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STATE OF CONNECTICUT  
**DRINKING WATER**  
STATE REVOLVING FUND PROGRAM

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**2015 ANNUAL REPORT**



New Britain Storage Tank Construction  
DWSRF Loan #2015-7038



# Connecticut Drinking Water Fund

## Supporting the Planning, Design, and Construction of Municipal Water Quality Projects



**Jewel Mullen, MD, MPH, MPA**

Commissioner

Department of Public Health

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



**Denise L. Nappier**

State Treasurer

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



**Robert J. Klee**

Commissioner

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

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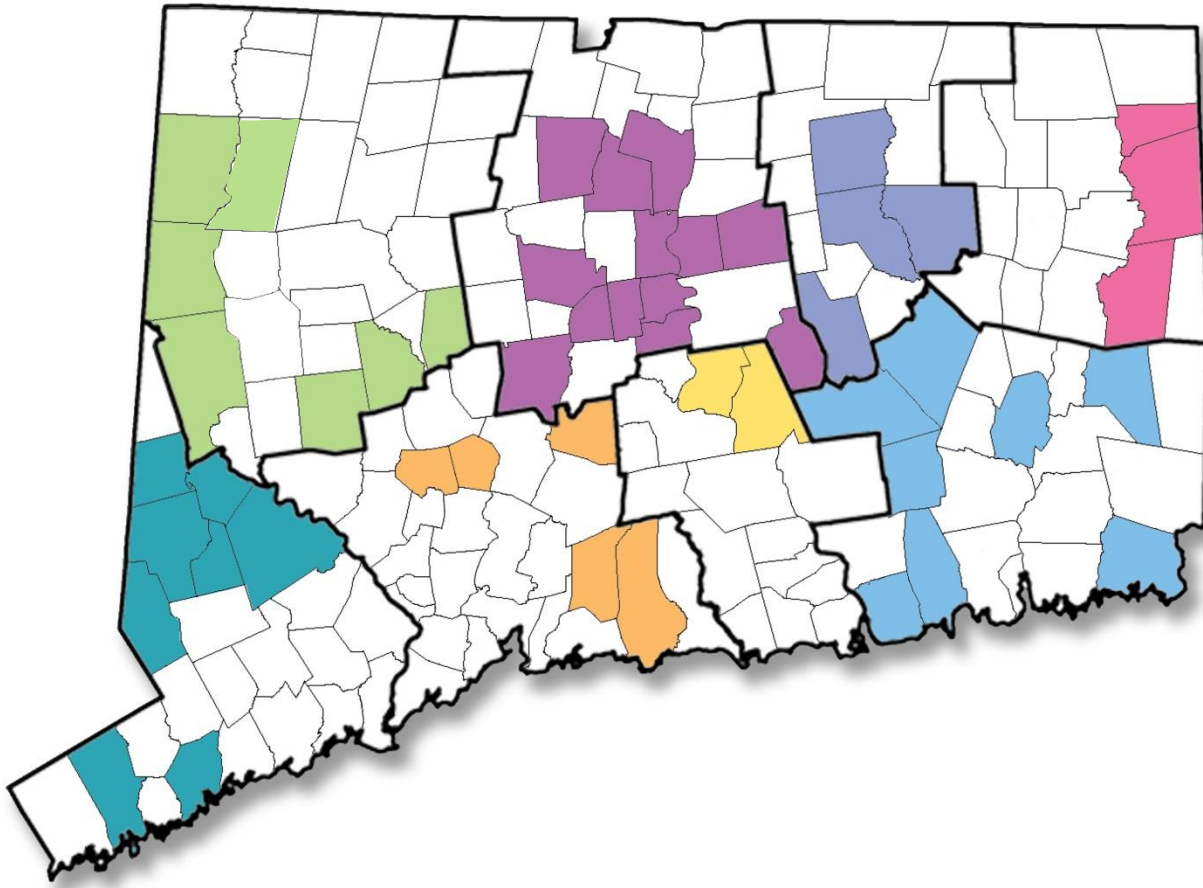
*DPH Drinking Water Section's DWSRF Staff*

## 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
DWINSAs	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 Oct. 1 to Sept. 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

## COMMUNITIES OBTAINING PROJECT FUNDING OF MORE THAN \$214 MILLION THROUGH THE CONNECTICUT DRINKING WATER STATE REVOLVING FUND SINCE PROGRAM'S INCEPTION



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

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

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

**Middlesex County:** East Hampton, **Portland**

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

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

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

**Windham County:** Killingly, Plainfield, Putnam

**Bold and italic Towns received multiple loans**

## REPORT INTRODUCTION

This is the Annual Report to the Governor on the Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2015. 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 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 DPH is the Connecticut state agency that is authorized to enter into DWSRF Capitalization Grant agreements with the United States Environmental Protection Agency (EPA) and manage the DWSRF program. The capitalization grant also provides funding for various set-aside activities. Each year the DPH is required to submit a grant application to EPA in order to receive its capitalization grant.

The DPH DWS uses the various DWSRF resources, including federal capitalization grants and the required state match, to assist public water systems and operators to meet critical needs, reduce public health risk, and maintain safe high quality drinking water for the state's citizens.

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

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

This report includes the history of the DWSRF, a review of the DWSRF during FY 2015, descriptions of the revenue bond program, and projections of future project funding. As a major recipient of federal financial assistance, the State will also provide this annual report and audited statements to EPA in order to comply with federal reporting requirements under the Safe Drinking Water Act (SDWA). The State must also comply with the federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2015, as provided in this report, have been prepared by a firm of independent certified public accountants.

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

Copies of the 2015 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).



Bristol - Grove Street Tank (#2013-7023) – Elimination of Deteriorating Water Storage Tank- Protects Public Health



## EXECUTIVE SUMMARY

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

The DPH DWS's primary responsibility is to ensure that Connecticut's 2,506 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.

*The DPH Drinking Water Section provides financing as well as technical assistance, education, and regulatory enforcement to over 2,500 public drinking water systems, which provide drinking water to approximately 2.7 million people on a daily basis.*

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

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

Approximately 973 of the 2,506 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.

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

During FY 2015, the DPH provided approximately \$28.2 million in funding for seven infrastructure projects. Since its inception, the DWSRF program has provided more than \$214 million for 124 projects. Starting in 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. All of the projects funded this year qualified for partial subsidization in the form of principal forgiveness, including the Emergency Power Generator Program and small public water systems.

## SUMMARY OF FY 2015 ACTIVITIES & ACCOMPLISHMENTS

- ✓ Executed 3 project commitments and one amendment under the base DWSRF program totaling \$28.2 million (of which \$25.7 million was loan commitments and over \$2.4 million was subsidy).
- ✓ Executed 4 project commitments under the Emergency Power Generator Program totaling \$43,214 (of which \$23,768 was loan commitments and approximately \$19,446 was subsidy).
- ✓ Processed 136 project payment reimbursement requests for approximately \$39 million.
- ✓ Provided \$1.8 million as state match for the FFY 2014 capitalization grant.
- ✓ Conducted 603 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity and cross-connection control programs.
- ✓ Continued efforts to develop more stringent maximum contaminant levels for known human carcinogens in drinking water, notably trichloroethylene. Published supporting documents on DPH webpage.
- ✓ Executed contract with third party to provide asset management training and on-site technical assistance to small public water systems.
- ✓ Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments. Promoted and provided on-site technical support for the EPA Check-Up Program for Small Systems (CUPSS) asset management software.
- ✓ Reduced outstanding federal Unliquidated Obligations (ULO's) by 29%. The current ULO balance meets the EPA national goal of less than 10%. Since March 2013, the DWS has successfully reduced its ULOs by a total of 69%.

# HISTORY AND MANAGEMENT OF THE CONNECTICUT DWSRF PROGRAM

In 1996, Congress passed amendments to the SDWA authorizing the EPA to offer states capitalization grants to create the Drinking Water SRF. The SDWA provided for an annual Congressional authorization of \$1 billion nationally for the DWSRF through 2003, and as of June 30, 2015, 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).

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

In FFY 1997, Congress exceeded its original appropriation and authorized \$1.275 billion for the DWSRF. Connecticut's allocation of this appropriation was \$21,408,200. In FFYs 1998-2013, Connecticut's allocation was 1.00% of the national allotment and allotted funds ranged from approximately \$7.1 million for FFY 1998 to a high of \$13.5 million for FFY 2010. The FFY 2014 capitalization grant in the amount of \$8,962,000 was awarded in September 2014. Beginning with the FFY 2014 allocation and through at least FFY 2017, Connecticut's allocation is 1.01%. This increase is due to the results of the 2011 DWINSA.

The State has received a total of \$166.1 million to date in capitalization grants, with a list of annual

awards shown in Appendix II. As required for each awarded grant, a state match equaling 20% of the grant must be provided. The OTT is responsible for ensuring that the match is made. The cumulative amounts of state match are identified in Appendix III.

The DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State of Connecticut and the EPA. The OA establishes the basic framework and procedures of the DWSRF that are not expected to change annually. Beginning in 2011, the DPH initiated strategies to increase the number of loans and funds provided by the DWSRF. The most significant changes were made within the management of the program and DWSRF Priority Ranking System as well as the streamlining of the project funding process for emergency power generators.

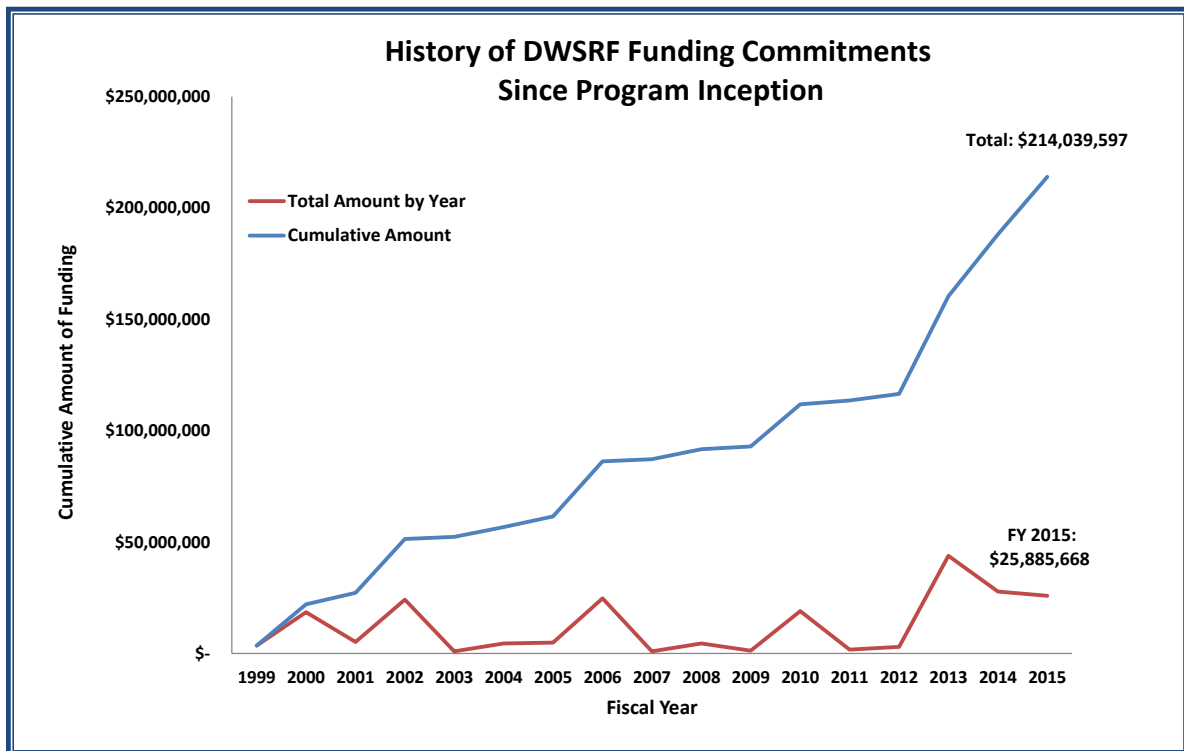
On June 17, 2013, the DPH Drinking Water Section sent a letter to EPA Region I with an update on the progress that has been made to increase the pace of the program. Some of the changes that have been made to help maximize the use of available funding each year include:

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

## DWSRF Program Management

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

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



## PROJECT FINANCING

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

The DWSRF financial assistance consists of low-interest loans of approximately one-half of the market rate allowing up to 20 years for repayment. The loan rate during FY 2015 was 2.0%. The DWSRF also provides technical assistance and training with a portion of the federal grant.



*New London Pump Station Construction*

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

Due to continued availability from the federal capitalization grant, subsidization will continue to be offered as part of the DWSRF funding package.

Prior to FY 2015, the DWSRF did not offer state-funded subsidizations. During FY 2014, 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 authorize general obligation bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. This program provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for eligible DWSRF projects. A project which is eligible for any subsidy from the DWSRF must execute a loan for the remaining amount of principal in order to receive the grants-in-aid. As of June 30, 2015, the DPH still has not received the allocation of these funds from the State Bond Commission (SBC), which is necessary to commit the funds in executed funding agreements. As a result, the execution of several funding agreements has been delayed.

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

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

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

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

The DWSRF currently does not have a Disadvantaged Assistance Program component that would provide longer repayment terms or additional subsidization to PWS. The DWSRF program does provide additional points to those PWSs for projects that serve or are located in towns that are considered “Distressed Municipalities” by the Department of Economic and Community Development (DECD) according to CGS 32-9p.

## Intended Use Plan Summary

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

The current IUP covers state fiscal year 2016, and is based on 1) the use of anticipated FY 2015 capitalization grant monies, 2) a state match of 20% of the fiscal year 2015 capitalization grant awards, 3) fiscal year 2016 state bond authorizations, and 4) unobligated funds carried forward from previous IUPs. During FY 2015, Connecticut provided the 20% match of \$1.8 million for the FFY 2014 award.

To date, the State has not transferred funds between the DWSRF and the Clean Water SRF, and the State does not anticipate making such a transfer under the current IUP.

The most recent request for new DWSRF projects occurred between November 2014 and January 2015. The Public Hearing and Open Forum for the FY 2016 PPL was held on August 12, 2015. Applicants and interested parties participated at the hearing on projects to be funded during state fiscal year 2016 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.



*MDC - North Storage Basin - New pipes connecting new storage tank to the existing system*

## 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, ranked, and compiled to create a Project Priority List (PPL) to ensure that funding is available for projects that have the most pressing needs. The ranking system also incorporates procedures for 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 that will receive funding during the year. The PPL is part of the final IUP.

The priority ranking criteria is used to award points for situations in which water quality impairments, water quantity deficiencies, or water system imperfections may increase risk to public health or result in noncompliance. The highest points are assigned to projects that are designed to bring systems into compliance with quality and quantity regulations of the Connecticut Public Health Code and SDWA. Points are also awarded for the acquisition of an existing public water system and upgrades to emphasize the importance of supporting projects that achieve long-term solutions to existing or potential water quality or quantity deficiencies. Affordability points are awarded to projects that serve a city or town determined to be a “distressed municipality” by the DECD. The list is updated annually.

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. In these situations, the DWS continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible. The most up-to-date PPLs available are for fiscal years 2014 and 2015, and can be found on the DWS website. Projects on the PPL are currently in the process of moving forward and are at varying stages of progress. Due to delays in certain projects originally earmarked to receive funding, from time to time bypass procedures were implemented in order to allocate all available project funds. A list of projects that were bypassed during FY 2015 is included as Appendix IX. The PPL for FY 2016 will be available when the IUP is finalized.



*MDC Wickham Hill Storage Basins: Constructing the rebar for a concrete slab. This slab will be the foundation for an electrical building.*

## FY 2015 FUNDED PROJECTS DETAIL

### Base Program

During FY 2015, the Drinking Water SRF made three interim project commitments and one funding agreement amendment totaling \$28.2 million (including more than \$25.7 million in loans) for the following projects. A table listing all FY 2015 projects funded is included as Appendix IV.



*Meriden Water Treatment Plant Construction*

#### [City of Meriden - Broad Brook WTP & Pump Station Improvements-Construction Phase \(\\$19,336,522 total funding\)](#)

This project will upgrade the outdated Broad Brook Water Treatment Plant and improve upon the treatment processes to treat the increasing levels of manganese and periodic algal blooms. In recent years, these changes in raw water quality have resulted in increased customer taste & odor complaints. In addition, disinfection treatment will be converted from chlorine gas to liquid sodium hypochlorite. The Dissolved Air Flootation (DAF) pilot plant report showed the proposed technology was able to reduce issues such as taste and odor, manganese with proper dosing, algae, and has minimized disinfection by-product (DBP) formation potential. The pump station improvements include replacing the pumps, valves, and motors, as they have exceeded their useful service lives.

The Meriden-Broad Brook Interim Funding obligation (IFO) closed on October 3, 2014. Of the total project financing, the loan amount was \$17,924,955.89 at an interest rate of 2%.



*Meriden Water Treatment Plant Construction*

#### [Metropolitan District Commission – Water Main Replacement – Hartford \(Capitol, Linden, Broad\) \(\\$2,926,907.50 total funding\)](#)

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

An additional \$633,229.50 in funding was provided for this project for an additional portion of water main installed in Capitol Avenue which was determined to be in unsatisfactory condition and necessary to replace.

This project's amended IFO closed on April 22, 2015. Of the total project funding, the loan amount was \$2,713,242.61 at an interest rate of 2%. The project was completed and the Project Loan Obligation (PLO) closed on June 1, 2015, in the amount of \$2,713,242.61.





*MDC-Boring holes to ease pavement removal for water main installation*



*Norwich-Deep River WTP Rehab - Installation of a new isolation valve on the transmission main*

**Norwich Public Utilities – Deep River Water Treatment Plant Transmission Main Rehab, Storage Tank and Pumps & Drives (\$4,777,805.23 total funding)**

The project comprises of the rehabilitation of an existing transmission main that conveys treated water from WTP to the distribution mains, installation of a one million gallon water storage tank, and replacement of existing pumps and drives. The transmission main rehab will reduce the risk of potential groundwater intrusion in the event of loss of power at the water treatment plant. Construction of new finished water storage will allow for more efficient operation of pumping and additional water capacity in the distribution system. Replacing existing pumps and drives with new pumps is essential to maintain adequate pressure in the distribution system.

This project’s IFO closed on November 28, 2014. Of the total project financing, the loan amount was \$4,051,578.84 at an interest rate of 2%.



