

STATE OF CONNECTICUT
DRINKING WATER
STATE REVOLVING FUND PROGRAM
2016 ANNUAL REPORT



Southington Water Storage Tank



MDC North Storage Basin tank construction



Connecticut Drinking Water Fund

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



Raul Pino, MD, MPH

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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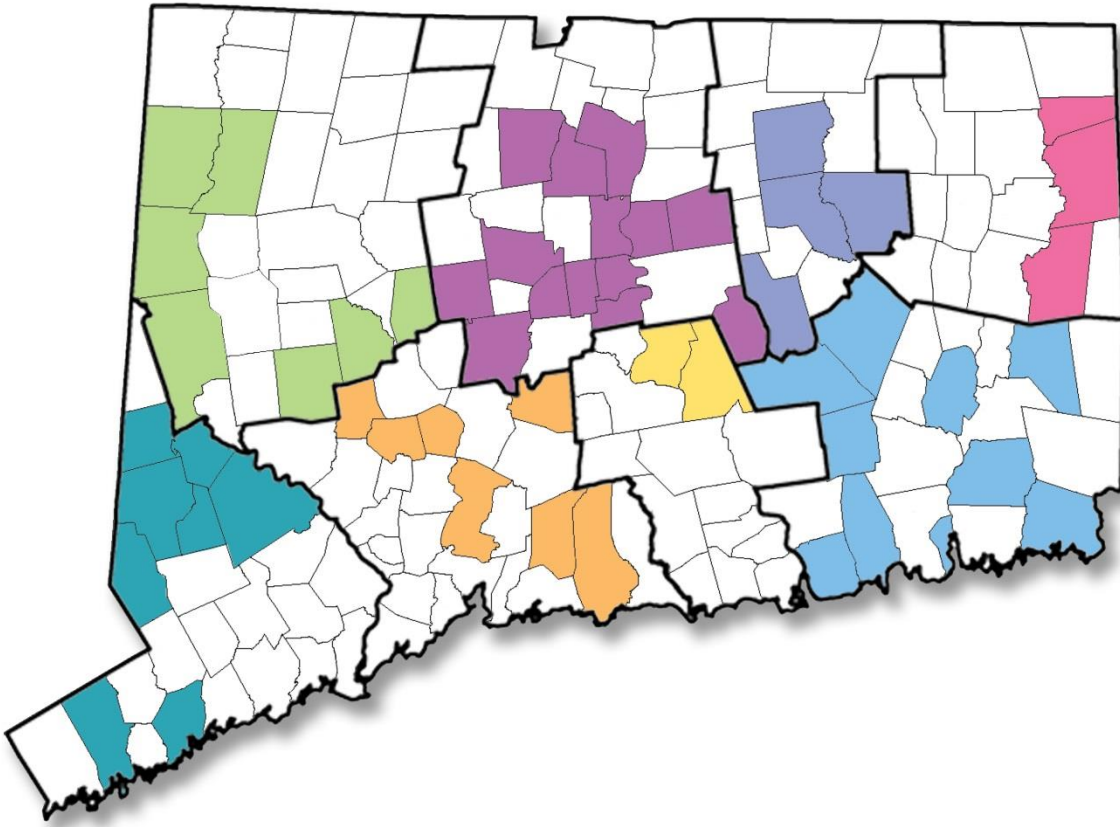


DPH Drinking Water Section and Fiscal Office Staff and Management

DWSRF ANNUAL REPORT ACRONYM LIST

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

COMMUNITIES ACROSS THE ENTIRE STATE OBTAINED PROJECT FUNDING OF MORE THAN \$237 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**, Bloomfield, 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)**, **Woodbury**

Middlesex County: East Hampton, **Portland**

New Haven County: Guilford, **Meriden**, Middlebury, Naugatuck, North Branford, Prospect, South Central CT Regional Water Authority (RWA) (includes Hamden, North Branford)

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, 2016. 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 to implement the DWSRF program.

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

This report includes the history of the DWSRF, a review of the DWSRF during Fiscal Year (FY) 2016, 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, 2016, 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 2016 report and previous annual reports since 2001 are available on the Office of the State Treasurer's website at www.ott.ct.gov and via a link from the DPH DWS website at www.ct.gov/dph/dwsrf.



*Meriden – Construction and near completion of upgraded Broad Brook Water Treatment Plant.
This improved plant will help protect public health through the delivery of potable water*

EXECUTIVE SUMMARY

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

The DPH DWS's primary responsibility is to ensure that Connecticut's 2,495 public water systems provide safe, adequate, and sustainable drinking water to residents and visitors of our state. These responsibilities are carried out through the provision of technical assistance, education, regulatory oversight, enforcement, and low-cost financing for infrastructure improvements. The DWS is committed to maintaining high quality drinking water throughout Connecticut by ensuring that public water systems provide proper treatment, water quality monitoring, source water protection, and consumer education.

Approximately 33% of the public water systems are eligible to receive DWSRF low-interest loans for drinking water infrastructure improvements. Funding is also provided for activities that support the DWSRF as well as the DWS's Public Water System Supervision Program. These activities include: providing assistance to improve the technical, managerial, and financial capacity of these systems. The DWS promotes asset management planning, and uses various tools to assist operators with the management of public water systems, with a particular focus on small systems serving fewer than 10,000 persons.

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 2016, the DPH provided approximately \$25.1 million in funding for 26 infrastructure projects through 18 funding agreements. Since its

inception, the DWSRF program has provided more than \$237 million for 150 projects. Since 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. There were 17 of the 26 projects funded this year that qualified for partial subsidization in the form of principal forgiveness, including the Emergency Power Generator Program.



Southington Water Tower Construction

SUMMARY OF FY 2016 ACTIVITIES & ACCOMPLISHMENTS

- ✓ Executed 10 project commitments under the base DWSRF program totaling \$24.8 million (of which \$23.8 million was loan commitments and \$1 million was subsidy).
- ✓ Executed 8 project commitments under the Emergency Power Generator Program totaling \$257,722 (of which \$147,264 was loan commitments and \$110,458 was subsidy).
- ✓ Processed 90 project payment reimbursement requests for approximately \$21 million.
- ✓ Conducted 359 sanitary surveys of public water systems, including evaluations of technical, financial, and managerial capacity by staff funded through the DWSRF Program.
- ✓ Formalized the Connecticut Source Water Collaborative with the signing of a charter by the 11 members
- ✓ Created a workgroup to improve the implementation of the Lead & Copper Rule and improve communication with other Sections within the DPH which monitor lead in the environment. Published additional information on DPH webpage.
- ✓ Executed contract with third party to assist in the completion of the Water Utility Coordinating Committee water planning process.
- ✓ Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments. Promoted use of the EPA Check-Up Program for Small Systems (CUPSS) asset management software.
- ✓ Maintained outstanding federal Unliquidated Obligations (ULO's) balance below the EPA national goal of less than 10%. Since March 2013, the DWS has successfully reduced its ULOs by a total of 70%.

HISTORY & 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, 2016, the SDWA has not yet been reauthorized by Congress. However, in each subsequent year since 2003, Congress has appropriated funding for the DWSRF. Each state is allocated a certain amount of that appropriation based on the results of the latest national Drinking Water Infrastructure Needs Survey and Assessment (DWINSA). Beginning with the FFY 2014 allocation and through at least FFY 2017, Connecticut's allocation is 1.01%, based on the results of the 2011 DWINSA.

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

The State has received a total of \$175.1 million to date in capitalization grants, and as required for each awarded grant, a state match equaling 20% of the grant must also be provided.

The DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State of Connecticut and the EPA. The OA establishes the basic framework and procedures of the DWSRF that are not expected to change annually.

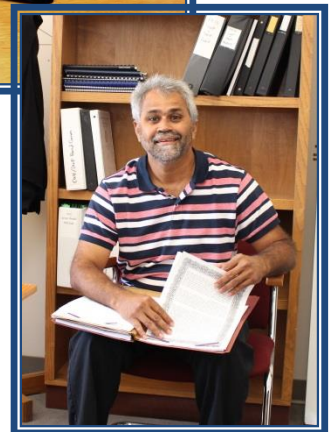
DWSRF Program Management

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

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



OTT Staff



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.

Federal Capitalization Grants

The SDWA authorized the Drinking Water SRF and continues to place legal constraints on each state program. Federal regulations limit the uses of the Drinking Water SRF equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing of prior debt, or administrative expenses associated with qualified projects. Appendix II shows the total cumulative amounts for the DWSRF project funds and set-aside accounts that have been made available to Connecticut based upon EPA approval of the Capitalization Grants for Connecticut. The federal drinking water, non-ARRA, capitalization grants awarded to Connecticut from FFY 1997 through FFY 2016 totaled \$175.1 million. Since last year's report, the State was granted the FFY 2015 award of \$8.9 million. The FFY 2016 grant in the amount of \$8.4 million should be awarded in early fall 2016. While states have significant latitude in the creation of the SRF program, the federal capitalization grants and the required match for the Drinking Water SRF must be maintained by the SRF in perpetuity.

Required State Matching Funds

The State has provided sufficient funds in the Drinking Water SRF to meet the required State match. Connecticut's match has been made in the form of cash contributions in the Drinking Water

SRF for a total of \$39.8 million as of June 30, 2016 (Appendix II).

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

State Authorizations

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Connecticut Clean Water Fund including the Clean Water SRF and Drinking Water SRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. As of June 30, 2016, the State Bond Commission has approved \$299.0 million in allocations to the Drinking Water program.

Revenue Bonds - SRF Leveraged Program

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

The SRF revenue bonds are currently rated the highest available credit rating by three national credit rating agencies. Each rating reflects only the views of the respective rating agency, and an explanation of the significance of any rating may be obtained from the rating agency. There is no assurance that ratings will continue for any given

period or that they will not be revised or withdrawn entirely by a rating agency if, in their judgment, circumstances so warrant.

Currently, the average coupon on the leveraged revenue bonds is higher than the interest rate charged to borrowers. The interest rate of loans made to the borrowers is generally 2%, while the average coupon rate on the last revenue bond issue was 4.5%. Therefore the debt service on the SRF bonds is paid from a combination of borrower loan repayments and interest earnings on the investment of SRF funds. Program assets and reserve funds are held as security for all bonds. As of June 30, 2016, the State held \$260.6 million in DWSRF program assets invested in loans, the State’s Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

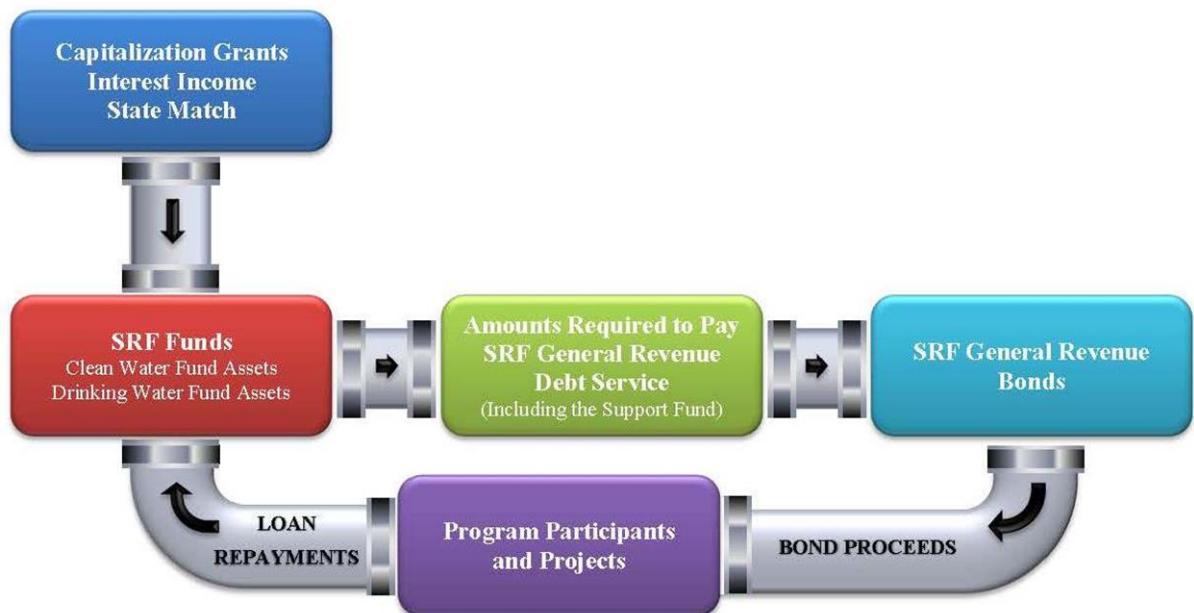
Green Bonds

Green Bonds are dedicated to financing environmentally friendly projects and appeal to a new group of socially conscious investors. In the spring of 2015, the state issued \$250 million of SRF for both drinking water and clean water projects. Revenue bonds were priced on April 22, 2015, (Earth Day) with an overall true interest cost of 3.14%. The projects funded by bonds are detailed in Appendix VI.



Flow of Funds

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



CONDITION OF THE FUND

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

The Drinking Water SRF depends on the State's continued willingness to commit financial resources to the program. For FY 2016, the State once again authorized additional funds for projects; however, no new funds were authorized for FY 2017. Staffing levels also remained below what is preferred. Additional staff that had been hired during FY 2014 left state employment in FY 2015. No new staff were hired during FY 2016 due to several factors, including overall state budget constraints and multiple drinking water priorities.

Authorizations for Clean Water and Drinking Water projects have been provided for FY 2016, 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.

Since the inception of the program, the Drinking Water SRF has over \$240 million in completed projects and project commitments. Many of the borrowers have multiple loans, and the largest number of loans and commitments continue to be with the MDC, Meriden, New Britain, Norwich, Norwalk, and Southington.

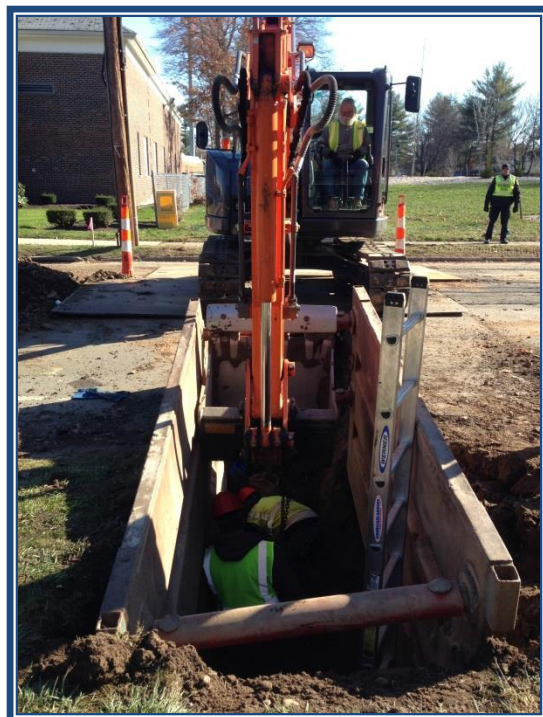
Since 2001, the State has issued revenue bonds to expand the Drinking Water SRF and its ability to fund critical water quality projects. State bond authorizations for the Drinking Water SRF have only been used for project purposes.

