the DWF's sustainability. Cash flow and capacity models have been developed and are maintained by OTT. At least annually, DPH and OTT work together to review loan demand, current available funding, potential future needs and availability of future funds to ensure the sustainability of the DWSRF Program.



*Repairs to water main (Norwich)*

# BORROWERS

All Connecticut community and nonprofit non-community PWS are eligible to obtain funding through the DWSRF. A PWS 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 756 eligible PWSs 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 PWSs.

The DPH emphasizes the importance of reaching potential applicants. Each year outreach initiatives have included e-mails to eligible PWSs and municipal officials, statewide informational meetings, open forums, and the posting of information on the DPH DWS website. The DWSRF program is also promoted during sanitary survey inspections of PWSs, and at conferences and workshops around the state.

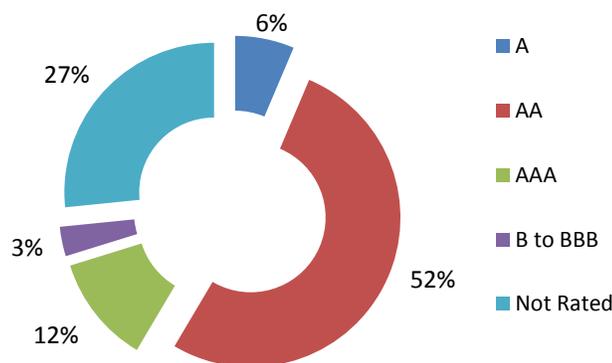
As a result of the outreach efforts, the number of new borrowers has increased significantly in the past few years. Many of these new borrowers are towns, for which the financing terms and potential subsidy are attractive incentives.

## Portfolio Credit Quality

The overall financial condition of the state’s municipal and privately owned PWSs 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 below. 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.

State of Connecticut SRF Borrower Credit Ratings



\* Includes both Clean Water and Drinking Water Borrowers. Ratings per Moody's.

## PROJECT FINANCING

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The DWSRF provides financial assistance to an eligible PWSs for planning, design, and/or construction projects. 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 loans of approximately one-half of the market rate allowing up to 20 years for repayment. The loan rate during FY 2017 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 amount of subsidy available varies each year, and has been provided in the form of loan principal forgiveness for qualifying borrowers and projects. During FY 2011, the DWSRF began to offer federally funded loan subsidies designed to encourage PWSs 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, on May 22, 2014, Public Act 14-98 (PA 14-98) was signed into law, which under Section 46 provides the State Bond Commission the power to allocate general obligation bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. During the Spring 2016 legislative session, this amount was reduced to \$20 million. This program, codified under CGS 22a-483f, provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for eligible DWSRF projects. The entire \$20 million available funding under this program was allocated by the State Bond Commission in May 2017 for two specific projects that have been determined to

satisfy the eligibility criteria outlined in the Intended Use Plan (IUP). These projects are: Groton Utilities – Water Treatment Plant Upgrade and Norwich Public Utilities – Stony Brook DAF; Deep River Filters; Occum Tank; Water main to Sprague. It is expected that these funds will be committed to the projects during SFY 2018.

Projects selected for financial assistance are chosen based on a priority ranking system created and managed by the DPH. 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.

### Intended Use Plan Summary

The DPH's 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 SFY 2017, and is based on 1) the use of FFY 2016 capitalization grant funds, 2) a state match of 20% of the FFY 2016 capitalization grant awards, and 3) unobligated funds carried forward from previous IUPs. During SFY 2017, Connecticut provided the required 20% match of \$1.8 million necessary to receive the FFY 2016 award.

The Public Hearing and Open Forum for the FY 2017 IUP was held on August 25, 2016. Applicants and interested parties participated at the hearing on projects to be funded during SFY 2017 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. The projects considered for funding in that IUP were based upon applications received during the call for projects period between November 2014 and January 2015. In April 2017, the FY 2017 IUP was revised to reflect a change in scope for a project. The IUP was made available for a 30-day public comment period; no comments were received.

The most recent request for new DWSRF projects from PWSs occurred between February and April 2017, for projects to be funded during FY 2018. The FY 2018 IUP is being drafted, and a public hearing is expected to be held during October 2017. Beginning with FY 2018 funding and implemented with the most recent call for projects, new projects will be accepted at any time, with periodic updates to the IUP. However, in order to be considered for the initial funding, the request must have been submitted to DPH by the date announced to be included in the annual IUP.

### Priority Ranking System and Project Priority List

The priority ranking system is a key component of the management of the DWSRF program. Project eligibility applications are reviewed, awarded ranking points, 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 emergency funding. 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, the PPL, which will be offered funding during the year. The PPL is part of the IUP. The IUP also includes a Comprehensive Project List of all project applications received.

The priority ranking system 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 awarded to projects that serve a city or town determined to be a “distressed municipality” by the Department of Economic and Community Development, according to CGS 32-9p. The list is updated annually, and the most recent list available at the time of the call for projects is utilized for assignment of ranking points.

The priority ranking system is reviewed and revised as necessary prior to each call for projects. During FY 2017, it was significantly updated and revised. The criteria had not undergone any major revisions since it was first developed. These revisions address the current drinking water infrastructure challenges and priorities facing the State of Connecticut and our PWS clients. DPH DWS Circular Letter 2017-03 was sent to all Community and Non-Profit Non-Community PWSs, as well as other interested parties, to announce and explain the changes.

While the entire priority ranking system was reevaluated, changes were made to key areas, and include the following:

- Infrastructure Sustainability: The PRS recognizes the critical role that asset management (AM) planning has in achieving a PWSs long-term sustainability.
- Infrastructure Resiliency: This new category provides points for projects that will increase a PWSs ability to withstand and recover from natural or man-made disasters, including drought. This category will continue to provide points for security enhancements to infrastructure facilities.
- Water Conservation: The revised PRS recognizes the importance of water conservation by providing additional priority points to projects that will result in significant “unaccounted for” or “non-revenue” water loss reductions. Points for water main

rehabilitation or replacement have been increased to recognize the important role of these projects to reduce water main breaks and leaks.

- **Lead in Drinking Water:** Points have been increased for projects which are necessary to resolve lead action level exceedances. A new activity was added which provides points for projects that proactively reduce lead levels at schools and other child care facilities, and for complete lead service line replacement.
- **Unregulated and Emerging Contaminants:** This new category provides points for projects which address contaminants or contaminants of emerging concern. Previously there was no mechanism to provide points for these types of projects.

These changes were utilized for the call for projects for FY 2018. As it is each year, the priority ranking criteria will be made available for review and comment from potential borrowers as part of the IUP and public hearing.

The DPH approves project funding to applicants on the PPL to the extent of funds available. Each PWS may apply for and receive project funding 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. Funding is offered to the next highest ranked and ready to proceed project(s) on the comprehensive list that was not originally included 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 PPL for fiscal year 2017 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 in order to allocate all available project funds. The projects which received funding during FY 2017 are detailed in the next section of the report. The PPL for FY 2018 will be available when the IUP is finalized.



*Demolition of old Mohegan Park water storage tank*

# FY 2017 FUNDED PROJECTS DETAIL

During FY 2017, the Drinking Water SRF made 18 interim project commitments totaling more than \$23.2 million (including over \$20.2 million in loans) for the following projects. A table listing all FY 2017 projects funded is included as Appendix III.

## Base Program

### Norwich Public Utilities - Royal Oaks Project (\$1,660,886 total funding)

The project comprises the replacement of existing mains at various locations to improve the reliability of service and maintain water quality to the existing Royal Oaks Pressure Zone service area. The new mains will be connected to the existing Industrial Park Tank Service Zone to increase the pressure in the distribution allowing NPU to decommission its existing Royal Oaks Pump Station. This new water main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding agreement was executed on September 29, 2016. Of the total project financing, the loan amount was \$1,528,016 at an interest rate of 2%.

wound concrete water storage tank and associated piping and appurtenances, including an internal mixing system, site work, and a pre-cast concrete valve vault. Additional work will include the demolition and removal of the existing steel water storage tank, concrete ring wall foundation and appurtenances, and upgrades to the Bentley Brook PRV station. This project will address the water stagnation issue and minimize the level of total trihalomethanes in the drinking water being supplied to the customers.

The funding agreement was executed on April 3, 2017. Of the total project financing, the loan amount was \$2,869,392 at an interest rate of 2%.

### Town of Bethel – Eureka Storage Tank Construction (\$1,855,379 total funding)

The project comprises constructing a substantially buried ground level atmospheric storage tank. It is a circular pre-cast, wire-wound, pre-stressed concrete tank with a nominal volume of 0.789 million gallon (MG). The project also includes all associated appurtenances and connections to the water distribution system mains. Fencing is also provided around the tank. The construction of this new tank is necessary in improving the storage capacity of the system and maintaining an adequate supply of potable water to customers.



*Mohegan Park Water Storage Tank Project Sign*

### Norwich Public Utilities – Mohegan Park Storage Tank Construction (\$3,118,904 total funding)

This project comprises the installation of a new 2.5 million gallon precast, pre-stressed, wire-



*Bethel-Eureka Storage Tank*

The funding agreement was executed on September 29, 2016. The project loan obligation closed on May 31, 2017 in the amount of \$1,855,379 at an interest rate of 2%.

**Town of Bethel – Hoyt’s Hill Booster Pump Station Upgrade (\$1,376,075 total funding)**

The project consists of the demolition of an existing below-grade pump house, equipment, pipes, and associated appurtenances; and construction of a new structure above grade to house the new equipment including a pump package system with three service vertical centrifugal pumps, controls, equipment, piping, and associated appurtenances. The existing emergency power generator will be replaced with a new generator that will be provided by the Town. The project will improve the operation and reliability of the system to ensure that customers continue to receive a safe and adequate supply of potable water.

The funding agreement was executed on April 19, 2017. Of the total project financing, the loan amount was \$1,025,306 at an interest rate of 2%.

**Town of Bethel – Maple Avenue Well #1 and #2 Replacement (\$958,140 total funding)**

The project consists of construction and development of two municipal water supply wells, Well #1A and Well #2A, to replace the existing Well #1 and Well #2 at the Maple Avenue wellfield in Bethel, Connecticut. This project is necessary due to a reduction of the capacity of the existing wells and to reduce the system’s reliance on two outdated surface water treatment plants. The project will improve the operation and reliability of the system to ensure that customers continue to receive an uninterrupted supply of potable water.



*Bethel-Maple Avenue Well*

The funding agreement was executed on May 1, 2017. Of the total project financing, the loan amount was \$766,512 at an interest rate of 2%.

**Town of East Lyme – Greensand Filtration Wells 1A (Design Phase) (\$390,870 total funding)**

This project is for the design phase of the proposed Greensand Filtration system that serves Well 1A. As recommended in the Preliminary Engineering Report, water from Well 1A will be pumped to the Well 6 water treatment plant (WTP) via a new 12-inch diameter ductile iron raw water transmission main. A new building will be installed adjacent to the Well 6 WTP to house the new filter vessel and other appurtenances necessary for this project. The greensand filter media for the existing filter vessels serving Well 6 will be replaced with new media. The existing chemical feed systems and filter controls will be upgraded. A standby power generator will be provided. Provisions for volatile organic compound removal will be proposed. This project is expected to improve the water quality being delivered to the customers.

The funding agreement was executed on May 1, 2017, in the amount of \$390,870 at an interest rate of 2%.

**Cromwell Fire District – Meadow Road Water Treatment Facility Emergency Generator (\$198,000 total funding)**

This project includes the replacement of the standby generator at the Meadow Road Water Treatment Facility which has exceeded its useful service life. This includes demolition of the existing generator and installation of the new one. The project improves the operation and reliability of the facility to ensure customers continue to receive an uninterrupted supply of potable water.

The funding Agreement was executed on January 26, 2017. The project loan obligation closed on June 30, 2017 in the amount of \$151,299 at an interest rate of 2%.

[The Metropolitan District – Radio Frequency Meter Project – Phase IV \(\\$3,158,053 total funding\)](#)

The project consists of installing radio-based automated meter reading equipment for approximately 12,400 meters, along with replacing and retrofitting each meter, and including administrative services. This project will improve the efficiency of meter reading and promote conservation as a result of improved water usage monitoring.

The funding agreement was executed on May 18, 2017. Of the total project financing, the loan amount was \$2,905,408 at an interest rate of 2%.

[Town of Manchester – Water Main Replacement and Generator Fuel Storage Tank Replacement \(\\$979,071 total funding\)](#)



*Manchester Fuel Storage Tank Installation*

The project consists of the replacement of existing water mains in various locations to improve the reliability of water service and maintain water quality in the existing service area. The project also includes replacement of an existing underground fuel storage tank for the emergency generator at the Globe Hollow Water Treatment Plant with a new fuel storage tank. This project will reduce the likelihood of a main break, increase the reliability of the system to maintain service to the customers and ensure the generator can maintain the operation of the equipment at Globe Hollow water treatment facility in the event of a loss of primary electrical power.

The funding agreement was executed on April 10, 2017, in the amount of \$979,071 at an interest rate of 2%.

[Tariffville Fire District – Storage Tank Replacement – Simsbury \(\\$1,501,588 total funding\)](#)

This project consists of planning, design, and construction work to replace the system's 330,000 gallon water storage tank, which has exceeded its useful service life. Once this new tank is complete and has been put into service, the current tank will be demolished. The project will improve the operation and reliability of the system to ensure customers continue to receive an uninterrupted supply of potable water.

The funding Agreement was executed on September 29, 2016. Of the total project financing, the loan amount was \$1,201,270 at an interest rate of 2%.



*Tariffville Fire District Groundbreaking*

[South Central Connecticut Regional Water Authority – Lake Gaillard Water Treatment Plant Generator Replacement \(\\$2,279,444 total funding\)](#)

This project includes the replacement of the east standby generator at the Lake Gaillard Pump Station which has exceeded its useful service life. This includes demolition of the existing generator, construction of a retaining wall and concrete pad for the new generator, installation of the new generator, resistive load bands, associated controls, and site work associated with locating the new generator

outdoors. The project improves the operation and reliability of the facility to ensure customers continue to receive an uninterrupted supply of potable water.

