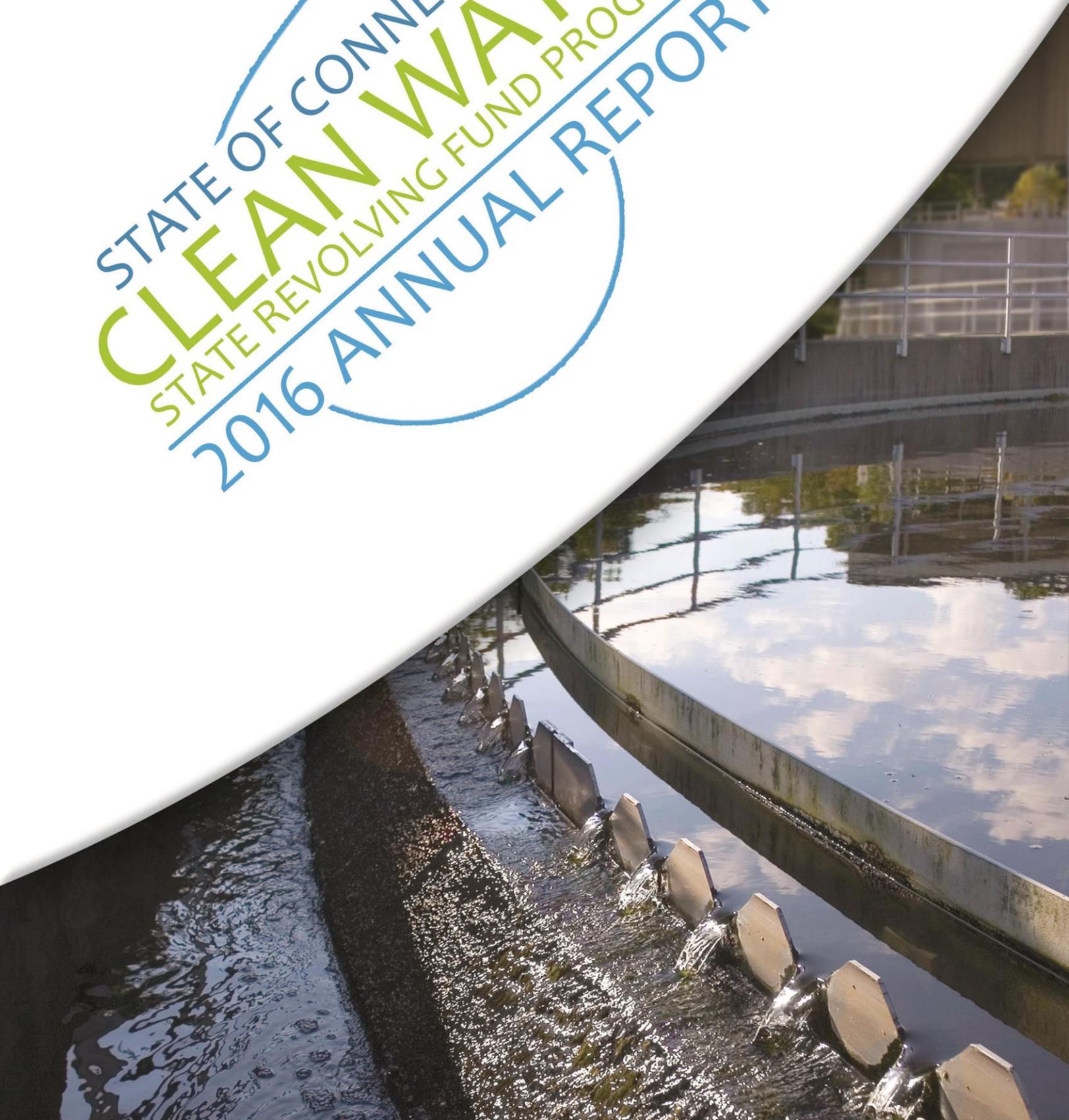


STATE OF CONNECTICUT
CLEAN WATER
STATE REVOLVING FUND PROGRAM
2016 ANNUAL REPORT





Connecticut Clean Water Fund

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



Robert J. Klee

Commissioner

Department of Energy and Environmental Protection

- Administration of Connecticut's Clean Water Fund



Denise L. Nappier

State Treasurer

Office of the State Treasurer

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

TABLE OF CONTENTS

- Communities Served by the Connecticut Clean Water Fund 1
- Report Introduction 2
- Executive Summary..... 3
- Summary of Fiscal Year 2016 Activities 4
- Clean Water Accomplishments..... 5
- Project Financing..... 6
 - Eligible Clean Water Fund Projects 7
 - Infrastructure Needs 8
 - The Project Priority List 8
 - Available Financing 9
 - Grant Program - 100% State Funded 9
 - Loan Program 10
 - Loan Security..... 10
- Borrowers..... 11
 - Municipalities..... 11
 - Municipal Partnerships 11
 - Regional Borrowers..... 11
- Active Projects 15
- Program Financing for the Clean Water SRF..... 18
 - Federal Capitalization Grants..... 19
 - Federal Funding Accountability (FFATA) 19
 - The Required State Matching Funds 20
 - Bond Authorizations 20
 - State Funding Approval Process 21
 - Revenue Bonding Program 21
 - Bond Program Credit Rating 22
 - Green Bonds 22
 - Investment Interest Earnings..... 22
 - Loan Credit Quality 23
 - Program Management..... 24
- Programs and Funding Initiatives of the Connecticut Clean Water Fund..... 25
 - The Nitrogen Credit Exchange Program..... 25
 - Funding for Emerging Initiatives 26
 - Summary of Program Initiatives 27
- Long-Term Projections..... 28
- Condition of the Connecticut Clean Water Fund..... 29

Appendices.....	30
Appendix I: State Funding Authorizations	31
Appendix II: State Match for Federal Capitalization Grants	32
Appendix III: Federal Capitalization Grants	33
Appendix IV: Federal EPA Cap Grant Analysis – Grant Share Disbursements	34
Appendix V: Loans Closed During Fiscal Year 2016	35
Appendix VI: Outstanding & Pending Loan Commitments.....	36
Appendix VII: Clean Water Cumulative Funded Project	38
Appendix VIII: Summary of Project Loan and Grant Agreements.....	39
Appendix IX: Green Bond Reporting - General Obligation Bonds.....	40
Appendix X: Green Bond Reporting - State Revolving Fund Bonds	42
21014 Balance Sheet and Income Statement.....	44
21016 Balance Sheet and Income Statement.....	46
Financial Statements.....	48

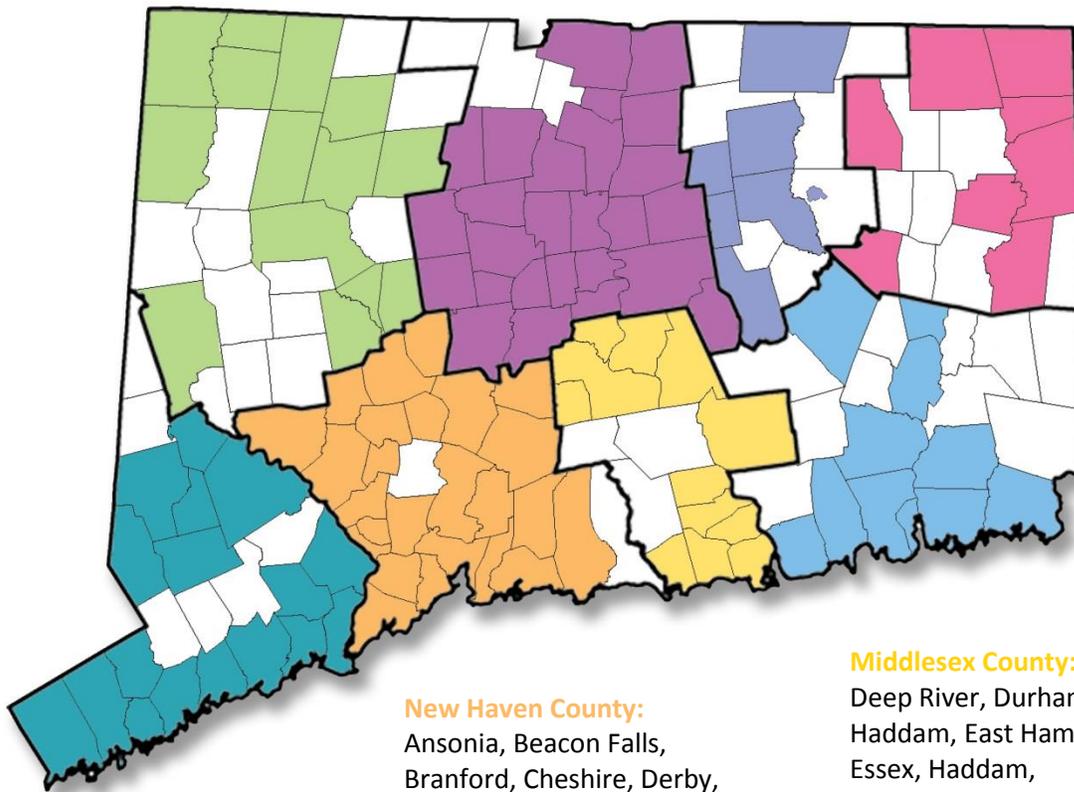
COMMUNITIES SERVED BY THE CONNECTICUT CLEAN WATER FUND

Litchfield County: Canaan, Goshen (Woodridge Lake), Litchfield, New Hartford, New Milford, Norfolk, North Canaan, Plymouth, Salisbury, Sharon, Thomaston, Torrington, Watertown, Winchester

Hartford County: Avon, Berlin, Bristol, Burlington, Canton, East Windsor, Enfield, Farmington, Glastonbury, Manchester, Marlborough, MDC, New Britain, Plainville, Simsbury, Southington, South Windsor, Suffield, Windsor Locks

Tolland County: Bolton Lakes WPCA, Coventry, Hebron, Stafford, Storrs (University of Connecticut), Tolland, Vernon

Windham County: Ashford, Brooklyn, Killingly, Plainfield, Putnam, Thompson, Windham, Woodstock



Fairfield County: Bethel, Bridgeport, Brookfield, Danbury, Darien, Fairfield, Greenwich, New Canaan, Newtown, Norwalk, Redding, Ridgefield, Shelton, Stamford, Stratford, Trumbull, Westport

New Haven County: Ansonia, Beacon Falls, Branford, Cheshire, Derby, East Haven, Guilford, Hamden, Meriden, Middlebury, Milford, Naugatuck, Greater New Haven WPCA, North Branford, North Haven, Orange, Oxford, Prospect, Seymour, Southbury, Wallingford, Waterbury, West Haven, Wolcott, Woodbridge

Middlesex County: Clinton, Deep River, Durham, East Haddam, East Hampton, Essex, Haddam, Mattabassett District, Middlefield, Middletown, Old Saybrook, Portland, Westbrook

New London County: East Lyme, Groton, Jewett City, Lebanon, Ledyard, Montville, New London, Norwich, Old Lyme (including Point-O'-Woods), Sprague, Stonington, Waterford

REPORT INTRODUCTION

This report is the Annual Report on the Connecticut Clean Water Fund for the fiscal year ending June 30, 2016. It has been prepared jointly by the Bureau of Water Protection and Land Reuse and the Bureau of Central Services within the Department of Energy and Environmental Protection (DEEP) and the Debt Management Division of the State Treasurer's Office.

The Connecticut Clean Water Fund (CWF) includes the Clean Water State Revolving Fund (Clean Water SRF or CWSRF) program that provides financing for projects that have been identified and prioritized by the DEEP.

This report includes the history of the CWF and the Clean Water SRF, as well as a review of project financing during FY 2016, projections of future project funding, and the management initiatives for FY 2017.

As a recipient of federal financial assistance, the State must provide audited statements and comply with the federal Single Audit Act of 1984 as well as the Federal Clean Water Act, as amended.

A firm of independent certified public accountants has prepared the audited statements for the fiscal year that ended June 30, 2016, as provided in this report.

This report includes references to the second major program of the CWF, the Drinking Water State Revolving Fund (Drinking Water SRF).

A separate annual report is available for the Drinking Water SRF. Copies of this and previous annual reports since 2001 are available at the State Treasurer's website at www.ott.ct.gov.



Connecticut Shoreline

EXECUTIVE SUMMARY

Within Connecticut's borders, there are approximately 450,000 acres of wetlands, 6,000 miles of streams and rivers, over 2,000 lakes and reservoirs, and 600 square miles of estuarine water in Long Island Sound (LIS). Sustaining these resources for today and tomorrow is a critical goal of the State of Connecticut and the primary purpose for the creation of the CWF and its programs.

The Clean Water SRF, the largest CWF program, supports municipal wastewater infrastructure projects throughout the State and is a designated federal state revolving fund.

The CWF partners with local governments in building and financing projects that improve water quality and protect public health while sustaining the state's significant natural resources.

The CWF is one of the most generous programs in the United States with 100% project financing which includes grants for a percentage of the project cost and subsidized 2% interest rate loans for the balance of the project cost.

There is significant coordination of effort among the agencies of the State with Clean Water SRF responsibilities. The Connecticut DEEP carries out the environmental policies of the State and manages the CWF programs.