*Norwich-Deep River WTP -Twin temporary High Density Polyethylene Pipe (HDPE) pipes installed to serve the distribution system while the transmission main is out of service during the rehab*



*Norwich-Deep River WTP - Cement grout being injected to seal the void around the newly inserted HDPE pipes and the old transmission main*

**City of New Britain – Elam Street Storage Tank Replacement and Associated Improvements (\$3,473,428 total funding)**

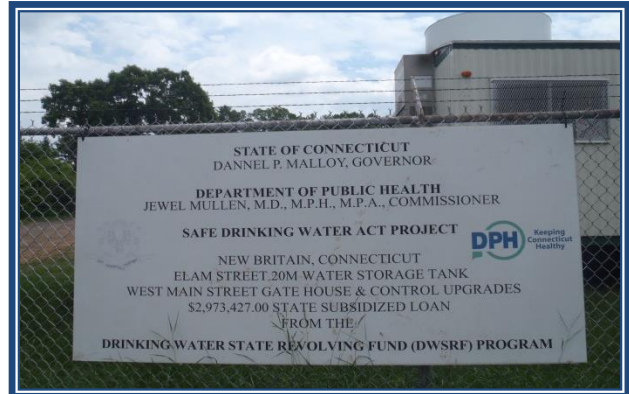
The project includes the installation of a 2.0 MG water storage tank to replace the existing 4.0 MG Elam Street water storage tank. In addition, the existing gatehouse structure located on West Main Street will be demolished since it is no longer in use and the associated components are antiquated, the existing electric service will be abandoned, and some of the existing appurtenances and other components will be replaced. Three new valve boxes will be installed.

The Corbin Avenue Pump Station will be provided with: one new 150 KW generator, a new automatic transfer switch, new soft start and variable frequency drive (VFD) for the existing pumps, and installation of a surge relief valve, ductile iron pipe, and valve & fittings.

The Corbin Avenue Pump Station, Elam Street Pump Station, and Shuttle Meadow Water Treatment Plant will be provided with new instrumentation and controls.

The reduction in storage capacity is being done to address the regulatory violation cited in a sanitary survey report and resolve the water stagnation problem being experienced by the system. The other components of the project need to be implemented to enhance the operation of the system and maintain the purity and adequacy of drinking water to the customers.

This project’s IFO closed on December 31, 2014. Of the total project financing, the loan amount was \$3,195,553.76 at an interest rate of 2%.



*New Britain - Elam Street Storage Tank Replacement*



*New Britain - Elam Street Storage Tank Replacement*

## Emergency Power Generator Program

The Emergency Power Generator Program 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.



*Kugeman Village Emergency Generator*



*DWSRF Engineer - Florin Ghisa*

During FY 2015, the DWS continued implementation of the second round of projects submitted under this program. Since it began, 38 subsidized loans have been executed totaling over \$900,000 for the purchase and/or installation of 42 generators. Funding applications for another 48 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 Emergency Power Generator program's high rate of subsidy brought to the program many small systems that may not normally participate in the DWSRF.

Three new generator project loans were initiated during FY 2015 to small systems: Kugeman Village (Cornwall Housing); Ash Water Company, LLC; and Sunny Waters Company, LLC. An additional loan agreement was executed to replace a loan agreement which had expired prior to funds being disbursed. 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.

## Small System Funding

Funding for small systems continues to be a priority for the DPH. During FY 2015, four projects received a total of \$43,214.26. Overall, since the DWSRF program began, the DPH has exceeded the goal of providing at least 15% of available funds to small system projects.

## Projects Completed During FY 2015

A cumulative list of all projects funded since the program’s inception, including those funded by ARRA, is included in Appendix V. A listing of projects that have closed on the Project Loan Obligation and have commenced repayment are located in Appendix VI. During FY 2015, 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 2015*			
PWS Name (Applicant)	ID #	Town	Brief Description
Town of East Lyme	2013-7022	East Lyme	Regional Interconnection & Storage Tank
Town of Ledyard	2013-7011-1	Ledyard	Pump Station and Water Main Extension to Aljen Heights and Avery Hill PWS for Interconnection
City of Norwalk	2013-7024	Norwalk	Replacement of Storage Tank, Pump Station and New Generator
City of Norwich	2014-7027	Norwich	Design of 4 Projects - Stony Brook WTP, Southern and Northern Stony Brook Transmission Mains, and Mohegan Park Storage Tank
Metropolitan District (Farmington 7.2)	2013-7018	Hartford	Water Main Replacement
Metropolitan District (Franklin 5)	2013-7014	Hartford	Water Main Replacement
Metropolitan District (Franklin 13)	2013-7015	Hartford	Water Main Replacement
Metropolitan District (Farmington 6)	2013-7017	Hartford	Water Main Replacement
Metropolitan District (Upper Albany 1)	2013-7021	Hartford	Water Main Replacement
Metropolitan District (Retreat)	2014-7026	Hartford	Water Main Replacement
Metropolitan District (Reservoir 6 WTP)	2014-7030	Hartford (Bloomfield)	Rehabilitation of Portions of the Reservoir 6 Water Treatment Plant
Metropolitan District (Wickham Hill)	2014-7031	Hartford (East Hartford)	Rehabilitation and Upgrades to the Wickham Hill Finished Water Storage Basins
Southeastern CT Water Authority (Chriswood Division)	2013-9014	Ledyard	Generator
Southeastern CT Water Authority (Lantern Hill Division)	2013-9023	Stonington	Generator
Woodlake Tax District	2013-7020	Woodbury	Storage Tank Rehabilitation
* Project completed means work completed for funding purpose only; may or may not have signed permanent loan note or repaid.			



*Norwalk First Taxing District- Recently Completed Booster Station, which provides water to the Spring Hill high service area, including Norwalk Hospital*

## Highlights of the Benefits Provided by the FY 2015 Completed Projects

**East Lyme:** The new storage tank and interconnection with the New London Water Department now provides the Town of East Lyme with additional water during the summer months necessary to meet the peak demands in the current service area. This had been an ongoing concern and allowed the system to return to compliance with the requirement to have sufficient water to meet demand.

**Ledyard:** The new pump station and water main for interconnections with the Avery Hill PWS homes in the Aljen Heights subdivision has improved the public health for those new customers. The well that previously served Avery Hill had multiple regulatory violations, and a majority of the private wells in Aljen Heights were contaminated.



*DWSRF Engineer – Raul Tejada*

**Norwalk First Tax District:** The Spring Hill improvement project, which included replacement of the elevated storage tank, pump station and generator, and new water main, has greatly improved the reliability of the system to maintain a continuous supply of water in the Spring Hill high level service area, which includes Norwalk Hospital.

**Norwich:** Norwich Public Utilities is in the midst of several infrastructure improvement projects. During FY 2015, the design of four projects was completed. These projects, to be funded in the near future, include improvements to the Stony Brook Water Treatment Plant, Stony Brook northern and southern transmission mains, and a replacement for the Mohegan Park storage tank.

**Metropolitan District:** The District completed six water main replacement projects during the year. This new main now provides more reliable service to customers in Hartford and reduces the likelihood of an interruption in service due to a water main break.

The District also completed upgrades to the Reservoir 6 Water Treatment Plant, which improves the operation and reliability of the plant, and rehabilitation of the Wickham Hill storage basins, which improves the operation and reliability of the finished water storage basins to ensure that customers continue to receive an uninterrupted supply of potable water.

**Southeastern Connecticut Water Authority (SCWA):** The SCWA completed the installation of an emergency generator at two of its divisions. These generators will help to build resiliency in the water systems and ensure that they maintain an uninterrupted supply of water to their customers during a power outage.

**Woodlake Tax District:** The District made significant improvements to its water storage tank and booster pumping station. These improvements will ensure that the system can maintain the purity and adequacy of the water delivered to its residents.

## ONGOING AND PENDING PROJECTS

In accordance with Section 22a-478(o) of the CGS, this report includes the list of total loans outstanding, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2016.

The table in Appendix VII of this report shows a total of \$244.0 million in loans to borrowers with outstanding loans or undrawn loan commitments through June 30, 2015, and those with new loan commitments expected to be executed through June 30, 2016.

### Norwich Deep River Water Treatment Plant Water Storage Tank Construction



Storage Tank Foundation-Installation of scaffolding in preparation for tank wall panel installation



Wall panels and tank overflow being prepared for installation



Tank wall panels were fabricated on site



Final Inspection of the tank

## 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%.

The breakdown of needs was as follows:

INFRASTRUCTURE NEED AMOUNTS (MILLIONS)	
<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>

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.

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 2016 and SFY 2017, the DPH received requests for loans for 77 infrastructure projects totaling approximately \$205 million in total project costs including approximately \$200 million in eligible costs. This includes six applications under the EPGP and seven larger generator projects totaling approximately \$6.7 million in eligible project costs. This is the highest amount of requests ever received.

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

## FY 2015 SET-ASIDES DETAIL

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

### ADMINISTRATIVE SET-ASIDE

The State uses this set-aside for the financial administration of DWSRF. Funds are allowed to pay for support services provided by staff outside of the DWS, which includes other state agencies. Four total staff were funded by the Administrative Set-Aside, although two of these staff members were not funded 100%. The total FTE is 2.8. Some of the activities accomplished during FY 2015 included:

*Reviewed and approved financial aspects* of DWSRF Applications, including the financial viability of the applicants; then drafted, finalized, and processed DWSRF loan agreements and executed three loans and one loan amendment under the base DWSRF and four under the Emergency Power Generator Program.

*Reviewed and processed* 132 base DWSRF payment requests in the amount of \$39.3 million.

*Reviewed and processed* four emergency generator payment requests in the amount of approximately \$64,000.

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

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

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

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

*Participated* in various EPA DWSRF webinars.



*DWSRF Administrative Contact - Ted Dunn*



## 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. Three FTEs were funded under this set-aside. Some of the activities accomplished during FY 2015 include:

**Conducted** 385 sanitary surveys of community, non-transient non-community, and transient non-community PWSs serving fewer than 10,000 persons. The surveys included assessments of technical, financial, and managerial capacity. Reports, including identification of any violations and/or deficiencies of the system, were written for each survey, and technical assistance was provided to help the PWS, including information on asset management.

**Provided** technical assistance and enforcement referrals to local health departments for maximum contaminant level violations, source water construction violations and cross-connections identified at 25 non-transient non-community (NTNC) and transient non-community (TNC) food service establishments.

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

**Attended** Training on well drilling techniques.



*DWSRF Engineer - Sara Ramsbottom*

## PROGRAM MANAGEMENT SET-ASIDE

This set-aside is used to assist in the administration of the State's Public Water System Supervision (PWSS) Program. Nine FTE staff members were funded under the DWS FY 2015 Program Management set-aside. Activities included:

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

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

**Conducted** two water supply plan reviews.

**Drafted** Capacity Development Survey for Community Water Systems.

**Drafted** Capacity Development Report for Connecticut's Governor covering July 2011-June 2014.

**Assisted** in reviewing proposed water related legislation for the 2015 Connecticut General Assembly session.

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

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

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

### ***Continued Memorandum of Agreement***

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

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

***Entered and maintained*** data in the federal PBR and DW NIMS databases.

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

***Maintained a Public Notification Rule*** webpage on the DWS website.

***Updated and Maintained*** DWS's GIS data layers in the Drinking Water Sections GIS System.

***Reviewed*** and approved proposed sources of supply, including verification that the water system has ownership or control of the sanitary radius for proposed groundwater sources.

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

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

***Provided training*** at the 2015 Annual Technical Conference and Vendor Exposition with the Connecticut Section of the American Water Works Association on February 24, 2015. There were several hundred attendees, many of which earned water system operator training hours and/or continuing education credits.

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

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

This set-aside is divided into two sections: Capacity Development and Source Water/Wellhead Protection. A total of 12 FTEs were funded under this set-aside.

### **Capacity Development**

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

Staff also assisted in the preparation of capitalization grants, work plans, and reports. There were seven FTEs funded under Capacity Development in FY 2015. Consistent with the EPA approved capacity development strategy and work plans, FY 2015 activities included:

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

***Prepared and submitted*** to the EPA the annual DW NIMS report and assisted in the preparation of the DWSRF Annual Report.

**Conducted** 107 sanitary surveys of community, non-transient non-community, and transient non-community PWS. The surveys included assessments of technical, financial, and managerial capacity. Reports, including identification of any violations and/or deficiencies of the system, were written for each survey, and technical assistance was provided to help the PWS, including information on asset management.

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

**Provided technical assistance** and enforcement referral to local health departments for maximum contaminant level violations, source water construction violations, and cross connections identified at approximately 40 NTNC and TNC food service establishments.

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

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

**Provided technical assistance** to approximately 367 public water systems facing violations and deficiencies noted in violation letters issued by the DWS or cited during sanitary surveys.

**Provided technical assistance** to approximately 205 public water systems that received a significant violation as a result of a site inspection or as noted in a sanitary survey report.

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

**Attended** quarterly EPA Region 3 Area Wide Optimization Program (AWOP) meetings in October 2014 and March 2015.

**Issued** DWSRF Call for Projects notice which resulted in the submission of 77 eligibility applications totaling approximately \$205 million in funding requests.

**Provided DWSRF Program project support:**

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

## Capacity Development Coordinated Training Initiatives: ATCAVE

The Connecticut Section – American Water Works Association’s Annual Technical Conference and Vendor Exposition (ATCAVE) was held on February 24, 2015, in Cromwell, Connecticut. Several hundred participants attended for educational purposes or to meet with vendors on drinking water-related products and services. Many of the attendees participated in one or more concurrent all-day trainings geared toward local health and operator certification. Training participants received operator training contacts and/or continuing education credits. DWS staff participated as instructors and staffed the DWS information booth. This workshop is very successful and is one of the more important events in which the DWS participates.

## 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. Five FTE staff members are funded by this set-aside, including one FTE that provides support to the DWS through the DPH Environmental Health Section’s (EHS) Environmental Engineering Unit.



*New London – New Intake Pipeline*

## Source Water Protection

The SA&P Unit maintains a Strategic Plan for the Implementation of Drinking Water Source Protection in Connecticut. The unit coordinates, manages, and regulates source protection through the proactive enhancement and oversight of existing laws and regulations. This ensures that only the safest water is made available for public consumption through protection of the land that surrounds Connecticut’s public water supplies. The unit continues to develop, enhance, and adapt source water protection laws. Activities conducted in FY 2015 include:

**Received and reviewed** 36 proposed sources of supply, including verification that the water system has ownership or control of the sanitary radius for proposed ground water sources. Sixteen approvals were issued with one denial. The remaining proposals are being actively reviewed.

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

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

**Reviewed and evaluated** approximately 275 required notifications of proposed projects in public water system watersheds and aquifer protection areas. For example, the SA&P Unit reviewed a Special Permit Application that would allow activities that were conducted without a permit to remain intact. These activities actually were an encroachment on land owned by a public water system within its source water area. The SA&P Unit called attention to the encroachment and provided recommendations for the Commission to consider in rendering their decision.

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

**Issued** two Source Abandonment Permits. Five additional permits are under review.

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

**Initiated** an internal DPH workgroup that includes Environmental Health Services and the DPH Laboratory for future protection, preventative measures, and testing for Harmful Algal Blooms (HABs).

**Continued** involvement with New England Interstate Water Pollution Control Group (meetings, conference calls, webinars, etc.) as well as the Association of State Drinking Water Administrators' Drinking Water Harmful Algal Blooms and Toxins discussion group.

**Continued** efforts to develop more stringent maximum contaminant levels for known human carcinogens in drinking water, notably trichloroethylene. Published supporting documents on DPH webpage.

**Continued** outreach efforts by creating a Connecticut Source Water Collaborative modeled after the National Source Water Collaborative; during FY 2015, two meetings and one field trip were held.

**Continued** the development of the Drinking Water Source Management Plan.

## **Reviewed**

- 30 Sewage Bypass reports
- 52 DEEP Aquatic Pesticide Permit Applications
- 7 Applications to renew permits for recreational activities in public water supply source water areas were received. Internal process efficiency improvements resulted in issuing 4 permits that cover all activities
- 26 Water Company Land Change of Use Permits. Twenty were approved, 4 were denied and 2 remain under review. The two that remain under review are the first applications submitted under a new law that was enacted in 2013 and has required procedural coordination with the Connecticut Siting Council

**Conducted** environmental reviews for 7 projects proposed to be funded by the DWSRF and 26 projects proposed to be funded by other state agencies as required by the Connecticut Environmental Policy Act.

## **Environmental Engineering Program**

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

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

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

**Assisted** municipalities in the development of wastewater management ordinances and regulations for the purposes of reducing potential wastewater impacts to environmentally sensitive areas, aquifer protection areas, and to reduce nonpoint source pollution.

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

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

**Participated** in several training sessions for DEEP's low flow water treatment wastewater.

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

**Conducted** nine central system reviews; seven were approved.

**Continued** to advocate the protection of public water supplies through reduction of non-point source pollution from subsurface sewage disposal systems.

**Continued** to review and approve well exception requests, easements, central system exception requests, and holding tanks and provide technical assistance to municipalities and DPH Drinking Water Section.

**Reviewed** five well exceptions; three were approved.

**Reviewed** two easements for sewage disposal systems, one was approved.

**Reviewed** and commented on DEEP's General Permit for the Discharge of Low Flow Water Treatment Wastewater. Participated in Ebola in wastewater webinars and conference calls.

**Prepared** documentation and written responses concerning Ebola in wastewater.

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

**Participated** in meeting as DPH representative to the Connecticut Environmental Health association, Subsurface Sewage Code advisory Committee.

**Participated** in National Environmental Health Association water and wastewater training track.



*MDC - New water main line to be installed*

# 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 2015, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2014 grant application met the requirement of the State having the authority to conduct the DWSRF program
- Deposited state matching funds. The State provided \$1.8 million as state match for the capitalization grants
- 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. For all public water systems, the expected revenue stream from user fees must be sufficient to repay the loan, pay operation and maintenance costs, and pay for other necessary expenses.

**Use Funds in Timely and Expeditious Manner:** Public Water Systems with binding commitments have moved in an expeditious and timely manner to start and complete funded activities, and submit monthly payment requests.

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

**Ensure Recipient Compliance with Applicable Federal Crosscutting Authorities:** The State of Connecticut and all of its assistance recipients have complied with all applicable federal cross-cutting authorities. A “Compliance with Federal and State Requirements” clause is included in every loan agreement, which requires compliance with all applicable state and federal laws and regulations.

**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 2015, all required reports were submitted.

**Conduct Environmental Reviews:** All public water system projects that received assistance during FY 2015 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

**Green Project Reserve:** The Metropolitan District’s Radio Frequency Automated Meter Reading System & Meter Replacement Program - Phase III project was used to meet the Green Project Reserve (GPR) requirements of the FFY 2010 Capitalization grant. This project was considered “categorical” and did not need a business case, with 50% counted as energy efficiency and 50% as water efficiency. The total funding for this project was \$3,485,165, or 26% of the cap grant, exceeding the 20% minimum. The business case for the FFY 2011 GPR requirement is being finalized and will be included with the FY 2016 annual report.

**Bypassed Projects:** During FY 2015, it was necessary to bypass several projects due to withdrawal by the applicant, notification of a delay by the applicant, or a determination that a project is no longer eligible for funding. A list of these projects is included in Appendix IX.