The volume of projects funded in each year, as measured by DWF agreements executed with public water systems (PWSs), is a reflection of

both past demands on the program and the availability of funding through the State Bond Commission. Program capacity and cash flow projections show that combined with the Clean Water State Revolving Fund Program, the programs can sustain bond issuance of approximately \$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.



Repairs to water main

BORROWERS

All Connecticut community and nonprofit non-community public water systems (PWS) 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 833 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.

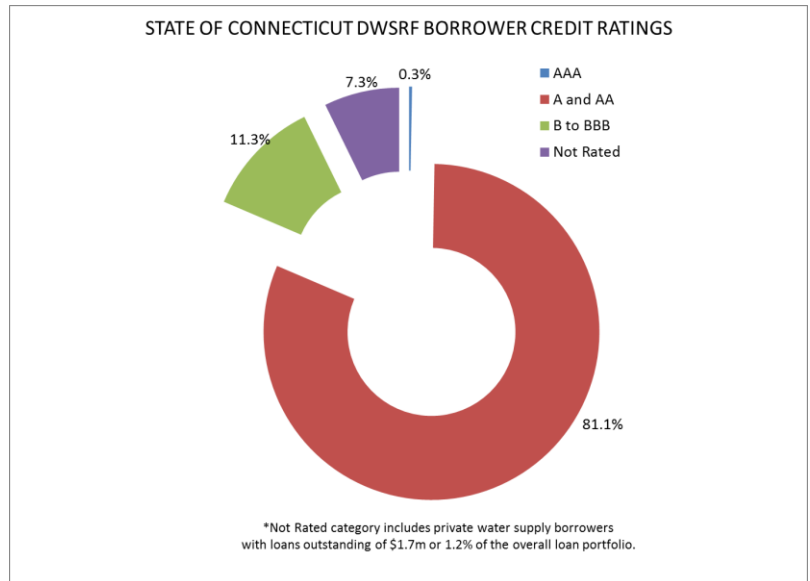
The DPH emphasizes the importance of reaching potential applicants. Each year outreach initiatives have included an e-mail to eligible public water systems, statewide informational meetings, open forums, and the posting of information on the DPH DWS website. The DWSRF program is also promoted during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

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 as shown below. Most of the private and nonprofit borrowers do not have credit ratings. The program’s loan administration includes separate loan servicing by the program’s trustee bank. No defaults have occurred to date. There is no grace period for loan repayments although the agreements allow up to 30 days to cure other defaults. A policy is in place to implement collection procedures in the event of a delayed payment.



PROJECT FINANCING

The DWSRF provides financial assistance to an eligible Public Water System (PWS) for planning, design, and/or construction projects. The major limitations on project financing are exclusions for projects that are primarily for growth. Other limitations are further described in the guidance documents available from the DPH and the EPA.

The DWSRF financial assistance consists of low-interest loans of approximately one-half of the market rate allowing up to 20 years for repayment. The loan rate during FY 2016 was 2.0%. The DWSRF also provides technical assistance and training with a portion of the federal grant.

The FFY 2010 (Public Law 111-85) federal capitalization grant required subsidization for eligible projects for the first time in the history of the program. The amount of subsidy available varies each year, and has been provided in the form of loan principal forgiveness for qualifying borrowers and projects. During FY 2011, the DWSRF began to offer federally funded loan subsidies designed to encourage 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 allocate general obligation bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. During the Spring 2016 legislative session, this amount was reduced to \$20 million. This program, codified under CGS 22a-483f, provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for eligible

DWSRF projects. DPH continues to work toward the allocation of these funds.

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

Intended Use Plan Summary

The DPH's 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 FFY 2015 capitalization grant monies, 2) a state match of 20% of the FFY 2015 capitalization grant awards, 3) fiscal year 2016 state bond authorizations, and 4) unobligated funds carried forward from previous IUPs. During FY 2016, Connecticut provided the required 20% match of \$1.8 million necessary to receive the FFY 2015 award.

The most recent request for new DWSRF projects from PWSs occurred between November 2014 and January 2015. The Public Hearing and Open Forum for the FY 2016 IUP 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.

The FY 2017 IUP is being drafted, and a public hearing was held on August 25, 2016. The next request for new projects is expected to occur in

the fall of 2016, for funding to be provided during fiscal years 2018 and 2019.

Priority Ranking System and Project Priority List

The priority ranking system is a key component of the management of the DWSRF program. Project eligibility applications are reviewed, awarded ranking points, and compiled to create a Project Priority List (PPL) to ensure that funding is available for projects that have the most pressing needs. The ranking system also incorporates procedures for emergency funding. Priority for the use of funds is designated to those projects that address one or more of the following: water quality, water quantity, acquisitions and transfers, infrastructure upgrades, protective measures covering sources of water supply and distribution systems, and affordability. Based on this system, the DWS develops a list of projects, the PPL, which will be offered funding during the year. The PPL is part of the IUP. The IUP also includes a Comprehensive Project List of all project applications received. The priority ranking system is reviewed and revised as necessary prior to each call for projects. It is made available for review and comment from potential borrowers as part of the IUP and public hearing.

The priority ranking system is used to award points for situations in which water quality impairments, water quantity deficiencies, or water system imperfections may increase risk to public health or result in noncompliance. The highest points are assigned to projects that are designed to bring systems into compliance with quality and quantity regulations of the Connecticut Public Health Code and SDWA. Points are also awarded for the acquisition of an existing

public water system and upgrades to emphasize the importance of supporting projects that achieve long-term solutions to existing or potential water quality or quantity deficiencies. Affordability points are awarded to projects that serve a city or town determined to be a “distressed municipality” by the Department of Economic and Community Development, according to CGS 32-9p. The list is updated annually and the most recent list available at the time of the call for projects is utilized for assignment of ranking points.

The DPH approves project funding to applicants on the PPL to the extent of funds available. Each PWS may apply for and receive project funding in an amount up to 100% of the eligible project cost. In some cases, based on readiness to proceed, a project may be bypassed on the PPL. Funding is offered to the next highest ranked and ready to proceed project(s) on the comprehensive list that was not originally included on the PPL. In these situations, the DWS continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible. The PPL for fiscal year 2016 can be found on the DWS website. Projects on the PPL are currently in the process of moving forward and are at varying stages of progress. Due to delays in certain projects originally earmarked to receive funding, from time to time bypass procedures were implemented in order to allocate all available project funds. The projects which received funding during FY 2016 are detailed in the next section of the report. The PPL for FY 2017 will be available when the IUP is finalized.

FY 2016 FUNDED PROJECTS DETAIL

During FY 2016, the Drinking Water SRF made eighteen interim project commitments totaling \$25.1 million (including more than \$23.9 million in loans) for the following projects. A table listing all FY 2016 projects funded is included as Appendix III.

Base Program

City of Southington - East Side Water Storage Tank and Pump Station - Construction Phase (\$4,073,690 total funding)



*Southington East Side Tank
Roof Panel Being Lowered in Place*

The project comprises the installation of a one million gallon water storage tank, a booster pump station to house three identical 15 horse power variable frequency drive (VFD) pumps, and approximately 1,700 linear feet of 12-inch diameter ductile iron pipe (DIP) including associated appurtenances. These new facilities are vital infrastructure components to serve the newly created high service zone (East Side Pressure Zone). This project is necessary to maintain adequate pressure within the high service zone service, address other public health, and meet water system operational needs within the Town of Southington. This project will also provide fire protection for enhanced public safety.

The funding agreement was executed on February 9, 2016, in the amount of \$4,073,690 at an interest rate of 2%.

City of Meriden – Swain Avenue Water Main Replacement (\$1,712,021 total funding)

The work to be performed under this project includes replacing the existing water main along Swain Avenue, between East Main Street and Kyle Court. The existing water main is an old cast iron pipe that is severely aged, worn, and hydraulically restricts flow to critical parts of the distribution system. The replacement water main, approximately one mile in length, will eliminate system outages due to breaks decrease system pumping costs, and improve hydraulics to the residential neighborhoods surrounding the project. Improved valve configurations will allow improved access to the water main during routine annual maintenance. Access to the water main via improved valve configurations will also improve operator flexibility during routine annual maintenance.



Meriden Swain Avenue Water Main Replacement

The funding agreement was executed on March 16, 2016. Of the total project financing, the loan amount was \$1,583,339.32 at an interest rate of 2%.

Metropolitan District Commission – Water Main Replacement – Hartford (Farmington #10) (\$2,516,325 total funding)

This project consists of the replacement of approximately 1,200 linear feet water main along a portion of Farmington Avenue, from approximately 100 feet west of Denison Street to Woodland Street. It includes replacing aging infrastructure (two parallel 20-inch mains) with one 24-inch ductile iron water main, and connections at intercepting streets to the area with 8-inch to 12-inch diameter, hydrant assemblies, water service connections. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.



MDC Farmington #10 Installation of Insulated Water Main

The funding Agreement was executed on June 30, 2016. Of the total project financing, the loan amount was \$2,315,019 at an interest rate of 2%.

Metropolitan District Commission – Water Main Replacement – Hartford (Center & Fairmount) (\$1,538,049 total funding)

This project is located on Center Street and Fairmount Street in Hartford. The portion located on Center Street includes the installation of approximately 1,000 linear feet of 16-in ductile iron water main and 10 linear feet of 6-inch ductile iron water main with associated

appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing 16 and 6-inch diameter pipe that has exceeded its useful service life. The portion located on Fairmount Street includes the installation of approximately 725 feet of 8-inch diameter ductile iron water main, with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing an 8-inch diameter pipe that has exceeded its useful service life. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding Agreement was executed on June 30, 2016. Of the total project financing, the budgeted loan amount was \$1,415,005.49 at an interest rate of 2%.

Metropolitan District Commission – Transmission Main Replacement – Hartford (Hamilton & Park) (\$3,333,841 total funding)



MDC Transmission Main Replacement – Removal of Old Main

The work to be performed under this project includes the replacement of the existing 36-inch water main along Brookfield Street, Hamilton Avenue, Hillside Avenue, and Park Terrace, and the installation of a 12-inch water main along

Hamilton Street, along with associated appurtenances. This project replaces aging infrastructure that has exceeded its useful service life. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding agreement was executed on June 30, 2016. Of the total project financing, the budgeted loan amount was \$3,067,134.04 at an interest rate of 2%.

[Metropolitan District Commission – North Storage Basin Tank Construction \(\\$3,411,469 total funding\)](#)

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

The funding agreement was executed on June 30, 2016. Of the total project financing, the budgeted loan amount was \$3,208,392.71 at an interest rate of 2%.



MDC North Storage Basin – Construction of Concrete Foundation of Tank

[Metropolitan District Commission – Water Main Replacement – Bloomfield \(Jerome & Pheasant\) \(\\$825,335 total funding\)](#)

This project located on Jerome Avenue and Pheasant Lane in Bloomfield includes the installation of approximately 2,080 linear feet of 8-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing an 8-inch diameter pipe that has exceeded its useful service life. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.



MDC –Pheasant Lane, Bloomfield Water Main Replacement

The funding agreement was executed on June 30, 2016, in the amount of \$825,335.44 at an interest rate of 2%.

[Metropolitan District Commission – Water Main Replacement – Bloomfield \(Cottage Grove & Talcottview\) \(\\$3,302,029 total funding\)](#)

This project is located on Cottage Grove Road and Talcottview Road in Bloomfield. The portion on Cottage Grove Road includes the installation of approximately 3,700 linear feet of 12-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire

hydrants, and water service renewal. This water main is replacing a 10-inch diameter pipe that has exceeded its useful service life. The portion on Talcottview Road includes the installation of 1,080 linear feet of 8-inch ductile iron water main. This water main is replacing a 6-inch diameter pipe that has exceeded its useful service life. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding agreement was executed on June 30, 2016 in the amount of \$3,302,029.50 at an interest rate of 2%.



MDC Cottage Grove & Talcottview Project Sign

[Metropolitan District Commission – Water Main Replacement – East Hartford \(Pitkin\) and WH WTF Valve Replacement \(\\$1,619,547 total funding\)](#)

The portion of the project at the West Hartford Water treatment facility includes the replacement of existing valves and the addition of valves within existing piping, along with a small amount of associated new piping.

The other portion of the project funded by this agreement includes the replacement of approximately 800 linear feet of 6-inch water main and associated appurtenances with new 8-inch ductile iron pipe and new associated

appurtenances and support equipment on Pitkin Street, between Darlin Street and Meadow Street, in East Hartford.

The funding agreement was executed on June 30, 2016. Of the total project financing, the budgeted loan amount was \$1,501,319.95 at an interest rate of 2%.

[Metropolitan District Commission – Water Main Replacement – Wethersfield \(Byrd & Chamberlain\) \(\\$2,486,095 total funding\)](#)

This project is located on Byrd Road, Chamberlain Road, a portion of Somerset Street, and a portion of Silas Deane Highway in Wethersfield. The portion located on Somerset Street includes the installation of approximately 1,100 linear feet of 8-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing an 8-inch diameter pipe that has exceeded its useful service life. The portion located on Byrd Road includes the installation of approximately 700 linear feet of 8-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing 6-inch and 8-inch diameter pipe that has exceeded its useful service life. The portion located on Chamberlain Road includes the installation of approximately 1,470 linear feet of 8-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing 8-inch diameter pipe that has exceeded its useful service life. The portion located on the Silas Deane Highway includes the installation of approximately 1,360 linear feet of 8-inch ductile iron water main with associated appurtenances, blow-off assembly, air valve assemblies, fire hydrants, and water service renewal. This water main is replacing a 4-inch diameter pipe that has

exceeded its useful service life. This new main reduces the likelihood of failure, increasing the reliability of the system to maintain service to customers.

The funding agreement was executed on June 30, 2016 in the amount of \$2,486,095.50 at an interest rate of 2%.



*MDC –Wethersfield Water Main Replacement –
Backfilling of Trench*

Emergency Power Generator Program

The Emergency Power Generator Program was established in State Fiscal Year (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.



DWSRF Engineer - Florin Ghisa

During FY 2016, the DWS continued to provide funding for this program. Since it began, 45 subsidized loans have been executed totaling over \$1.2 million for the purchase and/or installation of 49 generators. Funding applications for another 17 generators have been received and are at varying stages in the review process.

Subsidization provides up to 25% or 45% of the cost of eligible components of each generator project that receives DWSRF funding. The amount and percentage of subsidization depends on the amount of the request and if the generator is for replacement or if purchasing for the first time. The Emergency Power Generator program's high rate of subsidy brought to the program many small systems that may not normally participate in the DWSRF.



Sharon Heights Emergency Generator

Six new generator project loans were initiated during FY 2016 for small systems: Baxter Farms Community Water Association, Town in Country Condos, Cranberry Bog Apartments, Middlebury Commons Condos, Quassuk Heights Gardens, and Sharon Heights Association. The funding provided to Baxter Farms also included booster pump replacement.