The DEEP Bureau of Water Protection and Land Reuse administers the programs with the support of the Bureau of Central Services.

Through a Memorandum of Agreement with the DEEP, the State Treasurer's Office manages the bond financing program and provides the financial management and administration of the loan program.

Several water quality and environmental protection needs are addressed through projects financed through the CWF. Through various statutes and regulations, the State uses the CWF to focus on specific stream segments or bodies of water where municipal discharges have resulted in impairment or pose a significant public health risk, and for which the reduction of pollution will substantially restore the quality of surface or groundwater. As of June 30, 2016, the CWF had made commitments totaling \$3.5 billion in grant and loan assistance.

The CWF also supports activities in the Nitrogen Credit Exchange Program and other programs and projects of the DEEP.

Primary sources of funding for the CWF programs are state revolving fund revenue bonds and state general obligation bonds as managed by the State Treasurer's Office, and federal capitalization grants through the Clean Water Act with annual appropriations through the U.S. Environmental Protection Agency (EPA).

SUMMARY OF FISCAL YEAR 2016 ACTIVITIES

The State of Connecticut's progress in building and improving the capacity of the local wastewater systems by working closely with cities and towns continued through 2016. As a result, the quality of water in Connecticut's rivers and streams continually improved, and consistent with the State's water quality management plans, the flow of nitrogen and other pollutants into Long Island Sound is being reduced.

In FY 2016, the State continued its strong commitment to the CWF programs by providing new bonding authorizations for the program of \$47.5 million in general obligation bonds and \$58.0 million in revenue bonds, as shown in Appendix I, a portion of which will be allocated to the Drinking Water Fund. These authorizations are an important part of the State's economic development commitments and are consistent with the State's environmental program goals.

HIGHLIGHTS OF CLEAN WATER FUND ACTIVITY - FY 2016

- *Closed on 7 New Interim Funding Obligations (IFO) totaling \$349.5 million*
- *Closed on 11 Project Loan Obligations (PLO) totaling \$197.0 million*
- *Closed on 9 new and 1 amended project planning grants totaling \$2.5 million*
- *Disbursed over \$65.9 million in state grant monies for various water quality projects*
- *Disbursed over \$128.1 million in state revenue loan monies for high priority water quality projects*
- *Issued another series of \$65 million Green Bonds to fund Clean Water grants.*

CLEAN WATER ACCOMPLISHMENTS

The following highlights and accomplishments of FY 2016 clearly embody the CWF and Clean Water SRF program goals.

- ✓ Provided financial, administrative, and technical oversight for the construction of wastewater treatment plant upgrades designed to improve the overall treatment quality and resiliency of plants; removed nitrogen to aid in the protection of Long Island Sound:
 - Construction continues to progress on the multiple phases of improvements being coordinated at MDC's Hartford treatment plant and upgrades at MDC's Rocky Hill Water Pollution Control Facility (WPCF). The Rocky Hill WPCF upgrades will include modifications to the plant's biological nutrient removal systems for effluent nitrogen reduction, modifications to various parts of the plant for increased hydraulic capacity, and upgrades to various parts of the plant which are nearing the end of their useful life. The Hartford WPCF upgrades include new headworks, dual use primary clarifiers, wet weather treatment disinfection and odor control, which will reach over \$600 million when completed.
 - Significant upgrade projects were completed at the treatment plants servicing Manchester and Mattabassett District.
 - Construction of the force main continued at the Middletown Regional WPCF. Construction of the pump station will commence in the summer of 2016.
- ✓ Provided financial, administrative, and technical oversight for the EPA's State and Tribal Assistance Grants (STAG) program.
- ✓ As of June 30, 2016, cumulative EPA awards have totaled \$539.9 million, including the \$48.0 million of ARRA funding. The required state match is 20% of the total, and to date, Connecticut's match contributions to the program exceed the \$98.4 million required for the current capitalization grants by \$1.7 million.
- ✓ Met and maintained the Minority Businesses/Women Businesses Enterprise (MBE/WBE) requirements, and the EPA negotiated fair share goals.
- ✓ Provided financial, administrative, and technical oversight for wastewater collection system improvements that will decrease combined sewer overflow (CSO) and sanitary sewer overflow (SSO) discharge, typically to comply with state and federal enforcement actions:
 - Executed an agreement to fund the MDC's South Hartford Conveyance and Storage Tunnel (SHCST) project. At a cost of \$313 million it is the largest single agreement in the history of the CWF.
 - In FY 2016, construction was completed for projects that removed excess groundwater and/or stormwater from sanitary sewer pipes in Hartford, Bridgeport, and Bristol.
 - CSO reduction work continues in Bridgeport and Hartford.
- ✓ Continue to work with communities to fund decentralized wastewater management projects. This innovative alternative to large-scale, conventional infrastructure resolves community pollution problems through the upgrade of individual on-site septic systems, installation of alternative technologies, and development of cluster and small community systems. This approach meets federal requirements of implementing "green" alternatives.

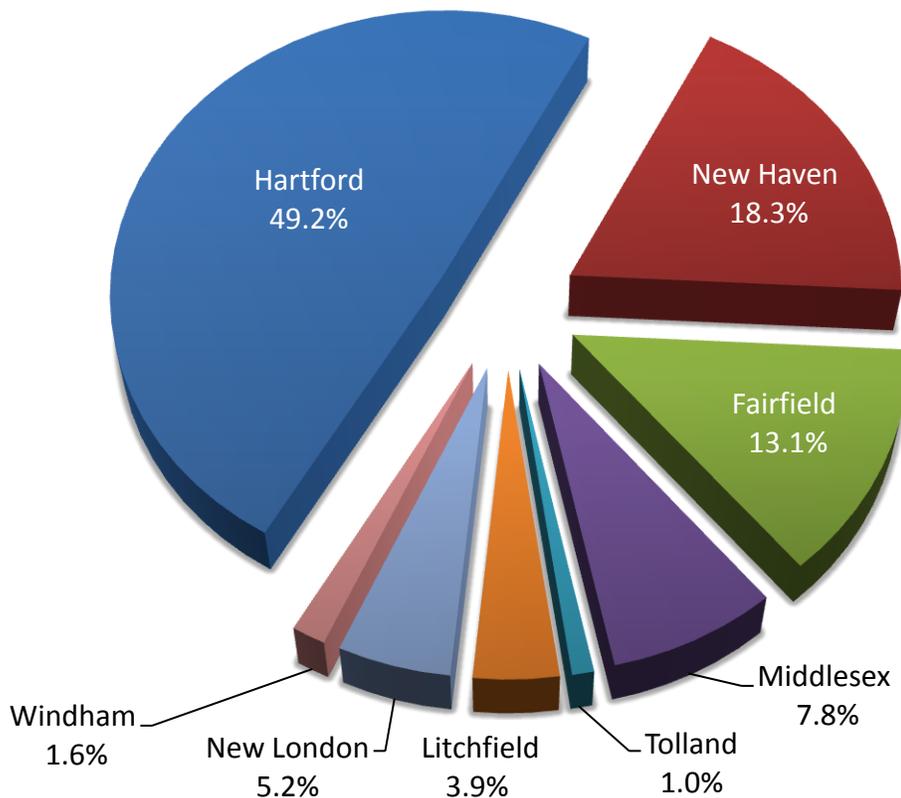
PROJECT FINANCING

As outlined in the biennial Intended Use Plan (IUP), all Clean Water SRF projects are subject to the rigorous environmental review procedures of the Connecticut Environmental Policy Act. The Clean Water SRF program continues to meet the goals established in the IUP, providing loans for a wide variety of projects.

The primary recipients of Clean Water Fund loans have been CSO, wastewater treatment, and wastewater collection system improvement projects. Other projects such as renewable energy projects and other non-point source projects are also eligible for funding.

The CWF provides municipalities with critical financing, particularly when the DEEP has prepared administrative orders requiring pollution abatement or remedial action. The DEEP and municipalities may sign consent orders that set the parameters and timetables for the required actions. Eligible project categories as defined by statute are shown on page 7. Appendix VI details, by town, the current outstanding loan and pending commitments made by the program as of June 30, 2016. The following chart depicts the distribution of the \$1.5 billion in current outstanding commitments by county.

Clean Water Fund Outstanding and Pending Loan Commitments by County



ELIGIBLE CLEAN WATER FUND PROJECTS

<p>Wastewater Treatment Plants</p>	<p>Eligible projects include treatment plant upgrades, hydraulic expansions, improved treatment levels, sludge-handling facilities, and mechanical upgrades to existing treatment processes. Projects are in two subcategories:</p> <p>AGING FACILITIES: Many of the publicly owned wastewater systems throughout Connecticut were built before the inception of the Clean Water SRF program. These facilities have an average life expectancy of 20 years. The State is using a combination of grants and Clean Water SRF loans to ensure plants meet the minimum national standard of secondary treatment.</p> <p>ADVANCED WATER TREATMENT: Many municipalities (more than 30 large treatment facilities) must meet higher advanced levels of treatment to comply with fishable-swimmable standards in the river or water body receiving the discharge.</p>
<p>Removal of Combined Sewer System Overflows</p>	<p>Eligible projects include sewer separation, off-line storage, supplemental combined sewer overflow treatment, overflow consolidation, and improved conveyance systems to treatment plants.</p> <p>Portions of sewer collection systems, in Hartford, New Haven, Bridgeport, and Norwich, have combined sewer systems which overflow into area rivers during rain events. Grants and Clean Water SRF loans have financed combined sewer overflow elimination projects in the above-referenced cities resulting in improvements to water quality.</p>
<p>Small Community Projects</p>	<p>Eligible projects include new sewer systems, community treatment systems, or decentralized wastewater management systems in small communities with less than 5,000 people, or highly dispersed sections of larger municipalities.</p>
<p>Interceptor Sewers</p>	<p>Eligible projects include new interceptor sewers, which are main trunk lines, and pump stations with pressure force mains.</p>
<p>Nutrient Removal Projects</p>	<p>Eligible projects incorporate nutrient removal as part of the overall improvement of wastewater treatment facilities in order to meet the requirements of the General Permit for Nitrogen Discharges, or to meet the limits in the Final Phosphorus Strategy.</p>
<p>Green Projects</p>	<p>Eligible projects incorporate digester gas utilization, heat recovery projects, decentralized projects, and energy and water efficiency upgrades.</p>

Infrastructure Needs

The U.S. EPA Clean Watershed Needs Survey, reported to Congress in 2012, estimated that the overall need for improvements in Connecticut to meet the goals of the federal Clean Water Act was approximately \$4.6 billion, including treatment plant construction and improvements, and combined sewer overflow correction needs.

The 2012 estimates did not include needed efforts to reduce phosphorus levels that could add over \$200 million to the total needs, nor do they include additional CSO correction needs based on more recent Long Term Control Plans. The DEEP currently estimates the combined fiscal needs (in 2012 dollars) for all currently identified wastewater infrastructure categories at \$5.2 billion. About 65% of these costs are expected to be met through the Clean Water SRF loan program.

20-YEAR INFRASTRUCTURE NEEDS (MILLIONS)	
CSO Correction	\$2,691
Sewer & Rehabilitation	\$546
Denitrification	\$461
Infiltration/Inflow Correction	\$528
Phosphorous Reduction	\$200
Secondary Treatment	\$316
Storm Water & Nonprofit	\$107
Decentralized Management	\$186
Sewer Extensions	\$184
Total	\$5,219

The Project Priority List

A key feature of the project financing program is the biennial creation and use of the Project Priority List (PPL). After the capital budget appropriations have been made by the legislature, the list is used to allocate all federal and state financial assistance to high-priority projects that are most consistent with the State's water quality objectives.

The priority ranking system determines the funding of municipal projects under the respective statutes and regulations and is the basis for committing available and anticipated state and federal funds.

Based on the priority ranking system and other specific management criteria, all anticipated eligible sewerage projects, as identified by the DEEP through the requests filed by municipalities, have been ranked for funding purposes and appear on a Project Priority List.

The Project Priority List is prepared for a two-year period. It includes all projects expected to receive funding during the biennium and beyond. The FY 2016 – FY 2017 PPL can be found on DEEP's website: http://www.ct.gov/deep/lib/deep/water/municipal_wastewater/cwf_final_priority_list_2016_2017.pdf.

The fundable FY 2016 construction projects list is a subset of the PPL. As part of the creation and review of the fundable list, projects are monitored closely to ensure that project deadlines are met in order to maximize the available financing in a given year. Annual Clean Water SRF loan funding has fluctuated from FY 1990 to 2016 depending on the level of State bond authorizations and project readiness to proceed.

Available Financing

The CWF grant and loan programs for eligible project costs to municipalities are administered in accordance with Connecticut General Statutes Sections 22a-475 through 485.

The State partners with local governments to finance and build projects that maintain and improve water quality.



Chapman Falls



Lake Zoar

Grant Program - 100% State Funded

The State funds the grant payments used to supplement project financing. To date, the municipalities have received \$775.8 million in CWF grants and \$69.7 million in total Long Island Sound grants funded by general obligation bonds.