**American Iron and Steel:** Beginning with the FFY 2014 appropriation enacted on January 17, 2014, projects must comply with new American Iron and Steel (AIS) requirements for certain materials and products used in the construction of the project. None of the projects funded between July 1, 2014 and June 30, 2015 were required to comply with AIS, as they all qualified for exemptions under the applicable EPA waivers and guidance.

**Federal Funding Accountability and Transparency Act (FFATA):** The projects listed in the below table were reported via the Federal Subaward Reporting System on the dates noted, for the FFY 2011, 2012, 2013, and 2014 FFATA requirement for project funds. The FFY 2011 and 2012 project reporting requirements were met during FY 2015. The full amounts of the FFY 2013 and 2014 reporting requirements have not yet been met, but are expected to be met during FY 2016. 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
2014-7034	9/18/2014	CT0950011	City of Meriden (Meriden Water Department)	Broad Brook WTP Construction	\$6,022,180	2011	10/27/2014
2014-7034	9/18/2014	CT0950011	City of Meriden (Meriden Water Department)	Broad Brook WTP Construction	\$6,192,750	2012	10/27/2014
2014-7034	9/18/2014	CT0950011	City of Meriden (Meriden Water Department)	Broad Brook WTP Construction	\$5,582,100	2013	10/27/2014
2015-7038	12/19/2014	CT0640011	City of New Britain (New Britain Water Department)	Elam St. Tank Replacement	\$3,473,428	2014	1/15/2015
Total reported:					\$21,270,458		



## Additional Subsidization

As explained in the project financing section of this report, the DWSRF program has been providing additional subsidy with project loans beginning with the FFY 2010 capitalization grant. The following table shows the progress towards meeting the capitalization grant requirement per FFY grant award. Connecticut has met the requirement to have the minimum amount of subsidy included in executed loans and disbursements for FFY 2010. For FFYs 2011 and 2012 capitalization grants, the minimum amount of subsidy has been included in executed loans, but the minimum has not yet been disbursed. For the FFY 2013 capitalization grant, as of June 30, 2015, the minimum amount had not yet been committed in executed loan agreements; however, several agreements are expected to be executed during the first six months of FY 2016, which is expected to raise the total committed amount above the minimum. No project loans have yet been executed with subsidization under the FFY 2014 capitalization grant award; however, it is expected that several will be executed during FY 2016 with sufficient subsidization to meet the requirement to have the minimum required amount committed. In no case has any maximum amount of committed subsidy been exceeded.

On May 22, 2014, [Public Act 14-98](#) was signed into law, which under Section 46 provides the State Bond Commission the power to authorize bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. This program provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for DWSRF projects for which a DWSRF project funding agreement is executed after July 1, 2014. A project which is eligible for any subsidy from the DWSRF must execute a loan for the remaining amount of principal in order to receive the grants-in-aid. As of June 30, 2015, the DPH still has not received the allocation of these funds from the State Bond Commission, which is necessary to commit the funds in executed funding agreements. As a result, the execution of several funding agreements has been delayed. The delay in the ability to utilize the state subsidy funds has had a direct impact on the commitment of federal subsidy funds. Funding agreements that would have otherwise been executed and would commit federal subsidy are being delayed to include the state subsidy, if and when it becomes available.

Appendix X lists by FFY each project receiving additional subsidization, including the total amount of subsidy committed, amount disbursed, amount remaining to be disbursed, and the expected date of final disbursement. The funding agreements that will commit the required funds are pending, with the goal to complete the capitalization grant minimum required disbursements as follows: for FFY 2011, on or before January 2016; for FFY 2012, on or before September 30, 2016; for FFY 2013, on or before September 30, 2016; and for FFY 2014, on or before September 30, 2016. 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, 2015	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 2015	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	\$ -	\$ 4,457,308	\$ 266,097	May 2016	-
2011	\$2,825,400	N/A	\$ 2,926,888	\$ 118,227	\$ 2,508,234	\$ 536,881	May 2016	January 2016
2012	\$1,795,000	\$2,692,500	\$ 2,096,471	\$ 390,941	\$ 1,341,904	\$ 1,145,507	December 2016	September 2016
2013	\$1,684,200	\$2,526,300	\$ 289,386	\$ 1,815,864	\$ -	\$ 2,105,250	December 2016	September 2016
2014	\$1,792,400	\$2,688,600	\$ -	\$ 2,240,500	\$ -	\$ 2,240,500	December 2016	September 2016

## 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.

Following lessons learned from the American Recovery and Reinvestment Act of 2009, in mid-2011 the DPH initiated a section-wide strategy to prioritize increasing the pace of the DWSRF program and creating a pipeline of projects for future funding years. “Pace” is a federal measure of the DWSRF assistance provided as a percentage of available funding. Within this strategy, the DPH moved from a one year PPL to a two year PPL. This change allowed the DPH to fund projects that were ready to proceed in the first year while getting other projects ready for funding in the second year. In addition, changes were made to the Priority Ranking System used to establish the PPLs. The Priority Ranking System is discussed in more detail in the annual IUP. These changes were outlined in a January 20, 2012, (Appendix XV) letter from DPH Commissioner Dr. Jewel Mullen to EPA Administrator Jackson, in response to EPA’s letter of December 2, 2011 (Appendix XVI). On June 17, 2013, the DPH sent a letter (Appendix XVII) to EPA Region 1 with an update on the progress that has been made to increase the pace of the program. The changes that have been made to help maximize the use of available funding each year include:

- Providing additional staff resources to the program
- Reducing program administration costs and delays associated with the development of an annual PPL by moving to a 2 year PPL
- Revising the DWSRF Priority Ranking System to place greater emphasis on ready-to-proceed projects in the first year of the 2-year PPL
- Working more closely with DWSRF loan applicants and improving coordination of regulatory review and loan preparation activities to keep projects and funding commitments on schedule
- Creating a pipeline of projects through close interaction with public water systems concerning their system needs during the data gathering process for the 2011 EPA Drinking Water Infrastructure Needs Survey and Assessment (DWNSA), and working to better promote and explain the DWSRF process; this is continuing with the 2015 DWNSA
- Using the results of LEAN activities in 2010 and 2014 to understand program requirements across agencies and institute streamlining techniques
- Creating a unit that is responsible for administering the federal grant applications, working directly with the DPH Fiscal Office on federal cash management, and working closely with and fully supports the efforts of the DWSRF program.

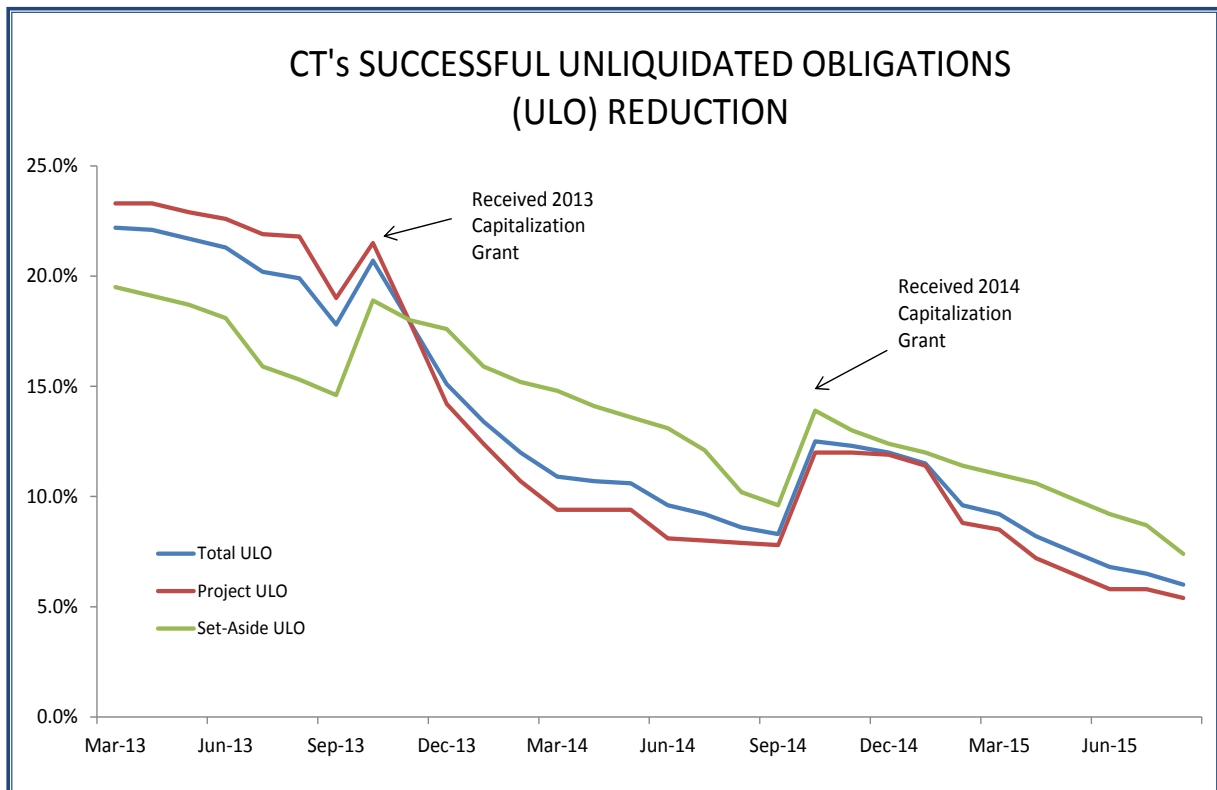
Beginning with the Emergency Power Generator Program, the DPH developed streamlined procurement procedures that allow small, low-cost (less than \$100,000) generator projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting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

greatly improve the overall DWSRF process for small water systems and increase the number of projects funded for these systems.

The DWS continued to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Activities during FY 2015 involved beginning to utilize LGTS for the financial tracking of funding agreements and modifications to the current project database to help ensure smoother development and transfer of information.

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

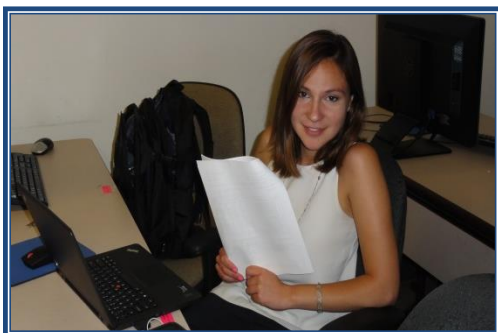
In September 2013, the DPH developed a strategy to reduce Connecticut's DWSRF Unliquidated Obligations (ULOs), the funds in which the program has been awarded and have not yet been drawn. With an increase in the DWSRF program pace and resulting disbursements, as well as increased DWSRF set-aside spending rates, the DPH has led the nation in DWSRF ULO reduction rate. The CT DWSRF total ULOs have been reduced from 9.2 % in July 2014 to 6.5% as of July 1, 2015. This reduction has satisfied EPA's national goal to reduce DWSRF ULOs to less than 10%. Since 2012, the pace of the program has increased from 69% to 92%, as of June 30, 2015. The DPH continues to work towards meeting EPA's further national goal of having no more than two open grants at any one time, by September 30, 2016.



## BORROWERS

All Connecticut community and nonprofit non-community public water systems are eligible to obtain funding through the DWSRF. A public water system is defined as having 15 or more service connections or regularly serves at least 25 people 60 or more days a year. In Connecticut, there are approximately 973 eligible public water systems subdivided by regulation into two categories: community and non-community, which are owned and operated by municipalities, private, or nonprofit entities. Community water systems provide water to populations that reside in the same place for more than 60 days a year. Eligible non-community systems provide water to schools and other locations where the population changes more frequently. The Clean Water SRF and the DWSRF have many similarities. However, one major difference is that the DWSRF can make loans to private entities that own and operate public water systems.

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



*DWSRF Engineer – Julie Silva*

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

### Portfolio Credit Quality

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

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

## PROGRAM FUNDING

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

The State can request up to 31% of the federal capitalization grant as set-asides to administer the Drinking Water SRF, and provide managerial and technical assistance to public water systems. Starting with FFY 2010, the State was required to provide a minimum subsidization to program participants. This has continued with all subsequent federal capitalization grants, with the current requirement that at least 20%, but no more than 30% of the amount of the grant be provided as subsidization. The State will continue to use principal forgiveness as subsidization. Prior to FY 2015, there were no state-funded grant programs associated with the Drinking Water SRF. State-funded subsidization as part of PA 14-98 is discussed elsewhere in this report.

To maintain flexibility within its programs, the State has created the following separate accounts within the Connecticut CWF.

FUND	ACCOUNT NAME	PURPOSE/REQUIREMENTS
21014	STATE ACCOUNT (CLEAN WATER)	State Grants
21017	STATE ACCOUNT (DRINKING WATER)	State Grants
21018	DESIGNATED FEDERAL DRINKING WATER ACCOUNT	The Designated Qualifying State Revolving Fund Under Title VI of the Federal Water Quality Act and the Federal Safe Drinking Water Act

## Federal Capitalization Grants

The SDWA authorized the Drinking Water SRF and continues to place legal constraints on each state program. Federal regulations limit the uses of the Drinking Water SRF equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing of prior debt, or administrative expenses associated with qualified projects. Appendix II shows the total amounts for the DWSRF project funds and set-aside accounts available to Connecticut based upon EPA approval of the Capitalization Grants for Connecticut. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2014 totaled \$166.1 million. Since last year's report, the State was granted the FFY 2014 award of \$8.9 million. The FFY 2015 grant in the amount of \$8.9 million should be awarded in early fall 2015. While states have significant latitude in the creation of the SRF program, the federal capitalization grants and the required match for the Drinking Water SRF must be maintained by the SRF in perpetuity.

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

Set-asides are funds allocated for a range of specific activities including SRF program administration and management, technical assistance for small water systems, and operator education and support.

## Required State Matching Funds

The State has provided sufficient funds in the Drinking Water SRF to meet the required State match. Connecticut's match has been made in the form of cash contributions in the Drinking Water SRF for a total of \$34.5 million as of June 30, 2015 (Appendix III).

At present, future match requirements will be provided with cash contributions from the State. During FY 2015, a total of \$941,253 was provided for state match. Match requirements for grants awarded in the future will be met before grants are drawn by the State from the EPA. The state match amount for each capitalization grant is disbursed for project costs prior to drawing any federal funds for each respective capitalization grant. During FY 2015, the state match dollars for the FFY 2014 cap grant was disbursed.

## State Authorizations

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Connecticut Clean Water Fund including the Clean Water SRF and Drinking Water SRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. As projects are approved, authorizations are allocated to the Drinking Water SRF from the total available authorizations. As of June 30, 2015, the State Bond Commission has approved \$259.0 million in allocations to the Drinking Water program.

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

*Fitch Ratings AAA*

*Standard and Poor's AAA*

*Moody's Investors Service Aaa*

## 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.

On Earth Day 2015, the State priced the state's first SRF "Green Bonds" to finance clean water and drinking water infrastructure projects. Appendix XI lists projects funded to date with proceeds. The overall true interest cost of the "Green Bonds" was 3.14%. Green Bonds are dedicated to financing environmentally friendly projects and appeal to a new group of socially conscious investors. To date, revenue bond proceeds of \$227.6 million have been made available to the Drinking Water SRF.

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.

Loans made since 1996 have a borrower interest rate ranging from 2.0% to 4.6%. Currently, the interest rate (market rate) on the leveraged revenue bonds is higher than the interest rate charged to borrowers; thus, borrowers receive a subsidy equal to the difference between the market rate and the current program loan interest rate of 2.0%. 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, 2015, the State held \$260.4 million in DWSRF program assets invested in loans, the State's Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

## CONDITION OF THE FUND

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

The Drinking Water SRF depends on the State's continued willingness to commit financial resources to the program. In FY 2015, the State continued to demonstrate its commitment with annual authorizations, consistent staffing levels, and resources to meet existing and future program needs.

Authorizations for Clean Water and Drinking Water projects have been provided for FY 2015, and the DPH was able to initiate the project priority process and create the priority list for the year. 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 \$214 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, and Norwalk.

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

The volume of projects funded in each year, as measured by DWF agreements executed with PWSs, is a reflection of both past demands on the program and the availability of funding through the State Bond Commission. Program capacity and cash flow projections show that combined with the Clean Water State Revolving Fund Program, the programs can sustain bond issuance of approximately \$125 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 Drinking Water SRF programs. Maintenance and continued improvement of the existing water infrastructure in Connecticut are dependent upon consistent funding for the DWSRF.

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

# APPENDICES





# Appendix I: Management of DWSRF Program

## Department of Public Health (DPH)

The DPH is a State of Connecticut regulator focused on protecting public health by regulating access to the health care professions as well as community-based and environmental providers, and provides regulatory oversight of health care facilities and other services including drinking water systems. The DPH is the primary agency responsible for the administration of state and federal drinking water regulations. This mandate focuses on the use and the protection of the state's drinking water resources and assuring the quality and adequacy of Connecticut's public drinking water sources. The Drinking Water Section within the DPH is responsible for enforcement of and compliance with State and federal laws, rules, and regulations pertaining to drinking water and its use in the state. CGS Section 25-32 grants DPH jurisdiction over all matters concerning the purity and adequacy of drinking water and provides regulatory oversight of public water systems throughout the state. In the course of a day, virtually every Connecticut resident as well as many others who visit the state come into contact with drinking water provided by a public water system. DPH monitors approximately 4,000 public water systems in Connecticut. Of those, approximately 973 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 entire the Clean Water Fund, including the DWSRF. DEEP participates as a member of the Drinking Water SRF Interagency Committee.