In addition, funding for two generators was provided to the South Central Connecticut Regional Water Authority.

All of these generators will be used to power the water supply system in the event of a power outage to maintain a safe and adequate supply of potable water.



Regional Water Authority Emergency Generator

Small System Funding

Funding for small systems continues to be a priority for the DPH. During FY 2016, six agreements for eight projects received more than \$143,000. All small system projects that were ready to proceed were funded, which represented approximately 0.35% of the total funds available. The DPH continues to provide outreach and direct technical assistance to small systems in an effort to increase their participation. These systems generally need more hands-on guidance to understand and meet the DWSRF requirements, and there has been a marked increase in funding requests over the past few years. It is expected that the amount of funding provided to small systems will significantly increase during FY 2017. Overall, since the DWSRF program began, the DPH has exceeded the goal of providing at least 15% of available funds to small system projects.



Newly installed fire hydrant

Projects Completed During FY 2016

During FY 2016, 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 2016 *			
PWS Name (Applicant)	ID #	Town	Brief Description
Sharon Heights Assoc.	2016-9050	Bloomfield	Generator
City of Bristol	2013-7023	Bristol	Tank Removal & Piping Improvements
Cornwall Housing Authority (Kugeman Village)	2013-9036	Cornwall	Generator
Metropolitan District (Valves/Pitkin)	2014-7033	Hartford, West Hartford East Hartford	Raw water valve replacement and Water Main Replacement
Metropolitan District (Jerome & Pheasant)	2016-7042	Hartford (Bloomfield)	Water Main Replacement
Metropolitan District (Farmington)	2016-7035	Hartford	Water Main Replacement
Metropolitan District	2014-7029	Hartford (Newington, Glastonbury)	Pump Station Improvements
Metropolitan District	2014-7032	Hartford (West Hartford)	New Finished Water Storage Tank
Metropolitan District (Center & Fairmount)	2016-7043	Hartford	Water Main Replacement
Metropolitan District (Hamilton & Park)	2016-7044	Hartford	Transmission Line Replacement
Metropolitan District (Byrd & Chamberlain)	2016-7045	Hartford (Wethersfield)	Water Main Replacement
Cranberry Bog Apartments	2016-9046	Killingly	Generator
Ash Water Company	2015-9038	Ledyard	Generator
City of Meriden	2014-7034	Meriden	Broad Brook Water Treatment Plant
City of Meriden	2016-7041	Meriden	Swain Avenue water main replacement
Middlebury Commons Condos	2016-9047	Middlebury	Generator
South Central CT Regional Water Authority (Cobblestone PS)	2015-9039	New Haven (Hamden)	Generator
South Central CT Regional Water Authority (Linsley Lake PS)	2015-9040	New Haven (North Branford)	Generator
New London Public Utilities	2013-7025	New London (Waterford)	Raw Water Intake Pump Station
City of Norwich	2014-7027	Norwich	Deep River Transmission Main Rehab, Pump Replacement and New Storage Tank
Sunny Waters	2015-9037	Norwich	Generator
Town in Country Condos	2016-9045	Woodbury	Generators

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

Highlights of the Benefits Provided by the FY 2016 Completed Projects

Bristol: The removal of an old storage tank and installation of new piping for the adjacent newer tank will allow for better operation of the system and removed a potential source of contamination.

Meriden: This project upgraded the outdated Broad Brook water treatment plant and improved 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 was converted from chlorine gas to liquid sodium hypochlorite. The new plant is able to reduce issues such as taste and odor, manganese, algae, and has minimized DBP formation potential.

Meriden also completed installation of a new water main on Swain Avenue. This new main now provides more reliable service to customers and reduces the likelihood of an interruption in service due to a water main break.

New London: The installation of a new raw water intake pump station allows New London to access additional water from Lake Konomoc and increased the safe yield of the source of supply to augment the supply of the system during peak demand periods and severe drought conditions.

Norwich: Norwich Public Utilities completed construction of a new finished water storage tank downstream of the Deep River water treatment plant, as well as replacement of the finished water pumps at the plant. The new tank and pumps will provide better reliability in maintaining service to customers.

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

The District also completed installation of new raw water valves and a new finished water storage tank at the West Hartford Water Treatment Facility, as well as upgrades to three finished water pump stations. These improvements will ensure the reliability of the overall water system to ensure that customers continue to receive an uninterrupted supply of potable water.

South Central Connecticut Regional Water Authority (RWA): The RWA completed the installation of an emergency generator at two of its pump stations. These generators will help to build resiliency in the water system and ensure that they maintain an uninterrupted supply of water to their customers during a power outage.

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

Summary of Projects

Appendix IV provides a more detailed list of SFY 2016 subsidy and loan disbursements, loan payment receipts, outstanding loans, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2017.

Drinking Water Infrastructure Needs Survey & Assessment and Future Funding Needs

The Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) documents and assesses the 20-year costs and types of capital investment needs of public water systems that are required to protect public health and ensure compliance with the SDWA throughout Connecticut and the United States. Local water utilities make significant investments to install, upgrade, or replace equipment in order to deliver safe drinking water and protect public health. Every four years, EPA conducts a survey of the anticipated costs of these investments. The results are reported to Congress and are used by the EPA to determine the percentage of the DWSRF appropriation that each state will receive each year for the four-year period interval following release of each survey's report. Connecticut's participation in the DWINSAs for 1999, 2003, 2007, and 2011 evidenced that a significant need for infrastructure improvement funding continues to exist throughout the state.

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

Compared with the other five New England States, the 20-year needs in Connecticut were higher than New Hampshire (\$834.9 million), Rhode Island (\$148.2 million), Vermont (\$510.8 million), and Maine (\$1.179 billion). As expected,

Massachusetts (\$7.70 billion) had the highest needs in New England.

The breakdown of needs was as follows:

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

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.

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

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

FY 2016 SET-ASIDES DETAIL

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

ADMINISTRATIVE SET-ASIDE

The State uses this set-aside for the financial administration of DWSRF. Funds are allowed to pay for support services provided by staff outside of the DWS, which includes other state agencies. 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.

These staff perform important functions for the DWSRF Program, from the evaluation of financial viability prior to a project proceeding, to processing of payment requests during construction, and finally closing of the loan and initiation of repayment. During FY 2016, one staff member retired from the DPH Fiscal Office, forcing the remaining staff to support the program with an increased workload. It is expected that one new FTE will be hired in early FY 2017 to replace that position, but as with all staff there will need to be time dedicated for training. Even with this staffing issue, all necessary reviews were conducted as required, although the actions would have been more timely if there was a full complement of staff.

During FY 2016, staff reviewed and processed 90 project payments totalling approximately \$21 million. 78 of those payments were under the

base program for approximately \$20.8 million. The remaining 12 payments for \$245,000 were made toward emergency generator projects. Because it is stipulated in the loan agreements on when payments must be made each month, they are processed in a timely manner.

Under the direction of the Office of the Attorney General, the DWSRF loan templates were updated to include new, required language. This collaborative effort required a lot of staff resources; however, it was necessary and will allow for more efficient processing of loan documents.

SMALL SYSTEMS TECHNICAL ASSISTANCE SET-ASIDE

The State uses this set-aside to provide technical assistance to those PWSs that serve fewer than 10,000 people. Two FTEs were funded under this set-aside.

These staff perform important functions for both small public water systems and in support of the DWSRF Program. Small systems are generally some of the most vulnerable PWSs and are also the most numerous. These systems typically do not have the in-house expertise that large utilities do and require more direct assistance from DPH staff, especially when issues arise. While they all are required to have certified operators, many of these PWSs are run by volunteer boards and do not necessarily have the comprehensive understanding needed for the operation of a PWS.

Staff funded by this set-aside perform sanitary survey inspections, provide technical assistance including site visits, and perform engineering plan and specification review of projects and perform the subsequent inspections.

During FY 2016, funds were also used to continue

the multi-year contract with RCAP to provide asset management training for small systems and targeted technical assistance to small PWSs that had applied for DWSRF funding, and others that are identified as needing additional help. This assistance also includes helping to develop an asset management plan, which is a requirement in order for the PWS to be eligible for a portion of the additional subsidy provided in the DWSRF Program. Seven PWSs received direct assistance from RCAP under this contract during FY 2016, two training events were held, and this multi-year contract was extended thru September 2017.

PROGRAM MANAGEMENT SET-ASIDE

This set-aside is used to assist in the administration of the State's Public Water System Supervision (PWSS) Program. Seven total staff members were funded under the DWS FY 2016 Program Management set-aside, although three of these staff members are not full time. The total FTE is six. These staff perform important functions in support of the DWSRF Program and DWS as a whole.

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

Staff also review the DWSRF financial assistance applications and coordinate the preparation of DWSRF funding agreements among the DWS, DPH Fiscal Office, and OTT, and provide legal assistance to the DWS. Specifically during FY 2016, staff participated in the DWINSA.

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

LOCAL AND OTHER STATE PROGRAM MANAGEMENT SET-ASIDE

This set-aside is divided into two sections: Capacity Development and Source Water/Wellhead Protection. Twelve total staff were funded under this set-aside, although one is not full time. The total FTE is 11.77.

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. There were 6.77 FTEs funded under Capacity Development in FY 2016.

Technical staff funded by this set-aside support all types of PWSs with a range of activities: perform

sanitary survey inspections, including technical, financial, and managerial capacity assessments; provide technical assistance including site visits; and perform engineering plan and specification review of projects and perform the subsequent inspections. Staff work closely with PWSs, and when necessary local health departments, and provide technical assistance to correct any deficiencies or violations that may occur.

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

A major undertaking during FY 2016 was the creation of a workgroup to improve the implementation of the Lead & Copper Rule. Following the crisis in Flint, Michigan, and lessons learned from those circumstances, it was necessary to dedicate staff to this effort. This workgroup also interacts with other Sections within the DPH which monitor the health effects of lead exposure in the environment in an effort to improve communication and coordination.

This increased focus on lead, without the addition of new staff, has caused other tasks to be delayed. Even with this staffing issue, all necessary reviews and sanitary surveys were conducted as required, although the actions would have been more timely if there was additional staff.

It is expected that additional staff will be hired in early FY 2017 to specifically assist with the Lead & Copper Rule and the expected upcoming federal changes to this rule. This will allow current staff to devote more time to their routine work tasks.

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

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

Source Water/Wellhead Protection Program

The DPH Drinking Water Section continued to develop a proactive approach toward source water protection. The Source Assessment and Protection Unit (SA&P Unit) is responsible for the protection of Connecticut's 4,000 drinking water sources. 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.

Source Water Protection

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

Staff funded by this set-aside perform many functions to support the protection of sources of supply in an effort to maintain potable drinking water. These include review and approval (when justified) of proposed sources of supply;

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

Staff also participated in the Connecticut Source Water Collaborative. During Drinking Water Week in May 2016, the culmination of three years of efforts was realized when a charter was signed by the 11 partners formalizing the group. These charter members, along with three additional supporters, are committed to function as effective and respected champions to accomplish the mission of facilitating collaborative approaches and creative solutions for drinking water protection.

One staff funded by this set-aside is also working on a program to assist public water systems that utilize surface water sources with assessing harmful algal bloom toxins in their water sources. This staff is on a New England Interstate Water Pollution Control Commission (NEIWPCC) workgroup, which regularly meets with other interested parties, including the Great Lakes Commission, AWWA, and ASDWA, and is also on an internal DPH workgroup. This program also provided the opportunity to these PWSs to have water samples analyzed at no cost. Seventy-nine samples were received and analyzed by the DPH laboratory for the cyanotoxins microcystin and cylindrospermopsin. No cyanotoxins were

identified in any sample. This sampling program is intended to continue in future years, to the extent that funds are available.

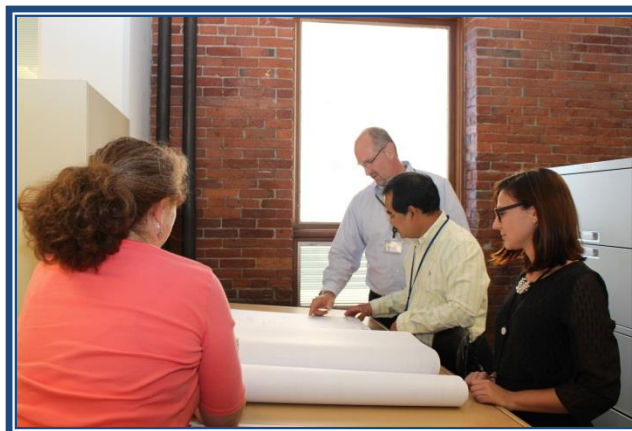
Environmental Engineering Program

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

One FTE is funded by this portion of the set-aside. Various activities include training of subsurface sewage installers in the proper location, design, construction, and operation of these systems. In addition, this staff reviews plans and specifications for all systems with a capacity of 2,000 gallons per day or more.

During FY 2016, this FTE conducted five half-day trainings to local health officials on required regulations on new and repaired subsurface sewage disposable systems. Approximately 350 individuals were in attendance.

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



DPH Staff

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 2016, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2015 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.

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

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

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

Minority and Women’s Business Enterprises (MBE/WBE): The DWSRF utilized the same percentages that were approved by the EPA for the Clean Water SRF program of 3% for MBE participation and 5% for WBE participation. The DPH utilized equivalency for MBE/WBE reporting beginning with the October 2014 report. During FY 2016, all required reports were submitted.

Conduct Environmental Reviews: All public water system projects that received assistance during FY 2016 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

Green Project Reserve: The Metropolitan District’s Capital Avenue Water Main Replacement project was used to meet the Green Project Reserve (GPR) requirements of the FFY 2011 Capitalization grant. The project’s business case was reviewed by EPA Region 1 and posted to the DPH website, as required. The total funding for this portion of the funded

project was \$2,074,023.50, or 22% of the cap grant, exceeding the 20% minimum.

Project Benefits Reporting (PBR) Database: After full execution of the funding agreement, each project was entered into the EPA PBR database. Upon completion of the project and closure of the permanent financing, the project entry was updated.

Bypassed Projects: During FY 2016, it was necessary to bypass several projects due to withdrawal by the applicant, notification of a delay by the applicant, or a determination that a project is no longer eligible for funding. A list of these projects is included in Appendix VI.

American Iron and Steel: Beginning with the FFY 2014 appropriation enacted on January 17, 2014, projects must comply with new American Iron and Steel (AIS) requirements for certain materials and products used in the construction of the project. This requirement has been included in each successive annual appropriation, with varying implementation dates.

Appendix III lists the projects which entered into binding commitments during FY 2016 and identifies those which are required to comply with AIS. Each funding agreement includes language referencing the applicability of AIS requirements, regardless if a project is utilizing a waiver or not. All projects are reviewed for compliance with the AIS requirements during routine site visits.