The state grants available under the Clean Water Fund are:

CLEAN WATER FUND STATE GRANTS	20% of eligible design and construction costs for wastewater treatment facilities
	25% of eligible project costs for small communities
	30% of eligible nutrient removal project costs. Previously, only nitrogen projects were eligible for this grant. (In 2012, the wording was amended from “nitrogen” to “nutrient” in order to qualify phosphorus removal projects for the 30% grant as well.)
	50% grants on eligible project costs associated combined sewer overflow work.
	55% grant for eligible planning projects

Loan Program

Connecticut's generous 100% project financing program provides participants with a package of financing including grants and long-term loans.

After application of grant funding, the CWSRF provides loan financing as part of the project finance agreement. There are a limited number of loan-only projects as well. Municipalities must obtain a local funding authorization to secure CWSRF loans.

Municipalities with projects on the Project Priority List enter into a loan agreement and then initiate design/construction using the interim financing provided under the agreement. Loans are permanently financed after borrowers expend the funds and complete the projects under their interim loan. Seven new interim funding obligations closed during FY 2016 totaling \$349.5 million, as shown on the list of closed loans in Appendix V. The projects are for planning and design, construction of treatment plant upgrades, and system improvements as required by several DEEP consent orders.

During FY 2016, the State disbursed approximately \$194.0 million for Clean Water projects. On the loan portion, each borrower is obligated to repay the principal amount at a subsidized interest rate of 2%. In FY 2016, borrower repayments including principal and interest totaled approximately \$101.7 million.



OTT Staff

Loan Security

Currently, there are three options for a municipality to secure its loan.

LOAN SECURITY	General obligation bond pledges of its full faith and credit for the loan
	Revenue bond pledging system revenues of municipal systems with adequate sewer assessment collection history
	General obligation/revenue bond pledge of both revenues from the sewer system and the municipality's general obligation or "double-barreled" pledge

Each borrower's loan agreement includes repayment terms and conditions, covenants for the maintenance of the project, and compliance with CWF regulations, state statutes, and federal acts.



South Windsor WCPF

BORROWERS

Borrowers may include any city, town, borough, consolidated town and city, consolidated town and borough, metropolitan district, water district, fire and sewer district, sewer district, or public authority. Each municipal organization must have authority to levy and collect taxes or impose charges for its authorized function and undertake the activities authorized by the state and federal acts.

Municipalities

Most municipalities have established a water pollution control authority within the local government. Municipalities usually obtain loans using their general obligation pledge. Some have revenue pledge loans to directly use fee-based systems to reduce the debt and property tax burden on their residents.

Municipal Partnerships

Since the inception of the CWF, the DEEP has encouraged cooperation among municipalities to meet water quality needs with loan agreements that may be structured to allow municipalities that pay for services to accept a pro-rata share of the loan repayments.

The CWF has been flexible in working with municipalities to create solutions that involve all parties from the beginning of the project to the start of operation. Partnerships and regional entities are expected to be a trend as municipalities determine the cost and efficiency advantages of working together.

Regional Borrowers

Any two or more municipalities may, pursuant to the CGS §§ 22a-500-519, by concurrent ordinances of their legislative bodies, create a new regional authority. Pursuant to the statutes, the created authority constitutes a public body and a political subdivision of the State for the performance of an essential public and governmental function, like a municipality.

Currently, the CWF provides loan and grant financing to independent regional authorities. Descriptions of a few of these independent regional authority projects are described in further detail below.



Metropolitan District Pump Station Construction

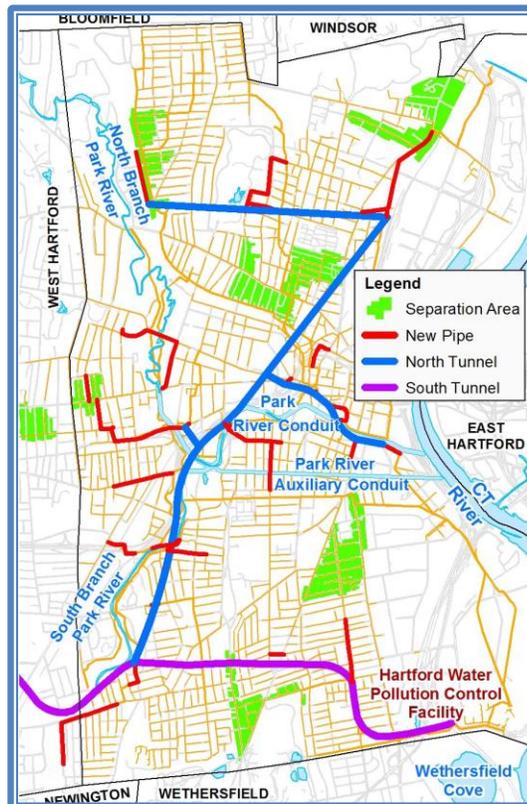
The Metropolitan District (MDC)

The MDC is a municipal corporation chartered by the Connecticut General Assembly in 1929 to provide safe, pure drinking water and environmentally responsible wastewater collection and treatment in the Greater Hartford area. The MDC supplies water and sewer services to its eight member municipalities: Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, and Windsor. The MDC also treats wastewater for small areas in the towns of Portland, Glastonbury, East Granby, South Windsor, and Farmington.

The MDC operates four water pollution control facilities (WPCF) in Hartford, East Hartford, Rocky Hill, and Windsor, which are responsible for the processing and treatment of wastewater from member towns.

In May 2015, the Department of Energy and Environmental Protection approved the District's updated Long Term Control Plan (LTCP). The LTCP outlines the MDC's plan for controlling combined sewer overflows. It is part of the MDC's Clean Water Project and is required to be updated every five years by a Consent Order from the DEEP. The major components of the LTCP include an expansion of the Hartford Water Pollution Control Facility to accept larger volumes of wastewater, a significant reduction in the amount of sewer separation projects, an increase in the size of the South Hartford Conveyance and Storage Tunnel, a change in the routes of some of the consolidation pipes, and additional projects that remove stormwater and groundwater from the sewer system. The LTCP can be found on MDC's website: www.themdc.com

The MDC Recommended LTCP Plan



The Greater New Haven Water Pollution Control Authority (GNHWPCA)

The GNHWPCA is a regional water pollution control authority created by New Haven, East Haven, Hamden, and Woodbridge in June of 2005. The Commissioner of the DEEP and the State Treasurer approved the preliminary plan of operation of the GNHWPCA on July 28, 2005, to complete the final phase for the creation of the GNHWPCA.

The GNHWPCA was created to (a) operate the wastewater system including the treatment plant located at 345 East Shore Parkway, New Haven; and (b) use, equip, re-equip, repair, maintain, supervise, manage, operate, and perform any act pertinent to the collection, transportation, treatment, and disposal of sewage for the constituent municipalities.

The GNHWPCA is expected to borrow for new projects to improve existing facilities at the plant and within the collection system. The first phase of a treatment plant upgrade which will remove nitrogen began construction in 2013. Potential future commitments to remove CSOs in accordance with its Consent Order will be approximately \$500 million.



GNHWPCA East Shore Sewage Treatment Plant

Bolton Lakes Regional Water Pollution Control Authority (BLRWPCA)

The BLRWPCA, created by Bolton and Vernon, is responsible for new capital investments in a sewer system that will primarily serve residents of the Bolton Lake area in both towns. The authority finalized its five-phase sewer project in FY 2016.



Bolton Lakes: Installation of low pressure sanitary sewers as part of the small community project to protect the Bolton Lakes.
(Photo courtesy of Fuss & O'Neill, Inc.)



Bolton Lakes: Directional drilling to install pipe with minimal disturbance to surface features (such as State Route 44)
(Photo courtesy of Fuss & O'Neill, Inc.)

The Mattabassett District

Located in the town of Cromwell, the Mattabassett District's Water Pollution Control Facility processes wastewater from New Britain, Berlin, Cromwell, Middletown, Newington, Rocky Hill, and Farmington, discharging clean water into the nearby Connecticut River. The facility has been in operation since 1968.

In June 2011, the State legislature approved a charter revision bill for the Mattabassett District that would allow Middletown to join the regional sewer district. In FY 2012, the District embarked on a significant upgrade of its existing facility with one of the goals being the expansion of the treatment capacity in order to allow the connection of the Middletown sewer system and the abandonment of the existing Middletown treatment plant.

Highlights of the \$100 million upgrade, funded through the State's Clean Water Fund program, include:

- ✓ First in the country, state-of-the-art emissions control to achieve compliance with new federal Sewer Sludge Incinerator regulatory requirements
- ✓ Innovative piping configurations to address hydraulic bottlenecks to accommodate higher influent flows
- ✓ Two new secondary clarifiers
- ✓ New effluent pump station
- ✓ New onsite sludge incinerator
- ✓ New odor control systems
- ✓ Chemically enhanced primary treatment for wet weather flows of up to 55 MGD
- ✓ New sludge dewatering system with three new centrifuges
- ✓ Influent screening and grit removal upgrades
- ✓ Electrical system and instrumentation system upgrades
- ✓ Energy efficiency features, including solar panels



Construction underway at the Mattabassett WPCF
(Photo courtesy of C.H. Nickerson, Inc.)

On June 18, 2015, the District held a ribbon cutting ceremony to mark the completion of the \$100 million denitrification upgrade project. The three-year project has increased the permitted treatment capacity from 20 million gallons to 35 million gallons per day which makes the plant now the third largest in the state.



Aerial view of the construction underway at the Mattabassett WPCF.
(Photo courtesy of C.H. Nickerson, Inc.)

ACTIVE PROJECTS

In order to ensure the sustainability of the program over many years, it is important to have projects in all phases of the process at any given time, from planning and design to construction, completion, and loan repayment.

The volume of projects funded in each year, as measured by CWF agreements executed with municipalities, is a reflection of both the past demands on the program and the availability of funding through the State Bond Commission. Prior to FY 2016, the five-year average of the total value of new CWF loan agreements in a year is \$93.3 million. In FY 2016, the value of new CWSRF loan agreements was \$349.5 million.



Rocky Hill WPCF Upgrade (657-C)

The Rocky Hill WPCF upgrade is a major part of the Metropolitan District's program to address an EPA Consent Decree to eliminate Sanitary Sewer Overflows (SSO) from its service area. The upgrade improvements include provisions to increase the plant's ability to handle anticipated increased flows resulting from the closure of the Goff Brook SSO, the ability to remove nitrogen from the treatment plant's discharge, and enhancements to energy efficiency and operational reliability. The project is expected to be complete in 2018 at a total cost of \$48.1 million, of which \$10.3 million will be provided via a state grant and \$38.8 million via a 2% CWSRF loan.

Town of Manchester's Hockanum River WPCF Upgrade (288-C)

Town of Manchester's Hockanum River WPCF upgrade brings tremendous water quality benefits to the Hockanum River and Long Island Sound. The upgrade provides both nitrogen removal to meet the 2014 Nitrogen General Permit limit and is one of the first towns in the state to remove phosphorus, with the ability to eliminate the discharge of more than 30 tons of phosphorus per year. Also included in this upgrade is the replacement of aging, energy inefficient unit processes, equipment, and building systems—much of which date back to the 1960s and 1970s. This project is the recipient of a Connecticut DEEP 2016 GreenCircle Sustainability Award. The project was completed in 2016 at a total cost of \$49.6 million, of which \$11.2 million will be provided via a state grant and \$38.4 million via a 2% CWSRF loan.





Town of Cheshire WPCF Upgrade (618-DC)

The Town of Cheshire WPCF upgrade enables the plant to meet federally mandated pollutant discharge limits, improve energy efficiency, and enhance treatment reliability. Phosphorus is chemically precipitated and captured by effluent disc filters, much like a drinking water facility works. A new ultraviolet light disinfection system eliminates the use of harsh chemicals at the plant. Installation of a smaller pumping system improves energy efficiency at the treatment plant. A heat pump system is used to extract and reuse energy from the treated wastewater. Rehabilitation of the anaerobic digestion system recovers methane from sludge and uses it for heat.

Replacement of the existing aeration blowers and air delivery system with high efficiency turbo-blowers and smart treatment control systems efficiently match air supply with the demands of the biological process. The project also includes replacement of equipment which was nearing the end of its service life, including the plant's standby generator, electrical distribution system equipment, structures and buildings systems with more efficient and reliable equipment, and remediation of PCBs throughout the plant. This project is the recipient of a CT DEEP 2016 GreenCircle Sustainability Award. The project is expected to be complete in 2016 at a total cost of \$33.3M, of which \$7.4 million will be provided via a state grant and \$25.9 million via a 2% CWSRF loan.

The Greater New Haven Water Pollution Authority's East Shore WPCF Phase 1 Upgrade (441-C)

The Greater New Haven Water Pollution Control Authority's (GNHWPCA) East Shore WPCF Phase 1 Upgrade is a major part of GNHWPCA's effort in addressing their Consent Order to eliminate Combined Sewer Overflows (CSO) into their regional sewer service area. The WPCF upgrade improvements include modifications to the plant's biological treatment system enabling the plant to meet its Nitrogen General Permit effluent limit; replacement of the plant's antiquated electrical feed and distribution system with a modern, more energy efficient and reliable one; and upgrades to the plant's solids handling systems and odor control systems in preparation for planned wet weather flow increases. The project is expected to be complete in 2017 at a total cost of \$57.4 million, of which \$13.6 million will be provided via a state grant and \$43.8 million via a 2% CWSRF loan.