The funding Agreement was executed on December 12, 2016. The project loan obligation closed on January 25, 2017 in the amount of \$1,878,486 at an interest rate of 2%.

**South Central Connecticut Regional Water Authority – Lake Saltonstall Water Treatment Plant Intake and Raw Water Pump Station Improvements (\$2,043,651 total funding)**

This project includes the installation of raw water intake screens and backwash system for the Lake Saltonstall Intake and Raw Water Pump Station. It also includes the replacement of the transformers at the Lake Saltonstall water treatment plant and pump station with a new transformer and concrete pad, construction of a new electrical feeder to the pump station transformer, the replacement of raw water pump motors, the installation of new variable frequency drives, motor control center, and programmable logic controller in a new electrical building. Structural improvements to the existing pump station include replacing the roof and access bridge. The project will improve the operation and reliability of the facility to ensure customers continue to receive an uninterrupted supply of potable water.

The funding Agreement was executed on June 5, 2017. Of the total project financing, the loan amount was \$1,686,589 at an interest rate of 2%.



*Lake Saltonstall Raw Water Pump Station*

**South Central Connecticut Regional Water Authority – Water Storage Tank Rehabilitations (\$2,360,662 total funding)**

This project includes the recoating of the exterior and interior of the North Branford and Fountain Lake Tanks. The interior coating on Shingle Hill Tank No. 2 will be removed and replaced. Exterior stairs from the ground level to the tank roof of the North Branford Tank and the Fountain Lake Tank will be installed. This project also includes the installation of a submersible water mixing system and all associated controls, supports and appurtenance(s) in the Fountain Lake Tank. The project will improve the operation and reliability of the facility to ensure customers continue to receive an uninterrupted supply of potable water.

The funding Agreement was executed on June 5, 2017. Of the total project financing, the loan amount was \$1,944,083 at an interest rate of 2%.

**City of Waterbury – Water Main Rehabilitation (\$1,216,423 total funding)**

The project consists of rehabilitation of existing distribution mains located on East Main Street, between Frost Road and Pierpont Road. The work includes: cleaning and cement lining of approximately 7,500 linear feet of 8-inch diameter and 250 linear feet of 6-inch diameter of cast iron water main pipe, and replacing all gate valves and associated appurtenances in the project area. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding Agreement was executed on June 5, 2017. Of the total project financing, the loan amount was \$997,467 at an interest rate of 2%.

## Emergency Power Generator Program

The Emergency Power Generator Program (EPGP) was established in SFY 2012 in response to two extreme weather events that occurred in the late summer and fall of 2011. These events left many customers, in particular customers of small PWSs, throughout Connecticut without water service for extended periods of time due to power outages, which is a public health concern. During 2012 and 2013, two additional severe weather events occurred furthering the need to ensure that all PWSs have backup power systems capable of providing continued water service to customers during prolonged power outages. The EPGP allows eligible PWSs with projects costing less than \$100,000 to obtain low-interest loans and subsidies to purchase and install generators to be used in the event of power outages.



*Salisbury School Emergency Generator*

During FY 2017, the DWS continued to provide funding for this program. Since it began, 49 subsidized loans have been executed totaling over \$1.4 million for the purchase and/or installation of 53 generators. Funding applications for another 17 generators have been received and are at varying stages in the review process.

Subsidization provides 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. The EPGP's high rate of subsidy brought to the program many small systems that may not normally participate in the DWSRF.



*North Willington Village Emergency Generator*

Three new generator project loans were initiated during FY 2017 for small systems: Salisbury School, North Willington Condo Association, and Woodlake Tax District.

In addition, funding was provided to Hazardville Water Company under the EPGP for a new generator at their Town Farm Well facility. Funding for generators was also provided to the South Central Connecticut Regional Water Authority and Cromwell Fire District, as described in the previous section.

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.



*Hazardville Water Company Emergency Generator*

## Small System Funding

Funding for small systems continues to be a priority for the DPH. During FY 2017, 5 PWSs executed seven agreements for seven projects, totaling nearly \$5.8 million, which is a significant increase from previous years. All small system projects that were ready to proceed were funded, which represented approximately 25% of the total amount committed for projects. The DPH continues to provide outreach and direct technical assistance to small systems in an effort to increase their

participation, including assistance with developing Asset Management Plans. These systems generally need more hands-on guidance to understand and meet the DWSRF requirements, and there has been a marked increase in funding requests over the past few years. It is expected that the interest in the DWSRF program from small systems will continue. Overall, since the DWSRF program began, the DPH has exceeded the goal of providing at least 15% of available funds to small system projects.



*Tariffville Fire District New Storage Tank*

## Projects Completed During FY 2017

During FY 2017, several projects sufficiently completed construction activities and placed the new or upgraded infrastructure into service. The table below summarizes those projects.

Projects Completed During FY 2017 *			
PWS Name (Applicant)	Loan Agrmt #	Town	Brief Description
Baxter Farms Community Water Assn.	2015-9041	Tolland	Emergency Generator and Booster Pumps
Quassuk Heights Gardens Assn.	2016-9049	Woodbury	Emergency Generator
Norwich Public Utilities	2015-7037	Norwich	Royal Oaks Service Area Improvements
Bethel Water Department	2016-7040	Bethel (Danbury)	New Finished Water Storage Tank
Hazardville Water Company	2016-9048	Enfield	Emergency Generator
Salisbury School	2016-9051	Salisbury	Emergency Generator
Cromwell Fire District	2016-9052	Cromwell	Emergency Generator
Regional Water Authority	2017-7049	New Haven (East Haven)	Intake and Raw Water Pump Station Improvements
Regional Water Authority	2017-7050	New Haven (North Branford)	Water Treatment Plant Generator Replacement
Manchester Water Department	2017-7053	Manchester	Pipe Rehab and Replacement & Generator Fuel Storage Tank Replacement
Bethel Water Department	2017-7054	Bethel	New Well Source Development
Regional Water Authority	2017-7058	New Haven (North Branford, West Haven, Ansonia)	Water Storage Tank Rehabilitations
North Willington Condo Assn.	2017-9054	Willington	Emergency Generator
Woodlake Tax District	2017-9055	Woodbury	Emergency Generator

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

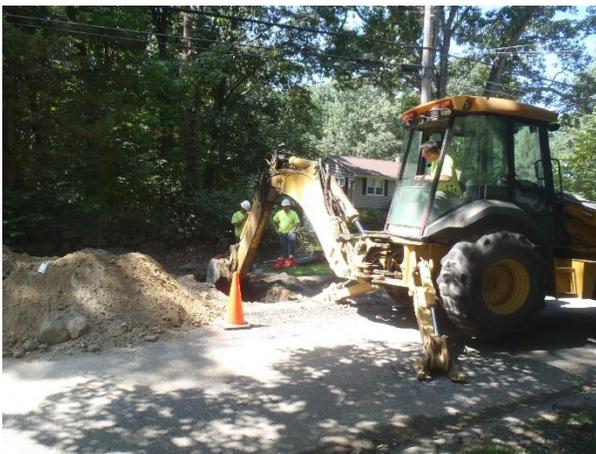


*Cromwell Fire District Emergency Generator*

## Highlights of the Benefits Provided by the FY 2017 Completed Projects

**Bethel:** The Bethel Water Department completed construction of a new finished water storage tank. This new tank improves the storage capacity in the distribution system in order to maintain an adequate supply of potable water to customers. Bethel also completed development of new wells to supplement and replace existing wells that have diminished in capacity. These new sources will help ensure that customers continue to receive an uninterrupted supply of potable water and reduce the reliance on outdated surface water treatment plants.

**Norwich:** Norwich Public Utilities completed the Royal Oaks Project, which replaced the water main and connected them to the Industrial Park Tank Service Area. This reconfiguration allowed the removal of the Royal Oaks Pump Station and improved reliability to the customers served by this water main.



*Norwich Royal Oaks Water Main Replacement Project*

**South Central Connecticut Regional Water Authority (RWA):** The RWA completed the replacement of an emergency generator at one of its surface water treatment plants. This generator will help to maintain resiliency in the water system and ensure that they continue to provide an uninterrupted supply of water to their customers during a power outage.

The RWA also completed improvements to the intake and raw water pumps station at a different surface water treatment plant, as well as the rehabilitation of three finished water storage tanks in its distribution system. Both of these projects will improve the reliability of the water system to maintain service to customers.

**Manchester:** The Manchester Water Department completed replacement of several segments of water main. This new main will provide reliability of water service and maintain water quality in those areas. In addition, the fuel storage tank for the emergency generator at the Globe Hollow Water Treatment Plant was replaced. This new tank will help ensure that the plant maintains operations in the event of a power failure.

**Cromwell:** The Cromwell Fire District installed a replacement emergency power generator at the Meadow Road Water Treatment Facility. This new generator will help ensure that the facility maintains operations in the event of a power failure.

**Hazardville Water Company:** The Hazardville Water Company installed a new emergency power generator at the Town Farm Well. This new generator will help ensure that the well maintains water service in the event of a power failure.

Finally, the three generators installed at the small systems were completed during FY 2017. These generators are critical to maintaining water service in the event of a loss of electrical power. These small systems have only one means to supply water to their customers, and without a generator, a loss of power would cause each system to immediately lose water service.

## Summary of Projects

Appendix IV provides a more detailed list of SFY 2017 subsidy and loan disbursements, loan payment receipts, outstanding loans, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2018.

## Drinking Water Infrastructure Needs Survey & Assessment and Future Funding Needs

The Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) 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 United States. 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 by the EPA to determine the percentage of the DWSRF appropriation that each state will receive each year for the four-year period interval following release of each survey's report. Connecticut's participation in the DWINSAs for 1999, 2003, 2007, and 2011 evidenced that a significant need for infrastructure improvement funding continues to exist throughout the state.

The 2011 DWINSA assessed the cost and types of drinking water needs throughout the nation for the period January 1, 2011, to December 31, 2030. The results of the survey were used to determine the DWSRF allocation for FFYs 2014 through 2017. The results of the 2011 survey, which were released in June 2013, showed that the State of Connecticut's estimated need had grown from \$1.394 billion in 2007 to \$3.587 billion in 2011. Based on this increase, starting with the FFY 2014 capitalization grant, Connecticut's allotment increased from 1% to 1.01%.

Compared with the other five New England States, the 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.

The breakdown of needs was as follows:

<b>INFRASTRUCTURE NEED AMOUNTS (MILLIONS)</b>	
<b>Transmission and Distribution</b>	<b>\$ 2,584.0</b>
<b>Treatment</b>	<b>545.1</b>
<b>Storage</b>	<b>267.3</b>
<b>Source</b>	<b>146.6</b>
<b>Other</b>	<b>35.0</b>
<b>Total</b>	<b>\$ 3,578.0</b>

As the cost and need for infrastructure projects continue to increase, the demand for low-cost loans will most likely also increase. The availability of federal subsidization since 2010 for DWSRF projects has also increased the demand for loans. For SFY 2018, the DPH received requests for loans for 48 infrastructure projects totaling approximately \$75.4 million in total project costs including approximately \$75.2 million in eligible costs. This includes 10 applications under the EPGP totaling approximately \$204,000 in eligible project costs.

Data collection for the 2015 DWINSA was completed in February 2016. Based on this information, the DPH expects the overall need to have increased since 2011. The official report from EPA is expected to be released during 2017.

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

## FY 2017 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 V. The Intended Use Plan (IUP) 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.

These staff perform important functions for the DWSRF Program, from the evaluation of financial viability prior to a project proceeding, to processing of payment requests during construction, and finally closing of the loan and initiation of repayment. During FY 2016, one staff member retired from the DPH Fiscal Office, forcing the remaining staff to support the program with an increased workload. During FY 2017 this position was refilled. Even with this staffing issue, all necessary reviews were conducted as required, although the actions would have been more timely if there was a full complement of staff during the year.

During FY 2017, staff reviewed and processed 56 project payments totalling approximately \$27.6 million and 51 of those payments were under the base program for approximately \$27.5 million. The remaining 5 payments in the amount of \$91,000 were made toward emergency generator projects. It is stated in each loan agreement when payments must be made each month. For this reason they are processed in a timely manner.

Under the direction of the Office of the Attorney General, the DWSRF loan templates were updated to include new, required language. This

collaborative effort required a lot of staff resources; however, it was necessary and will allow for more efficient processing of loan documents.

### 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.

These staff perform important functions for both small public water systems and in support of the DWSRF Program. Small systems are generally some of the most vulnerable PWSs and are also the most numerous. These systems typically do not have the in-house expertise that large utilities do and require more direct assistance from DPH staff, especially when issues arise. While they all are required to have certified operators, many of these PWSs are run by volunteer boards and do not necessarily have the comprehensive understanding needed for the operation of a PWS. Staff funded by this set-aside perform sanitary survey inspections, provide technical assistance including site visits, perform engineering plan and specification review of projects, and perform the subsequent inspections.

During FY 2017, funds were also used to continue the multi-year contract with RCAP to provide asset management training for small systems and targeted technical assistance to small PWSs that had applied for DWSRF funding, and others that are identified as needing additional help. This assistance also includes helping to develop an asset management plan, which is a requirement in order for the PWS to be eligible for a portion of the additional subsidy provided in the DWSRF Program. Fourteen PWSs received direct assistance from RCAP under this contract during FY 2017, one training event was held, and this multi-year contract was extended thru September 2018.

## **PROGRAM MANAGEMENT SET-ASIDE**

This set-aside is used to assist in the administration of the State's Public Water System Supervision (PWSS) Program. The staff performs important functions in support of the DWSRF Program and DWS as a whole.

These support activities are critical to the success in achieving the goals of the entire DWS and overall protection of public health. A few of the more important activities staff performed include: coordination of the administration of grants and interaction with EPA, including submittal of applications and reporting; preparation of contracts related to technical assistance to PWSs to assist the DWS in capacity development efforts; preparation of guidance documents, work plans, and long-term strategies; provide direct assistance to PWSs for water quality testing and reporting; assistance in coordination of water supply planning; continuation of Memorandum of Agreements between DPH and UCONN; and general office functions.