Federal Funding Accountability and

Transparency Act (FFATA): The projects listed in the table below were reported via the Federal Subaward Reporting System on the dates noted for the FFY 2013, 2014, and 2015 FFATA requirement for project funds. The FFY 2013 and 2014 project reporting requirements were met during FY 2016. The full amount FFY 2015 reporting requirements have not yet been met, but will 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
2016-7039	2/9/2016	CT1310011	Town of Southington (Southington Water Department)	East Side Water Storage Tank and Pump Station	\$40,030	2013	3/17/2016 *
2016-7040	2/9/2016	CT1310012	Town of Southington (Southington Water Department)	East Side Water Storage Tank and Pump Station	\$2,710,352	2014	3/17/2016
2016-7041	2/9/2016	CT1310013	Town of Southington (Southington Water Department)	East Side Water Storage Tank and Pump Station	\$1,323,308	2015	3/17/2016
Total reported:					\$4,073,690		
* The report for 2013 did not get saved in the federal system when initially reported in March. After discussion with EPA, it was resubmitted and uploaded on 5/6/16.							

Additional Subsidization

As explained in the project financing section of this report, the DWSRF program has been providing additional subsidy with project loans beginning with the FFY 2010 capitalization grant. Connecticut has met the requirement to have the minimum amount of subsidy included in executed loans and disbursements for FFY 2010, 2011, and 2012. For the FFY 2013 capitalization grant, as of June 30, 2016, 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 2017, which is expected to raise the total committed amount considerably. Two project loans have been executed with subsidization under the FFY 2014 capitalization grant award; however, it is expected that several will be executed during FY 2017, also raising this amount considerably. In no case has any maximum amount of committed or disbursed subsidy been exceeded.

The DPH acknowledges that the goal to commit the minimum amount of subsidy for the FFY 2013 grant has not yet been met. In addition, it is unlikely that the goal for FFY 2014 to commit the minimum subsidy by September 30, 2016, will be met. There have been considerable delays in the execution of loan agreements; however, several were recently executed and assigned to one of those grants. The

remaining projects that are expected to be assigned to these grant years are in varying stages of the review process.

In previous years projects had not been held to “readiness” as strictly as they are currently. As a result, there is still some catching up to do as these projects finally proceed to funding agreements and construction. It is expected that for FFY 2015 and forward, the goal of committing the minimum required subsidy by the end of the second year after the grant appropriation will be met. The DPH understands the importance of committing and disbursing these funds in a timely manner, as they have a direct impact on the levels of ULO’s. Appendix VII lists the projects expected to be assigned subsidy, along with the expected month of commitment and full disbursement.

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

Federal Capitalization Grant- Federal Subsidy								
Cap Grant FFY	Minimum Amount of Federal Subsidy to Disburse	Maximum Amount of Federal Subsidy to Disburse	Total Federal Subsidy Amount Committed as of June 30, 2016	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 2016	Remaining Federal Subsidy Amount Expected to be Disbursed	Estimated Month for Full Disbursement of Federal Subsidy	Estimated Month for Disbursement of Minimum Federal Subsidy
2010	\$4,071,900	N/A	\$4,723,405	\$0	\$4,723,405	\$0	Achieved	Achieved
2011	\$2,825,400	N/A	\$2,997,111	\$0	\$2,864,945	\$132,166	September 2016	Achieved
2012	\$1,795,000	\$2,692,500	\$2,220,970	\$187,864	\$1,997,760	\$411,074	June 2017	Achieved
2013	\$1,684,200	\$2,526,300	\$795,937	\$1,155,692	\$414,889	\$1,536,740	June 2018	December 2017
2014	\$1,792,400	\$2,688,600	\$324,350	\$1,815,087	\$0	\$2,139,437	December 2018	June 2018
2015	\$1,778,600	\$2,667,900	\$7,268	\$2,316,859	\$0	\$2,324,127	January 2018	October 2017

DWSRF Program Goals

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

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

- Maintaining use of a two-year budget planning period to coincide with the State's biennial budget
- Criteria in the DWSRF Priority Ranking System placed greater emphasis on ready-to-proceed projects
- Continue to work closely with DWSRF loan applicants, along with coordination of regulatory review and loan preparation activities
- Maintaining a pipeline of projects through close interaction with public water systems concerning their system needs during the data gathering process for the 2011 and 2015 EPA Drinking Water Infrastructure Needs Survey and Assessment (DWINSA), and working to better promote and explain the DWSRF process
- Continue using the results of LEAN activities in 2010 and 2014 to understand program requirements across agencies and institute streamlining techniques, as time permits

Maintaining an adequate staffing level has also been identified as an important factor in the success of the DWSRF program, and overall in the assistance and oversight provided to all public water systems. While the minimum goals continue to be achieved, the increased workload on staff is not sustainable. The majority of the staff time is spent implementing the minimum necessary to maintain the program and ensure compliance with ever-increasing federal requirements. Staff do not have time for the efforts needed to grow the program and improve processes for the borrowers.

Limited progress was made to further refine the streamlined procurement procedures that allow small, low-cost (less than \$100,000) projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting requirements. This process began with the Emergency Power Generator Program and has proved to work very well. It is expected that these procedures will greatly improve the overall DWSRF process for small water systems and increase the number of projects funded for these systems.

The DWS continued to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Activities during FY 2016 involved continued use of the financial tracking of funding agreements. Further modifications to the current project database to help ensure smoother development and transfer of information and development of the LGTS project module were on hold due to delays with the national development contract.

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

The ULO project balance is \$8,588,697 as of July 1, 2016. Due to program requirements, all monies provided as federal subsidy must come directly from the federal capitalization grant. As a result, a balance of project ULOs must be maintained in an amount sufficient to fund federal subsidy payments for qualifying projects currently under funding agreements and those for which funds are being carried over. The ULO set-aside balance is \$4,118,141.

The DPH closely monitors DWSRF ULOs with the goal being the expeditious disbursement of each capitalization grant. In September 2013, the DPH developed a ULO Reduction Plan outlining strategies to reduce DWSRF project and set-aside ULOs. The DPH expects that once desirable ULO percentages are achieved, they will be maintained. The practice of spending the capitalization grants down on a yearly basis will lead to very low, sustainable ULO percentages. In April 2014, EPA established national goals for states to fully expend their FFY 2013 and prior capitalization grants by September 30, 2016. Additionally, EPA expects FFY 2014 and subsequent capitalization grants to be expended within two years of their award date.

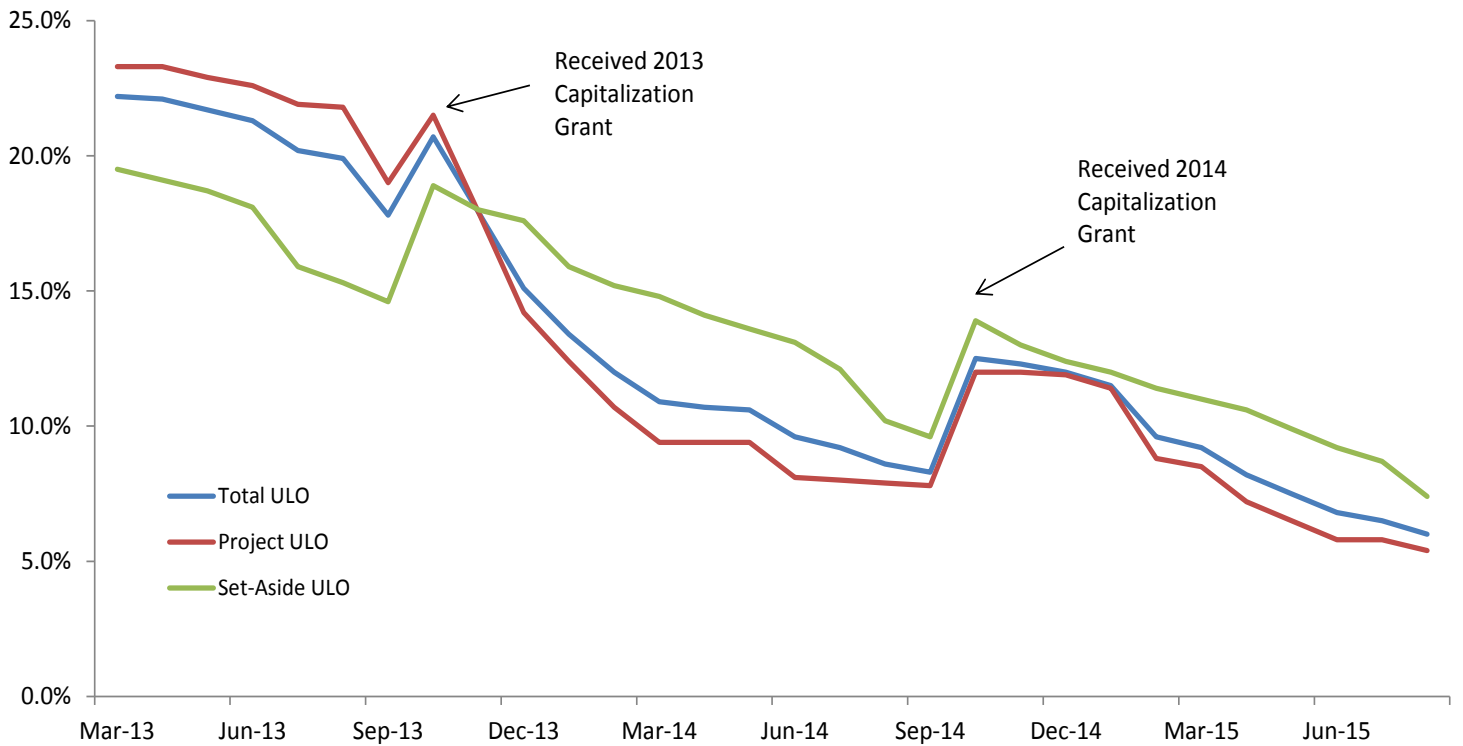
Over the past 21 months, the DPH had significant delays in executing new funding agreements due to uncertainty in obtaining SBC approval for state subsidy funding. These delays have resulted in higher than normal ULOs associated with capitalization grant project funding; however, the DPH is still on pace to comply with EPA's national goals. The construction schedules for the projects associated with these agreements were not delayed, and many of these projects have been under construction for many months with some projects already completed. Many of these delayed agreements were executed on June 30, 2016, and DPH expects to fully disburse project funding contained in the FFY 2014 capitalization grant and a portion of the FFY 2015 grant by September 30, 2016.

The set-asides are primarily used to support adequate levels of DWS staffing to implement the DWSRF, Source Water Protection, Capacity

Development, and Public Water System Supervision Programs with limited outside contractual support. The State of Connecticut provides in-kind matching funds to obtain our federal EPA grants; however, non-matching state contributions for these activities have diminished in recent years and are not expected to increase in the foreseeable future due to current State budget deficit projections. The DPH has been carrying over unspent set-asides from prior years' capitalization grants to sustain these programs. For several years, the DPH has proposed legislation to enact fees to provide long-term support for these programs and reduce our dependence on the capitalization grant carryovers. DPH continues to work to move this legislation forward and has been tasked with production of a study under [May 2016 Special Session PA 16-2 Section 17](#) in order to review financial needs and propose methods to address those needs. DPH's ULO Reduction Plan accelerated the rate of spending these carryover funds to reduce ULOs, but it is necessary to manage those funds in a manner that minimizes the risk of diminishing the important services provided by the programs until alternative sources of new funding are obtained. Despite its efforts, the DPH will be requesting a 12-month extension from the EPA to fully draw down the FFY 2013 and FFY 2014 set-aside portions of the capitalization grants.

With primary SDWA enforcement responsibility granted by the EPA, the DWS requires sufficient resources to meet the many requirements for state primacy. Increasing oversight of state programs current implementation of and compliance with federal rules, such as lead and copper, has led to an increase in workload. The state's drinking water program is in need of additional funding resources in the near future to sustain our current staffing level and necessary to reach an optimal staffing level. The study under May 2016 Special Session PA 16-2 Section 17 will allow for the DPH to run the required cost and need projections for running the state's drinking water program in our effort to secure additional funding sources.

CT's SUCCESSFUL UNLIQUIDATED OBLIGATIONS (ULO) REDUCTION



APPENDICES



Appendix I: Management of DWSRF Program

Department of Public Health (DPH)

The DPH is a State of Connecticut regulator focused on protecting public health by regulating access to the health care professions as well as community-based and environmental providers, and provides regulatory oversight of health care facilities and other services including drinking water systems. The DPH is the primary agency responsible for the administration of state and federal drinking water regulations. This mandate focuses on the use and the protection of the state's drinking water resources and assuring the quality and adequacy of Connecticut's public drinking water sources. The Drinking Water Section within the DPH is responsible for enforcement of and compliance with State and federal laws, rules, and regulations pertaining to drinking water and its use in the state. CGS Section 25-32 grants DPH jurisdiction over all matters concerning the purity and adequacy of drinking water and provides regulatory oversight of public water systems throughout the state. In the course of a day, virtually every Connecticut resident as well as many others who visit the state come into contact with drinking water provided by a public water system. DPH monitors approximately 2,500 public water systems in Connecticut. Of those, approximately 833 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 Office of the State Treasurer has responsibilities for the Drinking Water SRF's financing program and various financial components of the Drinking Water SRF. The State Treasurer and the Commissioner of the Department of Environmental Protection entered into a Memorandum of Agreement in 1989 which was later modified by a Memorandum of Understanding in 2009, and also signed by the Department of Public Health Commissioner. These Agreements delegate to the State Treasurer various financial components of the CWF and the Drinking Water Fund and certain responsibilities with respect to the implementation and management of the CWF and the DWF. A financial administrator, who works for the State Treasurer, manages and coordinates the various financial components of the CWF and DWF programs on a day-to-day basis. The

activities of the financial administrator are coordinated with those of the DPH, the DEEP, and OPM.

Financing Program Administration

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

Appendix II: Federal Capitalization Grant and State Match Summary

As of June 30, 2016					
Federal Fiscal Year	Project Funds	Set-Aside Funds	Cumulative Total Capitalization Grant	State Match Provided	Cumulative State Match Provided
1997-2000	\$ 30,187,707	\$ 13,562,593	\$ 43,750,300	\$ 10,398,696	\$ 10,398,696
2001-2010	\$ 60,617,344	\$ 26,050,256	\$ 130,417,900	\$ 11,827,960	\$ 22,226,656
2011-2015	\$ 30,163,910	\$ 14,505,090	\$ 175,086,900	\$ 17,565,532	\$ 39,792,188
Totals			\$ 175,086,900		\$ 39,792,188
					23%

* Does not include ARRA award of \$19,500,000 from 2009. State match was not required.