## Appendix I: Management of DWSRF Program (cont.)

### Office of the State Treasurer

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

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

The financial administrator is also responsible for:

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

The DPH and the State Treasurer have joint responsibility for the program's data management systems. A dual entry general ledger accounting system was developed by the Office of the State Treasurer

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

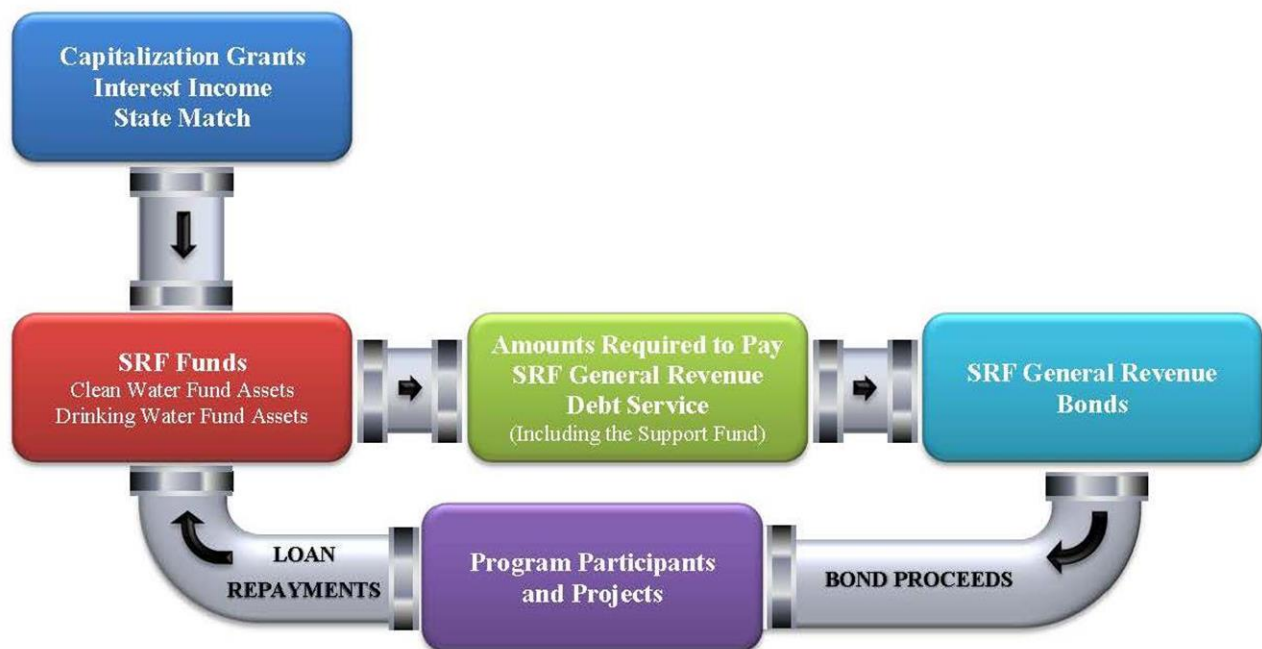
- Maintain accurate project funding and accounting systems for the DWSRF
- Develop the Fund’s capacity to provide low-cost financing for eligible projects, as simply and effectively as possible
- Fund loan amounts to the maximum extent possible
- Provide effective financial management to ensure integrity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

### Financing Program Administration

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

### Flow of Funds

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



## Program Bond Resolutions

There are three resolutions under which bonds are outstanding as summarized below. As more fully described in the financial statements, the bonds are special obligations of the State payable solely from all moneys available for debt service payments under the resolutions. The flow of funds, security provisions and the accounts held by trustee under each resolution are discussed in the financial statements.

<i>Summary of Bond Resolutions</i>				
<b>Resolutions</b>	<b>Security</b>	<b>Fund Account</b>	<b>Restricted/ Unrestricted</b>	<b>Debt Outstanding as of 6/30/2015 (Millions)</b>
General Revenue Resolution <i>adopted Dec 17, 2002</i>	Available Money Assets of the Fund	Loan Fund	Restricted	\$799.93 million CW \$82.23 million DW \$882.16 million
		Debt Service Fund (DSF)	Restricted	
		Support Fund	Restricted	
		Revolving Fund	Unrestricted	
Bond Resolution <i>adopted Dec 7, 1990</i>	Revenue, Loans DSF and DSRF	Loan Fund	Restricted	\$0
		Debt Service Fund	Restricted	
		Debt Service Reserve Fund (DSRF)	Restricted	
		Sr. Sinking Fund	Restricted	
Subordinate Bond Resolution <i>adopted Feb 7, 1996</i>	Second Lien on Revenue and Loans	Debt Service Fund	Restricted	\$0

## Bond Debt Service

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

## Cross-Collateralization

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

## Investments and Reserve Account Information

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

## Appendix II: Federal Capitalization Grant (As of June 30, 2015)

Fiscal Year	Project Funds	Set-Aside Funds	Total Capitalization Grant
1997	\$14,771,658	\$6,636,542	\$21,408,200
1998	\$4,913,697	\$2,207,603	\$7,121,300
1999	\$5,150,022	\$2,313,778	\$7,463,800
2000	\$5,352,330	\$2,404,670	\$7,757,000
2001	\$5,374,479	\$2,414,621	\$7,789,100
2002	\$5,556,225	\$2,496,275	\$8,052,500
2003	\$5,522,829	\$2,481,271	\$8,004,100
2004	\$5,729,139	\$2,573,961	\$8,303,100
2005	\$5,716,995	\$2,568,505	\$8,285,500
2006	\$5,678,217	\$2,551,083	\$8,229,300
2007	\$6,500,910	\$1,728,090	\$8,229,000
2008	\$6,924,100	\$1,221,900	\$8,146,000
2009	\$4,399,080	\$3,746,920	\$8,146,000
2010*	\$9,215,370	\$4,267,630	\$13,483,000
2011	\$6,022,180	\$3,395,820	\$9,418,000
2012	\$6,192,750	\$2,782,250	\$8,975,000
2013	\$5,622,130	\$2,798,870	\$8,421,000
2014	\$6,183,780	\$2,778,220	\$8,962,200
<b>Total</b>	<b>\$114,825,891</b>	<b>\$51,368,009</b>	<b>\$166,193,900</b>
2009 ARRA**	\$17,257,500	\$2,242,500	\$19,500,000
<b>Total</b>	<b>\$132,083,391</b>	<b>\$53,610,509</b>	<b>\$185,693,900</b>

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

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

## Appendix III: State Match for Federal Capitalization Grants

(As of June 30, 2015)

Fiscal Year	Federal Grants Awarded*	Cumulative Federal Grants*		State Match Provided	Cumulative State Match Provided**
1997	\$0	\$0		\$0	\$0
1998	\$6,636,542	\$6,636,542		\$10,398,696	\$10,398,696
1999	\$14,771,658	\$21,408,200		\$0	\$10,398,696
2000	\$14,585,100	\$28,529,500		\$0	\$10,398,696
2001	\$7,757,000	\$35,993,300		\$0	\$10,398,696
2002	\$7,789,100	\$43,750,300		\$0	\$10,398,696
2003	\$8,052,500	\$51,539,400		\$0	\$10,398,696
2004	\$8,004,100	\$67,596,000		\$0	\$10,398,696
2005	\$0	\$67,596,000		\$0	\$10,398,696
2006	\$8,303,100	\$75,899,100		\$5,000,000	\$15,398,696
2007	\$8,285,500	\$84,184,600		\$1,610,500	\$17,009,196
2008	\$8,229,300	\$92,413,900		\$1,600,820	\$18,610,016
2009	\$16,375,000	\$108,788,900		\$1,660,620	\$20,270,636
2010	\$2,199,180	\$110,988,080		\$1,956,020	\$22,226,656
2011	\$19,429,820	\$130,417,900		\$1,827,687	\$24,054,343
2012	\$0	\$130,417,900		\$1,250,398	\$25,304,741
2013	\$18,393,000	\$148,810,900		\$1,169,861	\$26,474,602
2014	\$8,421,000	\$157,231,900		\$7,066,176	\$33,540,778
2015	\$8,962,000	\$166,193,900		\$941,253	\$34,482,031
<b>Totals to 2015</b>		<b>\$166,193,900</b>			<b>\$34,482,031</b>

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

\*\* Cumulative over-match to date totals \$1,225,251

## Appendix IV: Drinking Water SRF Binding Commitments For FY 2015

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
2013-9036	12/3/2014	CT0311021	Kugeman Village †	Generator	\$9,500	\$5,225	\$4,275	2011
2014-7013-1 *	3/18/2015	CT0640011	MDC	Water Main Replacement-Hartford (Linden, Capitol, Broad)	\$633,230	\$587,004	\$46,226	2011
2014-7034	9/19/2014	CT0800011	Meriden Water Department	Broad Brook WTP & Pump Station Rehab (Construction Phase)	\$19,336,522	\$17,924,956	\$1,411,566	2012
2014-7036	11/19/2014	CT1040011	Norwich Public Utilities	Deep River WTP Trans. Main Rehab, Storage Tank and Pumps & Drives (Construction Phase)	\$4,777,805	\$4,051,579	\$726,226	2010
2015-7038	12/19/2014	CT0890011	New Britain Water Department	Elam St. Storage Tank Replacement	\$3,473,428	\$3,195,554	\$277,874	2013
2015-9037	5/19/2015	CT1040091	Sunny Waters Mobile Home Park †	Generator	\$12,791	\$7,035	\$5,756	2013
2015-9038	5/19/2015	CT0720101	Ash Water Company †	Generator	\$12,791	\$7,035	\$5,756	2013
2015-9042	6/29/2015	CT0580031	Lakeview Mobile	Generator	\$8,132	\$4,473	\$3,659	2011
<b>Total funded amount:</b>					<b>\$28,264,199</b>	<b>\$25,782,861</b>	<b>\$2,481,338</b>	

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

\* - Loan 2014-7013-1 was initially executed on 5/24/2013; an amendment for the additional amount show was executed on 3/18/2015

‡ - Loan 2015-9042 replaces loan 2013-9006; no funds were ever drawn on the initial loan. Due to the lapse of time, it was determined a new agreement was necessary.



## Appendix V: Cumulative DWSRF Project Information & Disbursements

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

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

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

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

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

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

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
City of Meriden	2012-7008	Meriden	Broad Brook WTP & Pump Station Improvements (Design)	36,500	\$2,008,997	\$411,844	\$1,597,153	2.00%
Southeastern Water Authority	2012-7009	Ledyard	AMR Radio Frequency Meters	3,017	\$198,816	\$40,757	\$158,059	2.00%
Town of East Lyme-Water & Sewer Commission	2012-7010	East Lyme	Regional Interconnection-East Lyme to New London (design)	15,245	\$381,020	\$20,504	\$360,516	2.00%
Town of Ledyard	2013-7011†	Ledyard	Water Main Extension to Aljen Heights	780	\$4,756,757	\$954,381	\$3,693,000	2.00%
Metropolitan District (Metering III)	2013-7012	Various Towns	RF Automated Meter Reading System & Meter Replacement	72,000	\$4,097,882	\$704,575	\$2,732,375	2.00%
Metropolitan District (Capitol, Broad, & Linden)	2013-7013	Hartford	Water Main Replacement	798	\$2,926,908	\$213,665	\$2,713,243	2.00%
Metropolitan District (Franklin #5)	2013-7014†	Hartford	Water Main Replacement	2,929	\$5,060,911	\$354,984	\$4,507,804	2.00%
Metropolitan District (Franklin #13)	2013-7015†	Hartford	Water Main Replacement	3,169	\$6,079,637	\$330,268	\$4,193,959	2.00%
City of Bristol	2013-7016	Bristol	Improvements to Old Wolcott Road Storage Tank	41,100	\$525,000	\$ -	\$501,000	2.00%
Metropolitan District (Farmington #6)	2013-7017†	Hartford	Water Main Replacement	768	\$2,172,026	\$158,558	\$2,013,468	2.00%
Metropolitan District (Farmington #7.2)	2013-7018†	Hartford	Water Main Replacement	424	\$526,991	\$31,348	\$398,083	2.00%
Metropolitan District (Cleveland Ave & Tower Ave. South)	2013-7019†	Hartford	Water Main Replacement	550	\$1,758,299	\$117,717	\$1,539,774	2.00%
Woodlake Tax District	2013-7020†	Woodbury	Improvements to finished water storage tank & pump station	912	\$369,859	-	\$349,559	2.00%
Metropolitan District (Upper Albany #1)	2013-7021†	Hartford	Water Main Replacement	1,284	\$4,348,771	\$230,873	\$2,931,767	2.00%
Town of East Lyme-Water & Sewer Commission	2013-7022†	East Lyme	Regional Interconnection-East Lyme to New London	15,245	\$9,231,355	\$1,653,973	\$6,526,492	2.00%

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

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
City of Bristol	2013-7023†	Bristol	Demolition of old storage tank and construction of new vault & piping to newer tank	41,100	\$344,155	-	\$50,635	2.00%
City of Norwalk First Taxing District	2013-7024	Norwalk	Replacement of storage tank, pump station, and water main	4,000	\$7,000,000	-	\$7,000,000	2.00%
City of New London	2013-7025†	New London	Installation of new raw water intake pump station	26,273	\$5,970,473	\$234,047	\$2,972,078	2.00%
Metropolitan District (Retreat)	2014-7026†	Hartford	Water Main Replacement	798	\$1,824,572	\$133,194	\$1,691,378	2.00%
City of Norwich (Stony Brook/ Mohegan)	2014-7027†	Norwich	Design of 4 projects: Stony Brook DAF, Mohegan tank	36,067	\$534,831	\$39,043	\$495,788	2.00%
Metropolitan District (Buckingham/Newington)	2014-7029†	Newington/ Glastonbury	Improvements to three pump stations	400,000	\$3,423,829	\$131,355	\$1,668,024	2.00%
Metropolitan District (Reservoir 6)	2014-7030†	Bloomfield	Filter backwash recycle process installation	400,000	\$2,079,525	\$115,068	\$1,461,208	2.00%
Metropolitan District (Wickham Hill)	2014-7031†	East Hartford	Improvements to finished water storage basins	133,000	\$3,952,620	\$247,363	\$3,141,173	2.00%
Metropolitan District (North Storage Basin)	2014-7032†	West Hartford	Site preparation work for new tank construction	400,000	\$3,411,726	\$174,916	\$2,221,195	2.00%
City of Meriden Broad Brook (Construction)	2014-7034+	Meriden	Broad Brook WTP & Pump Station Improvements (Construction)	58,441	\$19,336,522	\$932,941	\$11,847,073	2.00%
City of Norwich Deep River (Construction)	2014-7036+	Norwich	Transmission Main Rehabilitation, Installation of Water Storage Tank, Pumps & Drives Replacement	36,067	\$4,777,805	\$460,129	\$2,567,035	2.00%
City of New Britain	2015-7038+	New Britain	Water Storage Tank Replacement	73,164	\$3,473,428	\$0	\$0	2.00%

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

## EMERGENCY GENERATOR PROJECTS - Cumulative

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
PORTLAND WATER DEPARTMENT	2013-9001	PORTLAND	Emergency Generator	5,010	\$28,644	\$11,710	\$14,313	2%
JEWETT CITY WATER COMPANY - FRONT & REAR BUILDING	2013-9002	GRISWOLD	Emergency Generator	6,840	\$64,496	\$29,023	\$35,473	2%
BLUE TRAILS WATER ASSOCIATION	2013-9003	NORTH BRANFORD	Emergency Generator	228	\$23,976	\$9,627	\$11,766	2%
IDLEVIEW MOBILE HOME PARK	2013-9004	NAUGATUCK	Emergency Generator	138	\$13,871	\$6,066	\$7,507	2%
HARMONY ACRES MOBILE HOME PARK	2013-9005	PROSPECT	Emergency Generator	465	\$34,719	\$14,398	\$17,818	2%
APPLE VALLEY VILLAGE	2013-9007	SOUTHINGTON	Emergency Generator	70	\$10,175	\$4,163	\$5,117	2%
WOODLAKE TAX DISTRICT - PUMP STATION & WELL FIELD	2013-9008	WOODBURY	Emergency Generator	912	\$60,183	\$25,018	\$30,577	2%
SOUTH KENT SCHOOL	2013-9009	KENT	Emergency Generator	194	\$6,085	\$2,738	\$3,347	2%
CTWC - PILGRIM HILLS DIVISION	2013-9010	COVENTRY	Emergency Generator	229	\$20,999	\$8,591	\$10,499	2%
CTWC - GENERAL WATER DIVISION	2013-9011	COVENTRY	Emergency Generator	306	\$20,999	\$8,591	\$10,500	2%
CTWC - WELLSWOOD VILLAGE DIVISION	2013-9012	HEBRON	Emergency Generator	60	\$20,609	\$8,431	\$10,304	2%
CTWC - MILL AT STONECROFT DIVISION	2013-9013	HEBRON	Emergency Generator	127	\$22,609	\$8,431	\$10,304	2%
SCWA- CHRISWOOD DIVISION	2013-9014†	LEDYARD	Emergency Generator	164	\$28,793	\$12,904	\$15,771	2%
CTWC - LEBANON ELDERLY DIVISION	2013-9015	LEBANON	Emergency Generator	67	\$18,964	\$8,534	\$10,430	2%
CTWC - GALLUP WATER - COUNTRY MOBILE DIVISION	2013-9016	GRISWOLD	Emergency Generator	186	\$15,910	\$6,509	\$7,955	2%
CTWC - REDWOOD FARMS DIVISION	2013-9017	MANCHESTER	Emergency Generator	424	\$20,999	\$8,591	\$10,499	2%
CTWC - ROLLING HILLS PUMP STATION & WELL FIELD	2013-9018	MANSFIELD	Emergency Generator	300	\$36,909	\$15,099	\$18,455	2%

## EMERGENCY GENERATOR PROJECTS - Cumulative (cont.)

PWS Name (Applicant)	ID#	Town	Brief Description	Pop. Served by Project	Initial Total Project Funding Amount	Cumulative of Subsidy Disbursed *	Cumulative Amount of Loan Disbursed *	Interest Rate
CTWC - SPICE HILL DIVISION	2013-9019	EAST HAMPTON	Emergency Generator	712	\$24,558	\$10,139	\$12,391	2%
CTWC - PINWOODS LANE DIVISION	2013-9020	MANSFIELD	Emergency Generator	68	\$15,910	\$6,509	\$7,955	2%
CTWC - LONDON PARK DIVISION	2013-9021	HEBRON	Emergency Generator	221	\$15,910	\$6,509	\$7,955	2%
CTWC - RIVERCREST DIVISION	2013-9022	PORTLAND	Emergency Generator	88	\$15,910	\$6,509	\$7,955	2%
SCWA-LANTERN HILL DIVISION	2013-9023†	STONINGTON	Emergency Generator	92	\$21,093	\$9,492	\$11,601	2%
CTWC - FOREST HOMES ASSOCIATION	2013-9024	MARLBOROUGH	Emergency Generator	100	\$16,088	\$6,703	\$8,193	2%
TARIFFVILLE FIRE DISTRICT WATER DEPT.	2013-9025	SIMSBURY	Emergency Generator	1,477	\$38,022	\$15,554	\$19,011	2%
CLC OWNERS CORPORATION	2013-9026	NEW MILFORD	Emergency Generator	736	\$24,750	\$11,138	\$13,613	2%
CANDLEWOOD TRAILS ASSOCIATION	2013-9027	NEW MILFORD	Emergency Generator	312	\$64,968	\$29,236	\$35,732	2%
COUNTRY ACRES MOBILE HOME PARK	2013-9028	KILLINGLY	Emergency Generator	48	\$13,763	\$4,934	\$6,066	2%
WOODLAND SUMMIT WATER ASSOCIATION	2013-9029†	TOLLAND	Emergency Generator	216	\$17,968	\$4,315	\$5,274	2%
BIRCH MOUNTAIN PUMP STATION	2013-9031	MANCHESTER	Emergency Generator	51,066	\$115,000	\$50,157	\$61,303	2%
UPPER GLASTONBURY PUMP STATION	2013-9032	MANCHESTER	Emergency Generator	51,066	\$40,000	\$16,900	\$20,655	2%
HAWTHORNE TERRACE ASSOCIATION	2013-9033	DANBURY	Emergency Generator	156	\$18,000	\$8,100	\$9,900	2%
QUIONNIPAUG HILLS - UPPER & LOWER SYSTEM	2013-9034	GUILFORD	Emergency Generator	564	\$43,849	\$19,444	\$24,072	2%
SHARON RIDGE APARTMENTS	2013-9035	SHARON	Emergency Generator	62	\$20,998	\$9,449	\$11,549	2%
CORNWALL HOUSING CORPORATION (KUGEMAN VILLAGE)	2013-9036	CORNWALL	Emergency Generator	54	\$9,500	\$0	\$0	2%
SUNNY WATERS MOBILE HOME PARK	2015-9037	NORWICH	Emergency Generator	306	\$12,791	\$0	\$0	2%
ASH WATER COMPANY, LLC	2015-9038	LEDYARD	Emergency Generator	108	\$12,791	\$0	\$0	2%
LAKEVIEW MOBILE HOME PARK	2015-9042	GRISWOLD	Emergency Generator	99	\$8,132	\$0	\$0	2%