Staff also review the DWSRF financial assistance applications and coordinate the preparation of DWSRF funding agreements among the DWS, DPH Fiscal Office, and OTT, and provide legal assistance to the DWS.

Funds from this set-aside were also used for internships for University of Connecticut students. These interns assisted staff across the entire DWS with various activities including, source water protection, permit reviews, updates to GIS database, project reviews, and drafting of documents and letters.

## **LOCAL AND OTHER STATE PROGRAM MANAGEMENT SET-ASIDE**

This set-aside is divided into two sections: Capacity Development and Source Water/Wellhead Protection.

## **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.

Technical staff funded by this set-aside support all types of PWSs with a range of activities: perform sanitary survey inspections, including technical, financial, and managerial capacity assessments; provide technical assistance including site visits; and perform engineering plan and specification review of projects and perform the subsequent inspections. Staff work closely with PWSs, and when necessary local health departments, and provide technical assistance to correct any deficiencies or violations that may occur.

Several staff work within the DWSRF program on tasks such as review of project eligibility through bidding and construction, assist with the development of the IUP, maintain project information in the EPA Project Benefits Reporting database, and in the writing of this annual report.

A major undertaking during FY 2017 was the creation of a workgroup to improve the implementation of the Lead & Copper Rule. Following the crisis in Flint, Michigan, and lessons learned from those circumstances, it was necessary to dedicate staff to this effort. This workgroup also interacts with other Sections within the DPH which monitor the health effects of lead exposure in the environment in an effort to improve communication and coordination. This increased focus on lead, without the addition of new staff, has caused other tasks to be delayed. Even with this staffing issue, all necessary reviews

and sanitary surveys were conducted as required, although the actions would have been more timely if there was additional staff.

It is expected that additional staff will be hired in early FY 2018 to specifically assist with the Lead & Copper Rule and the expected upcoming federal changes to this rule. This will allow current staff to devote more time to their routine work tasks.

Staff also assisted in the implementation of new drinking water rules, and preparation of capitalization grants, work plans, and reports.

Beginning in 2016, funds from this set-aside were also used to contract with a consulting engineer to assist the DWS with the tasks necessary to complete the Water Utility Coordinating Committee planning process. This contract is expected to continue through FY 2018.

## 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.

### 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.

Staff funded by this set-aside performs many functions to support the protection of sources of supply in an effort to maintain potable drinking

water. These include review and approval (when justified) of proposed sources of supply; permitting of activities associated with water company-owned land, such as sale, changes to, and reactional uses of; working with local, regional, and state partnerships on environmental reviews for projects that may have an impact on drinking water quality; and coordination of the process for conducting annual watershed inspections with the submission of annual watershed survey reports.

The Source Assessment and Protection Unit has expanded its work related to Contaminants of Emerging Concern. The SA&P Unit staff continues to provide assistance to public water systems that utilize surface water sources with assessing harmful algal bloom toxins in their water sources by participating in internal and regional workgroups and maintaining a web page for public outreach. Staff funded by this set-aside is working with public water systems, municipalities, local health departments and academia to address increasing levels of chloride and sodium being found in public drinking water sources of supply. In addition, staff funded by this set-aside is developing a strategy for identifying risk and addressing potential detections of perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS) in public drinking water. The staff regularly communicates with counterparts at the DEEP, the DPH Environmental and Occupational Health Assessment Program, and the Private Well Program. They also participate in regional meetings, conference calls, and webinars on the subject.

In FY 2017, the SA&P Unit inspected the four bottled water sources in Connecticut. DPH is required to inspect and approve/not approve these sources every three years to ensure that the source meets quality and safety requirements.

One staff funded by this set-aside is also working on a program to assist PWSs that utilize surface water sources with assessing harmful algal bloom toxins in their water sources. This staff is on a New England Interstate Water Pollution Control

Commission (NEIWPC) workgroup, which regularly meets with other interested parties, including the Great Lakes Commission, AWWA, and ASDWA, and is also on an internal DPH workgroup. This program also provided the opportunity to these PWSs to have water samples analyzed at no cost. Seventy-nine samples were received and analyzed by the DPH laboratory for the cyanotoxins microcystin and cylindrospermopsin. No cyanotoxins were identified in any sample. In FY 2017, funding was allocated to facilitate additional monitoring.

### 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 subsurface sewage system approval, maintenance, training, and repair.

Various activities include training of subsurface sewage installers in the proper location, design, construction, and operation of these systems. In addition, staff reviewed plans and specifications for all systems with a capacity of 2,000 gallons per day or more.

During FY 2017, staff conducted two Phase I and one Phase II trainings to local health officials on required regulations on new and repaired subsurface sewage disposable systems. Each training was for four days. A total of 45 individuals were in attendance.

This staff presented at the 2016 Connecticut environmental Health Association, Yankee Conference in September 2016. Over 200 individuals were in attendance.

The Environmental Engineering Program staff assisted the towns of Westbrook and Monroe in the development of wastewater management ordinances and regulations. The purpose of the ordinances was the reducing of potential wastewater impacts to environmentally sensitive areas, aquifer protection areas and non-point source pollution.

The Environmental Engineering Program staff continues to advocate for the protection of public water supplies through reduction of non-point source pollution from subsurface sewage disposal systems and participates in local and national training events to stay current on emerging and innovative technologies.



*DPH DWSRF Accountants*

## COMPLIANCE WITH OPERATING AGREEMENT, GRANT CONDITIONS, AND 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 2017, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2016 grant application met the requirement of the State having the authority to conduct the DWSRF program
- Deposited state matching funds. The State has provided a cumulative amount of \$40.5 million to date as state match for the capitalization grants. This is approximately \$3.7 million more than the requirement of \$36.7 million through FFY 2016.
- Reviewed technical, financial, and managerial capacity of assistance recipients
- Established DWSRF loan account, set-aside account, and DWSRF administration account
- Required DWSRF loan recipients to adhere to accounting and auditing procedures
- Submitted 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.

**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 Crosscutting Authorities:** The State of Connecticut and all of its assistance recipients have complied with all applicable federal crosscutting 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.

**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 utilized equivalency for MBE/WBE reporting beginning with the October 2014 report. During FY 2017, all required reports were submitted.

**Conduct Environmental Reviews:** All public water system projects that received assistance during FY 2017 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

**Green Project Reserve (GPR):** The FFY 2011 GPR requirement was previously reported. There has been no federal requirement to fund projects under the GPR since FFY 2011.

**Project Benefits Reporting (PBR) Database:** After full execution of the funding agreement, each project

was entered into the EPA PBR database. Upon completion of the project and closure of the permanent financing, the project entry was updated.

**Bypassed Projects:** During FY 2017, 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 VI.

**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. This requirement has been included in each successive annual appropriation, with varying implementation dates.

Appendix III lists the projects which entered into binding commitments during FY 2017 and identifies those which are required to comply with AIS. Each funding agreement includes language referencing the applicability of AIS requirements, regardless if a

project is utilizing a waiver or not. All projects are reviewed for compliance with the AIS requirements during routine site visits.

**Federal Single Audit:** Any sub-recipient that receives a total amount of \$750,000 or more from any federal source, including the DWSRF, in a single federal fiscal year is required to conduct a federal single audit according to the Single Audit Act Amendments of 1996. This requirement is included as a term in all project funding agreements.

**Federal Funding Accountability and Transparency Act (FFATA):** The projects listed in the table below were reported via the Federal Subaward Reporting System on the date noted for the FFY 2015 FFATA requirement for project funds. The FFY 2015 project reporting requirements were met during FY 2017. The full amount of FFY 2016 reporting requirements has not yet been met, but will be met during FY 2018. These projects will be used for all equivalency reporting, including MBE/WBE utilization and the Dun & Bradstreet Number (DUNS) requirement.

Federal Funding Accountability and Transparency Act Reporting							
Loan Agrmnt #	Loan Agrmnt Date	PWSID	Public Water System Name	Project Name	FFATA Reported Amount	FFATA Assigned Cap Grant FFY	FFATA Report Date
2016-7046	6/30/2016	CT0640011	Metropolitan District Commission	Cottage Grove & Talcottview Water Main Replacement	\$3,302,030	2015	7/28/2016 *
2016-7047	6/30/2016	CT0640011	Metropolitan District Commission	North Storage Basin Phase II	\$1,517,733	2015	7/28/2016
Total reported:					\$4,819,762		
* Cottage Grove & Talcottville was initially reported on 7/28/16; however the report did not successfully upload when trying to report both projects on 7/28. Per EPA, they instructed to try again on 8/2/16 to count for July 2016.							

## 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. Connecticut has met the annual requirements to have subsidy included in executed loans and disbursements for FFY 2010, 2011, and 2012.

For the FFY 2013 capitalization grant, as of June 30, 2017, the minimum amount had not yet been committed in executed loan agreements; however, three agreements are expected to be executed during the first three months of FY 2018, which will raise the amount committed above the minimum. Additional projects that will also commit FFY 2013 subsidy are progressing and expected to have executed agreements later during FY 2018.

Three project loans have been executed with subsidization under the FFY 2014 capitalization grant award, although the minimum amount had not yet been committed in executed loan agreements. It is expected that several will be executed during FY 2018, raising this amount considerably and above the minimum.

Ten project loans have been executed with subsidization under the FFY 2015 capitalization grant award which has committed the minimum amount. Two additional projects are expected to execute loan agreements and commit the remaining anticipated subsidy for this FFY during FY 2018. In no case has any maximum amount of committed or disbursed subsidy been exceeded.

The DPH acknowledges that the goal to commit the minimum amount of subsidy for the FFY 2013 and 2014 grants has not yet been met. In addition, it is unlikely that the goal for FFY 2016 to commit the minimum subsidy by September 30, 2017, will be met. There have been considerable delays in the execution of loan agreements; however, all remaining agreements are expected to be executed during FY 2018 and assigned to one of those grants. The remaining projects that are expected to be assigned to these grant years are in varying stages of the review process.

In previous years projects had not been held to “readiness” as strictly as they are currently. As a result, there is still some catching up to do as these projects finally proceed to funding agreements and construction. It is expected that for FFY 2017 and forward, the goal of committing the minimum required subsidy by the end of the second year after the grant appropriation will be met. The DPH understands the importance of committing and disbursing these funds in a timely manner, as they have a direct impact on the levels of ULO’s. Appendix VII lists the projects expected to be assigned subsidy, along with the expected month of commitment and full disbursement.

Appendix VIII lists by FFY additional subsidization, including the total amount of subsidy committed, amount disbursed, amount remaining to be disbursed, and the expected month of final disbursement. Each project is listed individually until all subsidy has been disbursed. The funding agreements that will commit the required funds are pending. The goal is to complete the capitalization grant minimum required disbursements as soon as feasibly possible. The table below summarizes the federal subsidies from awarded capitalization grants:

Federal Capitalization Grant- Federal Subsidy								
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, 2017	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 20167	Remaining Federal Subsidy Amount Expected to be Disbursed	Estimated Month for Full Disbursement of Federal Subsidy	Estimated Month for Disbursement of Minimum Federal Subsidy
2010	\$4,071,900	N/A	\$4,723,405	\$0	\$4,723,405	\$0	Achieved	Achieved
2011	\$2,825,400	N/A	\$2,990,646	\$0	\$2,990,646	\$0	Achieved	Achieved
2012	\$1,795,000	\$2,692,500	\$2,203,031	\$0	\$1,997,760	\$2,203,031	Achieved	Achieved
2013	\$1,684,200	\$2,526,300	\$1,587,343	\$500,403	\$984,451	\$1,103,295	December 2019	December 2018
2014	\$1,792,400	\$2,688,600	\$421,951	\$1,912,150	\$421,951	\$1,912,150	December 2019	December 2018
2015	\$1,778,600	\$2,667,900	\$1,968,293	\$198,828	\$428,774	\$1,738,347	December 2018	December 2017
2016	\$1,684,600	\$1,684,600	\$0	\$1,684,600	\$0	\$1,684,600	December 2019	December 2019

## 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.

Several specific goals were implemented in the past few years which have had meaningful impacts on improving the overall program. These include:

- Maintaining use of a two-year budget planning period to coincide with the State's biennial budget
- Criteria in the DWSRF Priority Ranking System continues to place significant emphasis on ready-to-proceed projects
- Beginning with the funding cycle and Call for Projects for SFY 2018, allow for new project

eligibility applications to be submitted at any time during the year and update the Comprehensive Project List in the IUP with these new projects in a timely manner

- Continue to work closely with DWSRF loan applicants, along with coordination of regulatory review and loan preparation activities
- Maintaining a pipeline of projects through close interaction with public water systems concerning their system needs during the data gathering process for the 2011 and 2015 EPA Drinking Water Infrastructure Needs Survey and Assessment (DWINSA), and working to better promote and explain the DWSRF process
- Continue using the results of LEAN activities in 2010 and 2014 to understand program requirements across agencies and institute streamlining techniques, as time permits

Maintaining an adequate staffing level has also been identified as an important factor in the success of the DWSRF program, and overall in the assistance and oversight provided to all public water systems. While the minimum goals continue to be achieved, the increased workload on staff is not sustainable. The

majority of the staff time is spent implementing the minimum necessary to maintain the program and ensure compliance with ever-increasing federal requirements. Staff do not have time for the efforts needed to grow the program and improve processes for the borrowers.

Limited progress was made to further refine the streamlined procurement procedures that allow small, low-cost (less than \$100,000) projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting requirements. This process began with the Emergency Power Generator Program and has proved to work very well. 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). Activities during FY 2017 involved continued use of the financial tracking of funding agreements and the start of entering additional project details. Further modifications to the current project database to help ensure smoother development and transfer of information and development of the LGTS project module were on hold due to delays with the national development contract.

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.

The ULO project balance is \$6,478,338 as of July 1, 2017. Due to program requirements, all monies provided as federal subsidy must come directly from the federal capitalization grant. As a result, a balance of project ULOs must be maintained in an amount sufficient to fund federal subsidy payments for qualifying projects currently under funding agreements and those for which funds are being

carried over. The ULO set-aside balance is \$3,465,626.