Appendix III: Drinking Water SRF Binding Commitments

Loan Agreement #	Loan Agreement Execution Date	PWSID	Public Water System Name	Project Name	Total Funding Amount	Loan Amount	Subsidy Amount	Assigned Cap Grant FFY for Subsidy	AIS ‡
2014-7033	6/30/2016	CT0640011	Metropolitan District Commission	Valve Replacement & Pitkin Water Main Replacement	\$1,619,547	\$1,501,320	\$118,227	2011	N
2015-9039	8/31/2015	CT0930011	South Central CT Regional Water Authority	Generator - Cobblestone	\$53,900	\$29,645	\$24,255	2013	Y
2015-9040	8/28/2015	CT0930011	South Central CT Regional Water Authority	Generator - Linsley Lake	\$60,341	\$33,187	\$27,153	2013	Y
2015-9041	11/2/2015	CT1420021	Baxter Farms Community Water Assoc. †	Generator and Pump Replacement	\$27,581	\$20,686	\$6,895	2013	Y*
2016-7035	6/30/2016	CT0640011	Metropolitan District Commission	Farmington #10 Water Main Replacement	\$2,516,325	\$2,315,019	\$201,306	2014	N
2016-7039	2/9/2016	CT1310011	Southington Water Department	East Side Water Storage Tank and Pump Station	\$4,073,690	\$4,073,690	-	-	Y
2016-7041	3/16/2016	CT0800011	Meriden Water Department	Swain Ave. Water Main Replacement	\$1,721,021	\$1,583,339	\$137,682	2013	Y
2016-7042	6/30/2016	CT0640011	Metropolitan District Commission	Jerome & Pheasant Water Main Replacement	\$825,335	\$825,335	-	-	N
2016-7043	6/30/2016	CT0640011	Metropolitan District Commission	Center & Fairmount Water Main Replacement	\$1,538,049	\$1,415,005	\$123,044	2014	Y
2016-7044	6/30/2016	CT0640011	Metropolitan District Commission	Hamilton & Park Transmission Main Replacement	\$3,333,841	\$3,067,134	\$266,707	2013	Y
2016-7045	6/30/2016	CT0640011	Metropolitan District Commission	Byrd & Chamberlain Water Main Replacement	\$2,486,096	\$2,486,096	-	-	Y
2016-7046	6/30/2016	CT0640011	Metropolitan District Commission	Cottage Grove & Talcottview Water Main Replacement	\$3,302,030	\$3,302,030	-	-	Y
2016-7047	6/30/2016	CT0640011	Metropolitan District Commission	N. Storage Basin - Tank Construction	\$3,411,469	\$3,208,393	\$203,077	2012	N
2016-9045	1/22/2016	CT1680021	Town in Country Condo Assoc. †	Generators	\$40,145	\$22,080	\$18,065	2013	Y
2016-9046	2/18/2016	CT0690141	Cranberry Bog Apartments †	Generator	\$16,151	\$8,883	\$7,268	2015	Y
2016-9047	2/1/2016	CT0815051	Middlebury Commons Condo Assoc. †	Generator	\$25,978	\$14,288	\$11,690	2013	N
2016-9049	5/19/2016	CT1680041	Quassuk Heights Gardens Assoc. †	Generator	\$22,377	\$12,308	\$10,070	2013	N
2016-9050	4/6/2016	CT0110031	Sharon Heights Assoc. †	Generator	\$11,249	\$6,187	\$5,062	2013	Y
Total funded amounts:					\$25,085,127	\$23,924,626	\$1,160,501		
‡ - Projects marked "N" were exempt from the AIS requirement by utilizing a national waiver. No project-specific waivers were issued.									
† - These Public Water Systems are considered "small" for the purposes of DWSRF funding.									
* - The generator portion of this project is exempt from AIS by utilizing a national waiver. The pump replacement portion is subject to the AIS requirements.									

Appendix IV: Drinking Water Projects – FY 2016 Disbursements, Receipts, Outstanding & Estimated Additional Commitments

				Federal Subsidy Disbursed FY2016	Loan Disbursed FY2016	Loan Received FY2016	IFO/PLO Loan Outstanding at 6/30/2016	Undrawn Loan Commitments	Estimated Additional Commitments (thru 6/30/17)
Ash Water	2015-9038	Ledyard	Generator	\$ 5,242	\$ 6,407	\$ 1,554	\$ 4,853		
Baxter Farms	2015-9041	Tolland	Generator	2,995	8,985		8,985	11,701	
Bristol	2013-7016	Bristol	Water storage tank			21,011	444,590		
Bristol	2013-7023	Bristol	Grove Street		344,155	20,753	323,402		
Candlewood Trails	2013-7007	New Milford	Pump house & storage			24,225	472,586		
Candlewood Trails	2013-9027	New Milford	Pump house & storage			1,650	32,198		
Colchester	200702-C	Colchester	WTF upgrades			116,173	1,616,755		
Cook Willow	9706-C	Plymouth	Water line connection			37,605	188,576		
Cook Willow	9706-C-D1	Plymouth	Water line connection				65,242		
Cornwall Housing	2015-9036	Cornwall	Generator	3,483	4,257				
Cranberry Bog Apt.	2016-9046	Danielson	Generator	7,268	8,883	-	8,883		
Clinton	2015-0034	Clinton	Water main extension						3,000,000
Crystal Lake	9711-C	Salem	Pump station installation			13,692	70,119		
Crystal Lake	9711-C-D1	Salem	Pump station installation			8,156	45,654		
East Lyme	2010-8003	East Lyme	Drinking water treatment			17,629	312,947		
East Lyme	2012-7010	East Lyme	Reg'l interconnection			15,424	304,500		
East Lyme	2013-7022	East Lyme	Reg'l interconnection			270,984	5,929,183		
East Lyme	2015-0114	East Lyme	Greensand filtration						5,500,000
Guilford	2015-0035	Guilford	Water main extension						2,716,880
Harmony ACRES	2013-9005	Prospect	Generator			1,673	13,833		
Harrybrook Park	9703-C	New Milford	PVC water main			14,135	55,338		
Hillside Water Corp	2000b-DC	Marlborough	Water main replacement			8,285	61,271		
Hillside Water Corp	2015-0032	Marlborough	Pump house & storage						115,000
Idleview Park	2013-9004	Naugatuck	Generator			705	5,828		
Jewett City	2013-9002	Jewett City	Generator			3,330	27,538		
Ledyard	200401-C	Ledyard	Interconnection			45,278	521,721		
Ledyard	2010-7004	Ledyard	Water storage tank			73,266	1,195,434		
Ledyard	2013-7011-1	Ledyard	Water main extension			168,154	3,558,160		
Manchester	2013-9031	Manchester	Generator			2,681	55,131		
Manchester	2013-9032	Manchester	Generator			829	18,576		
Manchester	2015-0116	Manchester	Water main replacement						1,000,000
MDC	200105-C	Bloomfield	Water main construction			117,187	830,073		
MDC	2010-8008	Various	Meters & reading devices			128,971	1,827,084		
MDC	2010-8009	Hartford	Tower Ave			38,604	546,889		
MDC	2010-8009-1	Hartford	Tower Ave			11,013	156,017		
MDC	2013-7012	Various	Meters & reading devices			139,031	2,375,113		
MDC	2013-7013	Hartford	Capital & Linden			135,662	2,403,481		
MDC	2013-7014	Hartford	Franklin #5	369,447	4,691,464	293,217	4,398,247		
MDC	2013-7015	Hartford	Franklin #13	435,670	5,635,824	445,551	5,190,272		
MDC	2013-7017	Hartford	Farmington #6			184,568	1,828,900		
MDC	2013-7018	Hartford	Water main replacement			19,904	343,346		
MDC	2013-7019	Hartford	Water main replacement			76,989	1,385,797		
MDC	2013-7021	Hartford	Upper Albany #1	288,985	3,809,525	317,460	3,492,064		
MDC	2013-7026	Hartford	Water main replacement			147,996	1,543,383		
MDC	2014-7029	Glastonbury	Newington & Buckingham	249,940	3,173,899	250,783	2,923,115		
MDC	2014-7030	Bloomfield	Reservoir #6	137,866	1,750,707		1,750,707	177,013	
MDC	2014-7031	East Hartford	Wickham Hill Phase I	277,945	3,626,881	286,730	3,340,151		
MDC	2014-7032	West Hartford	North Storage Basin	249,060	3,162,716		3,162,716		
MDC	9704-C	West Hartford	WTF Improvements			43,042	193,690		
MDC	9704-DC-D1	West Hartford	WTF Improvements			130,903	589,062		
MDC	9709-C	Bloomfield	WTF Improvements			10,345	43,103		
MDC	9709-C-D1	Bloomfield	WTF Improvements			57,419	239,248		
MDC	9710-C	Various	Water main improvements			43,099	215,494		
MDC	2015-0060	Hartford	West Hartford WTF rehab						3,000,000
MDC	2012-0030	Hartford	Water main replacement						3,904,000
MDC	2015-0063	Hartford	Water main replacement						3,500,000
MDC	2015-0052	Hartford	Transmission Main Ext.						13,000,000
MDC	2015-0037	Wethersfield	Water main replacement						3,000,000
Meriden	2012-7008	Meriden	Broad Brook			68,333	1,348,990		
Meriden	2014-7034	Meriden	Broad Brook	1,318,443	17,299,858	922,477	16,377,381		
Meriden	2016-7041	Meriden	Swain Avenue	96,492	1,109,662		1,109,662	473,677	
Middlebury Cmns	2016-9047	Middlebury	Generator	10,628	12,989		12,989	1,299	
New Britain	2015-7038	New Britain	Elam Street	224,817	2,585,394		2,585,394	610,159	
New Britain	2000A-DC	New Britain	Water Treatment Plant			1,200,000	8,800,000		
New Britain	9802-PDC	New Britain	Water Treatment Plant			634,149	3,434,976		
New Britain	2015-0051	New Britain	Raw water supply station						1,960,864
New Britain	2015-0134	New Britain	Filter plant SCADA						1,131,000
New Britain	2015-0030	New Britain	Water main improvements						600,000

Appendix IV: Drinking Water Projects – FY 2016 Disbursements, Receipts, Outstanding & Estimated Additional Commitments (cont.)

				Federal Subsidy Disbursed FY2016	Loan Disbursed FY2016	Loan Received FY2016	IFO/PLO Loan Outstanding at 6/30/2016	Undrawn Loan Commitments	Estimated Additional Commitments (thru 6/30/17)
New Haven RWA	2015-0090	New Haven	Well Replacement						1,000,000
New Haven RWA	2015-0088	New Haven	Metering Infrastructure						4,200,000
New Haven RWA	2015-0089	New Haven	ATM Storage Tank						2,500,000
New Haven RWA	2015-0087	New Haven	Tank replacement						3,000,000
New London	2013-7025	New London	Lake Konomoc	415,712	5,278,973		5,278,973	255,655	
New town	200101-C	New town	Interconnection			26,729	203,668		
New town	200402-C	New town	Interconnection			8,420	90,521		
Norwalk 1st TD	2013-7024	Norwalk	Storage & pump improv			358,974	6,641,026		
Norwalk 2nd TD	200601-C	Norwalk				1,241,829	16,253,740		
Norwich	200801-C	Norwich	Water Tank			22,500	290,625		
Norwich	2010-8005	Norwich	Fitch hill			7,236	97,691		
Norwich	2010-8006	Norwich	Fairview			16,313	228,375		
Norwich	2011-7005	Norwich	Pump drives & tanks			8,664	141,513		
Norwich	2011-7006	Norwich	Mains & meters			8,222	130,176		
Norwich	2014-7027	Norwich	Stony Brook, Mohegan			37,932	467,830		
Norwich	2014-7036	Norwich	Deep River WTP	726,226	4,051,579	-	4,051,579		
Norwich	9714-C	Norwich	Yantic pipe replacement			103,394	622,754		
Point-o-Woods	200802-C	South Lyme	Water distribution system			135,063	517,313		
Portland	2010-7003	Portland	Water main installation			36,335	617,260		
Portland	2011-7002	Portland	Water storage tank			42,957	788,309		
Portland	9708-C	Portland	Water pumping & storage			141,778	538,500		
Putnam	2010-8011	Putnam	Park Street well field			53,764	779,571		
Quonnapaug Hills	2013-9034	Guilford	Generator			4,663	17,495		
Ridgefield	2010-8004	Ridgefield	Water main extension			23,685	390,929		
SCWA	2012-7009	Ledyard	Radio frequency trans			5,914	133,607		
SCWA	2013-9014	Ledyard	Generator			1,171	14,124		
SCWA	2013-9023	Stonington	Generator			582	10,669		
Sharon	2000d-DC	Sharon	Whitford Road			20,618	189,123		
Sharon	9705-C	Sharon	WTP and pipeline upgrades			10,838	51,540		
Sharon	9713-C	Sharon	Water mains install/replace			69,476	71,276		
Sharon	9801-C	Sharon	Water mains install/replace			52,589	283,917		
Southington	200201-C	Southington	Water mains install/replace			48,001	677,405		
Southington	200202-C	Southington				124,220	1,304,310		
Southington	200202-CD1	Southington				100,128	1,204,162		
Southington	2016-7039	Southington	East Side Water Storage		994,075		994,075	3,079,615	
Sunny Water	2015-9037	Norwich	Generator	5,242	6,407	1,570	4,853		
Town in Country	2016-9045	Woodbury	Generator	18,065	22,080	385	21,789		
Tw in Hills	9707-C	Coventry	Replace distribution system			11,921	40,856		
Waterbury	2015-0073	Waterbury	Generators						750,000
Waterbury	2015-0077	Waterbury	Generator at the WTP						2,250,000
Waterbury	2015-0078	Waterbury	WTP sludge removal						2,300,000
Waterbury	2015-0075	Waterbury	Water main replacement						1,600,000
Watertown	9803-C	Watertown	New pump station			274,473	-		
Watertown WASA	2015-0042	Watertown	Water main extension						4,000,000
Watertown WASA	2015-0050	Watertown	Water main replacement						700,000
Woodlake TD	200602-C	Woodbury	Land easement purchase			18,914	249,550		
Woodlake TD	2010-8010	Woodbury	New wells			11,558	192,080		
Woodlake TD	2013-7020	Woodbury	Storage & pump improv			14,684	308,966		
Woodlake TD	2013-9008	Woodbury	Generator			1,320	26,373		
Woodland Summit	2013-9029	Tolland	Generator			1,976	3,872		
Woodland Summit	2015-0115	Tolland	Infrastructure improvements						100,000
				\$ 4,843,528	\$ 57,584,722	\$ 9,619,419	\$ 131,719,040	\$ 4,609,120	\$ 64,827,744

Appendix V: Cumulative Set-Aside Funding by Category

<i>As of 6/30/2016</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Capacity Development and Wellhead Protection)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	15%	31%
1997-2012 Awarded	\$6,556,036	\$3,082,158	\$16,060,090	\$22,335,135	\$48,033,419
Drawn thru 6/30/16	\$6,556,036	\$3,082,158	\$16,060,090	\$22,335,135	\$48,033,419
Balance	\$0	\$0	\$0	\$0	\$0
2013 Award	\$336,840	\$356,780	\$842,100	\$1,263,150	\$2,798,870
Drawn thru 6/30/16	\$336,840	\$356,780	\$842,100	\$864,458	\$2,400,178
Balance	\$0	\$0	\$0	\$398,692	\$398,692
2014 Award	\$358,480	\$179,240	\$896,200	\$1,344,300	\$2,778,220
Drawn thru 6/30/16	\$358,480	\$56,961	\$896,200	\$226,481	\$1,538,122
Balance	\$0	\$122,279	\$0	\$1,117,819	\$1,240,098
2015 Award	\$291,120	\$178,060	\$880,300	\$1,335,450	\$2,684,930
Drawn thru 6/30/16	\$151,194	\$0	\$240,252	\$0	\$391,446
Balance	\$139,926	\$178,060	\$640,048	\$1,335,450	\$2,293,484
TOTAL Awarded:	\$7,542,476	\$3,796,238	\$18,678,690	\$26,278,035	\$56,295,439
Drawn thru 6/30/2016:	\$7,402,550	\$3,495,899	\$18,038,642	\$23,426,074	\$52,363,165
TOTAL Balance:	\$139,926	\$300,339	\$640,048	\$2,851,961	\$3,932,274