MDC's South Hartford Conveyance and Storage Tunnel (692-C)

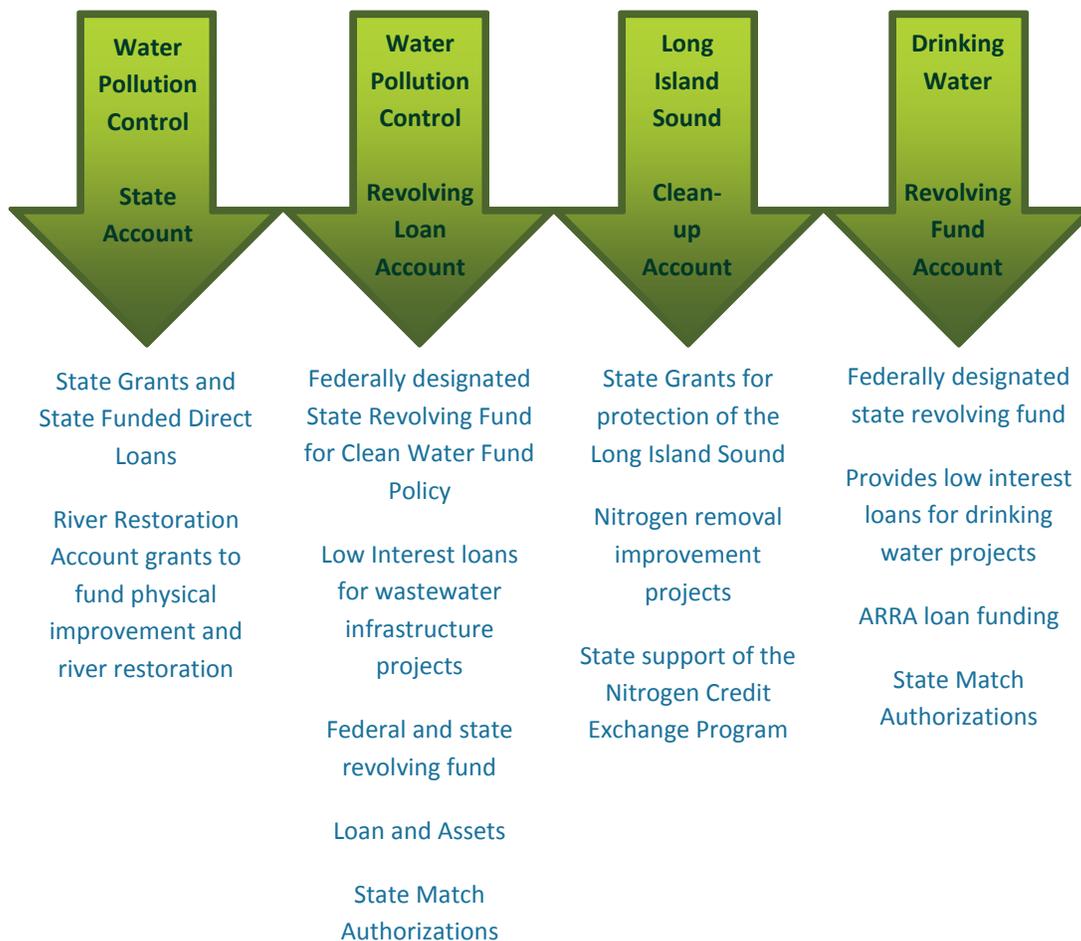
One of the strategies which will be used by the Metropolitan District (MDC) to control combined sewer overflow (CSO) discharges in Hartford is to store the wastewater in a deep rock tunnel and pump the combined sewage to the Hartford treatment plant for treatment and discharge into the Connecticut River. The South Hartford Conveyance and Storage Tunnel (SHCST) project is one of several projects for CSO control. The volume of the entire tunnel system to control CSOs is estimated at 87 million gallons. The SHCST will store 42 million gallons, is 4 miles long, 18 feet in diameter and will be located 200 feet below the ground surface. The construction cost is \$280 million, not including engineering services required during construction. The value of this construction project is the largest in Clean Water Fund history. When the SHCST is complete, it will prevent 106 million gallons of CSO discharges into the Connecticut River for a typical year of rainfall and will eliminate all CSO discharges into Wethersfield Cove. The project is expected to be complete in 2022 at a total cost of \$313.1 million, of which \$140.9 million will be provided via a state grant and \$172.2 million via a 2% CWSRF loan.



MDC: Signing Ceremony for South Hartford Conveyance & Storage Tunnel Grant and Loan Agreement Totaling \$313 million.

PROGRAM FINANCING FOR THE CLEAN WATER SRF

From 1987 to 1990, project loan costs were funded directly with the federal grant and the required state match. To provide significant direct grants that cannot be financed through the Clean Water SRF, the State created a state-funded grant component that to date has provided over \$1 billion for project grants within the CWF. Since the initial issuance of revenue bonds in 1991, loans to municipalities have been funded with the proceeds of the revenue bonds, significantly increasing the capacity of the CWF. The fund accounts of the Connecticut Clean Water Fund and the uses for each are shown in the graph.



Federal Capitalization Grants

The federal wastewater capitalization grants programs are major programs for the EPA. For the FY period 1987 to 2016, the cumulative capitalization grant awards for the Clean Water SRF totaled \$539.9 million, of which \$528 million has been drawn to date.

Although initially from 1987 to 1990 the federal capitalization grants were used to fund project loan costs, since that time these grants have been used to support the revenue bonding program of the Clean Water SRF.

Awards to Connecticut have fluctuated since the inception of the program. Federal ARRA Stimulus funding in the amount of \$48 million was awarded to the State through EPA in April 2009, and fully committed by EPA's February 17, 2010, deadline. The ARRA award was fully expended by the DEEP by December 31, 2012. The FY 2015 capitalization grant award of \$17.1 million was received by Connecticut during FY 2016.

The periodic cash draws by the State under the federal payment system are based on the costs incurred for eligible projects or activities by either all or a specific group of borrowers. The State has elected to base its cash draws on the costs incurred by a specified group of municipal projects on a dollar-for-dollar basis.

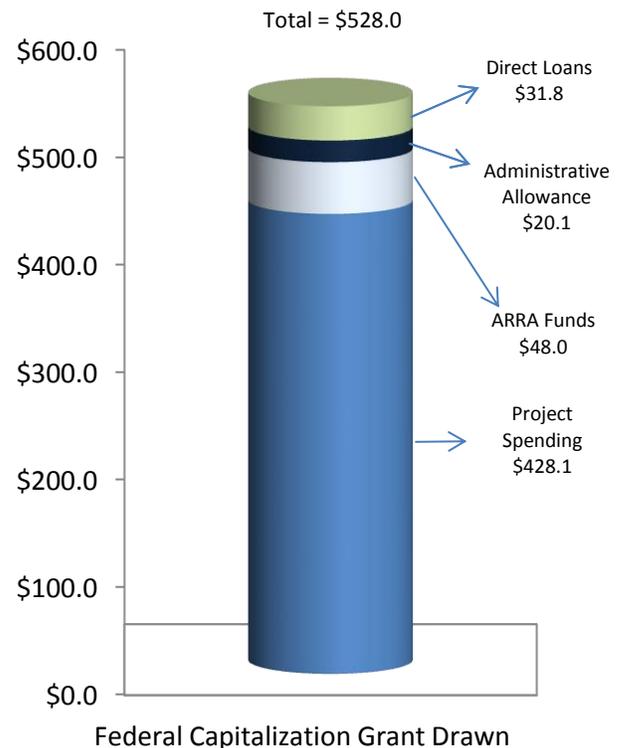
It is expected that Connecticut will continue to experience fluctuating levels of federal grant awards. Annual capitalization grant amounts are shown in Appendix III.

Federal Funding Accountability (FFATA)

The Federal Funding Accountability and Transparency Act (FFATA), passed in 2006 and amended in 2008, requires information disclosure concerning entities receiving financial

assistance through federal awards such as contracts, sub-contracts, grants, and sub-grants. To meet this requirement, the Office of Management and Budget must maintain a single, searchable website that contains information on all federal spending awards. That site is at <http://www.USAspending.gov>. The purpose of this information is to "empower every American with the ability to hold the government accountable for each spending decision. The end result is to reduce waste in the government." Recipients of funding from the Clean Water State Revolving Fund (CWSRF) will be required to provide this information to the DEEP to enter into the federal FFATA Sub-award Reporting System (FSRS). DEEP has met this requirement for federal capitalization grants awarded to date.

Use of Cumulative Federal Capitalization Grants as of June 30, 2016
(in millions)



The Required State Matching Funds

As a condition of receiving federal capitalization funding from EPA, the recipient agrees to deposit into the CWSRF a match equal to at least 20 percent of the amount awarded in the capitalization grant.

The CWSRF program has deposited amounts exceeding the 20% required into the fund through FY 2016. In total, Connecticut's CWSRF program has provided \$100.1 million in state contributions, consisting of \$19.1 million in state match from state-funded projects eligible as match from December 1987 through December 1990 and \$81.0 million in state match from privately placed general obligation (GO) bonds issued between January 28, 1991, and May 6, 1999, which represents a state overmatch of approximately \$1.7 million as of June 30, 2016. Once state overmatch is fully expended, additional state general obligation bonds will be required to provide future state match funding for federal capitalization grants awards. \$10.0 million of general obligation bonds that were allocated for CWF at the March 2016 State bond commission meeting will provide state match funding for approximately \$50.0 million of future capitalization grants as shown in Appendix II.

As permitted by EPA, Connecticut does not use proportionality when processing cash draws. This is allowable when a state disburses its entire state match before disbursing any federal funds per the SRF regulation, 40 CFR Part 35.

Bond Authorizations

Connecticut leaders remain committed to providing high levels of funding for the Clean Water Fund program. The Connecticut Clean Water Fund program is one of the most highly subsidized in the country, demonstrating the State's commitment to high water quality for its citizens.

As of June 30, 2016, \$3.2 billion of revenue bonds and \$1.6 billion of general obligation bonds have been authorized by the legislature for the Clean Water and Drinking Water SRFs.

During FY 2015 the Governor signed Public Act 15-1 which contained new authorizations effective July 1, 2015, of \$47.5 million of general obligation bonds and \$58.0 million of revenue bonds, a portion of which will be allocated for use by the Drinking Water SRF. During FY 2016, the State Bond Commission allocated to the Clean Water Fund \$120.0 million in general obligation bonds and \$110.0 million in revenue bonds.



Connecticut State Capitol Building

State General Obligation Authorizations as of June 30, 2016	
\$ MILLIONS	PURPOSE
\$1,311.0	Grants made from the state account, including the Long Island Sound and Rivers Restoration Account, state match, and administrative expenses
\$93.3	Direct state-funded loans
\$100.1	Match for the Connecticut CWF federal funds, as required in the capitalization grant agreement, including the \$81 million drawn and used for direct state-funded loans
\$55.7	State-funded interest subsidy support for the revenue bonds issued for the Connecticut CWF
\$1,560.1	Total

State Funding Approval Process

As discussed in the Project Financing section, the DEEP develops its Project Priority List every two years. The amount available in any year is based on the amount of state general obligation and revenue bond funding authorized by the legislature. The DEEP requests a lump sum allocation from the State Bond Commission, rather than submit each project once bids have been obtained. A pool of money is approved by the State Bond Commission for projects included on the priority list that the DEEP and the State Treasurer’s Office determine are ready to move forward.

In 1997, the State provided an additional commitment to high quality drinking water with the creation of the Drinking Water SRF as part of the CWF due to the similarities between the federal programs.

Authorizations for the Drinking Water and Clean Water SRF programs are combined, and as Drinking Water SRF projects are approved, authorizations are allocated to the Drinking Water SRF.

Revenue Bonding Program

The bond resolutions for the Clean Water SRF programs govern the manner in which the bond financing program is implemented, managed, and administered.

The bonds are special obligations of the State payable solely from all monies in the combined Clean Water SRF and Drinking Water SRF that are legally available for debt service payments under the resolutions.

Originally, the Clean Water SRF utilized a “traditional” reserve fund model. In order to become more efficient, the State Treasurer shifted the SRFs to the General Bond Resolution in 2002. Starting with the 2003 bond issue, all bond series have been issued under the 2002 Resolution.

The State Treasurer is responsible for various financial components of the CWF including certain responsibilities with respect to the implementation and management of the revenue-bonding program within the overall authority for management of the State’s debt. The financial administrator in the State Treasurer’s Office manages and coordinates the various financial components of the Clean Water SRF and the Drinking Water SRF programs and the revenue bonding program on a day-to-day basis.

Prior to the initial issuance of revenue bonds, the Clean Water SRF funded loans to municipalities from federal capitalization grants and the proceeds of state general obligation bonds.

Since 1991, loans to municipalities have been primarily funded from the proceeds of the state revenue bonds. Since 2001, Drinking Water Fund loans have also been funded from the proceeds of state revenue bonds.