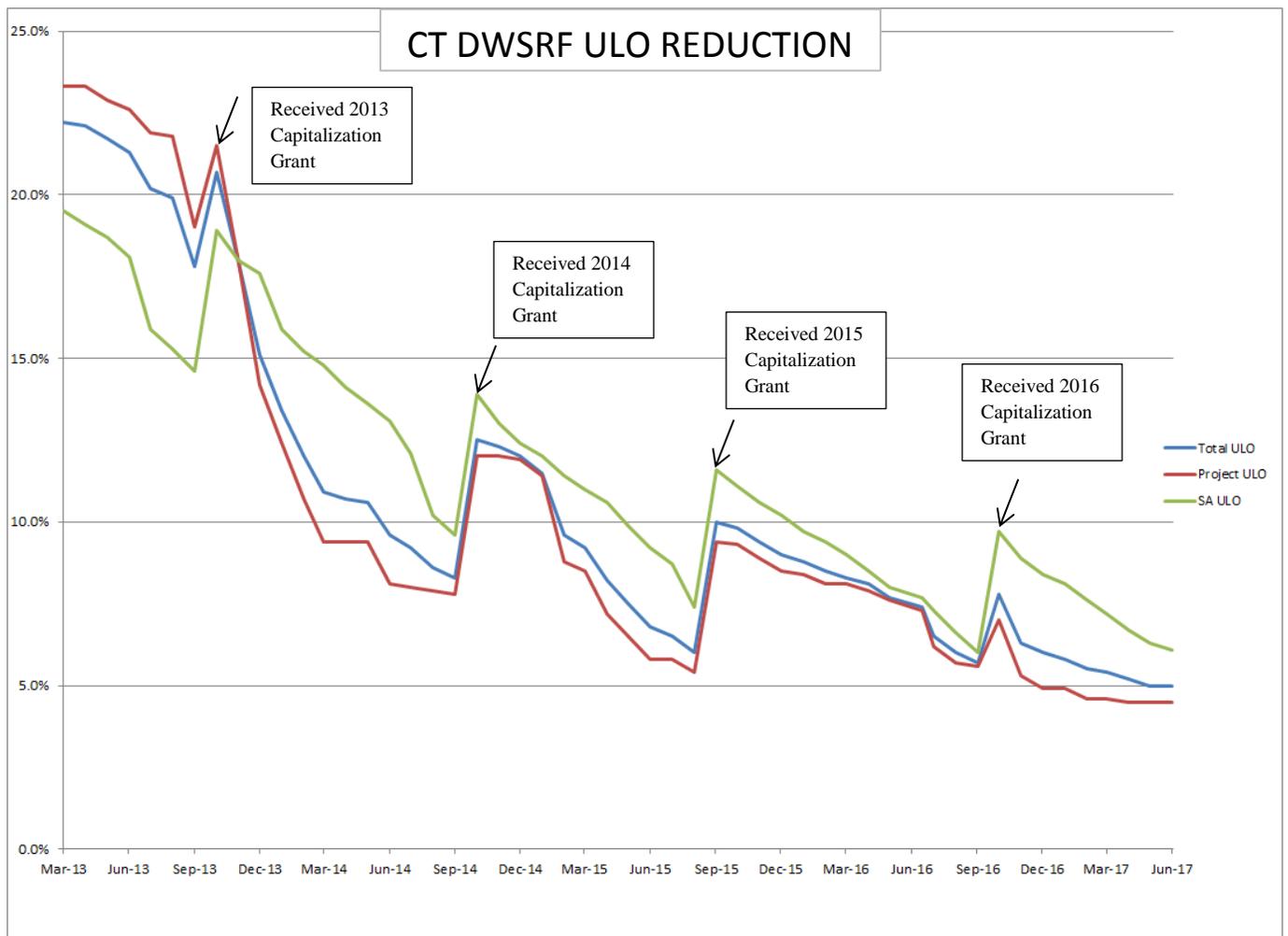
The DPH closely monitors DWSRF ULOs with the goal being the expeditious disbursement of each capitalization grant. In September 2013, the DPH developed a ULO Reduction Plan outlining strategies to reduce DWSRF project and set-aside ULOs. The DPH expects that once desirable ULO percentages are achieved, they will be maintained. The practice of spending the capitalization grants down on a yearly basis will lead to very low, sustainable ULO percentages. In April 2014, EPA established national objectives for states to fully expend their capitalization grants within two years of their award date. The DPH expects to fully disburse and draw the remaining funds associated with the FFY 2014 and 2015 capitalization grant before September 30, 2017.

The set-asides are primarily used to support adequate levels of DWS staffing to implement the DWSRF, Source Water Protection, Capacity Development, and Public Water System Supervision Programs with limited outside contractual support. The State of Connecticut provides in-kind matching funds to obtain our federal EPA grants; however, non-matching state contributions for these activities have diminished in recent years and are not expected to increase in the foreseeable future due to current State budget deficit projections. The DPH has been carrying over unspent set-asides from prior years' capitalization grants to sustain these programs. For several years, the DPH has proposed legislation to enact fees to provide long-term support for these programs and reduce our dependence on the capitalization grant carryovers. DPH continues to work to move this legislation forward and produced a report to the joint standing committee of the General Assembly, required under May 2016 Special Session PA 16-2 Section 17, which reviewed financial needs and proposed methods to address those needs. DPH's ULO Reduction Plan accelerated the rate of spending these carryover funds to reduce ULOs, but it is necessary to manage those funds in a manner that minimizes the risk of diminishing the important services provided by the programs until alternative sources of new funding are obtained. As part of this management effort, the DPH requested and received a 12-month extension from the EPA to

fully draw down the FFY 2014 set-aside portions of the capitalization grant.

With primary SDWA enforcement responsibility granted by the EPA, the DWS requires sufficient resources to meet the many requirements for state primacy. Increasing oversight of state programs current implementation of and compliance with federal rules, such as lead and copper, has led to an

increase in workload. The state's drinking water program is in need of additional funding resources in the near future to sustain our current staffing level and necessary to reach an optimal staffing level. The study under May 2016 Special Session PA 16-2 Section 17 allowed for the DPH to run the required cost and need projections for running the state's drinking water program in our effort to secure additional funding sources.



# 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 2,500 public water systems in Connecticut. Of those, approximately 756 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 one-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 the entire 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 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.

### 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.

## Appendix II: Federal Capitalization Grant and State Match Summary

<b>Federal Capitalization Grant and State Match*</b>						
<b>As of June 30, 2017</b>						
Federal Fiscal Year	Project Funds	Set-Aside Funds	Total Capitalization Grant	Cumulative Capitalization Grant	State Match Provided	Cumulative State Match Provided
1997	14,771,658	6,636,542	21,408,200	21,408,200		0
1998	4,913,697	2,207,603	7,121,300	28,529,500		0
1999	5,150,022	2,313,778	7,463,800	35,993,300		0
2000	5,352,330	2,404,670	7,757,000	43,750,300		0
2001	5,374,479	2,414,621	7,789,100	51,539,400	10,398,696	10,398,696
2002	5,556,225	2,496,275	8,052,500	59,591,900		10,398,696
2003	5,522,829	2,481,271	8,004,100	67,596,000		10,398,696
2004	5,729,139	2,573,961	8,303,100	75,899,100		10,398,696
2005	5,716,995	2,568,505	8,285,500	84,184,600		10,398,696
2006	5,678,217	2,551,083	8,229,300	92,413,900	5,000,000	15,398,696
2007	6,500,910	1,482,471	7,983,381	100,397,281	1,610,500	17,009,196
2008	6,924,100	1,467,519	8,391,619	108,788,900	1,600,820	18,610,016
2009	4,399,080	3,746,920	8,146,000	116,934,900	3,616,640	22,226,656
2010	9,215,370	4,267,630	13,483,000	130,417,900		22,226,656
2011	6,022,180	3,395,820	9,418,000	139,835,900	3,078,085	25,304,741
2012	6,192,750	2,782,250	8,975,000	148,810,900		25,304,741
2013	5,622,130	2,798,870	8,421,000	157,231,900	7,169,861	32,474,602
2014	6,183,780	2,778,220	8,962,000	166,193,900	1,066,176	33,540,778
2015	6,143,070	2,749,930	8,893,000	175,086,900	941,253	34,482,031
2016	5,811,870	2,611,130	8,423,000	183,509,900	5,968,699	** 40,450,729
						22.04%
* Does not include ARRA award of \$19,500,000 from 2009. State match was not required.						
**Includes \$658,541 of State Match provided in State Fiscal Year 2017.						

## Appendix III: Drinking Water SRF Binding Commitments

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	AIS ‡
2015-7037	9/29/2016	CT1040011	City of Norwich (Norwich Public Utilities)	Royal Oaks Water Main Replacement	\$1,660,886	\$1,528,016	\$132,871	2014	Y
2016-7040	9/29/2016	CT0090011	Town of Bethel (Bethel Water Department) †	Eureka Water Storage Tank	\$1,855,379	\$1,855,379	\$0	N/A	Y
2016-7048	9/29/2016	CT1280011	Tariffville Fire District †	Water Storage Tank Improvement	\$1,501,588	\$1,201,220	\$300,318	2013	Y
2017-9054	11/21/2016	CT1600061	North Willington Village Condo Assoc. †	Generator	\$11,828	\$6,518	\$5,310	2015	Y
2017-7050	12/12/2016	CT0930011	South Central CT Regional Water Authority	WTP Generator	\$2,279,444	\$1,878,486	\$400,958	2015	Y
2016-9052	1/26/2017	CT0330011	Cromwell Fire District	Generator	\$176,299	\$151,2994	\$25,000	2013	Y
2016-9048	1/30/2017	CT0490021	Hazardville Water Company	Generator	\$68,090	\$37,450	\$30,641	2013	Y
2016-9051	2/21/2017	CT1220061	Salisbury School Incorporated †	Generator	\$33,875	\$18,637	\$15,238	2015	Y
2017-9055	3/20/2017	CT1680031	Woodlake Tax District †	Generator	\$51,975	\$38,981	\$12,994	2015	Y
2017-7056	4/3/2017	CT1040011	City of Norwich (Norwich Public Utilities)	Mohegan Park Water Storage Tank	\$3,118,904	\$2,869,392	\$249,512	2013	N
2017-7053	4/10/2017	CT0770021	Town of Manchester (Manchester Water Department)	Water Main Replacement	\$979,071	\$979,071	\$0	N/A	Y
2017-7051	4/19/2017	CT0090011	Town of Bethel (Bethel Water Department) †	Hoyt Hill	\$1,367,075	\$1,025,306	\$341,769	2015	Y
2017-7054	4/19/2017	CT0090011	Town of Bethel (Bethel Water Department) †	Maple Ave Well	\$958,140	\$766,512	\$191,628	2015	Y
2017-7057	5/1/2017	CT0450011	Town of East Lyme	Greensand Filtration Well IA	\$390,870	\$390,870	\$0	N/A	Y
2017-7055	5/18/2017	CT0640011	Metropolitan District	RF Meters Phase IV	\$3,158,053	\$2,905,408	\$252,644	2013	N
2017-7052	6/1/2017	CT1510011	City of Waterbury (Waterbury Water Department)	Rehabilitation & Replacement of Water Mains	\$1,216,423	\$997,467	\$218,956	2015	Y
2017-7049	6/5/2017	CT0930011	South Central CT Regional Water Authority	Intake & Raw Water Pump Station Improvements	\$2,043,651	\$1,686,589	\$357,062	2015	Y
2017-7058	6/5/2017	CT0930011	South Central CT Regional Water Authority	Tank Painting & Mixer Installation	\$2,360,662	\$1,944,083	\$416,579	2015	Y
<b>Total funded amounts:</b>					<b>\$23,232,213</b>	<b>\$20,280,733</b>	<b>\$2,951,480</b>		
‡ - Projects marked "N" were exempt from the AIS requirement by utilizing a national waiver. No project-specific waivers were issued.									
† - These Public Water Systems are considered "small" for the purposes of DWSRF funding.									

Appendix IV: Drinking Water Projects – FY 2017 Disbursements, Receipts,  
Outstanding & Estimated Additional Commitments

Applicant	Town	Federal	Loan	Loan	IFO/PLO	Undrawn	Estimated
		Subsidy	Disbursed	Received	Loan	Loan	Additional
		Disbursed	Disbursed	Received	Outstanding	Commitments	Commitments
		FY2017	FY2017	FY2017	at 06/30/2017		thru 06/30/2018
Ash Water	Ledyard	\$ -	\$ -	\$2,309	\$2,544	\$ -	\$ -
Baxter Farms	Tolland	3,663	10,988	967	19,164	-	-
Bethel	Bethel	-	1,855,379	-	1,855,379	1,791,818	-
Bristol	Bristol	-	-	35,796	732,196	-	531,000
Candlewood Trails	New Milford	-	-	26,398	478,386	-	-
Colchester	Colchester	-	-	118,503	1,498,252	-	-
Cook Willow	Plymouth	-	-	35,853	217,965	-	-
Cromwell Fire	Cromwell	25,000	151,204	-	151,299	-	-
Crystal Lake	Salem	-	-	115,773	-	-	-
East Lyme	East Lyme	-	-	284,062	6,262,568	390,870	2,671,305
Groton	Groton	-	-	-	-	-	54,000,000
Guilford	Guilford	-	-	-	-	-	2,082,954
Harmony ACRES	Prospect	-	-	1,850	11,983	-	-
Harrybrook Park Condo	New Milford	-	-	14,727	40,611	-	-
Hazardville Water	Enfield	-	-	-	-	37,450	-
Hillside Water Corp	Marlborough	-	-	8,609	52,663	-	149,500
Idleview Park	Naugatuck	-	-	119	5,049	-	-
Jewett City	Jewett City	-	-	520	24,141	-	-
Ledyard	Ledyard	-	-	292,507	4,982,807	-	-
Manchester	Manchester	-	979,071	13,648	1,039,129	-	-
MDC	Various	845,581	15,376,379	2,721,237	51,537,608	4,773,221	8,400,072
Meriden	Meriden	26,744	307,561	796,871	18,359,443	-	-
Middlebury Commons	Middlebury	-	-	1,815	11,365	-	-
New Britain	New Britain	32,972	379,173	1,834,149	13,423,015	-	1,054,600
New London	New London	11,486	145,851	352,854	5,181,775	-	-
Newtown	Newtown	-	-	35,913	258,275	-	-
North Willington	Willington	5,310	6,490	198	6,319	-	-
Norwalk 1st Taxing District	Norwalk	-	-	388,889	6,252,137	-	-
Norwalk 2nd Taxing District	Norwalk	-	-	1,170,884	15,082,856	-	-
Norwich	Norwich	132,871	1,528,016	578,935	6,979,622	2,869,392	18,445,000
Point-o-Woods	Old Lyme	-	-	30,108	487,205	-	-
Portland	Portland	-	-	226,256	1,717,812	-	-

Appendix IV: Drinking Water Projects – FY 2017 Disbursements, Receipts,  
Outstanding & Estimated Additional Commitments (cont.)