Appendix VI: Green Bond Reporting - State Revolving Fund Bonds

2015 Series A - \$283.6M

Recipient	Program	Project #	Project Description	Disbursements
Ash Water	Drinking Water	2015-9038	Generator	6,407.44
Baxter Farms	Drinking Water	2015-9041	Generator	6,407.44
Berlin	Clean Water	212-CSL	Inflow and infiltration rehabilitation	126,911.20
Bolton Lakes	Clean Water	132-DC	Install sanitary sewer system	9,724,288.50
Bridgeport	Clean Water	213-CSL	Pump station rehabilitation	1,086,253.23
Bridgeport	Clean Water	621-C1	Combined sewer elimination	1,185,624.67
Bridgeport	Clean Water	628-C	Combined sewer elimination	4,410,385.21
Bridgeport	Clean Water	658-C	WPCA facility upgrade	198,792.80
Bristol	Drinking Water	2013-7016	Storage tank improvements	299,385.06
Bristol	Drinking Water	2013-7023	Storage tank improvements	344,155.00
Bristol	Clean Water	622-CSL	Inflow and infiltration rehabilitation	631,832.79
Bristol	Clean Water	640-DC	Upgrade WPCF	2,092,266.40
Candlewood Trails	Drinking Water	2012-7007	New pump house, new well pumps and installation of a buried atmospheric storage tank.	11,479.80
Cheshire	Clean Water	618-DC	WPCA facility upgrade	15,978,564.28
Cornwall Housing	Drinking Water	2013-9036	Generator	4,257.48
Cranberry Bog Apt., LLC	Drinking Water	2016-9046	Generator	30,170.25
East Lyme	Drinking Water	2013-7022	Installation of a storage tank, two booster pumping stations, and a transmission main.	2,881,954.71
GNH WPCA	Clean Water	441-C	WPCA facility upgrade	26,153,583.60
GNH WPCA	Clean Water	676-C	Inflow and infiltration rehabilitation	2,535,206.32
Lakeview Mobile HomePark	Drinking Water	2013-9034	Generator	4,472.60
Ledyard	Drinking Water	2013-7011	New water main and pump station.	841,069.57
Manchester	Clean Water	288-C	Water treatment plant upgrade	4,024,836.44
Marlborough	Clean Water	687-C	Sewer system installation	1,152,790.44
Mattabassett	Clean Water	567-C	Water treatment plant upgrade	12,287,913.69
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	Drinking Water	2013-7012	Installation of radio-based automated meter reading equipment.	441,201.60
MDC	Drinking Water	2013-7013	Replacement of a water main	2,052,165.78
MDC	Drinking Water	2013-7014	Water main replacement	2,050,651.96
MDC	Drinking Water	2013-7015	Water main replacement	4,767,251.04
MDC	Drinking Water	2013-7017	Replacement of a portion of water main in conjunction with upgrades to the storm and sanitary sewer systems.	1,950,990.75
MDC	Drinking Water	2013-7018	Replacement of a portion of water main in conjunction with upgrades to the storm and sanitary sewer systems.	398,082.52
MDC	Drinking Water	2013-7019	Replacement of a portion of water main in conjunction with upgrades to the storm and sanitary sewer systems.	391,758.82
MDC	Drinking Water	2013-7021	Water main replacement	3,058,001.71
MDC	Drinking Water	2014-7026	Replacement of a portion of water main in conjunction with upgrades to the storm and sanitary sewer systems.	326,721.14

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

Recipient	Program	Project #	Project Description	Disbursements
MDC	Drinking Water	2014-7029	Pump station upgrades	2,680,023.62
MDC	Drinking Water	2014-7030	Reservoir improvements	1,597,068.64
MDC	Drinking Water	2014-7031	Storage basin improvements	3,405,760.86
MDC	Drinking Water	2014-7032	North storage basin site prep for construction	2,900,112.28
MDC	Clean Water	214-CSL	Sewer replace, repair and reduce I/I	3,519,521.84
MDC	Clean Water	215-C	Sanitary sewer improvements and reduce I/I	2,919,938.88
MDC	Clean Water	619-CD1	South Hartford conveyance & storage tunnel design	20,360,027.72
MDC	Clean Water	652-C	WPCA facility upgrade	30,459,046.89
MDC	Clean Water	652-D	Water pollution control facility upgrade	20,088,074.81
MDC	Clean Water	657-C	Hartford WWTP upgrades	24,632,483.79
Meriden	Drinking Water	2014-7034	Water filtration plant and pump station upgrades	13,894,616.40
Middletown	Clean Water	487-DC	Pump station and force main installation	13,166,438.36
Montville	Clean Water	662-DC	Water pollution control facility upgrade/generator	34,699.86
New Britain	Drinking Water	2015-7038	Storage tank replacement	2,182,383.90
New London	Drinking Water	2013-7025	Intake pump station installation	4,195,365.23
Norwalk-1st Taxing District	Drinking Water	2013-7024	Install water storage tank, booster pumping station, and water main.	4,443,467.26
Norwich	Drinking Water	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	Water storage tank pump and drives upgrades	3,018,408.34
Old Saybrook	Clean Water	116-C	Decentralized wastewater management system	622,929.87
Old Saybrook	Clean Water	673-C	Decentralized wastewater management system	2,001,817.48
Plymouth	Clean Water	458-C	WPCA facility upgrade	1,110,214.70
SCCRWA	Drinking Water	2015-9039	Generator	4,257.48
SCCRWA	Drinking Water	2015-9040	Generator	4,472.60
Sunny Water	Drinking Water	2015-9037	Generator	6,407.44
Town in Country Condo Assoc	Drinking Water	2016-9045	Generator	29,328.58
West Haven	Clean Water	549-CD1	Water pollution control facility upgrade, nutrient reduction	245,042.14
Woodlake Tax District	Drinking Water	2013-7020	Renovate atmospheric storage tank and booster pumping station including electrical upgrades.	348,026.77
2015 A State Revolving Fund Green Bonds Issued 04/23/2015				283,615,628.40
Total Disbursements 2015 Series A Revenue Green Bonds				262,295,579.36
2015 Series A Revenue Green Bonds Remaining as of 06/30/2016				21,320,049.04

Appendix VII: Bypassed Projects List

The following projects were bypassed for funding consideration during SFY 2016

Projects from SFY2016 Project Priority List bypassed during SFY 2016 & not funded:

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
7	45	CT1510011	WATERBURY WATER DEPARTMENT	WATERBURY	Water Treatment Plant Sludge Removal Equipment (Planning/Design)	\$500,000	Project withdrawn by applicant	Withdrawn
8	45	CT0800011	MERIDEN WATER DIVISION	MERIDEN	DWSRF - Elmere WTP & Storage Tank Rehab (design)	\$1,440,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
9	45	CT0800011	MERIDEN WATER DIVISION	MERIDEN	Williams St. PS (design)	\$120,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
11	40	CT0800011	MERIDEN WATER DIVISION	MERIDEN	Merimere Storage Tank Rehab (Design)	\$120,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
12	40	CT0800011	MERIDEN WATER DIVISION	MERIDEN	Fleming Road Storage Tank Rehab/ Replacement (Design)	\$200,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
14	35	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	West Hartford Water Treatment Facility - Rehab of 6 MG Basin	\$3,000,000	Project not ready to proceed	Bypassed
17	30	CT1280011	TARIFFVILLE FIRE DISTRICT WATER DEPT	SIMSBURY	Wellhead Protection Improvements	\$200,000	Project withdrawn by applicant	Withdrawn
22	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Water Main Replace Bond Street area, Hartford	\$3,904,000	Project not ready to proceed	Bypassed
23	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Water Main Replace Buckingham St. area, Hartford	\$5,000,000	Project not ready to proceed	Bypassed
24	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Church Street Water Main Replacement Phases I & II	\$8,000,000	Project not ready to proceed	Bypassed
25	25	CT1680031	WOODLAKE TAX DISTRICT	WOODBURY	Generator IMF Bldg	\$58,000	Project withdrawn by applicant	Withdrawn
27	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Farmington Ave #11 Water Main Replacement	\$3,500,000	Project not ready to proceed	Bypassed
28	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Madison Avenue Area Water Main Replacement, Hartford	\$3,600,000	Project not ready to proceed	Bypassed

Appendix VII: Bypassed Projects List (cont.)

Projects from the SFY 2016 Comprehensive List that were considered for funding, but bypassed and not funded

Original Rank	Points	PWSID	PWS Name	Base City Served by PWS	Project Name	Amount requested	Reason for not funding	Action
-	25	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Water Main Replace Simmons Rd, East Hartford	\$2,520,000	Project withdrawn by applicant	Withdrawn
-	20	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	New State Rd. Well #7 replacement	\$250,000	Project withdrawn by applicant	Withdrawn
-	15	CT1040011	NORWICH PUBLIC UTILITIES	NORWICH	Deep River Trans Main Rehab - East Section (Design)	\$579,000	Project not ready to proceed and withdrawn by applicant	Withdrawn
-	15	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Bloomfield Transmission Main Extension	\$13,000,000	Project not ready to proceed	Bypassed
-	15	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Water Main Replacements - Various West Hartford (segments progressing in 2016)	\$4,500,000	Project not ready to proceed	Bypassed
-	15	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Eastbury Water Storage Basin Improvements, Glastonbury	\$2,800,000	Project not ready to proceed	Bypassed
-	15	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Simsbury Road Pump Station Upgrade	\$2,677,000	Project not ready to proceed	Bypassed
-	15	CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	Garden Street Area Water Main Replacement, Wethersfield	\$3,000,000	Project not ready to proceed	Bypassed

Appendix VII: Bypassed Projects List (cont.)

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
-	-	CT0450011	EAST LYME WATER DEPARTMENT	EAST LYME	Meter Replacement Program	\$2,607,354	Project not ready to proceed; delayed due to other projects and withdrawn by applicant; expect to be resubmitted for next funding cycle	Withdrawn
-	-	CT0490021	HAZARDVILLE WATER COMPANY	ENFIELD	Emergency Power Generator Program - Queens Street, Avery Wells	\$145,000	Project withdrawn by applicant	Withdrawn
-	-	CT0770021	MANCHESTER WATER DEPARTMENT	MANCHESTER	New State Road Wellfield Chlorine Conversion	\$150,000	Project withdrawn by applicant	Withdrawn
-	-	CT0860051	DEER RUN WATER SUPPLY	MONTVILLE	Emergency Power Generator Program	\$8,000	Project withdrawn by applicant	Withdrawn
-	-	CT0861111	FOX LAUREL MOBILE HOME PARK LLC	MONTVILLE	Emergency Power Generator Program	\$22,000	Project withdrawn by applicant	Withdrawn
-	-	CT0970512	CEDARHURST ASSOCIATION	NEWTOWN	Emergency Power Generator Program	\$15,000	Project withdrawn by applicant	Withdrawn
-	-	CT1099141	ARNIO DRIVE LLC	PLAINFIELD	Emergency Power Generator Program	\$5,000	Project withdrawn by applicant	Withdrawn
-	-	CT1120264	WINDHAM 4H CAMP	POMFRET	Emergency Power Generator Program	\$24,500	Project completed by applicant without necessary DPH approvals. Considered withdrawn.	Withdrawn
-	-	CT1680051	WOODBURY KNOLL, LLC	WOODBURY	Emergency Power Generator Program	\$28,550	Project withdrawn by applicant	Withdrawn

Appendix VIII: Anticipated Project Subsidy Commitments

Additional Subsidy still to be committed – FFY 2013			Min FFY 2013 subsidy:		\$1,684,200
			Max FFY 2013 subsidy:		\$2,526,300
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution	Expected month of full subsidy disbursement
CROMWELL FIRE DISTRICT	Emergency Power Generator Program	\$198,000	\$25,000	September 2016	December 2016
AQUA VISTA ASSOC., INC - UPPER SYSTEM	Emergency Power Generator Program	\$10,000	\$4,500	April 2017	June 2017
AQUA VISTA ASSOC., INC - LOWER SYSTEM	Emergency Power Generator Program	\$12,000	\$5,400	April 2017	June 2017
OLD NEWGATE RIDGE WATER COMPANY	Emergency Power Generator Program	\$45,000	\$20,250	June 2017	August 2017
HAZARDVILLE WATER COMPANY	Emergency Power Generator Program - Town Farm Road Well	\$80,000	\$36,000	December 2016	March 2017
METROPOLITAN DISTRICT COMMISSION	DWSRF - Reservoir #6 Water Treatment Facility Filtered Water Basin Rehab	\$3,050,000	\$244,000	June 2017	June 2018
METROPOLITAN DISTRICT COMMISSION	DWSRF - RF Automated Meter Reading - Phase IV	\$5,000,000	\$400,000	December 2016	April 2018
SCWA TOWER - FERRY VIEW DIVISION	Emergency Power Generator Program	\$33,000	\$14,850	April 2017	June 2017
WHITE OAK CONDOMINIUM	Emergency Power Generator Program	\$10,000	\$4,500	June 2017	August 2017
HILLSIDE WATER CORPORATION	Emergency Power Generator Program	\$12,000	\$3,000	April 2017	June 2017
SCWA - MONTVILLE DIVISION	Emergency Power Generator Program	\$33,000	\$8,250	April 2017	June 2017
BREEZY KNOLL ASSOCIATION	Emergency Power Generator Program	\$15,000	\$6,750	June 2017	August 2017
SALEM MANOR SYSTEM #1	Emergency Power Generator Program	\$60,000	\$27,000	April 2017	June 2017
SALEM MANOR SYSTEM #2	Emergency Power Generator Program	\$60,000	\$27,000	April 2017	June 2017
TARIFFVILLE FIRE DISTRICT WATER DEPARTMENT	DWSRF - Water Storage Tank Rehabilitation and Accessory Upgrade	\$1,580,660	\$316,132	September 2016	October 2017
RUMSEY HALL SCHOOL	Emergency Power Generator Program	\$1,800	\$810	April 2017	June 2017
WINSTED WATER WORKS	Emergency Power Generator Program	\$49,000	\$12,250	June 2017	August 2017
Amount of subsidy expected to be committed:			\$1,155,692		
Amount of subsidy committed as of June 30, 2016:			\$795,937		
Total amount of subsidy expected to be committed for FFY 2013:			\$1,951,629		

Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Additional Subsidy still to be committed – FFY 2014			Min FFY 2014 subsidy:		\$1,792,400
			Max FFY 2014 subsidy:		\$2,688,600
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution	Expected month of full subsidy disbursement
SCWA - CHESTERFIELD DIVISION	Emergency Power Generator Program	\$33,000	\$8,250	April 2017	June 2017
REGIONAL WATER AUTHORITY	DWSRF - Automated Meter Reading Phases III & IVa	\$8,400,000	\$672,000	April 2017	July 2017
NORWICH PUBLIC UTILITIES	DWSRF - Royal Oaks Project	\$1,660,886	\$132,871	October 2016	November 2016
NORWICH PUBLIC UTILITIES	DWSRF - Stony Brook DAF	\$3,500,000	\$280,000	June 2017	December 2018
NORWICH PUBLIC UTILITIES	DWSRF - Mohegan Park Water Tank	\$2,376,923	\$190,154	January 2017	January 2018
NORWICH PUBLIC UTILITIES	DWSRF - Northern Stony Brook Transmission Main Renewal & Micro-Turbine	\$2,358,463	\$188,677	June 2017	December 2018
NORWICH PUBLIC UTILITIES	DWSRF - Southern Stony Brook Transmission Main renewal	\$2,259,188	\$180,735	June 2017	December 2018
CONNECTICUT WATER COMPANY - SHORELINE REGION - SOUND VIEW	DWSRF - Old Lyme Beach Shores Association Water Main Replacement	\$812,000	\$162,400	June 2017	June 2018
Amount of subsidy expected to be committed:			\$1,815,087		
Amount of subsidy committed as of June 30, 2016:			\$324,350		
Total amount of subsidy expected to be committed for FFY 2014:			\$2,139,437		

Appendix VIII: Anticipated Project Subsidy Commitments (cont.)