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

## Appendix VI: Drinking Water Project Loan Obligations – FY 2015

Base Program						
Closing Date	Entity	Project Number	PLO Amount	Subsidy Amount Disbursed	Interest Paid	Capitalized Interest
7/15/2014	MDC	2013-7012	\$ 2,780,620.25	\$ 704,574.82	\$ 2,317.18	\$ 48,244.87
9/30/2014	MDC	2013-7018	398,082.52	31,348.46	6,766.64	-
11/30/2014	Woodlake Taxing District	2013-7020	349,559.24	-	-	1,532.47
12/29/2014	East Lyme	2013-7022	6,526,491.91	1,653,973.24	-	112,302.89
2/27/2015	Ledyard	2013-7011-1	3,781,621.85	954,380.91	42,564.71	80,486.16
3/31/2015	MDC	2014-7026	1,691,378.66	133,193.79	24,934.10	-
6/1/2015	MDC	2013-7013-1	2,713,242.61	213,664.89	58,382.56	-
6/30/2015	MDC	2013-7017	2,013,468.10	158,557.90	34,001.60	-
6/30/2015	MDC	2013-7019	1,539,773.92	115,011.97	-	44,927.90
6/30/2015	Norwich	2014-7027	505,761.73	39,042.64	-	9,973.67
6/30/2015	First Taxing District-Norwalk	2013-7024	7,000,000.00	-	151,663.25	-
<b>Grand Total</b>			<b>\$ 29,300,000.79</b>	<b>\$ 4,003,748.62</b>	<b>\$ 320,630.04</b>	<b>\$ 297,467.96</b>

Emergency Generator Program						
Closing Date	Entity	Project Number	PLO Amount	Subsidy Amount Disbursed	Interest Paid	Capitalized Interest
9/30/2014	Southeastern CT Water Authority	2013-9023	\$ 11,601.15	\$ 9,491.85	\$ 7.73	\$ -
9/30/2014	Southeastern CT Water Authority	2013-9014	15,771.25	12,903.75	10.51	-
1/31/2015	Quonnapaug Hills	2013-9034	24,071.84	19,444.46	-	306.38
2/28/2015	Woodland Summit	2013-9029	6,556.34	\$5,227.88	-	156.78
<b>Grand Total</b>			<b>\$ 58,000.58</b>	<b>\$ 47,067.94</b>	<b>\$ 18.24</b>	<b>\$ 463.16</b>



## Appendix VII: Cumulative Outstanding & Pending Loan Commitments

Project Name	Total Drawn IFO/PLO (as of 6/30/15)	Undrawn IFO Loan Commitments	Est. Additional Loan Commitments (thru 6/30/16)	Total Loan Commitments*
Bethel	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Bristol	516,236	293,520	535,000	1,344,756
Candlewood Trails Assoc.	530,660	-		530,660
Colchester	1,732,928	-		1,732,928
Cook Willow	291,422	-		291,422
Crystal Lake	138,379	-		138,379
East Lyme	6,850,667	-		6,850,667
First Taxing District of Norwalk	7,000,000	-		7,000,000
Groton – City of	-	-	42,000,000	42,000,000
Harmony Acres	15,505	-		15,505
Harrybrooke Park Condo	69,473	-		69,473
Hillside Water Corp	69,556	-		69,556
Idleview Park	6,533	-		6,533
Jewett City	30,868	-		30,868
Ledyard	5,562,012	-		5,562,012
Manchester	77,216	-	1,300,000	1,377,216
MDC	35,935,316	6,157,107	25,000,000	67,092,423
Meriden	13,264,396	6,077,883	1,725,000	21,067,278
New Britain	14,069,125	-		14,069,125
New London	2,972,078	2,562,550		5,534,628
Newtown	329,337	-		329,337
Norwich	4,750,259	1,484,544	6,500,000	12,734,802
Point- o-Woods	652,376	-		652,376
Portland	2,165,139	-		2,165,139
Putnam Water Pollution Control	833,335	-	10,600,000	11,433,335
Quonnipaug Hills	22,157	-		22,157
Ridgefield	414,613	--		414,613
Second Taxing District- City of Norwalk	17,495,570	-		17,495,570
Southeastern CT Water Authority	166,067	-		166,067
South Central -Regional Water Authority	-	-	8,400,000	8,400,000
Sharon	749,377	-		749,377
Southington	3,458,227	-	7,280,000	10,738,227
Twin Hills	52,776	-		52,776
Watertown Fire District	274,473	-		274,473
Woodlake Taxing District	823,446	-		823,446
Woodland Summit Comm. Water	5,847	-		5,847
Generator Program	-	-	800,000	800,000
<b>TOTAL*:</b>	<b>\$ 121,325,370</b>	<b>\$ 16,575,604</b>	<b>\$ 106,140,000</b>	<b>\$ 244,040,974</b>

\* Totals may not add due to rounding

## Appendix VIII: Set-Aside Funding by Year & Category

### Set-Asides Management

<i>As of 6/30/2015</i>	Administration	State Management	Small Systems Technical Assistance	Local Assistance	Total
<b>Set-Aside Maximum Percentage:</b>	4%	10%	2%	15%	
<b>1997-2008 Awarded</b>	\$ 4,025,716	\$ 9,241,390	\$ 2,012,858	\$ 16,318,335	\$ 31,598,299
Drawn thru 6/30/15	4,025,716	9,241,390	2,012,858	16,318,335	31,598,299
<b>Balance</b>	-	-	-	-	-
<b>2009 Award</b>	561,680	1,637,500	325,840	1,221,900	3,746,920
Drawn thru 6/30/15	561,680	1,637,500	352,840	1,221,900	3,746,920
<b>Balance</b>	-	-	-	-	-
<b>2009 Award-ARRA</b>	780,000	1,170,000	292,500	-	2,242,500
Drawn thru 6/30/15	780,000	1,170,000	292,500	-	2,242,500
<b>Balance</b>	-	-	-	-	-
<b>2010 Award</b>	452,920	1,507,300	271,460	2,035,950	4,267,630
Drawn thru 6/30/15	452,920	1,507,300	271,460	2,035,950	4,267,630
<b>Balance</b>	-	-	-	-	-
<b>2011 Award</b>	376,720	1,606,400	0.0	1,412,700	3,395,820
Drawn thru 6/30/15	376,720	1,606,400	0.0	1,412,700	3,395,820
<b>Balance</b>	-	-	-	-	-
<b>2012 Award</b>	359,000	897,500	179,500	1,346,250	2,782,250
Drawn thru 6/30/15	359,000	897,500	179,500	673,603	2,109,603
<b>Balance</b>	-	-	-	672,647	672,647
<b>2013 Award</b>	336,840	842,100	356,780	1,263,150	2,798,870
Drawn thru 6/30/15	336,840	815,191	240,743	162,205	1,954,979
<b>Balance</b>	-	26,909	116,037	1,100,945	1,243,891
<b>2014 Award</b>	358,480	896,200	179,240	1,344,300	2,778,220
Drawn thru 6/30/15	21,098	-	-	-	21,098
<b>Balance</b>	337,382	896,200	179,240	1,344,300	2,757,122
<b>TOTAL Awarded:</b>	\$7,251,356	\$17,898,390	\$3,618,178	\$24,942,585	\$53,610,509
<b>Drawn thru 6/30/15:</b>	\$6,913,974	\$16,875,281	\$3,322,901	\$21,824,693	\$48,936,849
<b>TOTAL Balance:</b>	\$ 337,382	\$ 923,109	\$ 295,277	\$ 3,117,892	\$ 4,673,60

## Appendix IX: Bypassed Project List - FY 2015

### Projects from FY 2014 Project Priority List bypassed during SFY 2015 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount Requested	Reason for not Funding	Action
44	10	CT1420041	Woodland Summit Community Assn.	Tolland	DWSRF - Filter Replacement	\$25,000	Project not ready to proceed & applicant not responsive; withdrawn by DPH	Withdrawn
18	25	CT0640011	Metropolitan District Commission	Hartford	Raw water line reservoir 6 to 5	\$5,000,000	Project not ready to proceed; PWS is re-evaluating project plan; resubmitted for next funding cycle	Bypass
34	25	CT0640011	Metropolitan District Commission	Hartford	water main - Bond St (formerly Franklin #1)	\$3,904,000	Project not ready to proceed; project under redesign to remove sewer work; resubmitted for next funding cycle	Bypass
36	25	CT0640011	Metropolitan District Commission	Hartford	water main - Buckingham (formerly Park 1&3)	\$6,103,400	Project not ready to proceed; project under redesign to remove sewer work; resubmitted for next funding cycle	Bypass
37	25	CT0640011	Metropolitan District Commission	Hartford	water main - East Hartford (Simmons Rd)	\$430,196	Project not ready to proceed; resubmitted for next funding cycle	Bypass
32	35	CT0640011	Metropolitan District Commission	Hartford	Emergency Power Generator Program - Nepaug Dam, Collinsville	\$180,000	Project not ready to proceed	Withdrawn
49	15	CT0180161	Whisconier Village	Brookfield	Emergency Power Generator Program	\$50,000	Project withdrawn by applicant	Withdrawn
56	15	CT0030051	Woodlawn Apartments	Ashford	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn
59	15	CT0990031	Northford Glen Condominium	North Branford	Emergency Power Generator Program	\$22,000	Project withdrawn by applicant	Withdrawn
60	15	CT0320171	Coventry Housing Authority - Lower System	Coventry	Emergency Power Generator Program	\$23,000	Project withdrawn by applicant	Withdrawn
62	15	CT0780131	Woods Edge Apartments	Mansfield	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn
67	15	CT0030061	Mar-Lea Park Apartments	Ashford	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn
69	15	CT0670041	Hebron Arms Apartments	Hebron	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn

## Appendix IX: Bypassed Project List - FY 2015 (cont.)

### Projects from FY 2014 Project Priority List bypassed during SFY 2015 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount Requested	Reason for not Funding	Action
70	15	CT0731021	Round Hill Apartments	Lisbon	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn
74	15	CT0480081	Meadow Brook Apartments	Ellington	Emergency Power Generator Program	\$12,000	Project withdrawn by applicant	Withdrawn
51	15	CT0671021	Wellswood Estates	Hebron	Emergency Power Generator Program	\$20,000	Project withdrawn by applicant	Withdrawn

### Projects from FY 2015 Project Priority List bypassed during SFY 2015 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount Requested	Reason for not Funding	Action
5	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Hartford	\$8,022,164	Portion of project not ready to proceed; delayed due to other City of Hartford projects; expect rollover (remaining amt. of funds after other segments receiving funding)	Bypass
6	25	CT0640011	Metropolitan District Commission	Hartford	water main - East Hartford (Simmons Rd)	\$19,804	Project not ready to proceed; resubmitted for next funding cycle	Bypass
9	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Hartford (Church I)	\$5,000,000	Project not ready to proceed; delayed due to other City of Hartford projects; resubmitted for next funding cycle	Bypass
11	20	CT0930011	Regional Water Authority	New Haven	DWSRF - Lake Whitney WTP Filter to Waste piping	\$199,050	Project withdrawn by applicant	Withdrawn
12	20	CT0640011	Metropolitan District Commission	Hartford	Simsbury Rd. pump station, Bloomfield	\$1,035,000	Project not ready to proceed; resubmitted for next funding cycle	Bypass
13	20	CT0640011	Metropolitan District Commission	Hartford	Uplands Way. pump station, Glastonbury	\$1,035,000	Project not ready to proceed; resubmitted for next funding cycle	Bypass
14	15	CT0770021	Manchester Water Department	Manchester	DWSRF - Lookout Mountain Storage Tank Painting	\$75,000	Project withdrawn by applicant	Withdrawn
10	20	CT0930011	Regional Water Authority	New Haven	DWSRF - Lake Gaillard WTP Finished Water Reservoir Overflow Modifications	\$840,000	Project withdrawn by applicant	Withdrawn

## Appendix IX: Bypassed Project List- FY 2015 (cont.)

### Projects from FY 2015 Project Priority List bypassed during SFY 2015 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount Requested	Reason for not Funding	Action
17	15	CT0640011	Metropolitan District Commission	Hartford	DWSRF - Water Main Replacement - West Hartford	\$2,500,000	Portion of requested funds not expected to be used (Segments of initial project did not proceed; other segments on Carryover list)	Bypass
18	15	CT0640011	Metropolitan District Commission	Hartford	DWSRF - Water Main Replacement - Bloomfield	\$674,675	Portion of requested funds not expected to be used; Some segments proceeding are on carryover list	Bypass
19	15	CT0640011	Metropolitan District Commission	Hartford	DWSRF - Water Main Replacement - Wethersfield	\$2,516,021	Portion of requested funds not expected to be used (Segments of initial project did not proceed; other segments on Carryover list)	Bypass
20	15	CT0640011	Metropolitan District Commission	Hartford	DWSRF - Water Main Replacement - Rocky Hill	\$6,000,000	Project did not proceed	Bypass
21	10	CT0770021	Manchester Water Department	Manchester	Oxford St. Valve Pit Rehab	\$24,000	Project did not proceed	Bypass
21	5	CT0770021	Manchester Water Department	Manchester	Wells 7 & 8 Power and Signal Wire Replacement	\$70,000	Project did not proceed	Bypass
21	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Franklin #4	\$8,245,000	Project did not proceed	Bypass
21	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Upper Albany #2	\$2,091,000	Project did not proceed	Bypass
8	25	CT0640011	Metropolitan District Commission	Hartford	Water Main Replacement - Farmington #4	\$1,550,000	Project not ready to proceed; withdrawn by DPH	Withdrawn
9	25	CT0320091	Connecticut Water Company - Coventry Hills	Coventry	Emergency Power Generator Program	\$32,500	Project withdrawn by applicant	Withdrawn
11	25	CT0930011	Regional Water Authority	New Haven	Pond Lily Avenue Water Main Replacement	\$170,000	Project withdrawn by applicant	Withdrawn
12	25	CT0930011	Regional Water Authority	New Haven	Allen Place Water Main Replacement	\$152,000	Project withdrawn by applicant	Withdrawn

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

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount Requested	Reason for not Funding	Action
-	-	CT1040011	Norwich Public Utilities	Norwich	Stony Brook Filter backwash	\$2,087,565	Project not ready to proceed	withdrawn

## Appendix X: Additional Subsidy

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 disbursed as of June 2015	Subsidy amount not yet disbursed as of June 2015	Expected date of full subsidy disbursement
2011-7005	City of Norwich	Deep River Res. Pumps & Drives Upgrade, New 0.5 MG Tank (design)	8/9/2011	\$201,126	\$40,841	\$40,841	\$ -	disbursements complete
2011-7006	City of Norwich	Deep River WTP Transmission Main Repl., Meter (design)	8/9/2011	\$185,938	\$37,948	\$37,948	\$ -	disbursements complete
2012-7007	Candlewood Trails Association	Water System Improvements	4/11/2012	\$656,821	\$132,355	\$132,355	\$ -	disbursements complete
2012-7008	City of Meriden	Broad Brook WTP Rehabilitation (design)	4/10/2012	\$2,008,997	\$411,844	\$411,844	\$ -	disbursements complete
2012-7009	Southeastern Connecticut Water Authority	Purchase of Radio Frequency meters	5/29/2012	\$198,816	\$40,757	\$40,757	\$ -	disbursements complete
2012-7010	Town of East Lyme	Regional Interconnection (design)	7/5/2012	\$381,020	\$20,504	\$20,504	\$ -	disbursements complete
2013-7011-1	Town of Ledyard	Water Main Ext. to Aljen Heights	11/30/2012 (amended 6/19/2014)	\$4,736,003	\$954,381	\$954,381	\$ -	disbursements complete
2013-7012	Metropolitan District Commission *	Radio Frequency Meters - Phase III	1/8/2013	\$3,485,495	\$704,575	\$704,575	\$ -	disbursements complete
2013-7022	Town of East Lyme †	Regional Interconnection (construction)	6/18/2013	\$8,180,465	\$1,653,973	\$1,653,973	\$ -	disbursements complete
2014-7036	City of Norwich	Deep River Res. Pumps & Drives Upgrade, New 0.5 MG Tank and Transmission Main (construction)	11/19/2014	\$4,777,805	\$726,226	\$460,129	\$266,097	5/31/2016
<b>Total Amounts as of June 30, 2015 for FFY 2010:</b>				<b>\$ 24,812,486</b>	<b>\$4,723,405</b>	<b>\$ 4,457,308</b>	<b>\$ 266,097</b>	