Applicant	Town	Federal	Loan	Loan	IFO/PLO	Undrawn	Estimated
		Subsidy Disbursed FY2017	Disbursed FY2017	Received FY2017	Loan Outstanding at 06/30/2017	Loan Commitments	Additional Commitments thru 06/30/2018
Putnam	Putnam	-	-	53,764	725,808	-	-
Quassuk Heights	Woodbury	9,154	11,189	816	10,448	-	-
Quonnapaug Hills	Guilford	-	-	4,757	12,738	-	-
Ridgefield	Ridgefield	-	-	24,177	366,752	-	-
Salisbury School	Salisbury	15,238	18,625	0	18,636	-	-
SCCRWA	New Haven	400,958	1,878,486	32,624	1,845,861	-	15,665,462
SCWA	Various	-	-	8,417	149,983	-	254,425
Sharon	Sharon	-	-	173,275	422,581	-	-
Sharon Heights	Bloomfield	4,793	5,858	5,892	-	-	-
Southington	Southington	-	2,325,718	278,078	6,229,902	753,897	1,525,000
Sunny Waters	Ledyard	-	-	2,309	2,544	-	-
Tariffville	Simsbury	230,223	920,891		920,891	280,380	-
Town in Country Condo Assc	Woodbury	-	-	4,281	17,508	-	-
Twin Hills	Coventry	-	-	11,203	29,653	-	-
Waterbury	Waterbury	-	-	-	-	-	7,897,467
Woodlake Tax District	Woodbury	-	-	47,528	729,442	-	51,975
Woodland Summit Water	Tolland	-	-	2,380	1,491	-	300,000
<b>Totals:</b>		<b>\$1,743,992</b>	<b>\$25,893,221</b>	<b>\$9,739,250</b>	<b>\$148,155,806</b>	<b>\$10,897,027</b>	<b>\$113,028,760</b>

## Appendix V: Cumulative Set-Aside Funding by Category

<i>As of 6/30/2017</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Capacity Development and Wellhead Protection)	Total
<b>Set-Aside Maximum Percentage:</b>	4%	2%	10%	15%	31%
<b>1997-2012 Awarded</b>	<b>\$6,556,036</b>	<b>\$3,082,158</b>	<b>\$16,060,090</b>	<b>\$22,335,135</b>	<b>\$48,033,419</b>
Drawn thru 6/30/17	\$6,556,036	\$3,082,158	\$16,060,090	\$22,335,135	\$48,033,419
<b>Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>2013 Award</b>	<b>\$336,840</b>	<b>\$356,780</b>	<b>\$842,100</b>	<b>\$1,263,150</b>	<b>\$2,798,870</b>
Drawn thru 6/30/17	\$336,840	\$356,780	\$842,100	\$1,263,150	\$2,798,870
<b>Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>2014 Award</b>	<b>\$358,480</b>	<b>\$179,240</b>	<b>\$896,200</b>	<b>\$1,344,300</b>	<b>\$2,778,220</b>
Drawn thru 6/30/17	\$358,480	\$166,826	\$896,200	\$1,344,300	\$2,765,806
<b>Balance</b>	<b>\$0</b>	<b>\$12,414</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,414</b>
<b>2015 Award</b>	<b>\$291,120</b>	<b>\$178,060</b>	<b>\$880,300</b>	<b>\$1,335,450</b>	<b>\$2,684,930</b>
Drawn thru 6/30/17	\$249,696	\$0	\$875,200	\$717,952	\$1,842,848
<b>Balance</b>	<b>\$41,424</b>	<b>\$178,060</b>	<b>\$5,100</b>	<b>\$617,498</b>	<b>\$842,082</b>
<b>2016 Award</b>	<b>\$336,920</b>	<b>\$168,460</b>	<b>\$842,300</b>	<b>\$1,263,450</b>	<b>\$2,611,130</b>
Drawn thru 6/30/17	\$0	\$0	\$0	\$0	\$0
<b>Balance</b>	<b>\$336,920</b>	<b>\$168,460</b>	<b>\$842,300</b>	<b>\$1,263,450</b>	<b>\$2,611,130</b>
<b>TOTAL Awarded:</b>	<b>\$7,879,396</b>	<b>\$3,964,698</b>	<b>\$19,520,990</b>	<b>\$27,541,485</b>	<b>\$58,906,569</b>
<b>Drawn thru 6/30/2017:</b>	<b>\$7,501,052</b>	<b>\$3,605,764</b>	<b>\$18,673,590</b>	<b>\$25,660,537</b>	<b>\$55,440,942</b>
<b>TOTAL Balance:</b>	<b>\$378,344</b>	<b>\$358,934</b>	<b>\$847,400</b>	<b>\$1,880,948</b>	<b>\$3,465,627</b>

# Appendix VI: Green Bond Reporting - State Revolving Fund Bonds

CLEAN WATER & DRINKING WATER				
2015 SERIES A REVENUE GREEN BONDS PAR \$283,600,000 - PROCEEDS \$283,600,000				
Recipient	Program	Project #	Project Description	Disbursements
<b>Issue date: 5/6/2015</b>				
Ash Water	Drinking Water	2015-9038	Generator	\$ 6,407.44
Baxter Farms	Drinking Water	2015-9041	Generator	6,407.44
Berlin	Clean Water	212-CSL	Inflow and infiltration rehabilitation	126,911.20
Bolton Lakes	Clean Water	132-DC	Install sanitary sewer system	9,724,288.50
Bridgeport	Clean Water	213-CSL	Pump station rehabilitation	1,086,253.23
Bridgeport	Clean Water	621-C1	Combined sewer elimination	1,185,624.67
Bridgeport	Clean Water	628-C	Combined sewer elimination	5,257,497.94
Bridgeport	Clean Water	658-C	WPCA facility upgrade	198,792.80
Bristol	Drinking Water	2013-7016	Storage tank improvements	299,385.06
Bristol	Drinking Water	2013-7023	Storage tank improvements	344,155.00
Bristol	Clean Water	622-CSL	Inflow and infiltration rehabilitation	631,832.79
Bristol	Clean Water	640-DC	Upgrade WPCF	2,552,069.18
Candlewood Trails	Drinking Water	2012-7007	New pump house, new well pumps and installation of a buried atmospheric storage tank	11,479.80
Cheshire	Clean Water	618-DC	WPCA facility upgrade	16,014,231.17
Cornwall Housing	Drinking Water	2013-9036	Generator	4,257.48
Cranberry Bog Apt., LLC	Drinking Water	2016-9046	Generator	30,170.25
East Lyme	Drinking Water	2013-7022	Installation of a storage tank, two booster pumping stations, and a transmission main	2,881,954.71
GNH WPCA	Clean Water	441-C	WPCA facility upgrade	26,655,869.71
GNH WPCA	Clean Water	676-C	Inflow and infiltration rehabilitation	2,658,410.15
Lakeview Mobile HomePark	Drinking Water	2013-9034	Generator	4,472.60
Ledyard	Drinking Water	2013-7011	New water main and pump station.	841,069.57
Manchester	Clean Water	288-C	Water treatment plant upgrade	4,044,836.44
Marlborough	Clean Water	687-C	Sewer system installation	1,644,984.14
Mattabasset	Clean Water	567-C	Water treatment plant upgrade	12,287,913.69
MDC	Drinking Water	2013-7012	Installation of radio-based automated meter reading equipment.	441,201.60
MDC	Drinking Water	2013-7013	Replacement of a water main	2,052,165.78
MDC	Drinking Water	2013-7014	Water main replacement	2,050,651.96
MDC	Drinking Water	2013-7015	Water main replacement	4,767,251.04
MDC	Drinking Water	2013-7017	Replace portion of water main along with upgrades to storm & sanitary sewer systems	1,950,990.75
MDC	Drinking Water	2013-7018	Replace portion of water main along with upgrades to storm & sanitary sewer systems	398,082.52
MDC	Drinking Water	2013-7019	Replace portion of water main along with upgrades to storm & sanitary sewer systems	391,758.82
MDC	Drinking Water	2013-7021	Water main replacement	3,058,001.71
MDC	Drinking Water	2014-7026	Replace portion of water main along with upgrades to storm & sanitary sewer systems	326,721.14
MDC	Drinking Water	2014-7029	Pump station upgrades	2,680,023.62
MDC	Drinking Water	2014-7030	Reservoir improvements	1,597,068.64
MDC	Drinking Water	2014-7031	Storage basin improvements	3,405,760.86
MDC	Drinking Water	2014-7032	North storage basin site prep for construction	2,900,112.28
MDC	Clean Water	214-CSL	Sewer replace, repair and reduce I/I	3,519,521.84
MDC	Clean Water	215-C	Sanitary sewer improvements and reduce I/I	4,423,211.17
MDC	Clean Water	619-CD1	South Hartford conveyance & storage tunnel design	20,360,027.72
MDC	Clean Water	626-CD1	Separate storm drainage pipeline	1,820,518.24
MDC	Clean Water	646-C	Water pollution control facility upgrade, nutrient reduction	610,780.55
MDC	Clean Water	652-C	WPCA facility upgrade	33,672,530.59
MDC	Clean Water	652-D	Water pollution control facility upgrade	20,088,074.81
MDC	Clean Water	657-C	Hartford WWTP upgrades	36,484,154.03
MDC	Clean Water	686-C	Install equipment to facilitate the construction of the MDC SHCST	1,204,422.34
Meriden	Drinking Water	2014-7034	Water filtration plant and pump station upgrades	13,894,616.40
Middletown	Clean Water	487-DC	Pump station and force main installation	14,022,469.24
Montville	Clean Water	662-DC	Water pollution control facility upgrade/generator	34,699.86
New Britain	Drinking Water	2015-7038	Storage tank replacement	2,182,383.90
New London	Drinking Water	2013-7025	Intake pump station installation	4,195,365.23
Norwalk-1st Taxing District	Drinking Water	2013-7024	Install water storage tank, booster pumping station, and water main.	4,443,467.26
Norwich	Drinking Water	2014-7036	Water storage tank pump and drives upgrades	3,018,408.34
Norwich	Drinking Water	2011-7005	Pump station upgrade	37,261.59
Norwich	Drinking Water	2011-7006	Water main replacement	5,460.93
Norwich	Drinking Water	2014-7027	Transmission main and storage tank rehabilitation	495,788.07
Old Saybrook	Clean Water	116-C	Decentralized wastewater management system	622,929.87
Old Saybrook	Clean Water	673-C	Decentralized wastewater management system	2,197,092.63
Plymouth	Clean Water	458-C	WPCA facility upgrade	1,110,214.70
SCCRWA	Drinking Water	2015-9039	Generator	4,257.48
SCCRWA	Drinking Water	2015-9040	Generator	4,472.60
Sunny Water	Drinking Water	2015-9037	Generator	6,407.44
Town in Country Condo Assoc	Drinking Water	2016-9045	Generator	29,328.58
West Haven	Clean Water	549-CD1	Water pollution control facility upgrade, nutrient reduction	245,042.14
Woodlake Tax District	Drinking Water	2013-7020	Renovate atmospheric storage tank & booster pump station including electrical	348,026.77
<b>Total Disbursed</b>				<b>\$ 283,600,000.00</b>
Total Remaining to Disburse				0.00