Additional Subsidy still to be committed – FFY 2015			Min FFY 2015 subsidy:		\$1,778,600
			Max FFY 2015 subsidy:		\$2,667,900
Recipient	Project Name	Total funding amount requested	Expected Subsidy amount	Expected Month of Loan Agreement execution (commitment of funds)	Expected month of full subsidy disbursement
BETHEL WATER DEPT	Hoyts Hill Booster Pump	\$1,063,836	\$265,959	December 2016	December 2017
SALISBURY SCHOOL	Emergency Power Generator Program	\$37,300	\$16,785	June 2017	August 2017
NORTH WILLINGTON VILLAGE CONDO ASSOC.	Emergency Power Generator Program	\$11,800	\$5,310	October 2016	December 2016
LYME REGIS, INC.	Emergency Power Generator Program	\$20,000	\$9,000	April 2017	June 2017
BETHEL WATER DEPT	Maple Avenue Wellfield	\$1,200,000	\$300,000	December 2016	December 2017
WOODLAKE TAX DISTRICT	Generator Pre Treatment Bldg	\$32,000	\$8,000	April 2017	June 2017
NEW BRITAIN WATER DEPARTMENT	Redevelopment of the Lower White Bridge Well (Design)	\$700,000	\$126,000	April 2017	December 2017
REGIONAL WATER AUTHORITY	Lake Gaillard WTP Generator	\$2,227,543	\$400,958	October 2016	November 2016
REGIONAL WATER AUTHORITY	Lake Saltonstall Intake and Raw Water PS Improvements	\$2,100,000	\$378,000	December 2016	January 2017
REGIONAL WATER AUTHORITY	Tank Painting (various)	\$2,289,746	\$412,154	December 2016	January 2017
NEW BRITAIN WATER DEPARTMENT	Whitbrg Raw Water Supply (Pond) Station Electric, Mechanical & SCADA (Design)	\$291,280	\$52,430	April 2017	December 2017
NEW BRITAIN WATER DEPARTMENT	Hydroelectric Turbine and Generator (Design)	\$169,000	\$30,420	April 2017	December 2017
WATERBURY WATER DEPARTMENT	Rehabilitations and Replacement of Water Mains (Fiscal year 2016)	\$1,600,000	\$288,000	January 2017	January 2018
NEW BRITAIN WATER DEPARTMENT	Water Main Improvement on Batterson Park Road (Design)	\$50,000	\$9,000	April 2017	December 2017
Amount of subsidy expected to be committed:			\$2,302,016		
Amount of subsidy committed as of June 30, 2016:			\$7,268		
Total amount of subsidy expected to be committed for FFY 2015:			\$2,309,284		

Appendix IX: Cumulative Project Subsidy Disbursed

Additional Subsidy - FFY 2010					Minimum FFY 2010 subsidy: \$4,071,900			
Loan Agreement #	Recipient	Project name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
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	\$726,226	\$0	disbursements complete
Total of Disbursements completed and reported prior to FY 2016:				\$20,034,681	\$3,997,180	\$3,997,180	\$0	9 projects
Total Amounts as of June 30, 2016 for FFY 2010:				\$24,812,486	\$4,723,406	\$4,723,406	\$0	All Complete

Additional Subsidy - FFY 2011					Min FFY 2011 subsidy: \$2,825,400			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount (final amount if disbursements complete)	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
2013-7014	Metropolitan District Commission (Franklin 5)	Water main replacement	6/17/2013	\$5,060,911	\$369,447	\$369,447	\$0	disbursements complete
2013-7015	Metropolitan District Commission (Franklin 13)	Water main replacement	6/21/2013	\$5,968,083	\$435,670	\$435,670	\$0	disbursements complete
2013-7021	Metropolitan District Commission (Upper Albany #1)	Water main replacement	9/18/2013	\$3,958,704	\$288,985	\$288,985	\$0	disbursements complete
2013-9036	Cornwall Housing Corp (Kugeman Village)	Generator	12/3/2014	\$7,741	\$3,483	\$3,483	\$0	disbursements complete
2014-7029	Metropolitan District Commission	Pump Station rehabilitations	2/1/2014	\$3,423,839	\$249,940	\$249,940	\$0	disbursements complete
2014-7030	Metropolitan District Commission	Reservoir #6 Phase II improvements	3/12/2014	\$2,079,525	\$151,805	\$137,866	\$13,939	7/31/2016
2014-7031	Metropolitan District Commission	Wickham Hill storage basins rehabilitations	3/13/2014	\$3,807,467	\$277,945	\$277,945	\$0	disbursements complete
2015-9042	Lakeview Mobile Home Park	Generator	6/29/2015	\$8,132	\$3,659	\$3,659	\$0	disbursements complete
2014-7033	Metropolitan District Commission	Valve Replacement and Pitkin St. WM Replacement	6/30/2016	\$1,619,547	\$118,227	\$0	\$118,227	9/30/2016
Total of Disbursements completed and reported prior to FY 2016:				\$10,291,849	\$1,097,950	\$1,097,950	\$132,166	39 projects
Total Amounts as of June 30, 2016 for FFY 2011:				\$36,225,797	\$2,997,111	\$2,864,945	\$264,332	

Appendix IX: Cumulative Project Subsidy Disbursed (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 dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
2014-7025	City of New London	Lake Konomoc intake	3/13/2014	\$5,970,473	\$435,845	\$415,712	\$20,133	7/31/2016
2014-7032	Metropolitan District Commission	North Storage Basin - site work	5/2/2014	\$3,411,776	\$249,060	\$249,060	\$0	disbursements complete
2014-7034	City of Meriden	Broad Brook WTP & pump station rehab (construction phase)	9/19/2014	\$18,260,110	\$1,332,988	\$1,332,988	\$0	disbursements complete
2016-7047	Metropolitan District Commission	North Storage Basin - Tank Construction ("Phase II")	6/30/2016	\$3,411,469	\$203,077	\$0	\$203,077	12/31/2016

Total amounts as of June 30, 2016 for FFY 2012:	\$31,053,828	\$2,220,970	\$1,997,760	\$223,210	
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Additional subsidy to be committed								
TBD	Town of Putnam (estimated amounts)	Water Main Replacement & Rehab	TBD	\$10,600,000	\$187,864	\$0	\$187,864	TBD

Additional subsidy to be committed	\$187,864	\$0	\$187,864
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Totals expected for FFY 2012:	\$2,408,834	\$1,997,760	\$411,074
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Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

Additional Subsidy - FFY 2013					Min FFY 2013 subsidy: \$1,684,200 Max FFY 2013 subsidy: \$2,526,300			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
2015-7038	New Britain	Elam Storage Tank	12/30/2014	\$3,473,428	\$277,874	\$224,817	\$53,057	10/31/2016
2014-9037	Sunny Waters Mobile Home Park	Generator	5/19/2015	\$11,650	\$5,242	\$5,242	\$0	disbursements complete
2014-9038	Ash Water Company	Generator	5/19/2015	\$11,650	\$5,242	\$5,242	\$0	disbursements complete
2014-9039	South Central CT Regional Authority	Generator - Cobblestone PS	8/31/2016	\$53,900	\$24,255	\$24,255	\$0	disbursements complete
2014-9040	South Central CT Regional Authority	Generator - Linsley Lake PS	8/31/2016	\$60,341	\$27,153	\$27,153	\$0	disbursements complete
2014-9041	Baxter Farms Community Water Assoc.	Generator	11/2/2015	\$27,581	\$6,895	\$2,995	\$3,900	12/31/2016
2016-9045	Town in Country Condo Assoc.	Generator	1/22/2016	\$40,145	\$18,065	\$18,065	\$0	disbursements complete
2016-7041	Meriden Water Department	Swain Ave. Water Main Replacement	3/16/2016	\$1,721,021	\$137,682	\$96,492	\$41,190	12/31/2016
2016-7044	Metropolitan District Commission	Transmission Main Replacement - Hamilton & Park	6/30/2016	\$3,333,841	\$266,707	\$0	\$266,707	12/31/2016
2016-9047	Middlebury Comons Condo Assoc.	Generator	2/1/2016	\$25,978	\$11,690	\$10,628	\$1,062	9/30/2016
2016-9049	Quassuk Heights Gardens Assoc.	Generator	5/19/2016	\$22,377	\$10,070	\$0	\$10,070	12/31/2016
2016-9050	Sharon Heights Assoc.	Generator	4/11/2016	\$11,249	\$5,062	\$0	\$5,062	12/31/2016
Total amounts as of June 30, 2016 for FFY 2013:				\$8,793,162	\$795,937	\$414,889	\$381,048	
Additional subsidy to be committed					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$1,150,752	\$0	\$1,150,752	TBD

Totals expected for FFY 2013: \$1,946,689 \$414,889 \$1,531,800

Appendix IX: Cumulative Project Subsidy Disbursed (cont.)

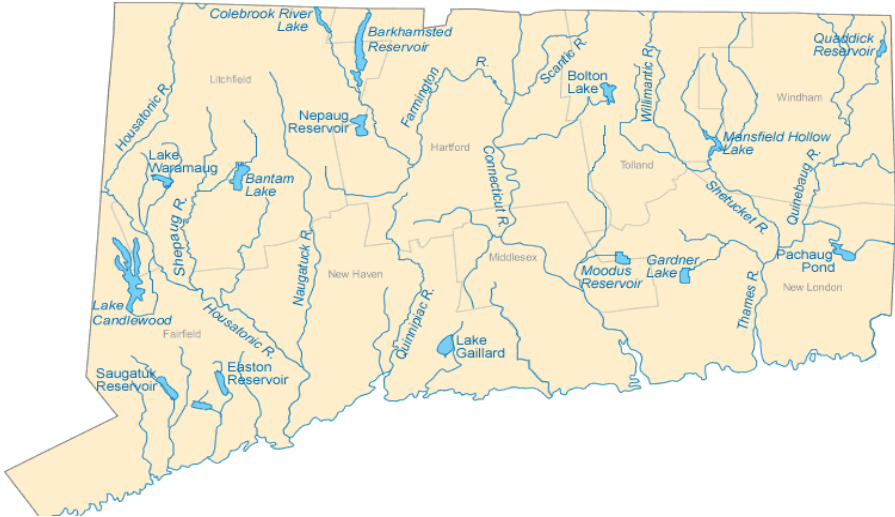
Additional Subsidy - FFY 2014					Min FFY 2014 subsidy: \$1,792,400 Max FFY 2014 subsidy: \$2,688,600			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
2016-7035	Metropolitan District Commission	Farmington #10 Water Main Replacement	6/30/2016	\$2,516,325	\$201,306	\$0	\$201,306	9/30/2016
2016-7043	Metropolitan District Commission	Center & Fairmount Water Main Replacement	6/30/2016	\$1,538,049	\$123,044	\$0	\$123,044	12/31/2016
Total amounts as of June 30, 2016 for FFY 2014:				\$4,054,374	\$324,350	\$0	\$324,350	
Additional subsidy to be committed					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$1,815,087	\$0	\$1,815,087	TBD

Totals expected for FFY 2014: \$2,139,437 \$0 \$2,139,437

Additional Subsidy - FFY 2015					Min FFY 2015 subsidy: \$1,778,600 Max FFY 2015 subsidy: \$2,667,900			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount dispersed as of June 2016	Subsidy amount not yet dispersed as of June 2016	Expected date of full subsidy disbursement
2016-9046	Cranberry Bog Apartments	Generator	2/18/2016	\$16,151	\$7,268	\$7,268	\$0	disbursements complete
Total amounts as of June 30, 2016 for FFY 2015:				\$16,151	\$7,268	\$7,268	\$0	
Additional subsidy to be committed					(up to)			
multiple	Multiple - TBD	Multiple	TBD	TBD	\$2,316,859	\$0	\$2,316,859	TBD

Totals expected for FFY 2015: \$2,324,127 \$7,268 \$2,316,859

FINANCIAL STATEMENTS



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

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

June 30, 2016 and 2015

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2016 and 2015**

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SEWARD AND MONDE

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

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Dr. Raul Pino, Commissioner,
Department of Public Health,
State of Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2016 and 2015, 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2016 and 2015, 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 - 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRF's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
September 8, 2016

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2016
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, 2016. 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 2016 was \$175,762,497 including total assets of \$260,574,074 plus deferred outflows of \$81,832 offset by liabilities of \$84,893,409 which is an increase of \$7,700,030 compared to fiscal year 2015.

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 decreased during the fiscal year by \$7,343,462 to \$74,890,867 as a result of scheduled debt repayments.

The financial statements show funds restricted for loans of \$144,913,921 an increase of \$5,001,789 or 3.6% above the 2015 balance.

Loans Receivable - Total loans receivable increased by \$10,393,667 from \$121,325,370 to \$131,719,037 due to the net of new loans (\$20,085,895) and principal repayments (\$9,692,228).

Operating Revenues - The Fund's gross operating revenue (interest on loans) increased \$465,616 or 20.6% to \$2,721,426.