## Appendix X: Additional Subsidy (cont.)

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 disbursed as of June 2015	Subsidy amount not yet disbursed as of June 2015	Expected date of full subsidy disbursement
2013-7013	Metropolitan District Commission (Capitol/Broad/Linden)	Water main replacement	5/24/2013	\$2,926,908	\$213,665	\$213,665	\$ -	disbursements complete
2013-7014	Metropolitan District Commission (Franklin 5)	Water main replacement	6/17/2013	\$5,060,911	\$369,447	\$355,360	\$14,087	8/31/2015
2013-7015	Metropolitan District Commission (Franklin 13)	Water main replacement	6/21/2013	\$6,079,637	\$443,814	\$330,269	\$113,545	5/31/2016
2013-7017	Metropolitan District Commission (Farmington 6)	Water main replacement	6/17/2013	\$2,172,026	\$158,558	\$158,558	\$ -	disbursements complete
2013-7018	Metropolitan District Commission (Farmington 7.2)	Water main replacement	9/18/2013	\$429,431	\$31,348	\$31,348	\$ -	disbursements complete
2013-7019	Metropolitan District Commission (Tower South)	Water main replacement	3/6/2013	\$1,494,846	\$117,717	\$117,717	\$ -	disbursements complete
2013-7021	Metropolitan District Commission (Upper Albany #1)	Water main replacement	9/18/2013	\$4,348,771	\$317,460	\$230,873	\$86,587	4/30/2016
2013-9001	Town of Portland	Generator	11/1/2013	\$26,023	\$11,710	\$11,710	\$ -	disbursements complete
2013-9002	Jewett City Water Company	Generator	10/1/2013	\$64,496	\$29,023	\$29,023	\$ -	disbursements complete
2013-9003	Blue Trails Water Association	Generator	4/18/2013	\$21,393	\$9,627	\$9,627	\$ -	disbursements complete
2013-9004	Mobilehome Parks, Inc.	Generator	1/5/2013	\$13,574	\$6,066	\$6,066	\$ -	disbursements complete
2013-9005	Mobilehome Parks, Inc.	Generator	1/5/2013	\$32,216	\$14,398	\$14,398	\$ -	disbursements complete
2013-9007	Apple Valley Village	Generator	8/15/2013	\$9,280	\$4,163	\$4,163	\$ -	disbursements complete
2013-9008	Woodlake Tax District	Generator	10/1/2013	\$55,595	\$25,018	\$25,018	\$ -	disbursements complete

## Appendix X: Additional Subsidy (cont.)

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount disbursed as of June 2015	Subsidy amount not yet disbursed as of June 2015	Expected date of full subsidy disbursement
2013-9009	South Kent School	Generator	12/3/2013	\$6,085	\$2,738	\$2,738	\$ -	disbursements complete
2013-9010	Connecticut Water Company	Generator	2/22/2013	\$19,090	\$8,591	\$8,591	\$ -	disbursements complete
2013-9011	Connecticut Water Company	Generator	2/22/2013	\$19,091	\$8,591	\$8,591	\$ -	disbursements complete
2013-9012	Connecticut Water Company	Generator	2/22/2013	\$18,735	\$8,431	\$8,431	\$ -	disbursements complete
2013-9013	Connecticut Water Company	Generator	2/22/2013	\$18,735	\$8,431	\$8,431	\$ -	disbursements complete
2013-9014	Southeastern Connecticut Water Authority	Generator	1/10/2013	\$28,675	\$12,904	\$12,904	\$ -	disbursements complete
2013-9015	Connecticut Water Company	Generator	2/22/2013	\$18,964	\$8,534	\$8,534	\$ -	disbursements complete
2013-9016	Connecticut Water Company	Generator	2/22/2013	\$14,464	\$6,509	\$6,509	\$ -	disbursements complete
2013-9017	Connecticut Water Company	Generator	2/22/2013	\$19,090	\$8,591	\$8,591	\$ -	disbursements complete
2013-9018	Connecticut Water Company	Generator	2/22/2013	\$33,554	\$15,099	\$15,099	\$ -	disbursements complete
2013-9019	Connecticut Water Company	Generator	2/22/2013	\$22,530	\$10,139	\$10,139	\$ -	disbursements complete
2013-9020	Connecticut Water Company	Generator	2/22/2013	\$14,464	\$6,509	\$6,509	\$ -	disbursements complete
2013-9021	Connecticut Water Company	Generator	2/22/2013	\$14,464	\$6,509	\$6,509	\$ -	disbursements complete
2013-9022	Connecticut Water Company	Generator	2/22/2013	\$14,464	\$6,509	\$6,509	\$ -	disbursements complete
2013-9023	Southeastern Connecticut Water Authority	Generator	1/10/2013	\$21,093	\$9,492	\$9,492	\$ -	disbursements complete
2013-9024	Connecticut Water Company	Generator	2/22/2013	\$14,896	\$6,703	\$6,703	\$ -	disbursements complete
2013-9025	Tariffville Fire District Water Department	Generator	1/18/2013	\$34,565	\$15,554	\$15,554	\$ -	disbursements complete
2013-9026	CLC Owners Corp	Generator	12/27/2012	\$24,750	\$11,138	\$11,138	\$ -	disbursements complete
2013-9027	Candlewood Trails Association	Generator	10/1/2013	\$64,968	\$29,236	\$29,236	\$ -	disbursements complete
2013-9028	Country Acres MHP	Generator	2/5/2013	\$11,000	\$4,934	\$4,934	\$ -	disbursements complete
2013-9029	Woodland Summit Community Water Association	Generator	2/5/2013	\$11,784	\$5,228	\$5,228	\$ -	disbursements complete
2013-9031	Town of Manchester (Birch Mtn)	Generator	10/7/2013	\$111,461	\$50,157	\$50,157	\$ -	disbursements complete



## Appendix X: Additional Subsidy (cont.)

Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount disbursed as of June 2015	Subsidy amount not yet disbursed as of June 2015	Expected date of full subsidy disbursement
2013-9032	Town of Manchester (Glastonbury PS)	Generator	10/7/2013	\$37,555	\$16,900	\$16,900	\$ -	disbursements complete
2013-9033	City of Danbury (Hawthorne Terrace)	Generator	6/27/2013	\$18,000	\$8,100	\$8,100	\$ -	disbursements complete
2013-9034	Quonnipaug Hills Management Corporation	Generator	6/27/2013	\$43,210	\$19,444	\$19,444	\$ -	disbursements complete
2013-9035	Sharon Housing Authority	Generator	10/30/2013	\$20,998	\$9,449	\$9,449	\$ -	disbursements complete
2013-9036	Cornwall Housing Corp (Kugeman Village)	Generator	12/3/2014	\$9,500	\$4,275	\$0	\$4,275	9/30/2015
2014-7026	Metropolitan District Commission	Water main replacement - Retreat	3/12/2014	\$1,824,572	\$133,194	\$133,194	\$ -	disbursements complete
2014-7027	City of Norwich (4 design projects)	Design for: Stony Brook DAF; Mohegan Park Tank; Stony Brook Trans. Main	1/13/2014	\$544,804	\$39,043	\$39,043	\$ -	disbursements complete
2014-7029	Metropolitan District Commission	Pump Station rehabilitations	2/1/2014	\$3,423,839	\$249,940	\$131,355	\$118,585	3/31/2016
2014-7030	Metropolitan District Commission	Reservoir #6 Phase II improvements	3/12/2014	\$2,079,525	\$151,805	\$115,068	\$36,737	1/31/2016
2014-7031	Metropolitan District Commission	Wickham Hill storage basins rehabilitations	3/13/2014	\$3,952,620	\$288,541	\$247,363	\$41,178	5/31/2016
2015-9042	Lakeview Mobile Home Park	Generator	6/29/2015	\$8,132	\$3,659	\$0	\$3,659	8/31/2015

**Total Amounts as of June 30, 2015 for FFY 2011:    \$ 35,254,784    \$ 2,926,888    \$ 2,508,234    \$ 418,654**

**Additional subsidy to be committed**

TBD	Metropolitan District Commission	WHWTP Valve replacement & Pitkin St. water main replacement	TBD	\$ 1,619,547	\$ 118,227	\$ -	\$ 118,227	12/31/2015
Additional subsidy to be committed					\$ 118,227	\$ -	\$ 118,227	

**Total expected subsidy for FFY 2011:    \$ 3,045,115    \$ 2,508,234    \$ 536,881**

## Appendix X: Additional Subsidy (cont.)

### 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 disbursed as of June 2015	Subsidy amount not yet disbursed as of June 2015	Expected date of full subsidy disbursement
2014-7025	City of New London	Lake Konomoc intake	3/13/2014	\$5,970,473	\$435,845	\$234,047	\$201,798	7/31/2016
2014-7032	Metropolitan District Commission	North Storage Basin - site work	5/2/2014	\$3,411,776	\$249,060	\$174,916	\$74,144	12/31/2016
2014-7034	City of Meriden	Broad Brook WTP & pump station rehab (construction phase)	9/19/2014	\$19,336,522	\$1,411,566	\$932,941	\$478,625	5/31/2016
<b>Total amounts as of June 30, 2015 for FFY 2012:</b>				<b>\$28,718,771</b>	<b>\$2,096,471</b>	<b>\$1,341,904</b>	<b>\$754,567</b>	

#### Additional subsidy to be committed

TBD	Town of Putnam (est. amounts)	Water Main Replacement & Rehab	TBD	\$10,600,000	\$187,864	\$ -	\$187,864	TBD
TBD	Metropolitan District Commission	North Storage Basin - Tank Construction	TBD	\$2,781,872	\$203,077	\$ -	\$203,077	12/31/2016
Additional subsidy to be committed					\$390,941	\$ -	\$390,941	

Totals expected for FFY 2012:

<b>\$2,487,412</b>	<b>\$ 1,341,904</b>	<b>\$ 1,145,508</b>
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### 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 2015	Subsidy amount not yet dispersed as of June 2015	Expected date of full subsidy disbursement
2015-7038	New Britain	Elam Storage Tank	12/30/2014	\$ 3,473,428	\$ 277,874	\$ -	\$ 277,874	10/31/2016
2014-9037	Sunny Waters Mobile Home Park	Generator	5/19/2015	\$ 12,791	\$ 5,756	\$ -	\$ 5,756	7/31/2015
2014-9038	Ash Water Company	Generator	5/19/2015	\$ 12,791	\$ 5,756	\$ -	\$ 5,756	7/31/2015
<b>Total amounts as of June 30, 2015 for FFY 2013:</b>				<b>\$ 3,499,010</b>	<b>\$ 289,386</b>	<b>\$ -</b>	<b>\$ 289,386</b>	

#### Additional subsidy to be committed

(up to)

multiple	Multiple - TBD	Multiple	TBD	TBD	\$ 1,815,864	\$ -	\$ 1,815,864	TBD
Totals expected for FFY 2013:					<b>\$ 2,105,250</b>	<b>\$ -</b>	<b>\$ 2,105,250</b>	

## Appendix XI: Green Bond Reporting

### 2015 Series A - State Revolving Fund Bonds- \$283.6M

Recipient	Program	Project #	Project Description	Disbursements
Berlin	Clean Water	212-CSL	Inflow and infiltration rehabilitation	\$ 126,911.20
Bolton Lakes Regional Water Authority	Clean Water	132-C	Install sanitary sewer system	992,768.20
Bridgeport	Clean Water	213-CSL	Pump station rehabilitation	987,526.96
Bridgeport	Clean Water	621-C1	Combined sewer elimination	256,522.27
Bridgeport	Clean Water	628-C	Combined sewer elimination	985,287.48
Bridgeport	Clean Water	658-C	Water pollution control facility upgrade/generator	159,865.48
Bristol	Drinking Water	2013-7016	Upgrade above-ground water storage tank	299,385.06
Bristol	Drinking Water	2013-7023	New equipment and site improvements at the water storage tank site	50,635.00
Bristol	Clean Water	622-CSL	Inflow and infiltration rehabilitation	600,242.20
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	Water pollution control facility upgrade, phosphorus reduction	10,730,206.29
East Lyme	Drinking Water	2013-7022	Installation of a storage tank, two booster pumping stations, and a transmission main	2,881,954.71
Greater New Haven WPCA	Clean Water	441-C	Water pollution control facility upgrade, nitrogen reduction	12,266,154.67
Greater New Haven WPCA	Clean Water	676-C	Inflow and infiltration rehabilitation	998,203.19
Ledyard	Drinking Water	2013-7011	New water main and pump station.	841,069.57
Manchester	Clean Water	288-C	Water treatment plant upgrade, nutrient removal	1,971,776.35
Marlborough	Clean Water	663-C	Install sanitary sewer system	613,582.81
Mattabassett District	Clean Water	567-C	Water treatment facility upgrade	9,952,848.81
Meriden	Drinking Water	2014-7034	Improvements to raw water treatment and energy infrastructure	10,054,673.20
Metropolitan District Commission (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	Water pollution control facility upgrade	9,696,710.33
MDC	Clean Water	652-D	Water pollution control facility upgrade	20,088,074.81
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	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	1,871,767.68

**Appendix XI: Green Bond Reporting (cont.)**  
**2015 Series A - State Revolving Fund Bonds- \$283.6M**

<b>Recipient</b>	<b>Program</b>	<b>Project #</b>	<b>Project Description</b>	<b>Disbursements</b>
MDC	Drinking Water	2013-7015	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	4,048,959.04
MDC	Drinking Water	2013-7017	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	1,950,990.75
MDC	Drinking Water	2013-7018	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	398,082.52
MDC	Drinking Water	2013-7019	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	391,758.82
MDC	Drinking Water	2013-7021	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	2,758,770.69
MDC	Drinking Water	2014-7026	Replacement of a portion of water main in conjunction with upgrades to sanitary sewer systems.	326,721.14
MDC	Drinking Water	2014-7029	Upgrades to pump stations, including replacing pumps, electrical, mechanical, and instrumentation and controls equipment	1,668,024.07
MDC	Drinking Water	2014-7030	Process, safety and building improvements to the Water Treatment Facility	1,461,208.12
MDC	Drinking Water	2014-7031	Building renovations, equipment replacements and the installation of a solar-powered mixing system at the water storage facility	3,141,172.72
MDC	Drinking Water	2014-7032	Upgrade water storage basin at the West Hartford Water Treatment Facility.	2,221,194.86
Middletown	Clean Water	487-DC	Pump station and force main installation	4,822,822.65
Montville	Clean Water	662-DC	Water pollution control facility upgrade/generator	34,699.86
New London	Drinking Water	2013-7025	Install a raw water intake pump station adjacent to the existing water treatment plant.	2,972,078.10
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	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
Norwich	Drinking Water	2014-7036	Installation of water storage tank and four centrifugal pumps as well as the rehabilitation of existing transmission mains	2,567,035.23
Old Saybrook	Clean Water	116-C	Decentralized wastewater management system	622,929.87
Old Saybrook	Clean Water	673-C	Decentralized wastewater management system	241,889.10
Plymouth	Clean Water	458-C	Water pollution control facility upgrade	907,950.18
West Haven	Clean Water	549-CD1	Water pollution control facility upgrade	245,042.14
Woodlake Tax District	Drinking Water	2013-7020	Renovate atmospheric storage tank and booster pumping station including electrical upgrades	348,026.77
<b>Total Disbursed as of 6/30/2015</b>				<b>\$ 127,473,646.72</b>
<b>2015 Series A State Revolving Fund Bond Proceeds Remaining</b>				<b>\$ 156,142,281.68</b>

## Appendix XII: Application Process

To qualify for funding, the project must be eligible and listed on the DPH's Project Priority List. The proposed project must address the needs cited by the DPH and comply with regulatory and statutory requirements for the project. All project costs requested in the application must be eligible for funding in accordance with state and federal regulations. Once a project is placed on the PPL, the potential loan recipient formally applies for financial assistance for the specific project. The application must pass four levels of approval:

- **Administrative Review (DPH):** Applicants must submit documentation that they have the authority and approvals to undertake the project.
- **Technical Review (DPH):** Applicants applying for DWSRF loans for professional services are required to follow the Qualifications Based Selection, or QBS, process. QBS is an objective and fair process used to select architects, engineers, and land surveyors based on the design professional's qualifications in relation to the project. Selecting design professionals is one of the keys to a successful project. The design will determine, among other things, the cost of the project.

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

- **Environmental Review (DPH):** Based on information received from the borrowers, the DPH prepares an environmental assessment of all activities to be undertaken in order to ensure that the project is consistent with the State Plan of Conservation & Development and the required environmental crosscutter programs. DPH determines whether a project is not expected to have any environmental impact or if a Scoping Notice must be prepared. If a Scoping Notice is necessary, it is posted in the Council on Environmental Quality's Environmental Monitor. This notice is available for public and state agency review and comment, including OPM and all crosscutters. A final assessment, incorporating all appropriate comments, is then completed. Applicants are provided with all comments received and must address any concerns or requirements identified by OPM or the crosscutters.
- **Credit Review (OTT):** The applicant must be creditworthy, and the DWSRF underwriting standards must be met. The Office of the State Treasurer reviews the financial information submitted with each application. The loan agreements are written to permit eventual financing through a revenue bonding program.

At each level of approval, modifications can be made to address any concerns. Once all approvals are in place, a Project Loan Agreement is forwarded and signed first by the borrower, and then by the DPH Commissioner. The State Attorney General also reviews and signs the documents. Effective May 18, 2015, the Office of the Attorney General, with the intent of improving the speed and efficiency of contracting procedures, will no longer need to review contracts for less than \$25,000 as long as the contract met certain requirements. DWSRF loan agreements valued under \$25,000 meet that requirement and will no longer need to be reviewed by the Office of the Attorney General. Once the loan agreement is signed by all parties, it is considered executed. An Interim Funding Obligation (IFO) closing is then scheduled with the Office of the State Treasurer.

## Appendix XIII: Financial Assistance by Bond Rating

Borrower	Total Loan Commitment	AAA	A and AA	B to BBB	Not Rated
<b>PUBLIC</b>					
Bethel	\$ 2,000,000	\$ 2,000,000	-	-	-
Bristol	1,344,756	-	1,344,756	-	-
Colchester	1,732,928	-	1,732,928	-	-
East Lyme	6,850,667	-	6,850,667	-	-
First Taxing District-City of Norwalk	7,000,000	-	-	-	7,000,000
Groton- City of	42,000,000	-	42,000,000	-	-
Ledyard	5,562,012	-	5,562,012	-	-
Manchester	1,377,216	-	1,377,216	-	-
MDC	67,092,423	-	67,092,423	-	-
Meriden	21,067,278	-	21,067,278	-	-
New Britain	14,069,125	-	-	14,069,125	-
New London	5,534,628	-	5,534,628	-	-
Newtown	329,337	-	329,337	-	-
Norwich	12,734,802	-	12,734,802	-	-
Portland	2,165,139	-	2,165,139	-	-
Putnam Water Pollution Control	11,433,335	-	-	-	11,433,335
Ridgefield	414,613	414,613	-	-	-
Second Taxing District- City of Norwalk	17,495,570	-	17,495,570	-	-
Sharon	749,377	-	749,377	-	-
Southington	166,067	-	166,067	-	-
South Central CT Regional Water	8,400,000	-	8,400,000	-	-
Southeastern CT Water Authority	10,738,227	-	10,738,227	-	-
Watertown Fire District	274,473	-	-	-	274,473
Woodlake Taxing District	<u>823,446</u>	=	=	=	<u>823,446</u>
<b>Subtotal:</b>	<b>\$ 241,355,420</b>	<b>\$ 2,414,613</b>	<b>\$ 205,340,428</b>	<b>\$ 14,069,125</b>	<b>\$ 19,531,254</b>
<b>PRIVATE</b>					
Candlewood Trails Assoc.	530,660				530,660
Cook Willow	291,422				291,422
Crystal Lake	138,379				138,379
Harmony Acres	15,505				15,505
Harrybrooke Park Condo	69,473				69,473
Hillside Water Corp	69,556				69,556
Idleview Park	6,533				6,533
Jewett City Water Company	30,868				30,868
Point- o-Woods	652,376				652,376
Quonnipaug Hills	22,157				22,157
Twin Hills	52,776				52,776
Woodland Summit Comm. Water	5,847				5,847
Emergency Generator program	<u>800,000</u>				<u>800,000</u>
<b>Subtotal:</b>	<b><u>\$2,685,553</u></b>				<b><u>\$2,685,553</u></b>
<b>Total (Public and Private):</b>	<b>\$ 244,040,973</b>	<b>\$ 2,414,613</b>	<b>\$ 205,340,428</b>	<b>\$ 14,069,125</b>	<b>\$22,216,807</b>
% of Total		1.0%	84.1%	5.8%	9.1%
*Note- Totals may not add due to rounding					

## Appendix XIV: Summary of Project Funding Agreements

In accordance with the State’s SRF and as required by the Connecticut General Statutes, financial assistance is provided to the borrower pursuant to a project loan and subsidization funding agreement between the borrower and the State. Below is a section-by-section summary of a typical project agreement.