Through FY 2016, 15 series of revenue bonds have been issued providing funding for over \$2 billion in loan commitments. All bonds issued by the State have had fixed interest rates except the 2003 Series C bonds which were variable rate bonds.

The proceeds of these revenue bonds are distributed to the Clean Water and Drinking Water SRF accounts and disbursed for loans made by each program on a first-come, first-served basis to those borrowers who have executed loan agreements and as the borrowers incur project costs.

Since the inception of the program, the State Treasurer's Office has initiated eight refunding or defeasance transactions that have realized over \$83 million in debt service savings.

Bond Program Credit Rating

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

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

Fitch Ratings - AAA

Standard and Poor's - AAA

Moody's Investors Service - Aaa

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.

Green Bonds

During FY 2016, the State issued one series of "Green" Bonds to finance clean water infrastructure projects. Green Bonds are dedicated to financing environmentally friendly projects and appeal to a new group of socially conscious investors. In November 2015, the State issued \$65 million of general obligation bonds (2015 Series G) to fund the state grant portion of Clean Water SRF projects. In the spring of 2015, the state issued \$250 million of SRF revenue bonds to finance the loan portion of SRF projects. The SRF revenue bonds were priced on April 22, 2015, (Earth Day) with an overall true interest cost of 3.14%. In addition, in November 2014, the state issued \$60 million of general obligation bonds (2014 Series G) to fund grants. The projects funded by the bonds are detailed in Appendix IX and Appendix X.



Investment Interest Earnings

Program assets are held for program purposes and used as security for all bonds. As of June 2016, the State held \$1.5 billion in Clean Water assets that were invested in loans, the State's Short-Term Investment Fund, general obligation bonds, and guaranteed investment contracts.

Earnings on these investments are used to pay a portion of the debt service on the SRF bonds. In FY 2016, earnings accounted for approximately 30% of the total debt service of \$107.6 million.

Bonds are repaid on established schedules, and invested funds are released and reinvested to support the sustainability of the program. In FY 2016, \$8.1 million was reinvested by the Clean Water SRF and made available for future bond issues to fund new loans.

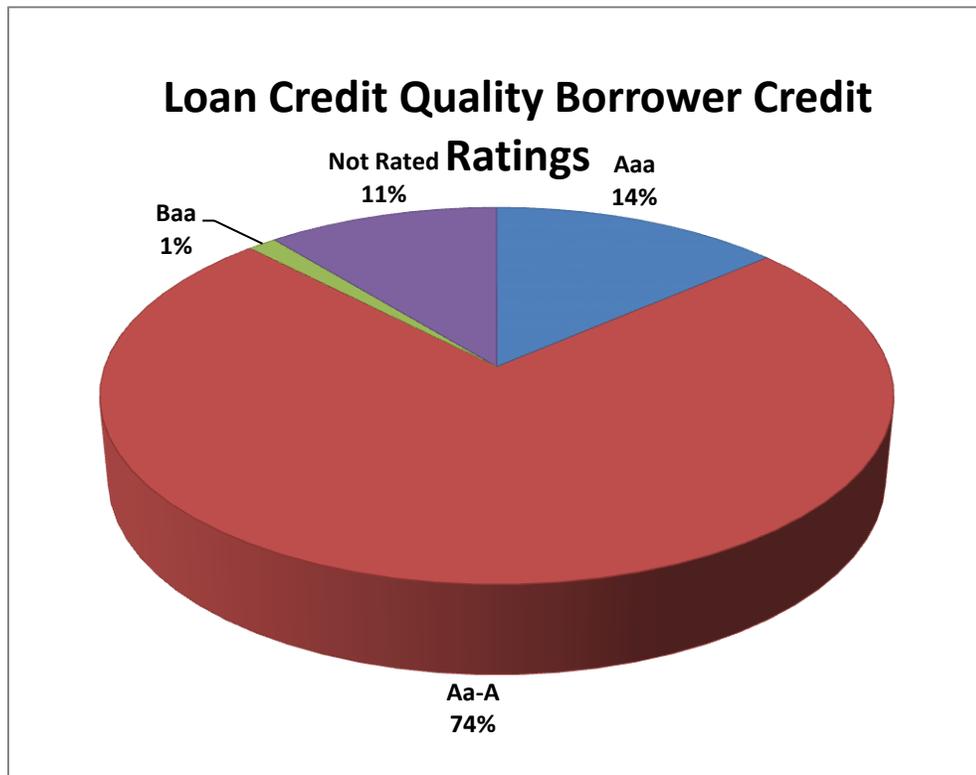
Loan Credit Quality

The overall credit quality of the state’s municipalities reflects positively on the Connecticut Clean Water Fund. The analysis and review of municipal financial conditions prior to awarding a project loan is part of ensuring the long-term viability of the Connecticut Clean Water Fund. Each municipality applying for financial assistance submits documentation to evidence its ability to repay the loan. Required documents include financial statements, capital budgets, operating budgets, economic data,

and the terms of any management contracts. The project-specific review also has included a feasibility study on a project capital cost repayment analysis with information on any projected need for increases in taxes or user fees.

The Connecticut Clean Water Fund program’s loan administration includes separate loan servicing by the program’s trustee bank. There is no grace period for late loan payments, although the agreements allow up to 30 days to cure other defaults. A policy is in place to implement immediate collection procedures in the event of a late or delayed payment. Late payments have been for administrative rather than financial reasons.

The Connecticut Clean Water Fund loan portfolio is diverse, with approximately 88% of the loans and commitments to municipalities rated “A” or higher by Moody’s Investors Service, as shown on the chart below.



Program Management

The CWF has a long history of providing financial assistance to municipalities for the construction, rehabilitation, expansion, and improvement of publicly owned systems for the collection and treatment of wastewater prior to discharge into receiving waters.

Connecticut was one of the first states to create a state revolving fund that replaced long-standing state and federal grant programs. The CWF managers ensure compliance with the federal Clean Water Act which has extensive reporting and data collection requirements that require the State to implement policies, procedures, and systems necessary to provide accurate and timely information on the activities of the Clean Water SRF.

The federal Act also requires that the State provide sufficient staff and resources to manage and maintain the Clean Water SRF in perpetuity.

The collaboration between the DEEP and the State Treasurer's Office began as early as 1987 when the agencies, along with the Office of Policy and Management, recommended changes in the method of providing financial assistance by the State to municipalities for wastewater and water pollution control. Each agency has specific program management roles and responsibilities for the CWF.

As the primary agency and the recipient of the federal capitalization grants for the Clean Water SRF on behalf of the State, the DEEP executes annual grant agreements with the federal EPA. Through a Memorandum of Agreement, originated in 1989 and amended in 2009, the State Treasurer has certain responsibilities with respect to management of the Clean Water

Fund. A financial administrator in the State Treasurer's Office manages and coordinates the various financial components and the revenue bonding program of the Clean Water Fund and the Drinking Water Fund on a day-to-day basis.

In 2011, the DEEP was formed to bring together the missions of the former Connecticut Departments of Environmental Protection and Public Utility Control as well as an energy policy group that had been based at the Office of Policy and Management. As further described in the appendices, the Bureau of Water Protection and Land Reuse administers the engineering side of the projects of the Clean Water Fund while the Bureau of Central Services has financial management responsibilities for project accounting and contract management for the Clean Water Fund.



DEEP Staff

Programs and Funding Initiatives of the Connecticut Clean Water Fund

The CWF is managed pursuant to Section 22a-475 to 499 of the Connecticut General Statutes and provides low interest loans consistent with the federal Clean Water Act and grants for qualified Clean Water projects.

The effective management of the CWF requires coordination with programs that participate in the achievement of the State's water quality goals. The other programs of the CWF that have contributed to the work of the Clean Water SRF include the Nitrogen Credit Exchange Program, Rivers Restoration Program and the Long Island Sound Grant Program. The overall program management goal of the CWF and the Clean Water SRF is to efficiently provide financial assistance at the lowest possible cost while ensuring that the state's water quality needs are met, now and in the future.

The purpose of the State's Revolving Fund programs is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion, or improvement of wastewater treatment or drinking water facilities in accordance with the State Act.

The Bureau of Water Protection and Land Reuse of the DEEP administers the CWF, primarily within its Municipal Water Pollution Control Section. The Bureau also monitors and assesses

water quality and develops strategies to abate or prevent water pollution. The Municipal Water Pollution Control Section provides assistance to municipalities for municipal wastewater infrastructure upgrades and needs assessment through planning, design, and construction oversight, as well as the approval of permits for municipal discharges and enforcing the State's operator certification requirements. As more fully described in the Project Financing section, there are several project types and financing options for critical projects.

The Nitrogen Credit Exchange Program

The Nitrogen Credit Exchange Program is the State's Nitrogen trading program, and it was one of the first such programs established in the U.S. The program is a mechanism for attaining the aggregate reduced nitrogen goal for Connecticut's wastewater treatment plants.

As the program has been successful in reducing the nitrogen load, fewer WPCFs are required to purchase credits to be in compliance with their permit level. As more upgraded facilities come online, the level of state subsidy is anticipated to increase and is unsustainable, thus the Nitrogen Credit Advisory Board (NCAB) developed a future self-sufficient program model. As a result of the NCAB and DEEP's efforts, the legislature passed PA 15-38 – *An Act Concerning the Sustainability of the Nitrogen Credit Exchange Program* during the 2015 session which implements a self-sufficient model for the 2015 trading year.

Funding for Emerging Initiatives

Reserve for Construction of Green Infrastructure Projects

A reserve in the amount of \$4 million is included in the FY 2016-2017 PPL to fund 1) treatment plant, pump station, and/or collection system improvement projects that incorporate cost-effective renewable energy components and 2) community demonstration projects of green infrastructure technologies to promote infiltration of stormwater into the ground in combined sewer overflow areas.

Reserve for Phosphorus Removal (50% Grant/50% Loan)

Phosphorus is a naturally occurring element that is essential to support plant growth. When present in excessive amounts, phosphorus contributes to a process called “eutrophication” that can impair both aquatic life and recreational use of Connecticut’s water resources. The DEEP’s strategy assigns each wastewater treatment facility discharging to inland fresh water a phosphorus limit based on the potential for that discharge to contribute significantly to eutrophication in the receiving water. In the coming years, upon issuance of their discharge permit, each facility will be required to implement measures to achieve the phosphorus effluent performance level assigned to that facility.

The DEEP and the EPA successfully negotiated phosphorus removal limits for the state in 2012. These limits have been incorporated into the discharge permits for treatment plants throughout Connecticut. Over the past four years, the Connecticut General Assembly passed four laws that provide additional grant funding from the CWF for phosphorus removal projects. The most recently passed law was PA 16-57 which provides a 50% grant for phosphorus removal projects that have low

permit limits provided those projects are under construction by July 1, 2019.

Reserve for Pump Station Rehabilitation Projects (100% Loan)

The purpose of the FY 2016-2017 PPL reserve (\$4 million over the two years) is to address the widespread demand for funding to rehabilitate pump stations throughout the state. The construction reserve shall be used for replacing aging infrastructure, reducing hydraulic overloading, incorporating energy efficient equipment, and providing emergency power.



Flock Process Dam - Norwalk, CT

Summary of Program Initiatives

The planned program activities and initiatives for the CWF and the Clean Water SRF for FY 2017 include:

- ❖ Provide financial and administrative management of new applications for project financing. The DEEP anticipates the initiation of about 20 new Connecticut Clean Water Fund projects during FY 2017.
- ❖ Meet the EPA negotiated fair share minority-women-owned enterprises goal for each project
- ❖ Update the capital project submission plan for the State Bond Commission requests, and maintain active communication with the State Treasurer's Office and the Office of Policy and Management
- ❖ Provide financial and administrative management of the EPA special appropriations grants
- ❖ Apply for the EPA federal capitalization grant



DEEP Engineers and Fiscal Staff

- ❖ In conjunction with the Department of Administrative Services and the Office of Policy and Management, evaluate the need for additional staff to maintain the high technical and fiscal standards of the program
- ❖ Coordinate closely with the MDC on their significant clean water capital programs
- ❖ Continue work on the implementation of the accounting and project management system

Long-Term Projections

As the programs of the CWF meet their goals, the DEEP will be updating and revising cost estimations for critical water quality work. At present, the DEEP estimates the overall need for water quality improvement at \$5.2 billion through 2028, with treatment plant construction costs and combined sewer overflow correction program needs of over \$3.0 billion.

Ongoing discussions about the following issues will shape the program in the coming years:

- Coordination with the DEEP and continued collaboration with the State Treasurer’s Office and other State agencies
- Review staffing needs to support CWF projects
- The priority of projects

The State also will continue to develop additional financing alternatives. Long-term goals and objectives for the Clean Water SRF Plan of Finance are to:

- Achieve low-cost financing
- Optimize cash management strategies
- Continuously improve program administration including items such as electronic data submission by applicants, streamlined review processes, consolidating fund management, and simplifying program grant administration
- Demonstrate present value savings and/or actual debt service reduction with any refunding



Dunning Lake, Farmington CT

CONDITION OF THE CONNECTICUT CLEAN WATER FUND

The listing in Appendix XI of wastewater treatment projects funded by the Connecticut Clean Water SRF as of June 30, 2016, shows that the CWF has more than \$3.5 billion in completed projects and project commitments including over \$1 billion in state and federal grants for wastewater and Long Island Sound projects.