# Appendix VI: Green Bond Reporting - State Revolving Fund Bonds (cont.)

CLEAN WATER & DRINKING WATER				
2017 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,723,051.45				
Recipient	Program	Project #	Project Description	Disbursements
<b>Issue Date: 6/15/2017</b>				
Baxter Farms	Drinking Water	2015-9041	Generator	\$ 10,987.50
Bethel	Drinking Water	2016-7040	Construction of eureka water storage tank	1,847,725.08
Bridgeport	Clean Water	628-C	Combined sewer elimination	154,887.57
Bridgeport	Clean Water	681-C	Combined sewer overflow storm water pump station	333,319.02
Bristol	Clean Water	640-DC	Upgrade WPCF	3,693,204.34
Cheshire	Clean Water	618-DC	WPCA facility upgrade	256,244.60
Cromwell	Drinking Water	2016-9052	Generator	151,203.64
GNH WPCA	Clean Water	441-C	WPCA facility upgrade	4,250,752.11
GNH WPCA	Clean Water	676-C	Inflow and infiltration rehabilitation	106,355.78
Killingly	Clean Water	524-DC	Reconstruction of the Rogers Village Pump Station	905,691.62
Manchester	Drinking Water	2017-7053	Pipe rehabilitation & replacement and fuel storage tank installation	979,070.91
Marlborough	Clean Water	687-C	Sewer system installation	1,135,627.53
MDC	Drinking Water	2014-7030	Reservoir improvements	94,936.44
MDC	Drinking Water	2016-7033	Valve replacement at the West Hartford water treatment plant and replacement of water main in East Hartford	1,501,319.95
MDC	Drinking Water	2016-7035	Replacement of water main and appurtenances on various streets in Hartford	2,203,261.94
MDC	Drinking Water	2016-7042	Replacement of water main and appurtenances on various streets in Bloomfield	825,335.44
MDC	Drinking Water	2016-7043	Replacement of water main and appurtenances on various streets in Hartford	1,121,155.29
MDC	Drinking Water	2016-7044	Replacement of transmission main and appurtenances on various streets in Hartford	2,725,638.11
MDC	Drinking Water	2016-7045	Replacement of various water mains and appurtenances on various streets in Wethersfield	2,409,215.84
MDC	Drinking Water	2016-7046	Replacement of water main and appurtenances on various streets in Bloomfield	1,511,096.26
MDC	Drinking Water	2016-7047	Site preparation and construction of water storage basin at the West Hartford water treatment facility	2,984,419.29
MDC	Clean Water	215-C	Sanitary sewer improvements and reduce I/I	2,883,756.52
MDC	Clean Water	652-C	WPCA facility upgrade	25,560,773.15
MDC	Clean Water	657-C	Hartford WWTP upgrades	35,657,768.03
MDC	Clean Water	686-C	Install equipment to facilitate the construction of the MDC SHCST	2,024,129.39
MDC	Clean Water	692-C	Construction of the MDC SHCST	12,678,839.41
Meriden	Drinking Water	2016-7041	Replacement of existing water main, installation of service lines, hydrants and valve assemblies and interconnections with distribution mains	307,561.15
Middletown	Clean Water	487-DC	Pump station and force main installation	910,670.74
New Britain	Drinking Water	2015-7038	Storage tank replacement	379,172.64
New London	Drinking Water	2013-7025	Intake pump station installation	145,850.77
North Willington Condo	Drinking Water	2017-9054	Generator	6,490.00
Norwich	Drinking Water	2015-7037	Replace existing mains along various streets with new mains	1,528,015.52
Old Saybrook	Clean Water	673-C	Decentralized wastewater management system	1,104,318.08
Quassuk Heights	Drinking Water	2016-9049	Generator	11,188.65
Salisbury School	Drinking Water	2016-9051	Generator	18,624.65
SCCRWA	Drinking Water	2017-7050	Upgrade electrical equipment at Lake Gaillard Pump Station, replacing existing generator	1,878,485.74
Sharon Heights	Drinking Water	2016-9050	Generator	5,858.19
Southington	Drinking Water	2016-7039	Installation of water storage tank, a booster station and ductile iron pipe	2,325,717.90
Tarrifville	Drinking Water	2016-7048	Planning, design, and construction to rehabilitate the system's water storage tank	920,890.52
Thompson	Clean Water	661-DC	Design and construction of a chemical feed system at the Town's WPCF	492,567.83
Torrington	Clean Water	695-DC	Various improvement and upgrades to sewer treatment systems	1,476,631.18
<b>Total Disbursed through 6/30/2017</b>				<b>\$119,518,758.32</b>
<b>Total Remaining to Disburse</b>				<b>\$179,204,293.13</b>

## Appendix VII: Bypassed Projects List

The following projects were bypassed for funding consideration during SFY 2017

Projects from SFY2017 Project Priority List bypassed during SFY 2017 & not funded:

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	West Hartford Water Treatment Facility - Rehab of 6 MG Basin	\$3,000,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
20	15	CT0770021	Manchester Water Department	Manchester	Water Main Replacement - Valley St. area	\$1,000,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
22	15	CT1530021	Watertown Water & Sewer Authority	Watertown	Davis Street Water Main Replacement: Maple to Russel	\$700,000	Withdrawn by PWS	Withdrawn
8	40	CT0930011	Regional Water Authority	New Haven	Ansonia-Derby Atm Storage Tank	\$2,500,000	Project not ready to proceed and withdrawn by applicant	Withdrawn

No projects from the SFY 2017 Comprehensive List were considered for funding, but bypassed and not funded.

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
42 (SFY 2014)	15	CT0340111	Aqua Vista Assoc., Inc. - Upper System	Danbury	Emergency Power Generator Program	\$10,000	Withdrawn by DPH for lack of response from PWS	Withdrawn
49 (SFY 2014)	15	CT0347051	Aqua Vista Assoc., Inc. - Lower System	Danbury	Emergency Power Generator Program	\$12,000	Withdrawn by DPH for lack of response from PWS	Withdrawn
19 (SFY 2012)	15	CT1160011	Putnam Water Pollution Control Authority	Putnam	Water Main Replace/Reline	\$10,600,000	PWS obtained other source of funding; withdrawn by applicant	Withdrawn
58 (SFY 2014)	15	CT0878011	Breezy Knoll Association	Morris	Emergency Power Generator Program	\$15,000	Withdrawn by applicant	Withdrawn
2 (SFY 2014)	55	CT0640011	Metropolitan District Commission	Hartford	Reservoir #6 Water Treatment Facility Filtered Water Basin Rehab	\$3,050,000	Project not ready to proceed and withdrawn by DPH	Withdrawn
41 (SFY 2014)	15	CT1501111	Rumsey Hall School	Washington	Emergency Power Generator Program	\$1,800	Withdrawn by DPH for lack of response from PWS	Withdrawn

## Appendix VIII: Anticipated Project Subsidy Commitments

Additional Subsidy still to be committed – FFY 2013			Min FFY 2013 subsidy:		\$1,684,200
			Max FFY 2013 subsidy:		\$2,526,300
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution	Expected month of full subsidy disbursement
SCWA TOWER - FERRY VIEW DIVISION	Emergency Power Generator Program	\$99,735	\$44,881	August 2017	December 2017
HILLSIDE WATER CORPORATION	Emergency Power Generator Program	\$12,000	\$3,000	October 2017	January 2018
SCWA - MONTVILLE DIVISION	Emergency Power Generator Program	\$82,090	\$20,523	August 2017	December 2017
Norwich Public Utilities	Stony Brook Transmission Main Renewal & Micro-Turbine	\$5,400,000	\$432,000	June 2018	December 2019
SALEM MANOR SYSTEM #1	Emergency Power Generator Program	\$60,000	\$27,000	April 2018	June 2018
SALEM MANOR SYSTEM #2	Emergency Power Generator Program	\$60,000	\$27,000	April 2018	June 2018
Amount of subsidy expected to be committed:			\$500,404		
Amount of subsidy committed as of June 30, 2017:			\$1,587,343		
Total amount of subsidy expected to be committed for FFY 2013:			\$2,087,747		

Additional Subsidy still to be committed – FFY 2014			Min FFY 2014 subsidy:		\$1,792,400
			Max FFY 2014 subsidy:		\$2,688,600
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution	Expected month of full subsidy disbursement
SCWA - CHESTERFIELD DIVISION	Emergency Power Generator Program	\$72,600	\$18,150	August 2017	December 2017
REGIONAL WATER AUTHORITY	DWSRF - Automated Meter Reading Phases III & IVa	\$8,600,000	\$688,000	February 2018	April 2018
NORWICH PUBLIC UTILITIES	Stony Brook DAF; Deep River Filters; Occum Tank	\$13,045,000	\$1,043,600	June 2018	December 2019
CONNECTICUT WATER COMPANY - SHORELINE REGION - SOUND VIEW	DWSRF - Old Lyme Beach Shores Association Water Main Replacement	\$812,000	\$162,400	January 2018	January 2019
Amount of subsidy expected to be committed:			\$1,912,150		
Amount of subsidy committed as of June 30, 2017:			\$421,951		
Total amount of subsidy expected to be committed for FFY 2014:			\$2,334,101		

## Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Additional Subsidy still to be committed – FFY 2015			Min FFY 2015 subsidy:		\$1,778,600
			Max FFY 2015 subsidy:		\$2,667,900
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
LYME REGIS, INC.	Emergency Power Generator Program	\$20,000	\$9,000	July 2017	October 2017
NEW BRITAIN WATER DEPARTMENT	White Bridge Waterworks Facilities & WTP SCADA; Batterson Park Rd. Water Main (Planning)	\$1,054,600	\$189,828	September 2017	December 2018
Amount of subsidy expected to be committed:			\$198,828		
Amount of subsidy committed as of June 30, 2017:			\$1,967,762		
Total amount of subsidy expected to be committed for FFY 2015:			\$2,166,590		

## Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Additional Subsidy still to be committed - FFY 2016			FFY 2016 subsidy:	\$1,684,600	
Recipient	Project Name	Total funding amount requested	Expected (Potential) Subsidy amount *	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
BITTNER PARK (Town of Guilford)	Mulberry Point Water Main Extension	\$2,082,954	\$312,443	June 2018	November 2019
INDIAN RIVER RECREATIONAL COMPLEX (Town of Clinton)	Rocky Ledge Area Water Main Extension	\$3,000,000	\$400,000	June 2018	November 2019
WOODLAND SUMMIT COMMUNITY WATER ASSN	Infrastructure Improvements	\$300,000	\$45,000	October 2017	March 2018
HILLSIDE CORPORATION	Storage Tank & Pump House Improvements	\$137,500	\$20,625	March 2018	October 2018
REGIONAL WATER AUTHORITY	North Sleeping Giant Well Replacement	\$1,008,900	\$100,890	December 2017	February 2018
WATERBURY WATER DEPARTMENT	Generator Hamilton Avenue Pump Station (Construction)	\$140,000	\$14,000	October 2017	April 2018
WATERBURY WATER DEPARTMENT	Generator North Main Street Pump Station (Construction)	\$285,000	\$28,500	October 2017	April 2018
WATERBURY WATER DEPARTMENT	Generator Pierpont Road Pump Station (Construction)	\$185,000	\$18,500	October 2017	April 2018
WATERBURY WATER DEPARTMENT	Generator Rumford Street Pump Station (Construction)	\$140,000	\$14,000	October 2017	April 2018
WATERBURY WATER DEPARTMENT	Generator at the Water Treatment Plant	\$2,250,000	\$225,000	April 2018	August 2018
WATERBURY WATER DEPARTMENT	Water Treatment Plant Sludge Removal Equipment (Construction)	\$2,300,000	\$230,000	April 2018	August 2018
REGIONAL WATER AUTHORITY	Burwell Hill Tank Replacement	\$2,465,540	\$246,554	April 2018	August 2018
WATERBURY WATER DEPARTMENT	Rehabilitations and Replacement of Water Mains (Fiscal year 2017)	\$1,600,000	\$160,000	April 2018	August 2018
* The above list identifies those projects which are eligible to receive subsidy, on a first come, first served basis. The total amount of subsidy to be provided and disbursed will not exceed \$1,684,600.					
Amount of subsidy to be committed:			\$1,684,600		
Amount of subsidy committed as of June 30, 2017:			\$0		
Total amount of subsidy to be committed for FFY 2016:			\$1,684,600		

## Appendix IX: Cumulative Project Subsidy Disbursed

Additional Subsidy - FFY 2010					Minimum FFY 2010 subsidy: \$4,071,900			
Loan Agreement #	Recipient	Project name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount dispersed as of June 2017	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement
All projects with committed and disbursed subsidy for FFY 2010 have been reported in prior Annual Reports.								
<b>Total Amounts as of June 30, 2017 for FFY 2010:</b>				<b>\$24,571,152</b>	<b>\$4,723,406</b>	<b>\$4,723,406</b>	<b>\$0</b>	<b>All Complete</b>

Additional Subsidy - FFY 2011					Min FFY 2011 subsidy: \$2,825,400			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement
2014-7030	Metropolitan District Commission	Reservoir #6 Phase II improvements	3/12/2014	\$1,990,985	\$145,342	\$145,342	\$0	disbursements complete
2014-7033	Metropolitan District Commission	Valve Replacement and Pitkin St. WM Replacement	6/30/2016	\$1,619,547	\$118,227	\$118,227	\$0	disbursements complete
Total of Disbursements completed and reported prior to FY 2017:				\$32,634,301	\$2,727,077	\$2,727,077	\$0	46 projects
<b>Total Amounts as of June 30, 2017 for FFY 2011:</b>				<b>\$36,244,833</b>	<b>\$2,990,646</b>	<b>\$2,990,646</b>	<b>\$0</b>	

Additional Subsidy - FFY 2012						Min FFY 2012 subsidy: \$1,795,000		Max FFY 2012 subsidy: \$2,692,500	
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement	
2014-7025	City of New London	Lake Konomoc intake	3/13/2014	\$5,852,022	\$427,198	\$427,198	\$0	disbursements complete	
2016-7047	Metropolitan District Commission	North Storage Basin - Tank Construction ("Phase II")	6/30/2016	\$3,178,205	\$193,786	\$193,786	\$0	disbursements complete	
Total of Disbursements completed during FY 2017:				\$9,030,227	\$620,984	\$620,984			
Total of Disbursements completed and reported prior to FY 2017:				\$21,671,886	\$1,582,047	\$1,582,047	\$0	2 projects	
<b>Total amounts as of June 30, 2017 for FFY 2012:</b>				<b>\$30,702,113</b>	<b>\$2,203,031</b>	<b>\$2,203,031</b>	<b>\$0</b>		

## Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy - FFY 2013					Min FFY 2013 subsidy: \$1,684,200			
					Max FFY 2013 subsidy: \$2,526,300			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2017	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement
2015-7038	New Britain	Elam Storage Tank	12/30/2014	\$3,222,355	\$257,788	\$257,788	\$0	disbursements complete
2014-9041	Baxter Farms Community Water Assoc.	Generator	11/2/2015	\$26,630	\$6,658	\$6,658	\$0	disbursements complete
2016-7041	Meriden Water Department	Swain Ave. Water Main Replacement	3/16/2016	\$1,540,460	\$123,237	\$123,237	\$0	disbursements complete
2016-7044	Metropolitan District Commission	Transmission Main Replacement - Hamilton & Park	6/30/2016	\$2,962,650	\$237,012	\$237,012	\$0	disbursements complete
2016-9049	Quassuk Heights Gardens Assoc.	Generator	5/19/2016	\$20,343	\$9,154	\$9,154	\$0	disbursements complete
2016-9050	Sharon Heights Assoc.	Generator	4/11/2016	\$10,651	\$4,793	\$4,793	\$0	disbursements complete
2016-7048	Tariffville Fire Dist. Water commission	Water Storage Tank Replacement	9/29/2016	\$1,501,588	\$300,318	\$230,223	\$70,095	October 2017
2016-9052	Cromwell Fire District	Generator	1/26/2017	\$176,204	\$25,000	\$25,000	\$0	disbursements complete
2017-9048	Hazardville Water Company	Generator	1/30/2017	\$68,090	\$30,641	\$0	\$30,641	August 2017
2017-7055	Metropolitan District Commission	RF Meters - Phase IV	5/18/2017	\$3,158,053	\$252,644	\$0	\$252,644	October 2018
2017-7056	Norwich Public Utilities	Mohegan Park Tank Replacement	4/3/2017	\$3,118,904	\$249,512	\$0	\$249,512	August 2018
Total of Disbursements completed and reported prior to FY 2017:				\$201,303	\$90,585	\$90,585	\$0	6 projects
<b>Total amounts as of June 30, 2017 for FFY 2013:</b>				<b>\$16,007,230</b>	<b>\$1,587,342</b>	<b>\$984,450</b>	<b>\$602,892</b>	
<b>Additional subsidy to be committed</b>					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$500,403	\$0	\$500,403	TBD