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

Appendix XV: U.S. EPA Letter to Governor Malloy  
(December 2, 2011)





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

DEC 2 2011

THE ADMINISTRATOR

The Honorable Dan Malloy  
Governor of Connecticut  
210 Capitol Avenue  
Hartford, Connecticut 06106

Dear Governor Malloy:

This nation's water infrastructure not only protects water quality and human health, but contributes to economic vitality and quality of life. Our longstanding partnership under the Clean Water and Drinking Water State Revolving Fund programs (SRFs) has enabled us to address the largest water quality and public health threats while creating jobs and renewing communities. The US Environmental Protection Agency is interested in working with you to increase the pace of expenditures under the SRFs. To that end, I'd like to offer some ideas for your consideration.

First, however, I want to acknowledge the effort your state has made in working with your water and wastewater systems to implement the American Recovery and Reinvestment Act (ARRA). ARRA funds created jobs through expeditious implementation of SRF projects that make a difference in the health and vitality of communities. Most of the nearly \$6 billion made available to state SRFs through ARRA has been put to work.

Over the last three years, in addition to ARRA, the States and Territories have received over \$7 billion in Clean Water and Drinking Water SRF program resources. Our collective priority has been and remains moving this continuing flow of funds as quickly as possible to carry out projects on the ground, putting Americans back to work and delivering improved environmental and public health protection. We are making noteworthy progress. Within 6 months of enactment of the full Federal Fiscal Year 2011 appropriation, we have obligated 78 percent of those funds; I believe we can do better.

We appreciate the strong partnership we enjoy with Connecticut's program. Your staff members have offered many helpful insights regarding what we at the EPA can do to help facilitate the expeditious movement of the SRF funds. I have directed staff to give priority to the review and award of SRF capitalization grants and to streamline and simplify processes where possible on our end. Steps that you can take to expedite the flow of SRF dollars into your State's economy include:

- Submitting SRF capitalization grant applications as soon as possible.
  - I encourage you to apply now for your FY2011 capitalization grant awards for the Drinking Water and Clean Water SRF.
  - If you have not already, I encourage you to submit draft Intended Use Plans (IUPs) for FY2012 funding for both SRFs based on your State's allocations under the President's Budget, so that my staff can begin reviewing them early. Applications can be submitted with final IUPs following the final FY2012 appropriation, but early review will expedite grant award.

- Awarding assistance agreements as soon as money becomes available to the State.
  - I encourage you to award assistance agreements to projects being funded through repayments, interest earnings, fees, or State match as soon as those funds become available to the State.
  - I also recommend that you draft assistance agreements for projects being funded through federal capitalization so that they are ready to be signed upon award of the capitalization grant.
  - Finally, I request that you work closely with your communities to build a pipeline of projects that are ready to proceed, so that contracts can be awarded and construction can begin upon the award of assistance agreements.

I am requesting your personal involvement in ensuring that your State moves quickly to apply for and receive its capitalization grants each year and moves quickly to award assistance to local projects consistent with legislative authorities, regulations, and program guidelines. Your efforts in this regard will result in job creation benefits as well as providing important water and wastewater infrastructure that will support the long-term prosperity and well-being of communities in your State.

Please contact me if there are any issues I can help you resolve, and I will have my Regional Administrator follow up with your SRF agencies.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lisa P. Jackson', with a long horizontal flourish extending to the right.

Lisa P. Jackson

Appendix XVI: Connecticut Response to U.S. EPA  
(January 20, 2012)

# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC HEALTH



Jewel Mullen, M.D., M.P.H., M.P.A.  
Commissioner

Dannel Malloy  
Governor

January 20, 2012

Lisa Jackson, Administrator  
US Environmental Protection Agency Headquarters  
Ariel Rios building  
1200 Pennsylvania Avenue, N.W.  
Mail Code: 1101A  
Washington, DC 20460

**Subject: December 2, 2011 Letter from Lisa Jackson to Governor Malloy**

Dear Administrator Jackson:

The Connecticut Department of Public Health (DPH) received your letter dated December 2, 2011 to Governor Malloy requesting that Connecticut expedite the flow of Drinking Water State Revolving Fund (DWSRF) dollars into Connecticut's economy. DPH greatly appreciates the DWSRF program, views it as instrumental to public health protection and agrees that providing for robust drinking water infrastructure will support the long term prosperity and well being of Connecticut's communities.

A unique challenge in Connecticut continues to be the large number of public water systems that exist within the state. With over 2,500 public water systems and 169 municipalities with no regional or county governments, the program that administers public drinking water is faced with a complex array of issues. A proactive DWSRF program can greatly assist to address these issues.

With that, the DWSRF program is a priority for the State of Connecticut and the DPH. We agree with the need to expedite the use of DWSRF funds. We view the DWSRF program as one of the cornerstones of invigorating drinking water infrastructure investment in Connecticut and we look forward to our continued work with your staff in Region I. To that end, we can report that several key strategic initiatives are underway, in the areas of staff support, funding, and project solicitation.

Our strategy for staff support includes restructuring units and staffing levels with the DPH Drinking Water Section in order to streamline and lean the DWSRF process. We are separating duties and responsibilities in order to allow for the DWSRF program to focus on project management and program pace as well as creating a pipeline of projects. Further, we have added two additional durational staff to the DWSRF.



Lisa Jackson  
Page 2  
January 20, 2012

We are also working on a mechanism to assure that the DWSRF program is more fully supported with permanent staff. Unfortunately, these plans are impacted by the USEPA's recent reduction in CT's annual capitalization grant in FFY2011 from FFY2010 levels. We have also been informed that we should expect further cuts in future years.

Our funding strategies include the mitigation of the uncertainty around federal funding fluctuations with timely submission of grant applications and the development of plans to charge modest fees for services within the Drinking Water Section.

The submission of the FFY2011 and FFY2012 capitalization grants for the DWSRF is a priority. The DWS is currently preparing the FFY2011 capitalization grant application and expects to submit a preliminary application with a draft Intended Use Plan (IUP) and draft Priority Project List (PPL) to EPA Region 1 by the end of January 2012. Following the mandatory public participation process in order to finalize our IUP and PPL for FFY2011 and FFY2012, the documents will be finalized in the spring of 2012. The DPH also intends to prepare and submit the FFY2012 capitalization grant application prior to the finalization of the PPL and IUP.

We have also developed a fee for services legislative proposal. If passed during the next legislative session beginning in February 2012, these fees will assist the DWS in meeting federal and state mandates in future years. Although the decision has been made to exclude the DWSRF program specific services from the fee proposal, any fee income will assist us to provide an appropriate level of staffing across the entire Drinking Water Section including the DWSRF program.

The solicitation and review of potential projects continues to be a time intensive process. This year, we fully implemented a plan to expedite the solicitation and award of assistance agreements with Connecticut's public water systems. The DPH's October 2011 call for projects was a two year solicitation to establish a pipeline of projects for both FFY2011 and FFY2012. The approach reduces the delays associated with performing a solicitation and public hearing on an annual basis as was done in previous years. This process will continue in future years to ensure that the drinking water infrastructure needs to be met by the DWSRF program will be adequately reflected in each Connecticut Clean Water Fund capital budget request.

The State of Connecticut has continually demonstrated its commitment to this important program. Most recently the State Legislature approved funding for the Connecticut Clean Water Fund which included approximately \$110 million dollars in loan funds over the next two years committed to the Drinking Water Fund. This funding along with the provision of staff support and a flexible leveraged financing plan, coordinated within the Connecticut Clean Water Fund, will ensure this program's long term availability to Connecticut's public water systems.

Lisa Jackson  
Page 3  
January 20, 2012

Thank you for your letter which highlights the importance of the DWSRF program at the state and national level. The Connecticut DPH greatly appreciates the DWSRF program and its funding. This funding has provided opportunities within Connecticut for communities and public water systems to solve long standing public health issues. DPH has prioritized DWSRF and we will focus on quickening the pace of the program overall. We believe that our strategy will move Connecticut's DWSRF program forward and directly address the issues noted in your letter. We are presently moving forward with the items as outlined above and will continue to update your staff concerning the progress of our DWSRF program. Please feel free to contact Lori Mathieu, Section Chief of the Drinking Water Section at 860-509-7333 to discuss any of the above items.

Sincerely,



Jewel Mullen, M.D., M.P.H., M.P.A.  
Commissioner

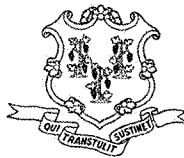
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Appendix XVII: Letter to EPA Region 1- Program Pace  
(June 18, 2013)

# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC HEALTH

Jewel Mullen, M.D., M.P.H., M.P.A.  
Commissioner



Dannel P. Malloy  
Governor  
Nancy Wyman  
Lt. Governor

June 18, 2013

Mark Spinale, Manager  
Municipal Assistance Unit  
EPA New England  
5 Post Office Square, Suite 100  
Mail Code OEP06-3  
Boston, MA 02109-3912

**Subject:** Drinking Water State Revolving Fund (DWSRF) Program Pace

Dear Mr. Spinale:

Due to concerns recently raised by EPA Region 1, The Department of Public Health (DPH) would like to update you on the progress that has been made to improve the pace of the DWSRF Program since Commissioner Mullen's response letter to former USEPA Administrator Jackson on January 20, 2012.

As mentioned in Commissioner Mullen's letter, in October of 2012 the DPH moved to a 2 year DWSRF funding cycle in an effort to create a pipeline of projects and reduce delays associated with the annual preparation and public participation requirements of the DWSRF Intended Use Plan and Project Priority List (PPL). This strategy has also allowed us to commit funding to projects that are ready for construction in the first year while getting projects that are not fully designed, ready for construction in the second year. The DPH strongly believes that this strategy will be recognized by EPA Region 1 as a significant implementation improvement when the FY2013 and 2014 Performance Evaluation Reports (PER) are prepared.

The creation of a 2 year PPL was supplemented with changes to our Priority Ranking System which added emphasis on a project's "readiness to proceed" in preparing the PPL's for each of the 2 years. This revised criteria provided the DPH flexibility to take a project that ranked high in points and low in "readiness" and move it to the second year's PPL. Conversely, it provided DPH the ability to make DWSRF funding available to lower ranking projects that were considered "construction ready" in the first year's PPL. In previous years, many of these lower ranking "construction ready" projects were not reachable because they were below the available funding line on the annual PPL.



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With the two changes identified above, the DPH believes we have successfully achieved a balanced approach of funding high priority projects while significantly improving our ability to commit the available DWSRF funding to eligible infrastructure projects each fiscal year. It is important for EPA Region 1 to understand that although these changes were implemented during FY2012, the 2 year PPL was not finalized until June 12, 2012. Thus the improvements in program pace that these changes will demonstrate will not be recognized until FY2013. The DPH fully expects to show significant progress in the pace of our DWSRF Program as a result of these changes in FY2013. The CT DPH worked closely with EPA Region 1 to implement these changes. The attached two lists of DWSRF projects shows the anticipated loan agreements that the DPH expects to execute in FY2013 and the projects that are currently in the pipeline for FY2014. In addition, the DPH is in the early stages of finalizing our next 2 year PPL for FY2014 and FY2015 which will add approximately 120 new projects (including 60 generator projects) totaling over \$160 million to our priority list.

The DPH initiated a new Emergency Power Generator Program (EPGP) within the DWSRF during FY2013 to provide small loans to small public water systems to install back-up power systems. This initiative will provide 38 small public water systems a reliable source of power to operate their water systems during power outages. The DPH streamlined many DWSRF requirements to reduce costs and delays associated with traditional DWSRF loans. This effort took considerable time and effort to implement and is a significant benefit to Connecticut's small water systems. The total cost of these projects is expected to be approximately \$1 million when they are completed. This program will continue in the next 2 year funding cycle and the DPH has received 60 new applications for loans under this program for FY2014 and FY2015. The DPH hopes that the USEPA recognizes the benefits achieved by the EPGP, during a time when long term power outages have become a more frequent reality in the northeast, even though these loans have no significant impact on the pace of the DWSRF program because these are "low cost, high benefit" projects. The EPGP also provides a model of streamlined DWSRF requirements that reaches out to small public water systems.

The DPH also committed to EPA Headquarters in Commissioner Mullen's letter to providing additional resources to the DWSRF Program to focus on project management and the Program's pace. Since that time, the DPH has hired 2 permanent full time engineers and reassigned an additional full-time engineer within the DWS for the Program. The Program now has 4 full-time engineers and a Supervisor. The Drinking Water Section (DWS) also removed many of the administrative duties associated with managing and monitoring the DWS's federal grants from the Program and moved them to a newly formed Grants and Administrative Support Unit. The DWS is also in the process of hiring another entry level engineer for the Program. These changes demonstrate DPH's firm commitment to improving the pace of the Program.

It is also important to point out that Connecticut received legislative approval for \$108 million to be used for DWSRF projects in FY2012 and FY2013 in the State's biennial capital budget. The DPH was also approved for an additional \$135 million for DWSRF projects in FY2014 and FY2015. This level of funding approval demonstrates recognition of the importance of investing in Connecticut's drinking water infrastructure by our legislature.

Mark Spinale, USEPA Region 1

June 18, 2013

Page 3

The DPH and the Office of the State Treasurer (OTT) both understand the impact that leveraging has on the pace of the DWSRF Program. Both agencies also understand USEPA's goal of each state achieving a higher level of program pace and that our pace is significantly below that goal. The State has demonstrated its commitment to maximizing available funding while being aware of the pace goals and did not leverage the DWSRF program in 2012 or 2013. Further, the State will continue to factor our progress with the pace of the program when determining whether or not to include the DWSRF Program in future bond sales.

In summary, we believe that the DPH has made significant strides in a short period of time to ensure that the pace of the DWSRF program improves from year to year. We hope that EPA understands the level of commitment we have made to this effort and expect that it will be evident in future PERs.

If you have any questions or desire additional information do not hesitate to contact me.

Sincerely,



Lori Mathieu  
Public Health Section Chief  
Drinking Water Section

Cc: Sharon Dixon-Peay, OTT  
Susan Maheux, DPH  
Ellen Blaschinski, DPH  
Michael Hage, DPH  
Cameron Walden, DPH

Encl: Connecticut's DWSRF Project Pipeline for FY2013  
Connecticut's DWSRF Project Pipeline for FY2014

# FINANCIAL STATEMENTS





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

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

**June 30, 2015 and 2014**

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**STATE OF CONNECTICUT CLEAN WATER FUND -  
DRINKING WATER FEDERAL REVOLVING  
LOAN ACCOUNT (STATE REVOLVING FUND)  
June 30, 2015 and 2014**

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# SEWARD AND MONDE

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

## INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2015 and 2014, 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 of 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, 2015 and 2014, 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 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, 2015 and 2014, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.



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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRF's internal control over financial reporting and compliance.

*Seward and Monde*

North Haven, Connecticut  
September 9, 2015

**OFFICE OF THE TREASURER  
STATE OF CONNECTICUT  
DRINKING WATER FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Fund provides an introduction to the major activities affecting the operation of the state revolving fund. This is a narrative overview and analysis of the activities of the State of Connecticut Drinking Water Fund for the fiscal year ended June 30, 2015. 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 2015 was \$168,062,467 including total assets of \$260,354,414 plus deferred outflows of \$202,776 offset by liabilities of \$92,494,723 which is an increase of \$6,378,600 compared to fiscal year 2014.

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 \$46,931,030 to \$82,234,329 as a result of a new bond issue of \$52,475,000 and scheduled debt repayments of \$5,543,970.

The financial statements show funds restricted for loans of \$139,912,132 an increase of \$7,574,741 or 5.7% above the 2014 balance.

Loans Receivable - Total loans receivable increased by \$29,737,546 from \$91,587,824 to \$121,325,370 due to the net of new loans (\$36,507,547) and principal repayments (\$6,770,001).

Operating Revenues - The Fund's gross operating revenue (interest on loans) increased \$467,517 or 26.1% to \$2,255,810.

Capitalization Grants - During the year, \$13,155,372 was drawn from the EPA for projects and administrative expenses. To date, the State has drawn a cumulative total of \$173,700,587, including \$19,500,000 in ARRA funding. To date, cumulative federal drinking water capitalization grant awards totaled \$185,693,900 million. The State must provide matching funds in the amount of 20% of the federal capitalization grant. As of the end of fiscal year 2015, the state has provided \$34,482,031 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 Clean Water Fund that maximizes the financing capacity of the respective federal capitalization grants, the required 20% state match for these grants and the Fund's assets. Based on this strategy, the Connecticut Clean Water Fund issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund. For the Revenue Bond Program activities, the financial statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future.

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

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

## **Operating Activities**

### **The Drinking Water Loan Program**

Loans are made to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time. Although there are no state grants available to participants in this program prior to fiscal year 2014, portions of the federal capitalization grant and the 2009 ARRA funding were used to subsidize the projects. During the 2014 Legislative Session, the Connecticut General Assembly authorized \$50 million in state General Obligation Bonds for grants for the drinking water program effective July 1, 2014, however, the State Bond Commission has not allocated any of the general obligation bonds for grants as of June 30, 2015.

During fiscal year 2015, payments to public water systems for ongoing projects totaled \$36,507,547. Completed projects which were permanently financed during the year totaled \$29,300,301. There were 8 new construction loan commitments made to public water systems during fiscal year 2015 totaling \$35,560,053.

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. Federal capitalization grants and the match are deposited into the State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds and are used as they are deposited for program purposes.