The goal of the Connecticut Clean Water Fund is to finance projects that will:

- Support construction upgrades or expansion of local wastewater treatment plants, especially to remove nitrogen from wastewater in order to protect the water quality of Long Island Sound
- Remove phosphorus to meet fresh water quality goals for nutrient enrichment
- Rebuild wastewater pumping stations and repair leaky sewers
- Remediate surface and groundwater pollution caused by failing and substandard septic systems by sewerage or upgrading of septic systems
- Construct separate stormwater systems or other abatement facilities to eliminate overflows caused by combined wastewater and stormwater system



MDC Expansion



Barkhamsted Reservoir

The State has significantly expanded the program's capacity through its Revenue Bond program. Since 1991, the bonds have provided significant resources for critical water infrastructure needs.

Program capacity projections continue to show that the program can sustain bond issuance of approximately \$125 million in revenue bonds per year through 2050 without an increase in state-funded support. The capacity of the financing program and significant additional state general obligation bond and revenue bond authorizations in recent years are clear evidence of the State's continued support of the Clean Water programs. With this continued support and the prudent management of the CWF assets, the program can continue to maintain its long-term sustainability, meeting both the requirements of the federal grants as well as the long-term water quality needs of the people of Connecticut

APPENDICES



Appendix I: State Funding Authorizations

State Funding Authorizations as of June 30, 2016	FY	Amount	Revenue Bond Authorizations as of June 30, 2016	FY	Amount
State Funding pre FY90		\$120,000,000			
State Funding	1990	60,000,000			
Bond Fund Transfer	1990	15,000,000			
State Funding (LIS)	1990	25,000,000			
State Funding	1991	100,000,000	Revenue Bond	1991	\$100,000,000
State Funding (LIS)	1991	25,000,000			
State Funding	1992	50,000,000	Revenue Bond	1992	200,000,000
State Funding	1993	30,000,000	Revenue Bond	1993	30,000,000
State Funding	1994	58,850,000	Revenue Bond	1994	93,800,000
State Funding	1995	75,020,000	Revenue Bond	1995	51,600,000
Funding Rescission	1995	-22,600,000	Revision	1995	-8,500,000
State Funding	1996	16,480,000	Revenue Bond	1996	125,400,000
State Funding	1997	23,580,000	Revenue Bond	1997	41,000,000
State Funding	1998	45,000,000	Revenue Bond	1998	151,300,000
State Funding	1999	14,000,000	Revenue Bond	1999	83,300,000
State Funding	1999	-14,000,000			
State Funding	2000	43,400,000	Revenue Bond	2000	64,600,000
State Funding	2001	53,100,000	Revenue Bond	2001	66,900,000
State Funding	2002	40,000,000	Revenue Bond	2002	81,000,000
State Funding	2003	40,000,000	Revenue Bond	2003	158,000,000
Funding Deferral	2003	3,200,000			
State Funding	2004	0	Revenue Bond	2004	0
State Funding	2005	-60,000,000	Revenue Bond	2005	0
State Funding	2006	20,000,000	Revenue Bond	2006	0
State Funding	2007	20,000,000	Revenue Bond	2007	100,000,000
State Funding	2008	90,000,000	Revenue Bond	2008	235,000,000
State Funding	2009	90,000,000	Revenue Bond	2009	180,000,000
State Funding	2010	65,000,000	Revenue Bond	2010	80,000,000
State Funding	2011	14,995,976	Revenue Bond	2011	120,000,000
State Funding	2012	92,600,000	Revenue Bond	2012	233,420,000
State Funding	2013	94,000,000	Revenue Bond	2013	238,360,000
State Funding	2014	67,000,000	Revenue Bond	2014	380,430,000
State Funding	2015	218,000,000	Revenue Bond	2015	331,970,000
State Funding	2016	47,500,000	Revenue Bond	2016	58,000,000
TOTAL:		\$ 1,560,125,976			\$ 3,195,580,000
Less: Drinking Water Allocations		<u>\$0</u>			<u>\$ 389,612,558</u>
TOTAL: Clean Water Authorizations		\$ 1,560,125,976			\$ 2,805,967,442

Appendix II: State Match for Federal Capitalization Grants

CLEAN WATER FUND STATE MATCH CONTRIBUTION		
as of June 30, 2016		
State Funded Projects, Bonds and Contributions	Contract Date/State Bond Commission Approval Date	AMOUNT
EAST LYME: 112-C	12/10/1987	\$8,860,816
DANBURY: 103-C	11/22/1988	\$6,567,587
EAST LYME: 175-C	2/3/1989	\$1,092,206
STONINGTON: 141-C	6/15/1989	\$1,600,000
MIDDLETOWN: 209-D	9/1/1989	\$0
CHESHIRE: 111.1-C	11/13/1990	\$567,432
EAST LYME: 112-CD1	12/31/1990	\$373,389
Privately Placed State GO Bonds	1/28/1991	\$12,873,381
Privately Placed State GO Bonds	1/22/1992	\$26,144,911
Privately Placed State GO Bonds	3/28/1996	\$5,000,000
Privately Placed State GO Bonds	9/30/1997	\$19,000,000
Privately Placed State GO Bonds	5/6/1999	\$18,000,000
Substitution of Project Expenditures for Previously Designated Match: FY 10-15		\$-22,197,000
MDC: 149-CSL, FY 10	9/17/2007	\$4,992,200
MDC: 149-CSL, FY 11	9/17/2007	\$3,618,000
MDC: 149-CSL, FY 12	9/17/2007	\$3,462,800
MDC: 166-CSL1, FY 13	1/1/2009	\$3,271,200
MDC: 166-CSL1, FY 14	1/1/2009	\$3,435,200
MDC: 166-CSL1, FY 15	1/1/2009	\$3,417,600
TOTAL STATE MATCH:		\$100,079,722
REQUIRED STATE MATCH (20%):		98,377,830
State Obligations & Payments (less) Required State Match:		1,701,892
Total Federal Capitalization Grants Awarded⁽¹⁾:		\$491,889,148
<i>(1) Total Awarded does not include \$48,010,300 for ARRA, which does not require state match</i>		
<i>Note 1: Future capitalization grant match funding will be provided from CWF general obligation bond authorizations.</i>		
<i>Note 2: There have been no additional match contributions to the fund since 1999.</i>		
<i>Note 3: The capitalization grant total to calculate the state match includes \$405,000 of reductions and modifications by EPA in Title VI CAP Awards to allow for funding of separate EPA agreements made directly with Northbridge for the LGTS project (\$180,000-FY 07, \$85,000-FY 13 and 50,000-FY 15) and professional services for the Middletown Study (\$90,000 – FY 09) or ARRA funds.</i>		
<i>Note 4: Per EPA request, specific projects will designate the state match contribution from FY 2010 through FY 2015. Due to overmatch, the designated projects will substitute for previously designated match funding until the overmatch is fully expended. GO bonds are state issued General Obligation bonds</i>		

Appendix III: Federal Capitalization Grants

Federal appropriations continue to be made annually to states for capital funding of wastewater treatment projects even though the Federal Act expired on June 30, 2007. The Clean Water SRF or CWSRF was further authorized through September 30, 1994. Congress has not reauthorized the Act since, but the program continues to operate through language in the annual appropriations bill that funds the CWSRF.

The Clean Water Act both authorizes the Clean Water Fund and places legal constraints on its uses. Federal regulations limit the uses of program equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing prior debt, or administrative expenses associated with qualified projects. The Federal Capitalization Grant and the required match must be maintained by the Clean Water Fund in perpetuity.

Fiscal Year	Project Funds	Administrative Funds	FY Total
Pre FY 00	\$235,217,469	\$9,800,727	\$245,018,196
FY 00-09	130,450,514	5,165,438	135,612,952
FY 10	23,962,560	998,440	24,961,000
FY 11	17,366,400	723,600	18,090,000
FY 12	16,621,440	692,560	17,314,000
FY 13	15,701,760	654,240	16,356,000
FY 14	16,488,960	687,040	17,176,000
FY 15	16,404,480	683,520	17,088,000
TOTAL	\$472,213,583	\$19,675,565	\$491,889,148
FY 09-ARRA	\$46,089,888	\$1,920,412	\$48,010,300
TOTAL INCL ARRA	\$518,303,471	\$21,595,977	\$539,899,448

Appendix IV: Federal EPA Cap Grant Analysis - Grant Share Disbursements

Municipality	CWF Project Number	Cap Grant Year	Total CWF \$ Commitment	Total State Funded Amount	State Grant Share	State Loan Share	Total Federal Cap Grant	Federal Cap Grant Loan	Disbursed as of 6/30/16	
									Federal Cap Grant- Additional Subsidy (FY 10 and on)	Federal Cap Grant- Additional Subsidy (FY 10 and on)
Old Saybrook	116-C	2010	\$ 10,000,000	\$ 5,000,000	\$ 1,096,875	\$ 3,903,125	\$ 5,000,000	\$ 3,750,000	\$ 1,250,000	\$ 1,250,000
MDC-WPCF Phase 1	639-C	2010	56,214,614	37,252,054	8,563,285	28,688,769	18,962,560	12,612,560	6,350,000	6,350,000
MDC-WPCF Phase 2	646-C	2011	35,255,134	17,888,734	5,693,140	12,195,594	17,366,400	12,663,000	4,703,400	4,703,400
Manchester	288-C	2012	51,338,895	44,338,895	10,009,531	34,329,364	7,000,000	6,356,626	643,374	643,374
Mattabassett	567-C	2012	107,864,987	98,243,547	23,881,454	74,362,093	9,621,440	8,821,440	800,000	800,000
Mattabassett	567-C	2013	0	(14,066,160)	(1,000,000)	(13,066,160)	14,066,160	13,066,160	1,000,000	1,000,000
Old Saybrook (FY 13 Green)	673-C	2013	15,281,606	13,646,006	3,583,328	10,062,678	1,635,600	1,635,600	0	0
Mattabassett	567-C	2014	0	(14,488,960)	(600,000)	(13,888,960)	14,488,960	13,888,960	600,000	600,000
Farmington (FY 14 Green)	620-DC	2014	62,692,685	60,692,685	14,127,907	46,564,778	2,000,000	1,500,000	500,000	0
MDC	652-C	2015	117,312,222	102,616,542	39,939,116	62,677,425	14,695,680	14,695,680	0	0
MDC (FY 15 Green)	652-C	2015	435,600	0	0	0	435,600	435,600	0	0
Cheshire (FY 15 Green)	618-DC	2015	33,335,301	32,620,301	7,412,976	25,207,325	715,000	715,000	0	0
MDC (FY 15 Green)	657-C	2015	49,118,370	48,560,170	10,292,519	38,267,651	558,200	558,200	0	0
		Total	\$ 538,849,413	\$ 432,303,813	\$ 123,000,132	\$ 309,303,681	\$ 106,545,600	\$ 90,698,826	\$ 15,846,774	\$ 15,346,774

Appendix V: Loans Closed During Fiscal Year 2016

CLEAN WATER FUND LOAN CLOSING REPORT								
	Closing Date	Municipality	IFO/PLO	Project No	Amount (\$)	New PLO Amount	New IFO Amount	
July	7/10/2015	MDC	IFO	657-C	147,992,729.44		147,992,729.44	
	7/31/2015	Bristol	PLO	622-CSL	631,832.79	631,832.79		
Sept	9/1/2015	Plymouth	IFO	458-C	1,557,974.27		1,557,974.27	Certificate
	9/30/2015	Bridgeport	PLO	213-CSL	3,115,300.77	3,115,300.77		
Dec	12/15/2015	Mattabasset District	PLO	567-C	79,950,606.51	79,950,606.51		
	12/31/2015	Bridgeport	PLO	658-C	325,921.16	325,921.16		
	12/31/2015	MDC	PLO	214-CSL	14,198,441.75	14,198,441.75		
	12/30/2015	Bolton Lakes	IFO	132-C1	9,314,747.19		9,314,747.19	Certificate
Jan	1/31/2016	Bridgeport	PLO	621-C1	3,956,482.86	3,956,482.86		
	1/31/2016	MDC	PLO	652-C	25,528,770.98	25,528,770.98		
	1/31/2016	MDC	IFO	652-C1	52,279,934.45		52,279,934.45	Amendment
Mar	3/1/2016	Plymouth	PLO	458-C	1,200,499.20	1,200,499.20		
	3/3/2016	Bristol	IFO	640-DC	7,781,601.00		7,781,601.00	
	3/31/2016	MDC	IFO	215-C	11,692,057.44		11,692,057.44	
Apr	4/7/2016	Marlborough	IFO	687-C	2,566,531.53		2,566,531.53	
	4/26/2016	Killingly	IFO	524-DC	2,567,807.69		2,567,807.69	
May	5/31/2016	MDC	PLO	619-CD1	20,360,027.72	20,360,027.72		
June	6/29/2016	MDC	IFO	686-C	4,657,150.97		4,657,150.97	
	6/29/2016	MDC	IFO	692-C	172,230,202.95		172,230,202.95	
	6/30/2016	Manchester	PLO	288-C1	38,396,686.53	38,396,686.53		
	6/30/2016	Bolton Lakes	PLO	132-C1	9,314,747.19	9,314,747.19		
		Totals			609,620,054.39	196,979,317.46	412,640,736.93	
	Total New IFO Loans				10			
	Total Dollar Value on New IFO Loans*				\$401,768,015.47			
	Total New PLO Loans				11			
	Total Dollar Value on PLO Loans				\$196,979,317.46			
*Total Dollar Value excludes certificates and amendments								

American Iron & Steel/Buy American 2014

The Consolidated Appropriations Act enacted January 17, 2014, included an American Iron and Steel (AIS)/Buy American 2014 requirements for the SRF programs for Federal FY 2014. AIS requirements apply to agreements entered into by capitalization grant recipients on or after January 17, 2014. There is an exemption in place if the plans and specifications for the affected agreement were approved prior to implementation of the Consolidated Appropriations Act, 2014 (January 17, 2014). Connecticut is following the AIS requirements. As of June 30, 2015, all executed construction agreements were exempt from the AIS requirements based on the approval date of plans and specifications.