**Totals expected for FFY 2013:**      **\$2,087,745**      **\$984,450**      **\$1,103,295**

## Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy - FFY 2014					Min FFY 2014 subsidy: \$1,792,400			
					Max FFY 2014 subsidy: \$2,688,600			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2017	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement
2016-7035	Metropolitan District Commission	Farmington #10 Water Main Replacement	6/30/2016	\$2,394,850	\$191,588	\$191,588	\$0	disbursements complete
2016-7043	Metropolitan District Commission	Center & Fairmount Water Main Replacement	6/30/2016	\$1,218,647	\$97,492	\$97,492	\$0	disbursements complete
2015-7037	Norwich Public Utilities	Royal Oaks Project	9/29/2016	\$1,660,886	\$132,871	\$132,871	\$0	disbursements complete
<b>Total amounts as of June 30, 2017 for FFY 2014:</b>				<b>\$5,274,383</b>	<b>\$421,951</b>	<b>\$421,951</b>	<b>\$0</b>	
<b>Additional subsidy to be committed</b>					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$1,912,150	\$0	\$1,912,150	TBD

Totals expected for FFY 2014:

<b>\$2,334,101</b>	<b>\$421,951</b>	<b>\$1,912,150</b>
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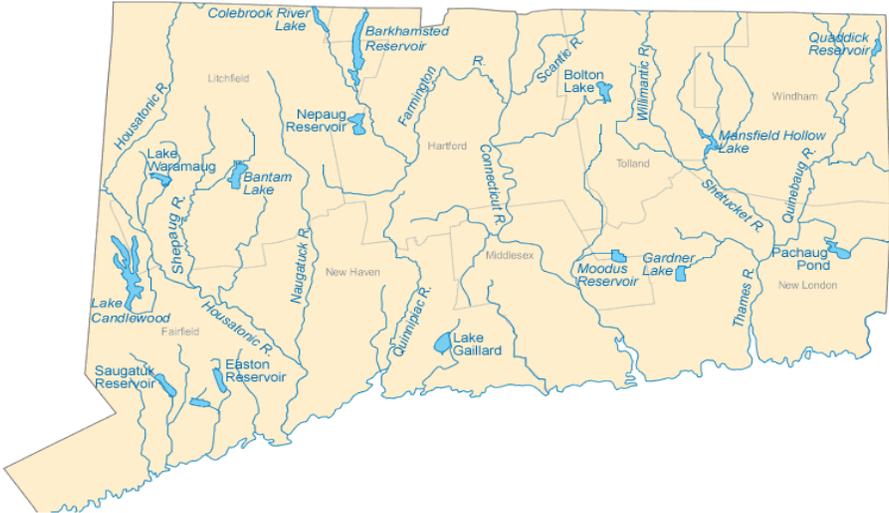
## Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy - FFY 2015					Min FFY 2015 subsidy: \$1,778,600			
					Max FFY 2015 subsidy: \$2,667,900			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2017	Subsidy amount not yet dispersed as of June 2017	Expected date of full subsidy disbursement
2017-9054	North Willington Village	Generator	11/21/2016	\$11,800	\$5,310	\$5,310	\$0	disbursements complete
2017-7050	South Central CT Regional Authority	Generator	12/12/2016	\$2,279,444	\$400,958	\$400,958	\$0	disbursements complete
2016-9051	Salisbury School	Generator	2/21/2017	\$33,863	\$15,238	\$15,238	\$0	disbursements complete
2017-7049	South Central CT Regional Authority	Raw Water Intake/Pump Station Rehabilitation	6/5/2017	\$2,043,651	\$357,062	\$0	\$357,062	July 2017
2017-7052	Waterbury - Water Main 2016	Water Main rehab/replacement	6/1/2017	\$1,216,423	\$218,965	\$0	\$218,965	January 2018
2017-7051	Bethel Water Department	Booster Station Improvements	4/19/2017	\$1,367,075	\$341,769	\$0	\$341,769	January 2018
2017-7054	Bethel Water Department	Replacement Well Source Development	5/1/2017	\$958,140	\$191,628	\$0	\$191,628	November 2017
2017-7058	South Central CT Regional Authority	Storage Tank Rehabilitation	6/5/2017	\$2,360,662	\$416,579	\$0	\$416,579	July 2017
2017-9055	Woodlake Tax District	Generator	3/20/2017	\$51,975	\$12,994	\$0	\$12,994	January 2018
Total of Disbursements completed and reported prior to FY 2017:				\$16,151	\$7,268	\$7,268	\$0	1 project
<b>Total amounts as of June 30, 2017 for FFY 2015:</b>				<b>\$10,339,184</b>	<b>\$1,967,771</b>	<b>\$428,774</b>	<b>\$1,538,997</b>	
<b>Additional subsidy to be committed</b>					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$224,796	\$0	\$224,796	TBD

**Totals expected for FFY 2015:**

<b>\$2,192,567</b>	<b>\$428,774</b>	<b>\$1,763,793</b>
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# FINANCIAL STATEMENTS



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

**AUDIT REPORTS AND SCHEDULES IN  
ACCORDANCE WITH THE UNIFORM GUIDANCE**

**June 30, 2017 and 2016**

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**STATE OF CONNECTICUT CLEAN WATER FUND -  
DRINKING WATER FEDERAL REVOLVING  
LOAN ACCOUNT (STATE REVOLVING FUND)  
June 30, 2017 and 2016**

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# SEWARD AND MONDE

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

## INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Dr. Raul Pino, 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, 2017 and 2016, 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 audits 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2017 and 2016, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### ***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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 August 29, 2017 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  
August 29, 2017

**OFFICE OF THE TREASURER  
STATE OF CONNECTICUT  
DRINKING WATER FUND  
FISCAL YEAR ENDED JUNE 30, 2017  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) 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 for the fiscal year ended June 30, 2017. The information contained in this discussion should be considered in conjunction with the Fund's basic financial statements and the notes thereto.

**Financial Highlights**

Changes in the Fund's Net Position - The Drinking Water Fund's net position at the close of the fiscal year 2017 was \$182,460,148 including total assets of \$319,186,547 plus deferred outflows of \$201,508 offset by liabilities of \$136,927,907 which is an increase of \$6,697,651 compared to fiscal year 2016.

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, or by state law. The majority of the assets are invested and portions are restricted in accordance with the requirements of state statutes and the federal Drinking Water Act. Restricted assets represent the amount of assets which relate to the federal capitalization grants and associated state match.

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

Liabilities of the Drinking Water Fund are categorized as follows:

Bonds Outstanding - The Fund's total debt outstanding increased during the fiscal year by \$43,052,200 to \$117,943,067 as a result of net activity which included the 2017 Series A Revenue bond issue, the 2017 Series B Revenue Refunding bond issue and scheduled debt repayments.

The financial statements show funds restricted for loans of \$152,778,489 an increase of \$7,864,568 or 5.4% above the 2016 balance.

Loans Receivable - Total loans receivable increased by \$16,436,766 from \$131,719,037 to \$148,155,803 due to the net of new loans (\$26,186,129) and principal repayments (\$9,749,363).

Operating Revenues - The Fund's gross operating revenue (interest on loans) increased \$222,523 or 8.2% to \$2,943,949.

Capitalization Grants - During the year, \$11,000,007 was drawn from the US Environmental Protection Agency (EPA) for projects and administrative expenses. To date, the State has drawn a cumulative total of \$193,051,300, including \$19,500,000 in ARRA funding. To date, cumulative federal drinking water capitalization grant awards totaled \$203,009,900. The State must provide matching funds in the amount of 20% of the federal capitalization grant. As of the end of fiscal year 2017, the state has provided \$40,450,729 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.

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 SRF 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 SRF 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 SRF 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 allocated to be made available to participants in this program as yet, portions of the federal capitalization grant and the 2009 ARRA funding were used to subsidize the projects.

During fiscal year 2017, payments to public water systems for ongoing projects totaled \$26,186,129. Completed projects which were permanently financed during the year totaled \$32,853,014. There were 16 new construction loan commitments made to public water systems during fiscal year 2017 totaling \$29,387,656.

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 the DWF loans made by the State since 1998 are paid to the Drinking Water State 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 the state provided matching funds are used to provide leveraged financing for eligible projects in the state. All other state contributions that are held by the Trustee are used as they are deposited for program purposes. The federal capitalization grants, the state matching funds and all other contributions are deposited into the State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments.

The State currently invests in the State's Short Term Investment Fund (STIF) and in guaranteed investment agreements with financial institutions. Certain monies held in the Fund are invested pursuant to investment agreements with providers 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 SRF 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. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

The program's advisors are:

Bond Counsel - Schiff Hardin

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 SRF 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

	2017	2016	Increase (Decrease)
Total Net Position	\$182,460,148	\$175,762,497	\$6,697,651
Loans Outstanding - current & long term portions	\$148,155,803	\$131,719,037	\$16,436,766
Bonds Payable	\$117,943,067	\$74,890,867	\$43,052,200
Operating Revenues-Interest on Loans	\$2,943,949	\$2,721,426	\$222,523
Interest Earned on Investments	\$982,743	\$737,372	\$245,371
Interest Expense	\$3,636,901	\$3,629,265	\$7,636
Federal Capitalization Grants Drawn	\$11,000,007	\$8,350,326	\$2,649,681

## **ECONOMIC CONDITIONS AND OUTLOOK**

Connecticut continues to experience slow growth through 2017 but has maintained a persistent focus on economic development and job creation. Non-farm employment grew at a rate of 0.9% over the fiscal year. The unemployment rate in June 2017 was 5.0% which is .2% lower than June 2016. While higher than the national unemployment rate of 4.4%, it still has continued to decline since the high of 9.5% in October 2010. The non-seasonally adjusted average hourly earnings for all private employees statewide in June 2017 were \$30.67, an increase of 2.0% from June 2016.

Single family home prices have been on the rise in Connecticut, according to Zillow. As of June 2017, the median home value was \$246,100 which is an increase of 2.5% since June 2016. Overall the CPI was up 1.6% on the national level and 1.5% in the northeast region. The total State revenues were also up by 3.8% as compared to June 2016. Short term rates ended on the rise while long term rates were relatively unchanged.

According to the Economic Report of the Governor, Connecticut's overall economy is expected to grow by 1.8% through the forecast period of FY 2018 through FY 2020. This growth is slightly less than the projected national average. Housing starts and personal income growth are expected to increase. Finally, the State's unemployment rate is expected to stabilize to 4.4% by the end of FY 2020.

The final FY 2017 budget surplus is projected to be \$35.7 million, subject to GAAP accrual adjustments, as stated by the Office of Policy and Management in their letter to the State Comptroller dated July 20, 2017. The legislative session in early 2017 focused on the potential for large budget deficits over the next couple of years and the session ended with no resolution. Despite this there is a continued focus on infrastructure improvements. The initiatives discussed highlight the State's continued commitment to ensuring that residents have safe and reliable access and use of infrastructure and natural resources. It is expected that the State's Clean Water and Drinking Water Fund revenue bond authorization will be increased by another \$158.2 million in FY 2018 bringing the total authorization for both revenue bonding programs to \$3.5 billion since inception. This enables the State's Clean Water and Drinking Water State Revolving Fund programs to continue their efforts to provide 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. The Connecticut Department of Energy and Environmental Protection, the Connecticut Department of Public Health and the Office of the Treasurer, working together, will continue to assist state legislators and municipal officials in determining the most cost effective and efficient way to meet the water quality needs of the communities within the state.

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. They are 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](http://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# 12 DWS  
P.O. Box 340308  
Hartford, CT 06134-0308  
Telephone (860) 509-7333  
[www.ct.gov/dph](http://www.ct.gov/dph)

**STATE OF CONNECTICUT CLEAN WATER FUND -  
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT  
(STATE REVOLVING FUND)  
STATEMENTS OF NET POSITION  
June 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,675,249	\$ 7,329,854
Interest receivable - investments	129,814	142,572
Interest receivable - loans	121,333	280,860
Grant receivable	603,231	-
Loans receivable	18,346,230	23,496,314
Total current assets	23,875,857	31,249,600
Noncurrent assets:		
Loans receivable	129,809,573	108,222,723
Revolving fund	86,350,553	72,384,087
Restricted assets:		
Bond proceeds fund	32,406,359	904,531
Revolving fund	6,170,774	6,726,586
Debt service fund	34,180,141	30,657,829
Support fund	2,663,154	3,894,178
Match account	3,730,136	6,534,540
Total restricted assets	79,150,564	48,717,664
Total noncurrent assets	295,310,690	229,324,474
Total assets	319,186,547	260,574,074
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refundings	201,508	81,832
Total deferred outflows of resources	201,508	81,832
<b>LIABILITIES</b>		
Current liabilities:		
Interest payable on revenue bonds	1,378,415	1,215,183
Deferred grant revenue	-	10,900
Bonds payable	6,778,550	6,652,800
Total current liabilities	8,156,965	7,878,883
Noncurrent liabilities:		
Premium on revenue and refunding bonds	17,606,425	8,776,459
Bonds payable	111,164,517	68,238,067
Total noncurrent liabilities	128,770,942	77,014,526
Total liabilities	136,927,907	84,893,409
<b>NET POSITION</b>		
Unrestricted	29,681,659	30,848,576
Restricted for loans	152,778,489	144,913,921
Total net position	\$ 182,460,148	\$ 175,762,497