The State currently invests in the State's Short Term Investment Fund (STIF) and in guaranteed investment agreements with financial institutions. The 2002 bond resolution requires that the investment agreements be with, or be guaranteed by, institutions with ratings in the top two rating categories given by Standard & Poor's and Moody's Investors Service, or any rating service recognized by the State Banking Commissioner. Certain monies held in the Fund are invested pursuant to investment agreements with providers rated AA or higher which are collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities whose market value is at least 100% of the funds invested.

## **The Bond Program**

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. Pursuant to the 2002 bond resolution and the State Act, the long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution, the latest of three resolutions used for program purposes including the funding of loans to Drinking Water Fund Borrowers. During fiscal year 2015, the state deposited bond proceeds of \$60,000,000 (\$52,475,000 par plus premium of \$7,525,000) for new drinking water projects in the fund. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

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

The program's advisors are:

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

## **Credit Ratings**

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

**SELECTED FINANCIAL INFORMATION**

	2015	2014	Increase (Decrease)
Total Net Position	\$168,062,467	\$161,683,867	\$6,378,600
Loans Outstanding - current and long term portions	\$121,325,370	\$91,587,824	\$29,737,546
Bonds Payable	\$82,234,329	\$35,303,299	\$46,931,030
Operating Revenues-Interest on Loans	\$2,255,810	\$1,788,293	\$467,517
Interest Earned on Investments	\$636,630	\$847,872	(\$211,242)
Interest Expense	\$1,984,567	\$2,063,690	(\$79,123)
Federal Capitalization Grants Drawn	\$13,155,372	\$26,519,290	(\$13,363,918)

**ECONOMIC CONDITIONS AND OUTLOOK**

Connecticut continued to experience slow growth through 2015. Like other states, Connecticut has maintained a persistent focus on economic development and job creation. Job recovery continued during fiscal year 2015, the state's unemployment rate steadily declined from a high of 6.5 percent in July 2014 to 5.7 percent in June 2015 and initial claims for unemployment insurance also decreased by 3.4 percent June 2015 over June 2014. Connecticut has now recovered 97,900 positions, or 82.3% of the 119,000 seasonally adjusted total nonfarm jobs that were lost in the state during the March 2008 - February 2010 employment recession. The average hourly wage in Connecticut increased by 1.8 percent to \$28.64 for private industry-all employees while manufacturing hourly wages rose at the more rapid rate of 16.4 percent to \$25.30. Recent state budget deficits have been dealt with using various strategies and programs designed to bring a variety of manufacturing and technology and research companies to the state. These strategies and programs have been successful as employment data has shown. By the end of the fiscal year, the State's economic and financial situation continued to slowly improve and as a result, the state ended fiscal year 2015 with an estimated \$70.9 million budget deficit down from \$164.9 million earlier in the year. The state's slow growth is forecasted to continue with personal income expected to increase 3.6% in FY 2016 and 4.2% in FY 2017. Connecticut is projected to add 19,800 jobs in FY 2016 for an anticipated overall growth of 1.2%.

With its diversified economy, measures to spur economic growth will mean continued need for transportation and water infrastructure upgrades and energy improvements. The state's adopted fiscal year 2016 and fiscal year 2017 capital budget continues significant authorizations for clean water revenue bonds. With the infusion of over \$230 million in new Clean Water and Drinking Water revenue bond authorizations over the FY 2015-2017 biennium, the state's Clean Water Fund and the Drinking Water State Revolving Funds will be able to continue its efforts to get necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the Fund to provide timely and innovative financial assistance for critical projects. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the Clean 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. The Notes provide additional information that is essential to a full understanding of the data provided in the Drinking Water Fund's financial statements.

### **CONTACTS**

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

Drinking Water Fund Financial Administrator  
Connecticut State Treasurer's Office  
Debt Management Division  
55 Elm Street  
Hartford, CT 06106-1773  
Telephone (860) 702-3000  
[www.ct.gov/ott](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# 51 WAT  
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, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,656,924	\$ 7,436,608
Interest receivable - investments	157,002	171,464
Interest receivable - loans	566,071	377,473
Grant receivable	494,134	714,451
Loans receivable	44,237,270	35,548,916
Total current assets	53,111,401	44,248,912
Noncurrent assets:		
Loans receivable	77,088,100	56,038,908
Revolving fund	75,762,795	56,299,196
Restricted assets:		
Bond proceeds fund	12,260,095	48
Revolving fund	7,270,960	7,803,375
Debt service fund	28,345,616	25,918,321
Support fund	5,291,064	6,712,091
Match account	1,224,383	2,075,529
Total restricted assets	54,392,118	42,509,364
Total noncurrent assets	207,243,013	154,847,468
Total assets	260,354,414	199,096,380
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refundings	202,776	401,702
Total deferred outflows of resources	202,776	401,702
<b>LIABILITIES</b>		
Current liabilities:		
Interest payable on revenue bonds	905,574	610,275
Bonds payable	7,343,462	5,543,970
Total current liabilities	8,249,036	6,154,245
Noncurrent liabilities:		
Premium on revenue and refunding bonds	9,354,820	1,900,641
Bonds payable	74,890,867	29,759,329
Total noncurrent liabilities	84,245,687	31,659,970
Total liabilities	92,494,723	37,814,215
<b>NET POSITION</b>		
Restricted for loans	139,912,132	132,337,391
Unrestricted	28,150,335	29,346,476
Total net position	\$ 168,062,467	\$ 161,683,867

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, 2015 and 2014**

	2015	2014
<b>OPERATING REVENUES</b>		
Interest on loans	\$ 2,255,810	\$ 1,788,293
<b>OPERATING EXPENSES</b>		
Salaries	1,799,262	1,776,707
Employee benefits	1,410,897	1,468,814
Other	835,327	1,317,732
Project grants	3,134,571	3,644,189
Total operating expenses	7,180,057	8,207,442
Operating loss	( 4,924,247)	( 6,419,149)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	636,630	847,872
Amortization of bond premium	306,713	316,099
Interest expense	( 1,984,567)	( 2,063,690)
Total nonoperating revenues (expenses)	( 1,041,224)	( 899,719)
Loss before federal capitalization grants and transfers	( 5,965,471)	( 7,318,868)
<b>FEDERAL CAPITALIZATION GRANTS</b>		
Project funds - loans	5,782,341	18,275,477
Project funds - grants	3,134,571	3,644,189
Set-aside activities	4,018,143	4,555,573
Total federal capitalization grants	12,935,055	26,475,239
<b>OPERATING TRANSFERS</b>	( 590,984)	5,645,663
Change in net position	6,378,600	24,802,034
<b>NET POSITION, beginning</b>	161,683,867	136,881,833
<b>NET POSITION, ending</b>	\$ 168,062,467	\$ 161,683,867

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, 2015 and 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received on loans	\$ 2,067,212	\$ 1,472,034
Loan originations	( 36,507,547)	( 28,449,686)
Principal paid on loans receivable	6,770,001	5,551,685
Payments to employees for salaries and benefits	( 3,210,159)	( 3,245,521)
Payments on project grants	( 3,134,571)	( 3,644,189)
Other payments	( 835,327)	( 1,317,732)
Net cash used by operating activities	( 34,850,391)	( 29,633,409)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal capitalization grants	13,155,372	26,519,290
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of bonds payable	( 5,543,970)	( 5,726,569)
Proceeds from bonds payable	52,475,000	-
Premium on bonds payable	7,760,892	-
Interest paid on bonds payable	( 1,490,342)	( 1,706,406)
Operating transfers	( 590,984)	5,645,663
Net cash provided (used) by noncapital financing activities	52,610,596	( 1,787,312)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	651,092	892,469
Increase in revolving fund	( 19,463,599)	( 14,456,322)
Decrease (increase) in restricted assets	( 11,882,754)	18,727,899
Net cash provided (used) by investing activities	( 30,695,261)	5,164,046
Net change in cash and cash equivalents	220,316	262,615
<b>CASH AND CASH EQUIVALENTS, beginning</b>	7,436,608	7,173,993
<b>CASH AND CASH EQUIVALENTS, ending</b>	\$ 7,656,924	\$ 7,436,608
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(\$ 4,924,247)	(\$ 6,419,149)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	( 188,598)	( 316,259)
Increase in loans receivable	( 29,737,546)	( 22,898,001)
Net cash used by operating activities	(\$ 34,850,391)	(\$ 29,633,409)

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, 2015 and 2014

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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:

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting 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, 2015 and 2014.

### Loans, Allowance for Loan Losses and Credit Risk

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

### Restricted Assets

Restricted assets consist of investments, which are segregated into funds and accounts in accordance with the Resolution as previously described, plus amounts determined to be prudent by management including amortizing long-term investments. The Resolution restricts investments to: a) the State Treasurer's Short-Term Investment Fund, b) interest bearing time deposits held by the trustee, a member bank of the Federal Reserve System, or a bank which is insured by the Federal Deposit Insurance Corporation and c) Investment Obligations as defined in the Resolution.

### Bond Premiums/Deferred Loss

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

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

### Revenue Bonds

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

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

### Deferred outflows/inflows of resources

In addition to assets, the 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 September 9, 2015, 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, 2015 and 2014 funds held by the State Comptroller were \$8,154,090. 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, 2015 funds held in Connecticut Short Term Investment Funds (STIF) were \$115,281,254, of which \$12,260,095 is included in the bond proceeds fund, \$75,762,795 is included in the revolving fund and \$27,258,364 is included in the debt service fund on the Statements of Net Position. As of June 30, 2014 funds held in STIF were \$81,838,466, of which \$48 is included in the bond proceeds fund, \$56,299,196 is included in the revolving fund and \$25,539,222 is included in the debt service fund on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2015 and 2014 by Standard and Poor's, in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. The State Treasurer is authorized to invest STIF funds in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

As of June 30, 2015 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$2,311,635, of which \$1,087,252 is included in the debt service fund and \$1,224,383 is included in the match account on the Statements of Net Position. As of June 30, 2014 funds held in FIGMM were \$2,454,628, of which \$379,099 is included in the debt service fund and \$2,075,529 is included in the match account on the 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, 2015, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 5,077,802	\$ -	\$ -	\$ 2,573,368	\$ 2,504,434	AA+
Guaranteed Investment Contracts	479,884	-	-	-	479,884	A
U.S. Treasury State & Local Governments	2,306,746	1,088,828	1,148,539	31,936	37,443	AA+
Connecticut General Obligation Bonds	4,697,592	-	-	4,697,592	-	AA
	<u>\$ 12,562,024</u>	<u>\$ 1,088,828</u>	<u>\$ 1,148,539</u>	<u>\$ 7,302,896</u>	<u>\$ 3,021,761</u>	

As of June 30, 2014, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 5,330,741	\$ -	\$ -	\$ 2,573,368	\$ 2,757,373	AA+
Guaranteed Investment Contracts	524,779	-	-	-	524,779	A-
U.S. Treasury State & Local Governments	3,429,939	1,123,192	2,237,367	-	69,380	AA+
Connecticut General Obligation Bonds	5,230,007	-	-	5,230,007	-	AA
	<u>\$ 14,515,466</u>	<u>\$ 1,123,192</u>	<u>\$ 2,237,367</u>	<u>\$ 7,803,375</u>	<u>\$ 3,351,532</u>	

### 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 44% and 40%, at June 30, 2015 and 2014, respectively, in long-term investment agreements with 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>2015</u>	<u>2014</u>
Construction in process	\$ 37,566,730	\$ 30,417,180
Completed projects	<u>83,758,640</u>	<u>61,170,644</u>
	<u>\$ 121,325,370</u>	<u>\$ 91,587,824</u>

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

<u>Year ending June 30</u>	
2016	\$ 6,670,540
2017	6,562,726
2018	6,561,719
2019	6,626,295
2020	6,607,649
Thereafter	<u>50,729,711</u>
	<u>\$ 83,758,640</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>2015</u>	<u>2014</u>
Awarded	\$ 166,193,900	\$ 157,231,900
Drawn	<u>154,200,587</u>	<u>141,045,215</u>
Available federal letter of credit	<u>\$ 11,993,313</u>	<u>\$ 16,186,685</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, 2015 and 2014, the required State match, based on funds drawn, was \$30,840,117 and \$28,209,043, respectively. As of June 30, 2015 and 2014, the State match provided was \$34,482,031 and \$33,540,778, 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>2015</u>	<u>2014</u>
Cash equivalents:		
Money market investment pool	\$ 41,830,094	\$ 27,993,898
Investments:		
U.S. Treasury State and Local Governments	2,306,746	3,429,939
Guaranteed Investment Contracts	5,557,686	5,855,520
Connecticut General Obligation Bonds	<u>4,697,592</u>	<u>5,230,007</u>
	<u>\$ 54,392,118</u>	<u>\$ 42,509,364</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, 2015 and 2014, the actual rates were 78.42% and 82.67%, respectively, of the SRF wages and the amounts charged aggregated \$1,410,897 and \$1,468,814, respectively.

### 8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2015 is as follows:

	<u>Balance June 30, 2014</u>	<u>Issued</u>	<u>Principal Paydown/ Transfers</u>	<u>Balance June 30, 2015</u>
Revenue bonds payable	\$ 31,384,983	\$ 52,475,000	\$ 4,209,483	\$ 79,650,500
Refunding bonds payable	<u>3,918,316</u>	<u>-</u>	<u>1,334,487</u>	<u>2,583,829</u>
	<u>\$ 35,303,299</u>	<u>\$ 52,475,000</u>	<u>\$ 5,543,970</u>	<u>\$ 82,234,329</u>

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

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

### Revenue Bonds

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

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

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2015
6/1/2001	Clean Water Fund Revenue Bonds, 2001 Series	\$ 29,614,747	\$ -
7/10/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	33,063,800	-
7/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	7,572,339	1,342,662
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	480,500
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	8,815,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	3,840,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	14,040,000
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	52,475,000
		<u>\$ 175,106,203</u>	<u>\$ 82,234,329</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 SRF's revenue bonds payable are serial bonds, of which \$79,650,500 and \$31,384,983 was outstanding as of June 30, 2015 and 2014, respectively. The serial bonds mature through March 1, 2035 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, 2015 and 2014 totaled \$117,093 and \$188,903, respectively.

#### Cash Defeasance - 2011

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

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2015 and 2014 totaled \$-0- and \$162,146, 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 for the year ended June 30, 2015 and 2014 was \$1,252,500.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2015 and 2014 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 will be redeemed on July 1, 2016.

The outstanding principal balance of the Refunded Bonds for the years ended June 30, 2015 and 2014 was \$9,450,796.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2015 and 2014 totaled \$43,158.

### Bond Maturities

Requirements at June 30, 2015 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 7,343,462	\$ 3,198,715
2017	6,652,800	3,391,835
2018	5,633,550	3,106,457
2019	5,378,900	2,880,926
2020	5,351,583	2,643,048
2021-2025	23,059,484	9,641,153
2026-2030	17,459,550	4,555,879
2031-2035	11,355,000	1,313,550
	<u>\$ 82,234,329</u>	<u>\$ 30,731,563</u>

## 9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2013	\$ 26,204,736	\$ 110,677,097	\$ 136,881,833
Change in net position	<u>3,141,740</u>	<u>21,660,294</u>	<u>24,802,034</u>
Balance at June 30, 2014	29,346,476	132,337,391	161,683,867
Change in net position	<u>( 1,196,141)</u>	<u>7,574,741</u>	<u>6,378,600</u>
Balance at June 30, 2015	<u>\$ 28,150,335</u>	<u>\$ 139,912,132</u>	<u>\$ 168,062,467</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>2015</u>	<u>2014</u>
Transfers related to CWF debt service	(\$ 1,296,091)	(\$ 1,420,513)
State match	940,998	1,066,176
Transfer from State for match	-	6,000,000
Transfer related to cost of issuance of bond offering	<u>( 235,891)</u>	<u>-</u>
	<u>(\$ 590,984)</u>	<u>\$ 5,645,663</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>2015</u>	<u>2014</u>
Total funds committed to public water systems	\$ 244,040,974	\$ 208,079,015
Loan amount outstanding to public water systems	<u>121,325,370</u>	<u>91,587,824</u>
Loan commitments outstanding	<u>\$ 122,715,604</u>	<u>\$ 116,491,191</u>

## 12 - RISK MANAGEMENT

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



# SEWARD AND MONDE

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ms. Denise L. Nappier, Treasurer

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2015.

### ***Internal Control over Financial Reporting***

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

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



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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Seward and Monde*

North Haven, Connecticut  
September 9, 2015

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ms. Denise L. Nappier, Treasurer

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

### ***Report on Compliance for Each Major Federal Program***

We have audited the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2015. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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



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

### ***Opinion of Each Major Federal Program***

In our opinion, the SRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### ***Report on Internal Control Over Compliance***

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

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

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

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

*Seward and Monde*

North Haven, Connecticut  
September 9, 2015

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, 2015

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<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 12,935,055</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, 2015

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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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

B - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2015 totaled \$5,782,341. Grants disbursed to subrecipients during year ended June 30, 2015 totaled \$3,134,571.

C - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$121,325,370 as of June 30, 2015.

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, 2015

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

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs:

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

Dollar threshold used to distinguish between type A and type B programs \$ 388,052

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, 2015

. . . Continued . . .

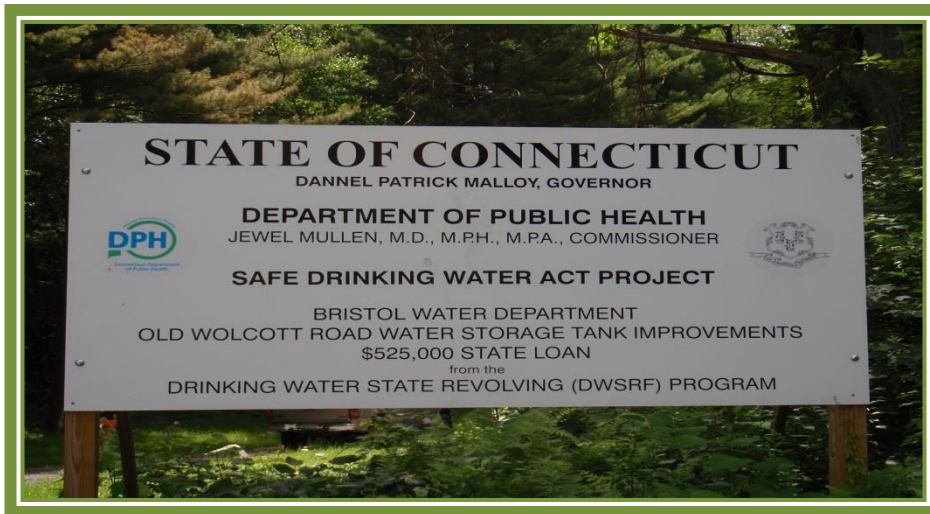
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SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.



***For More Information on the  
State of Connecticut  
Drinking Water State Revolving Fund Program  
Please Visit:  
<http://www.ct.gov/dph/dwsrf>***