Capitalization Grants - During the year, \$8,350,326 was drawn from the EPA for projects and administrative expenses. To date, the State has drawn a cumulative total of \$182,051,293, including \$19,500,000 in ARRA funding. To date, cumulative federal drinking water capitalization grant awards totaled \$194,586,900. The State must provide matching funds in the amount of 20% of the federal capitalization grant. As of the end of fiscal year 2016, the state has provided \$39,792,188 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 the Notes to the Financial Statements. All of the accounts established under the 2002 general bond resolution, whether restricted or unrestricted, are held by US Bank (the Trustee), as further described in the Notes to the Financial Statements.

Operating Activities

The Drinking Water Loan Program

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

During fiscal year 2016, payments to public water systems for ongoing projects totaled \$20,085,895. Completed projects which were permanently financed during the year totaled \$42,633,184. There were 6 new construction loan commitments made to public water systems during fiscal year 2016 totaling \$20,058,550.

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. 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

	2016	2015	Increase (Decrease)
Total Net Position	\$175,762,497	\$168,062,467	\$7,700,030
Loans Outstanding - current and long term portions	\$131,719,037	\$121,325,370	\$10,393,667
Bonds Payable	\$74,890,867	\$82,234,329	(\$7,343,462)
Operating Revenues-Interest on Loans	\$2,721,426	\$2,255,810	\$465,616
Interest Earned on Investments	\$737,372	\$636,630	\$100,742
Interest Expense	\$3,629,265	\$1,984,567	\$1,644,698
Federal Capitalization Grants Drawn	\$8,350,326	\$13,155,372	(\$4,805,046)

ECONOMIC CONDITIONS AND OUTLOOK

Connecticut continued to experience slow post-recession recovery growth through 2016. Like other states, Connecticut has maintained a persistent focus on economic development and job creation. Non-farm employment grew at a rate of 0.8% over the fiscal year from 1,698,700 to 1,711,500. The unemployment rate in June 2016 was 5.8%. While higher than the national unemployment rate of 4.9%, it still has continued to decline since the high of 9.5% in October 2010. The non-seasonally adjusted average hourly earnings in June 2016 were \$29.93, an increase of 4.1% from June 2015. The resulting average private sector weekly pay was calculated to be 5.0% higher than a year ago.

Single family home sales in Connecticut saw a 9.4% increase in the second quarter of 2016 as compared to last year. The average price of a single family home however dropped by 8.5%. Overall the CPI was up 1% on the national level and .8% in the northeast region. The total State revenues were down 2% as compared to FY 2015. Short term rates ended on the rise while long term rates were lower.

According to the Economic Report of the Governor, Connecticut's overall economy is expected to grow 2.6% in FY 2017 and then average out to 2.2% in FY 2018 through FY 2020. This growth is slightly less than the projected national average. Housing starts and personal income growth are expected to increase. Finally, the State's unemployment rate is expected to drop to 4.9% by the end of FY 2020.

The final FY 2016 budget deficit is projected to be \$279.4 million, subject to GAAP accrual adjustments, as stated by the Office of Policy and Management in their letter to the State Comptroller dated July 20, 2016. The legislative session in early 2016 saw a focus on infrastructure improvements despite facing the potential for budget deficits in the State's General Fund over the next few years. The initiatives set forth during this session highlight the State's continued commitment to ensuring that residents have safe and reliable access and use of infrastructure and natural resources. Additionally, the State's Clean Water and Drinking Water Fund revenue bond authorization was increased by another \$180 million in FY 2017. This brings the total authorization for both revenue bonding programs to \$3.4 billion since

inception. This enables the State's Clean Water and Drinking Water State Revolving Fund programs to continue their efforts to provide necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the Fund to provide timely and innovative financial assistance for critical projects. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the Drinking Water Fund.

The major focus for the Drinking Water Fund continues to be setting priorities and providing financing for critical work. The Connecticut Department of Energy and Environmental Protection, the Connecticut Department of Public Health and the Office of the Treasurer, working together, will continue to assist state legislators and municipal officials in determining the most cost effective and efficient way to meet the water quality needs of the communities within the state.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CONTACTS

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

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

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

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,329,854	\$ 7,656,924
Interest receivable - investments	142,572	157,002
Interest receivable - loans	280,860	566,071
Grant receivable	-	494,134
Loans receivable	23,496,314	44,237,270
Total current assets	<u>31,249,600</u>	<u>53,111,401</u>
Noncurrent assets:		
Loans receivable	108,222,723	77,088,100
Revolving fund	72,384,087	75,762,795
Restricted assets:		
Bond proceeds fund	904,531	12,260,095
Revolving fund	6,726,586	7,270,960
Debt service fund	30,657,829	28,345,616
Support fund	3,894,178	5,291,064
Match account	6,534,540	1,224,383
Total restricted assets	<u>48,717,664</u>	<u>54,392,118</u>
Total noncurrent assets	<u>229,324,474</u>	<u>207,243,013</u>
Total assets	<u>260,574,074</u>	<u>260,354,414</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings	81,832	202,776
Total deferred outflows of resources	<u>81,832</u>	<u>202,776</u>
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	1,215,183	905,574
Deferred grant revenue	10,900	-
Bonds payable	6,652,800	7,343,462
Total current liabilities	<u>7,878,883</u>	<u>8,249,036</u>
Noncurrent liabilities:		
Premium on revenue and refunding bonds	8,776,459	9,354,820
Bonds payable	68,238,067	74,890,867
Total noncurrent liabilities	<u>77,014,526</u>	<u>84,245,687</u>
Total liabilities	<u>84,893,409</u>	<u>92,494,723</u>
NET POSITION		
Unrestricted	30,848,576	28,150,335
Restricted for loans	144,913,921	139,912,132
Total net position	<u>\$ 175,762,497</u>	<u>\$ 168,062,467</u>

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Interest on loans	\$ 2,721,426	\$ 2,255,810
OPERATING EXPENSES		
Salaries	1,412,449	1,799,262
Employee benefits	1,156,464	1,410,897
Other	358,199	835,327
Project grants	1,700,820	3,134,571
Total operating expenses	<u>4,627,932</u>	<u>7,180,057</u>
Operating loss	<u>(1,906,506)</u>	<u>(4,924,247)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	737,372	636,630
Amortization of bond premium	578,359	306,713
Interest expense	<u>(3,629,265)</u>	<u>(1,984,567)</u>
Total nonoperating revenues (expenses)	<u>(2,313,534)</u>	<u>(1,041,224)</u>
Loss before federal capitalization grants and transfers	<u>(4,220,040)</u>	<u>(5,965,471)</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	3,223,189	5,782,341
Project funds - grants	1,700,820	3,134,571
Set-aside activities	2,921,281	4,018,143
Total federal capitalization grants	<u>7,845,290</u>	<u>12,935,055</u>
OPERATING TRANSFERS	<u>4,074,780</u>	<u>(590,984)</u>
Change in net position	7,700,030	6,378,600
NET POSITION, beginning	<u>168,062,467</u>	<u>161,683,867</u>
NET POSITION, ending	<u>\$ 175,762,497</u>	<u>\$ 168,062,467</u>

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 3,006,637	\$ 2,067,212
Loan originations	(20,085,895)	(36,507,547)
Principal paid on loans receivable	9,692,228	6,770,001
Payments to employees for salaries and benefits	(2,568,913)	(3,210,159)
Payments on project grants	(1,700,820)	(3,134,571)
Other payments	(358,199)	(835,327)
Net cash used by operating activities	(12,014,962)	(34,850,391)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	8,350,326	13,155,372
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(7,343,462)	(5,543,970)
Proceeds from bonds payable	-	52,475,000
Premium on bonds payable	-	7,760,892
Interest paid on bonds payable	(3,198,716)	(1,490,342)
Operating transfers	4,074,780	(590,984)
Net cash provided (used) by noncapital financing activities	(6,467,398)	52,610,596
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	751,802	651,092
Decrease (increase) in revolving fund	3,378,708	(19,463,599)
Decrease (increase) in restricted assets	5,674,454	(11,882,754)
Net cash provided (used) by investing activities	9,804,964	(30,695,261)
Net change in cash and cash equivalents	(327,070)	220,316
CASH AND CASH EQUIVALENTS, beginning	7,656,924	7,436,608
CASH AND CASH EQUIVALENTS, ending	\$ 7,329,854	\$ 7,656,924
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 1,906,506)	(\$ 4,924,247)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable - loans	285,211	(188,598)
Increase in loans receivable	(10,393,667)	(29,737,546)
Net cash used by operating activities	(\$ 12,014,962)	(\$ 34,850,391)

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, 2016 and 2015

1 - NATURE OF ORGANIZATION

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Estimates

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

Operating and Nonoperating Revenues and Expenses

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Investments

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

There were no material investment gains or losses for the years ended June 30, 2016 and 2015.

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 8, 2016, 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, 2016 and 2015 funds held by the State Comptroller were \$8,226,138 and \$8,154,090 respectively. These funds are included with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level.

As of June 30, 2016 funds held in Connecticut Short Term Investment Funds (STIF) were \$98,388,421, of which \$904,531 is included in the bond proceeds fund, \$72,384,087 is included in the revolving fund and \$25,099,803 is included in the debt service fund on the Statements of Net Position. As of June 30, 2015 funds held in 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.

STIF is a money market investment pool, rated AAAM as of June 30, 2016 and 2015 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, 2016 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$12,092,567, of which \$5,558,027 is included in the debt service fund and \$6,534,540 is included in the match account on the Statements of Net Position. As of June 30, 2015 funds held in 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.

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, 2016, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 4,821,873	\$ -	\$ -	\$ 4,821,873	\$ -	AA+
Guaranteed Investment Contracts	427,754	-	-	-	427,754	A
U.S. Treasury State & Local Governments	1,217,918	860,411	288,129	52,939	16,439	AA+
Connecticut General Obligation Bonds	<u>4,153,218</u>	<u>-</u>	<u>-</u>	<u>4,153,218</u>	<u>-</u>	AA
	<u>\$ 10,620,763</u>	<u>\$ 860,411</u>	<u>\$ 288,129</u>	<u>\$ 9,028,030</u>	<u>\$ 444,193</u>	

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	<u>4,697,592</u>	<u>-</u>	<u>-</u>	<u>4,697,592</u>	<u>-</u>	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>	

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 49% and 44%, at June 30, 2016 and 2015, respectively, in long-term investment agreements with Natixis Funding Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

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

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

	<u>2016</u>	<u>2015</u>
Construction in process	\$ 14,912,385	\$ 37,566,730
Completed projects	<u>116,806,652</u>	<u>83,758,640</u>
	<u>\$ 131,719,037</u>	<u>\$ 121,325,370</u>

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

<u>Year ending June 30</u>	
2017	\$ 8,583,929
2018	8,477,847
2019	8,555,773
2020	8,550,737
2021	8,291,574
Thereafter	<u>74,346,792</u>
	<u>\$ 116,806,652</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>2016</u>	<u>2015</u>
Awarded	\$ 175,086,900	\$ 166,193,900
Drawn	<u>162,551,293</u>	<u>154,200,967</u>
Available federal letter of credit	<u>\$ 12,535,607</u>	<u>\$ 11,992,933</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, 2016 and 2015, the required State match was \$32,510,259 and \$30,840,117, respectively. As of June 30, 2016 and 2015, the State match provided was \$39,792,188 and \$34,482,031, 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>2016</u>	<u>2015</u>
Cash equivalents:		
Money market investment pool	\$ 38,096,901	\$ 41,830,094
Investments:		
U.S. Treasury State and Local Governments	1,217,918	2,306,746
Guaranteed Investment Contracts	5,249,627	5,557,686
Connecticut General Obligation Bonds	<u>4,153,218</u>	<u>4,697,592</u>
	<u>\$ 48,717,664</u>	<u>\$ 54,392,118</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, 2016 and 2015, the actual rates were 81.88% and 78.42%, respectively, of the SRF wages and the amounts charged aggregated \$1,156,464 and \$1,410,897, respectively.

8 - BONDS PAYABLE

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

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

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

	Balance June 30, 2014	Issued	Principal Paydowns	Balance June 30, 2015
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>

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, 2016
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	-
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	251,000
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	5,990,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	3,635,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	12,683,700
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	51,090,000
		<u>\$ 175,106,203</u>	<u>\$ 74,890,867</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 \$73,649,700 and \$79,650,500 was outstanding as of June 30, 2016 and 2015, 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, 2016 and 2015 totaled \$39,110 and \$117,093 respectively.

Refunding Bonds - 2013 Series B

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

The outstanding principal balance of the Refunded Bonds as of June 30, 2016 and 2015 was \$1,252,500.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$38,675.

Cash Defeasance - 2013

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

The outstanding principal balance of the Refunded Bonds as of June 30, 2016 and 2015 was \$9,450,796.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$43,158.

Bond Maturities

Requirements at June 30, 2016 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	5,125,600	2,405,888
2022-2026	21,852,233	8,516,830
2027-2031	16,081,200	3,735,463
2032-2035	8,815,001	852,401
	<u>\$ 74,890,867</u>	<u>\$ 27,532,848</u>

9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2016 and 2015:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</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	28,150,335	139,912,132	168,062,467
Change in net position	<u>2,698,241</u>	<u>5,001,789</u>	<u>7,700,030</u>
Balance at June 30, 2016	<u>\$ 30,848,576</u>	<u>\$ 144,913,921</u>	<u>\$ 175,762,497</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>2016</u>	<u>2015</u>
Transfers related to CWF debt service	(\$ 1,235,132)	(\$ 1,296,091)
State match	809,912	940,998
Transfer from State for match	4,500,000	-
Transfer related to cost of issuance of bond offerings	-	(235,891)
	<u>\$ 4,074,780</u>	<u>(\$ 590,984)</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>2016</u>	<u>2015</u>
Total funds committed to public water systems	\$ 195,874,024	\$ 244,040,974
Loan amount outstanding to public water systems	<u>131,719,037</u>	<u>121,325,370</u>
Loan commitments outstanding	<u>\$ 64,154,987</u>	<u>\$ 122,715,604</u>

12 - RISK MANAGEMENT

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

SEWARD AND MONDE

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

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

Ms. Denise L. Nappier, Treasurer

Dr. Raul Pino, Commissioner,
Department of Public Health,
State of Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2016.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Seward and Monde

North Haven, Connecticut
September 8, 2016

SEWARD AND MONDE

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

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

Ms. Denise L. Nappier, Treasurer

Dr. Raul Pino, Commissioner,
Department of Public Health,
State of Connecticut

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2016. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the SRF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

Opinion of Each Major Federal Program

In our opinion, the SRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Seward and Monde

North Haven, Connecticut
September 8, 2016

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, 2016

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 7,845,290</u>	<u>\$ 4,924,009</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, 2016

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent that administrative costs have been incurred by the SRF and charged to the grant and federal funds have been loaned or granted to public water systems during the year.
2. The SRF did not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2016 totaled \$3,223,189. Grants disbursed to subrecipients during year ended June 30, 2016 totaled \$1,700,820.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$131,719,037 as of June 30, 2016.

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, 2016

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 2 CFR section 200.516(a) of the Uniform Guidance? Yes No

Identification of Major Programs:

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

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

Auditee qualified as low risk auditee? Yes No

. . . Continued . . .

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

. . . Continued . . .

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.



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