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, 2017 and 2016**

	2017	2016
<b>OPERATING REVENUES</b>		
Interest on loans	\$ 2,943,949	\$ 2,721,426
<b>OPERATING EXPENSES</b>		
Salaries	1,719,835	1,412,449
Employee benefits	1,472,469	1,156,464
Other	500,483	358,199
Project grants	1,743,992	1,700,820
Total operating expenses	5,436,779	4,627,932
Operating loss	( 2,492,830)	( 1,906,506)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	982,743	737,372
Amortization of bond premium	756,148	578,359
Interest expense	( 3,636,901)	( 3,629,265)
Total nonoperating revenues (expenses)	( 1,898,010)	( 2,313,534)
Loss before federal capitalization grants and transfers	( 4,390,840)	( 4,220,040)
<b>FEDERAL CAPITALIZATION GRANTS</b>		
Project funds - loans	6,178,238	3,223,189
Project funds - grants	1,743,992	1,700,820
Set-aside activities	3,691,909	2,921,281
Total federal capitalization grants	11,614,139	7,845,290
<b>OPERATING TRANSFERS</b>	( 525,648)	4,074,780
Change in net position	6,697,651	7,700,030
<b>NET POSITION, beginning</b>	175,762,497	168,062,467
<b>NET POSITION, ending</b>	\$ 182,460,148	\$ 175,762,497

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, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received on loans	\$ 3,103,476	\$ 3,006,637
Loan originations	( 26,186,129)	20,085,895
Principal paid on loans receivable	9,749,363	9,692,228
Payments to employees for salaries and benefits	( 3,192,304)	2,568,913
Payments on project grants	( 1,743,992)	1,700,820
Other payments	( 500,483)	358,199
Net cash used by operating activities	( 18,770,069)	( 12,014,962)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal capitalization grants	11,000,007	8,350,326
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of bonds payable	( 6,652,800)	7,343,462
Proceeds from bonds payable	52,485,000	-
Payment to refunded revenue bond escrow agent	( 2,981,509)	-
Premium on bonds payable	9,586,114	-
Interest paid on bonds payable	( 3,391,835)	3,198,716
Operating transfers	( 525,648)	4,074,780
Net cash provided (used) by noncapital financing activities	48,519,322	( 6,467,398)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	995,501	751,802
Decrease (increase) in revolving fund	( 13,966,466)	3,378,708
Decrease (increase) in restricted assets	( 30,432,900)	5,674,454
Net cash provided (used) by investing activities	( 43,403,865)	9,804,964
Net change in cash and cash equivalents	( 2,654,605)	327,070
<b>CASH AND CASH EQUIVALENTS, beginning</b>	7,329,854	7,656,924
<b>CASH AND CASH EQUIVALENTS, ending</b>	\$ 4,675,249	\$ 7,329,854
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(\$ 2,492,830)	1,906,506
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease in interest receivable - loans	159,527	285,211
Increase in loans receivable	( 16,436,766)	( 10,393,667)
Net cash used by operating activities	(\$ 18,770,069)	( 12,014,962)

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, 2017 and 2016**

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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, 2017 and 2016.

### 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 expensed for purposes of financing loans to borrowers under the State Revolving Fund program and if other monies are not available, payment of principal and interest on bonds.
Debt Service Fund	Receives amount from the Revolving Fund, Support Fund and, if necessary, Bond Proceeds Fund sufficient to pay the debt service on the bonds. Pays principal and interest on outstanding bonds.
Support Fund	The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Monies in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.
Administrative Fund: Cost of Issuance Account	Established outside the SRF, receives a portion of the revenue bond proceeds. Investment income is transferred to the revenue fund for debt service payments. Used to pay issuance cost on revenue bonds.
Rebate Fund	Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement. Used for IRS obligations as required.

### Deferred outflows/inflows of resources

In addition to assets, the Statements 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 Statements 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 Statements 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 August 29, 2017, 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, 2017 and 2016 funds held by the State Comptroller were \$6,185,663 and \$8,226,138 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, 2017 cash included in restricted assets was \$33,675.

As of June 30, 2017 funds held in Connecticut Short Term Investment Funds (STIF) were \$148,976,097, of which \$32,406,359 is included in the bond proceeds fund, \$86,350,553 is included in the revolving fund and \$30,219,185 is included in the debt service fund on the Statements of Net Position. As of June 30, 2016 funds held in Connecticut Short Term Investment Funds (STIF) were \$98,388,421, of which \$904,531 is included in the bond proceeds fund, \$72,384,087 is included in the revolving fund and \$25,099,803 is included in the debt service fund on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2017 and 2016 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, 2017 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$7,657,417, of which \$3,927,281 is included in the debt service fund and \$3,730,136 is included in the match account on the Statements of Net Position. As of June 30, 2016 funds held in FIGMM were \$12,092,567, of which \$5,558,027 is included in the debt service fund and \$6,534,540 is included in the match account on the Statements 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, 2017, 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	
U.S. Treasury State & Local Governments	\$ 357,509	\$ 288,130	\$ -	\$ 69,379	\$ -	AA+
Guaranteed Investment Contracts	279,126	-	-	279,126	-	A+
Guaranteed Investment Contracts	4,599,887	-	2,573,367	2,026,520	-	NR
Connecticut General Obligation Bonds	3,597,406	-	3,597,406	-	-	AA
	<u>\$ 8,833,928</u>	<u>\$ 288,130</u>	<u>\$ 6,170,773</u>	<u>\$ 2,375,025</u>	<u>\$ -</u>	

As of June 30, 2016, 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	\$ 4,821,873	\$ -	\$ -	\$ 4,821,873	\$ -	AA+
Guaranteed Investment Contracts	427,754	-	-	-	427,754	A-
U.S. Treasury State & Local Governments	1,217,918	860,411	288,129	52,939	16,439	AA+
Connecticut General Obligation Bonds	<u>4,153,218</u>	<u>-</u>	<u>-</u>	<u>4,153,218</u>	<u>-</u>	AA
	<u>\$ 10,620,763</u>	<u>\$ 860,411</u>	<u>\$ 288,129</u>	<u>\$ 9,028,030</u>	<u>\$ 444,193</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 55% and 49%, at June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Construction in process	\$ 8,160,996	\$ 14,912,385
Completed projects	<u>139,994,807</u>	<u>116,806,652</u>
	<u>\$ 148,155,803</u>	<u>\$ 131,719,037</u>

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

<u>Year ending June 30</u>	
2018	\$ 10,185,234
2019	10,114,558
2020	10,118,467
2021	9,882,836
2022	9,345,096
Thereafter	<u>90,348,616</u>
	<u>\$ 139,994,807</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>2017</u>	<u>2016</u>
Awarded	\$ 183,509,900	\$ 175,086,900
Drawn	<u>173,551,300</u>	<u>162,551,293</u>
Available federal letter of credit	<u>\$ 9,958,600</u>	<u>\$ 12,535,607</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, 2017 and 2016, the required State match was \$34,710,260 and \$32,510,259, respectively. As of June 30, 2017 and 2016, the State match provided was \$40,450,729 and \$39,792,188, 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.

## 6 - RESTRICTED ASSETS

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

	<u>2017</u>	<u>2016</u>
Cash equivalents:		
Cash	\$ 33,675	\$ -
Money market investment pool	70,282,961	38,096,901
Investments:		
U.S. Treasury State and Local Governments	357,509	1,217,918
Guaranteed Investment Contracts	4,879,013	5,249,627
Connecticut General Obligation Bonds	<u>3,597,406</u>	<u>4,153,218</u>
	<u>\$ 79,150,564</u>	<u>\$ 48,717,664</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, 2017 and 2016, the actual rates were 85.62% and 81.88%, respectively, of the SRF wages and the amounts charged aggregated \$1,472,469 and \$1,156,464, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2017
Revenue bonds payable	\$ 73,649,700	\$ 50,000,000	\$ 2,780,000	\$ 6,652,800	\$ 114,216,900
Refunding bonds payable	<u>1,241,167</u>	<u>2,485,000</u>	-	-	<u>3,726,167</u>
	<u>\$ 74,890,867</u>	<u>\$ 52,485,000</u>	<u>\$ 2,780,000</u>	<u>\$ 6,652,800</u>	<u>\$ 117,943,067</u>

A summary of changes in bonds payable during the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2016
Revenue bonds payable	\$ 79,650,500	\$ -	\$ -	\$ 6,000,800	\$ 73,649,700
Refunding bonds payable	<u>2,583,829</u>	-	-	<u>1,342,662</u>	<u>1,241,167</u>
	<u>\$ 82,234,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,343,462</u>	<u>\$ 74,890,867</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:

<u>Issue Date</u>	<u>Issue Name</u>	<u>Original Allocated Par Amount</u>	<u>Balance Outstanding June 30, 2017</u>
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	\$ 5,000,000	\$ -
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	3,055,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	705,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	10,656,900
2/21/2013	State Revolving Fund Refunding General Revenue Bonds, 2013 Series B	1,241,167	1,241,167
5/6/2015	State Revolving Fund General Revenue Bonds, 2015 Series A	52,475,000	49,800,000
6/15/2017	State Revolving Fund General Revenue Bonds, 2017 Series A	50,000,000	50,000,000
6/15/2017	State Revolving Fund Refunding General Revenue Bonds, 2017 Series B	2,485,000	2,485,000
		<u>\$ 157,340,317</u>	<u>\$ 117,943,067</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 2006 Series A dated July 27, 2006. 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 A dated August 6, 2008. 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 A dated June 25, 2009. 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 A dated March 24, 2011. 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 State of Connecticut issued State Revolving Fund General Revenue Bonds 2015 Series A dated May 6, 2015. In accordance with the State Revolving Fund General Revenue Bonds, 2015 Series Plan of Finance, the State allocated the proceeds of 2015 Series Bonds between the Clean Water Fund and the SRF with \$197,525,000 allocated to the Clean Water Fund and \$52,475,000 allocated to the SRF.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2017 Series A dated June 15, 2017. In accordance with the State Revolving Fund General Revenue Bonds, 2017 Series Plan of Finance, the State allocated the proceeds of 2017 Series Bonds between the Clean Water Fund and the SRF with \$200,000,000 allocated to the Clean Water Fund and \$50,000,000 allocated to the SRF.

The SRF's revenue bonds payable are serial bonds, of which \$114,216,900 and \$73,649,700 was outstanding as of June 30, 2017 and 2016, respectively. The serial bonds mature through May 1, 2037 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.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2017 and 2016 totaled \$0 and \$39,110 respectively.

#### 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 outstanding principal balance of the Refunded Bonds as of June 30, 2017 and 2016 was \$1,241,167.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2017 and 2016 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 have been redeemed on October 1, 2013. The 2006 Series A bonds were scheduled to mature at various dates through July 1, 2027, but have been redeemed on July 1, 2016.

The outstanding principal balance of the Refunded Bonds as of June 30, 2017 and 2016 was \$9,450,796.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2017 and 2016 totaled \$43,158.

Refunding Bonds - 2017 Series B

On June 15, 2017 the State issued \$2,485,000 of State Revolving Fund Refunding General Revenue Bonds 2017, Series B with interest rates of 3.625% to 5% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2009 A (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through June 1, 2027.

The outstanding principal balance of the Refunding Bonds as of June 30, 2017 was \$2,485,000.

There was no amortization of the deferred loss on early retirement of bonds for the year ended June 30, 2017.

Bond Maturities

Requirements at June 30, 2017 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 6,778,550	\$ 5,102,594
2019	7,118,900	5,128,045
2020	7,586,583	4,837,967
2021	7,575,600	4,534,457
2022	7,246,100	4,216,727
2023-2027	33,099,383	16,099,420
2028-2032	29,007,950	8,421,959
2033-2037	19,530,001	2,229,249
	<u>\$ 117,943,067</u>	<u>\$ 50,570,418</u>

## 9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2017 and 2016:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2015	\$ 28,150,335	\$ 139,912,132	\$ 168,062,467
Change in net position	<u>2,698,241</u>	<u>5,001,789</u>	<u>7,700,030</u>
Balance at June 30, 2016	30,848,576	144,913,921	175,762,497
Change in net position	<u>( 1,166,917)</u>	<u>7,864,568</u>	<u>6,697,651</u>
Balance at June 30, 2017	<u>\$ 29,681,659</u>	<u>\$ 152,778,489</u>	<u>\$ 182,460,148</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>2017</u>	<u>2016</u>
Transfers related to CWF debt service	(\$ 1,060,665)	(\$ 1,235,132)
State match	653,778	809,912
Transfer from State for match	-	4,500,000
Transfer related to cost of issuance of bond offerings	<u>( 118,761)</u>	<u>-</u>
	<u>(\$ 525,648)</u>	<u>\$ 4,074,780</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>2017</u>	<u>2016</u>
Total funds committed to public water systems	\$ 224,417,164	\$ 195,874,024
Loan amount outstanding to public water systems	<u>148,155,803</u>	<u>131,719,037</u>
Loan commitments outstanding	<u>\$ 76,261,361</u>	<u>\$ 64,154,987</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

CERTIFIED PUBLIC ACCOUNTANTS  
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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. Raul Pino, 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2017.

### **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 opinions 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 from 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  
August 29, 2017

# SEWARD AND MONDE

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Ms. Denise L. Nappier, Treasurer

Dr. Raul Pino, 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 the *OMB 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, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal program for the year ended June 30, 2017.

### **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 the Uniform Guidance, 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 the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Seward and Monde**

North Haven, Connecticut  
August 29, 2017

**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, 2017**

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<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 11,614,139</u>	<u>\$ 7,922,230</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, 2017**

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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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.
2. The SRF did not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2017 totaled \$6,178,238. Grants disbursed to subrecipients during year ended June 30, 2017 totaled \$1,743,992.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$148,155,803 as of June 30, 2017.

**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, 2017**

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      \_\_\_ Yes                     No

Significant deficiency(ies) identified?      \_\_\_ Yes                     None reported

Noncompliance material to financial statements noted?      \_\_\_ Yes                     No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?      \_\_\_ Yes                     No

Significant deficiency(ies) identified?      \_\_\_ Yes                     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 2 CFR section 200.516(a) of the Uniform Guidance?      \_\_\_ Yes                     No

Identification of Major Programs:

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

Dollar threshold used to distinguish between type A and type B programs      \$ 750,000

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, 2017  
. . . Continued . . .**

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SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.