Appendix VI: Outstanding & Pending Loan Commitments

Borrower	Total IFO/PLO as of 06/30/16 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Commitments Through 6/30/17 ⁽³⁾	Total Commitments ⁽⁴⁾
ANSONIA	30,730,847			30,730,847
BERLIN	2,040,819			2,040,819
BOLTON LAKES	8,849,010			8,849,010
BRANFORD	12,142,101			12,142,101
BRIDGEPORT	37,356,788	1,359,042	2,265,101	40,980,931
BRISTOL	4,658,254	5,689,335		10,347,589
BROOKFIELD	2,749,779			2,749,779
BURLINGTON	1,376,249			1,376,249
CANTON	896,365			896,365
CHESHIRE	29,470,043	361,045		29,831,088
CHESTER	785,605			785,605
COVENTRY	5,440,043			5,440,043
DANBURY	4,744,052			4,744,052
DARIEN	235,269			235,269
DEEP RIVER	1,810,611			1,810,611
DERBY	440,145			440,145
EAST HAMPTON	157,609			157,609
ENFIELD			30,000,000	30,000,000
FAIRFIELD	10,430,932			10,430,932
FARMINGTON			46,664,841	46,664,841
GLASTONBURY	14,447,845			14,447,845
GNHWPCA	66,443,795	8,277,454	11,000,000	85,721,249
GREENWICH	4,043,494			4,043,494
GROTON	8,216,398			8,216,398
HARTFORD	1,140,426			1,140,426
JEWETTCITY	3,250,029			3,250,029
LEDYARD	230,506			230,506
KILLINGLY			10,000,000	10,000,000
LITCHFIELD	1,925,174			1,925,174
MANCHESTER	38,396,687			38,396,687
MARLBOROUGH	7,741,148	2,027,324		9,768,472
MATTABASSETT DISTRICT	73,510,999			73,510,999
MDC	282,282,591	175,962,102	48,378,704	506,623,397
MERIDEN	28,599,699			28,599,699
MIDDLEFIELD	844,401			844,401
MIDDLETOWN	17,736,511	3,781,570		21,518,081
MILFORD	31,128,561			31,128,561

Appendix VI: Outstanding & Pending Loan Commitments (cont.)

Borrower	Total IFO/PLO as of 06/30/16 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Commitments Through 6/30/17 ⁽³⁾	Total Commitments ⁽⁴⁾
MONTVILLE	224,854			224,854
NAUGATUCK	381,577			381,577
NEWBRITAIN	3,075,879			3,075,879
NEWCANAAN	2,117,815			2,117,815
NEW LONDON	872,095			872,095
NEW MILFORD	19,706,742			19,706,742
NEWTOWN	1,411,691			1,411,691
NORTH HAVEN	485,104			485,104
NORWALK	27,845,469			27,845,469
NORWICH	9,024,150		50,000,000	59,024,150
OLD SAYBROOK	7,149,627	9,583,771		16,733,398
PLAINFIELD	591,517			591,517
PLAINVILLE	15,041,670		13,000,000	28,041,670
PLYMOUTH	1,103,348			1,103,348
POINT- O-WOODS	4,966,825			4,966,825
PORTLAND	1,061,055			1,061,055
SHELTON	12,395,490			12,395,490
SIMSBURY	12,736,475			12,736,475
SOUTH WINDSOR	24,449,008			24,449,008
SOUTHINGTON	7,957,251			7,957,251
SPRAGUE	701,945			701,945
STAMFORD	37,877,058			37,877,058
STONINGTON	153,910			153,910
STRATFORD	33,509,942			33,509,942
THOMASTON	2,475,709			2,475,709
THOMPSON			563,501	563,501
TORRINGTON	837,196		32,197,640	33,034,836
VERNON	826,194			826,194
WALLINGFORD	910,881			910,881
WATERBURY	25,545,429			25,545,429
WEST HAVEN	28,294,946			28,294,946
WESTPORT	18,552,369			18,552,369
WINCHESTER	370,262			370,262
WINDHAM	12,397,355			12,397,355
WINDSOR LOCKS	575,371			575,371
WOODRIDGE LAKE TAX DISTRICT			983,000	983,000
Total Commitment	\$1,049,878,992	\$207,041,642	\$245,052,787	\$ 1,501,973,420

(1) Total outstanding includes active construction projects. (2) Remaining commitments under active construction loans. (3) Prioritized new project commitments expected during the coming year. (4) Total expected commitments through the coming year, may not add due to rounding.

Appendix VII: Clean Water Cumulative Funded Projects

Municipality	Project Number	Contract Date	SCD	State Grant	State LIS Grant	Federal Grant *	CWF State Loan GO - NQ	State Match Title VI	Title VI SRF Revenue Loan	ARRA Federal Loan	Total SRF Project Funding**	LISRA TITLE VI FED AMOUNT	ARRA Federal Grant	Federal Grant- Grant (FY 10 and on)
FY 2015-2016 CWF Funded Projects														
New Project Agreements														
MDC	657-C	7/10/2015	12/31/2018	71,415,337	-	-	-	-	147,992,729	-	219,408,067	-	-	-
Waterbury	677-PG	7/17/2015	7/31/2016	190,870	-	-	-	-	-	-	190,870	-	-	-
Avon	679-PG	7/31/2015	12/31/2015	201,025	-	-	-	-	-	-	201,025	-	-	-
Danbury	678-PG	10/6/2015	9/30/2015	27,519	-	-	-	-	-	-	27,519	-	-	-
West Haven	684-PG	12/9/2015	12/31/2015	169,290	-	-	-	-	-	-	169,290	-	-	-
Thomaston	680-PG	12/28/2015	12/31/2015	35,750	-	-	-	-	-	-	35,750	-	-	-
Bristol	640-DC	3/3/2016	9/30/2018	7,440,019	-	-	-	-	7,781,601	-	15,221,620	-	-	-
Stamford	672-PG	3/17/2016	7/31/2016	466,844	-	-	-	-	-	-	466,844	-	-	-
MDC	215-C	3/31/2016	12/1/2018	2,923,014	-	-	-	-	11,692,057	-	14,615,072	-	-	-
Marlborough	687-C	4/7/2016	4/30/2017	842,177	-	-	-	-	2,566,532	-	3,408,709	-	-	-
GNHWPCA	682-PG	4/25/2016	6/14/2017	385,000	-	-	-	-	-	-	385,000	-	-	-
Killingly	524-DC	4/26/2016	10/31/2017	621,010	-	-	-	-	2,567,808	-	3,188,818	-	-	-
GNHWPCA	689-PG	4/29/2016	6/1/2017	536,242	-	-	-	-	-	-	536,242	-	-	-
MDC	686-C	6/29/2016	7/31/2016	1,772,112	-	-	-	-	4,657,151	-	6,429,263	-	-	-
MDC	690-PG	6/21/2016	6/1/2017	264,283	-	-	-	-	-	-	264,283	-	-	-
MDC	692-C	6/29/2016	2/28/2022	130,282,845	-	-	-	-	137,858,774	-	268,141,619	-	-	-
MDC	692-C	6/29/2016	2/28/2022	10,642,321	-	-	-	-	34,371,429	-	45,013,750	-	-	-
Subtotal- New Agreements				228,215,659	-	-	-	-	349,488,081	-	577,703,740	-	-	-
Amendments & Extensions														
Southington	651-PG1	7/27/2015	10/31/2016	243,016	-	-	-	-	-	-	243,016	-	-	-
Plymouth	458-C	9/1/2015	9/1/2015	-	-	-	-	-	-	-	-	-	-	-
Bolton Lakes	132-C1	12/30/2015	12/30/2015	-	-	-	-	-	-	-	-	-	-	-
Manchester	288-C1	6/30/2016	12/31/2015	778,309	-	-	-	-	(778,309)	-	-	-	-	-
Subtotal- Amendments & Extensions				1,021,325	-	-	-	-	(778,309)	-	243,016	-	-	-
Danglers														
MDC	652-C	1/31/2016	7/31/2017	27,243,485	-	-	-	-	52,279,934	-	79,523,420	-	-	-
Subtotal Amendments/Extensions/Danglers				28,264,811	-	-	-	-	51,501,625	-	79,766,436	-	-	-
PLO's & Revised Grant Closeouts														
Bristol	622-CSL	7/31/2015	1/31/2015	-	-	-	-	-	631,833	-	631,833	-	-	-
Bridgeport	213-CSL	9/30/2015	3/31/2015	-	-	-	-	-	3,115,301	-	3,115,301	-	-	-
Mattabassett	567-C	12/15/2015	7/31/2015	21,870,322	-	-	-	-	79,950,607	-	101,820,929	-	-	2,400,000
MDC	214-CSL	12/31/2015	6/30/2015	-	-	-	-	-	14,198,442	-	14,198,442	-	-	-
Bridgeport	658-C	12/31/2015	7/31/2015	77,999	-	-	-	-	325,921	-	403,920	-	-	-
MDC	652-C	1/31/2016	7/31/2017	12,695,631	-	-	-	-	25,528,771	-	38,224,402	-	-	-
Bridgeport	621-C1	1/31/2016	9/30/2015	3,933,371	-	-	-	-	3,956,483	-	7,889,854	-	-	-
Plymouth	458-C	3/1/2016	9/1/2015	471,654	-	-	-	-	1,200,499	-	1,672,154	-	-	-
MDC	619-CD1	5/31/2016	12/31/2015	20,350,017	-	-	-	-	20,360,028	-	40,710,044	-	-	-
Bolton Lakes	132-C1	6/30/2016	12/30/2015	3,065,199	-	-	-	-	9,314,747	-	12,379,946	-	-	-
Manchester	288-C1	6/30/2016	12/31/2015	11,247,710	-	-	-	-	38,396,687	-	49,644,396	-	-	643,374
Subtotal- PLO's & Grant Closeouts				73,711,903	-	-	-	-	196,979,317	-	270,691,220	-	-	3,043,374
Reversal of Original amounts: PLO's & Rollovers														
Bristol	622-CSL	7/31/2015	1/31/2015	-	-	-	-	-	(978,996)	-	(978,996)	-	-	-
Bridgeport	213-CSL	9/30/2015	3/31/2015	-	-	-	-	-	(3,544,000)	-	(3,544,000)	-	-	-
Mattabassett	567-C	12/15/2015	7/31/2015	(22,281,454)	-	-	-	-	(83,183,533)	-	(105,464,987)	-	-	(2,400,000)
MDC	214-CSL	12/31/2015	6/30/2015	-	-	-	-	-	(14,198,442)	-	(14,198,442)	-	-	-
Bridgeport	658-C	12/31/2015	7/31/2015	(86,789)	-	-	-	-	(365,157)	-	(451,946)	-	-	-
MDC	652-C	1/31/2016	7/31/2017	(39,939,116)	-	-	-	-	(77,808,705)	-	(117,747,822)	-	-	-
Bridgeport	621-C1	1/31/2016	9/30/2015	(4,329,529)	-	-	-	-	(4,356,129)	-	(8,685,657)	-	-	-
Plymouth	458-C	3/1/2016	9/1/2015	(505,590)	-	-	-	-	(1,557,974)	-	(2,063,564)	-	-	-
MDC	619-CD1	5/31/2016	12/31/2015	(20,350,017)	-	-	-	-	(20,360,028)	-	(40,710,044)	-	-	-
Bolton Lakes	132-C1	6/30/2016	12/30/2015	(3,098,249)	-	-	-	-	(9,314,747)	-	(12,412,996)	-	-	-
Manchester	288-C1	6/30/2016	12/31/2015	(11,431,215)	-	-	-	-	(39,907,680)	-	(51,338,895)	-	-	(643,374)
Subtotal of changes to Amended Project Agreements				(102,021,958)	-	-	-	-	(255,575,391)	-	(357,597,349)	-	-	(3,043,374)
TOTAL Funded Projects for FY 2015-16				228,170,414	-	-	-	-	342,393,633	-	570,564,046	-	-	-
GRAND TOTAL				938,040,281	69,728,074	31,747,306	93,328,587	19,061,429	2,328,995,508	22,084,738	3,502,985,922	9,650,145	25,925,562	15,346,774

* Total Federal Direct Loans (87-92)
 ** Totals may not add due to rounding

Appendix VIII: Summary of Project Loan and Grant Agreements

SUMMARY OF ANNUAL CLEAN WATER FUND GRANT & LOAN COMMITMENTS												
FISCAL YEAR	STATE GRANT AMOUNT	STATE LIS GRANT AMOUNT	TITLE VI FEDERAL GRANT*	STATE LOAN GO-NON-QUALIFYING AMOUNT	STATE MATCH TITLE VI AMOUNT	TITLE VI SRF REV LOAN AMOUNT	ARRA - FEDERAL LOAN AMOUNT	LISRA Title IV Federal	ARRA FEDERAL GRANT	FEDERAL GRANT (FY 10+)	TOTAL PROJECT FUNDING***	
1987-92	\$ -	\$ -	\$ 19,909,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,909,235	
1991-1996	-	-	-	-	81,018,292	-	-	-	-	-	81,018,292	
1987-90	23,678,205	1,152,063	26,418,270	32,799,354	11,553,021	28,177,929	-	-	-	-	123,778,843	
1990-91	19,899,504	9,989,945	-	145,413	7,508,408	114,838,605	-	-	-	-	152,381,877	
1991-92	8,818,487	1,239,132	5,329,036	3,087,263	-	22,926,743	-	-	-	-	41,400,661	
1992-93	21,610,216	10,523,999	-	37,858,007	-	57,675,396	-	-	-	-	127,667,617	
1993-94	18,988,412	20,233,697	-	2,335,341	-	86,608,717	-	-	-	-	128,166,166	
1994-95	11,910,241	2,138,136	-	5,388,961	-	39,649,084	-	-	-	-	59,086,420	
1995-96	18,898,738	1,452,035	-	542,153	-	39,261,306	-	-	-	-	60,154,232	
1996-97	56,764,543	2,157,298	-	748,667	-	176,874,398	-	-	-	-	236,544,907	
1997-98	10,346,861	65,275	-	88,660	-	13,419,599	-	-	-	-	23,920,395	
1998-99	16,214,934	-	-	-	-	61,750,989	-	-	-	-	77,965,923	
1999-2000	18,775,087	568,778	-	750,000	-	45,045,382	-	-	-	-	65,139,248	
2000-01	11,565,459	1,269,942	-	4,930,815	-	25,965,752	-	-	-	-	43,731,966	
2001-02	30,383,841	16,314,256	-	-	-	112,133,148	-	-	-	-	158,831,246	
2002-03	4,494,829	278,980	-	-	-	11,669,782	-	173,835	-	-	16,617,426	
2003-04	4,171,256	1,589,148	-	-	-	9,971,647	-	1,077,368	-	-	16,809,419	
2004-05	27,618,679	755,390	-	-	-	56,801,600	-	2,267,579	-	-	87,443,248	
2005-06	25,431,493	-	-	-	-	88,966,921	-	2,961,809	-	-	117,360,222	
2006-07	30,160,247	-	-	-	-	75,272,550	-	2,414,592	-	-	107,847,386	
2007-08	50,168,409	405,261	-	1,361,118	-	178,793,294	-	507,470	-	-	231,235,552	
2008-09	39,349,981	-	-	(121,457)	-	101,354,311	-	(171,972)	-	-	140,410,866	
2009-10	62,735,316	(405,261)	-	3,344,498	-	147,324,074	22,084,738	419,464	25,925,562	-	261,428,392	
2010-11	68,769,149	-	-	288,000	-	106,314,530	-	-	-	-	175,371,679	
2011-12	45,120,888	-	-	-	-	144,440,960	-	-	-	-	189,561,848	
2012-13	(3,177,281)	-	-	(160,000)	12,073,000	20,954,238	-	-	-	13,746,774	43,436,731	
2013-14	21,586,392	-	-	(58,206)	(12,073,000)	85,256,924	-	-	-	1,000,000	95,712,110	
2014-15	65,585,982	-	-	-	-	135,153,995	-	-	-	600,000	201,339,978	
2015-16	228,170,414	-	-	-	-	342,393,633	-	-	-	-	570,564,046	
Totals	\$ 938,040,281	\$ 69,728,074	\$ 51,656,541	\$ 93,328,587	\$ 100,079,721	\$ 2,328,995,508	\$ 22,084,738	\$ 9,650,145	\$ 25,925,562	\$ 15,346,774	\$ 3,654,835,931	

* Total Federal Direct Loans (87-92)

** Totals may not add due to rounding

*** Includes Privately Placed GO Funds for State Match

Summary**	
Total Project Funding From Summary**	\$ 3,654,835,931
Deduct: Non-SRF Federal Grant	19,909,235
Deduct: Privately Placed GO State Match Bonds	81,018,292
Deduct: LISRA & ARRA Federal Grant	35,575,707
Deduct: Federal Grant-Grant (after FY 2010)	15,346,774
Net Total SRF Projects from Cumulative Report***	\$ 3,502,985,923
State Funded Grants	\$ 1,007,768,355
SRF Funding	\$ 2,495,217,567
Total Capitalization Grants	\$ 491,889,148
Total Capitalization Grants Plus Match (includes overmatch)	\$ 591,968,870

Appendix IX: Green Bond Reporting – General Obligation Bonds 2014 Series G State of CT – \$60M

Municipality	Project #	Project Description	Total Disbursed
Avon	592-PG	Sanitary sewer system rehabilitation	18,357.88
Bolton Lakes	132-C	Design sanitary sewer system	3,000,510.94
Bridgeport	621-C1	Combined sewer elimination	1,115,210.83
Bridgeport	628-C	Combined sewer elimination	2,116,159.23
Bridgeport	658-C	Water pollution control facility upgrade/generator	65,618.51
Cheshire	618-DC	Water pollution control facility upgrade, phosphorus reduction	4,353,950.90
Clinton	127-PG2	Town-wide wastewater facility planning	125,345.37
Derby	669-PG	Phase II Sewer System Evaluation Study	240,593.57
Enfield	671-PG	Evaluate infrastructure at the wastewater treatment facility	422,803.34
GNHWPCA	441-C	Water pollution control facility upgrade, nitrogen reduction	6,853,128.66
GNHWPCA	668-PG	West River Combined Sewer Overflow (CSO) Abatement Study	81,126.55
GNHWPCA	670-PG	Update the hydraulic model	476,964.95
GNHWPCA	676-C	Inflow and infiltration rehabilitation	536,066.45
Manchester	288-C	Water treatment plant upgrade, nutrient removal	921,674.25
Manchester	623-PG	Phase 3 – Sanitary Sewer Evaluation Survey	2,695.09
Marlborough	663-C	Install sanitary sewer system	197,860.98
Mattabasset	567-C	Water treatment facility upgrade	2,469,035.43
MDC	619-CD1	Combined sewer overflow, green capitols & design SHST	16,311,294.12
MDC	626-CD1	Separate storm drainage pipeline	2,098,913.25
MDC	646-C	Water pollution control facility upgrade, nutrient reduction	206,921.79
MDC	652-D	Water pollution control facility upgrade	2,847,940.78
MDC	652-C	Water pollution control facility upgrade	10,033,782.79
MDC	657-C	Hartford WPCF and Rocky Hill WWTF upgrades	1,680,304.81
Middletown	487-DC	Pump station and force main installation	1,924,535.91
Montville	662-DC	Water pollution control facility upgrade/generator	7,487.47
New Britain	650-PG	Infiltration and inflow study	338,016.40
Norwich	607-PG	Combined Sewer Overflow Long Term Control Plan	19,089.26
Old Saybrook	116-C	Decentralized wastewater management system	137,494.68
Old Saybrook	673-C	Decentralized wastewater management system	288,457.24
Plymouth	458-C	Water pollution control facility upgrade, nitrogen reduction	442,088.38
Ridgefield	656-PG	Review of wastewater collection systems	105,544.34
Southington	651-PG	Nutrient reduction planning at town facilities	162,935.72
South Windsor	630-PG	Infiltration and inflow study	128,895.81
		Total Disbursed	\$ 60,000,000.00
		2014 Series G General Obligation Bonds Issued 11/21/14	\$ 60,000,000.00
		Total Green Bond Proceeds Disbursed	(60,000,000.00)
		2014 Series G General Obligation Bond Proceeds Remaining	\$ 0.00

Appendix IX: Green Bond Reporting – General Obligation Bonds

2015 Series G State of CT – \$65M

Municipality	Project #	Project Description	Total Disbursed
Abbey of Regina Laudis	380024	River Restoration	750.27
Avon	679-PG	Infiltration and inflow study	168,827.95
Bolton Lakes	132-C	Construction of sanitary sewer system	64,687.86
Bridgeport	621-C1	Combined sewer elimination	62,413.86
Bridgeport	628-C	Combined sewer elimination	2,304,119.16
Bridgeport	658-C	Water pollution control facility upgrade/generator	903.87
Bristol	640-DC	WPCF phosphorus reduction upgrade	2,092,266.44
Cheshire	618-DC	Water pollution control facility upgrade, phosphorus reduction	551,749.13
Clinton	127-PG2	Town-wide wastewater facility planning	16,114.20
Derby	669-PG	Phase II sewer system evaluation study	17,224.45
Enfield	671-PG	Evaluate infrastructure at the wastewater treatment facility	169,001.36
GNHWPCA	441-C	Water pollution control facility upgrade, nitrogen reduction	2,589,932.72
GNHWPCA	668-PG	West River combined sewer overflow abatement study	9,014.05
GNHWPCA	682-PG	Long term control plan upgrade	56,650.00
GNHWPCA	689-PG	Infiltration and inflow study Mill River	107,208.18
GNHWPCA	676-C	Inflow and infiltration rehabilitation	160,374.05
Manchester	288-C	Water treatment plant upgrade, nutrient removal	1,066,033.63
Marlborough	687-C	Town center/Lake Terramuggus phase III sewer system construction	178,041.16
Mattabassett	567-C	Water treatment facility upgrade	82,887.96
MDC	215-C	Infiltration and inflow sanitary sewer improvements	729,984.70
MDC	619-CD1	Combined sewer overflow, green capitols & design SHST	4,038,722.51
MDC	652-C	Water pollution control facility upgrade	6,561,520.48
MDC	657-C	Hartford WPCF and Rocky Hill WWTF upgrades	8,800,867.86
Middletown	487-DC	Pump station and force main installation	1,378,486.60
Naugatuck	675-PG	Comprehensive water facility plan	446,576.91
Norwich	607-PG	Combined sewer overflow long term control plan	5,200.61
Old Saybrook	673-C	Decentralized wastewater management system	380,065.58
Plymouth	458-C	Water pollution control facility upgrade, nitrogen reduction	29,565.97
Salisbury	428-PG	Infiltration and inflow study sanitary collection system and WTPF	38,585.10
Southington	651-PG	Nutrient reduction planning at town facilities	62,460.84
Stamford	672-PG	Raw sewage pump station upgrade study	390,150.23
Thomaston	680-PG	Phosphorus evaluation study	28,297.50
Thompson	661-PG	Phosphorus removal plan & sewer system evaluation survey	11,070.95
Waterbury	677-PG	Feasibility study to evaluate WPCF	114,957.24
West Haven	684-PG	Pump station evaluation	152,361.00
		Total Disbursed	\$ 32,867,074.38
		2015 Series G General Obligation Green Bonds Issued 12/1/15	\$ 65,000,000.00
		2014 Series G General Obligation Bond Proceeds Remaining	\$ 32,132,925.62

Appendix X: 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

Appendix X: Green Bond Reporting - State Revolving Fund Bonds

2015 Series A - \$283.6M (cont.)

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
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

21014 Balance Sheet and Income Statement

Balance Sheet State Account (21014) - Unaudited		
--	--	--

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>
ASSETS		
Cash and equivalents	\$ 22,426,066	\$ 31,716,522
Loans receivable	1,538,848	3,719,271
Interest receivable (loans)	0	3,331
Interest receivable (investments)	56,980	40,465
Due from Bank	0	0
Restricted assets (investments):		
Interest subsidy bonds	<u>2,095,000</u>	<u>2,825,000</u>
Total investments	\$ 26,116,894	\$ 38,304,588
 Total assets	 \$ 26,116,894	 \$ 38,304,588
 LIABILITIES		
Due to federal account	<u>(904,153)</u>	<u>41,132</u>
Total liabilities	(904,153)	41,132
 FUND BALANCE:		
Prior fund balance	\$ 38,263,456	\$ 29,973,079
Net Income/(Loss)	<u>(9,919,154)</u>	<u>8,290,377</u>
Current fund balance	\$ 28,344,302	\$ 38,263,456
 Total liabilities and fund balance	 \$ 27,440,150	 \$ 38,304,589

**Statement of Revenue and Expenses and the Change in Fund
Balance: State Account (21014) – Unaudited**

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>
OPERATING REVENUE:		
Interest on loans	\$ 2,937	\$ 144,610
Interest on investments	360,829	191,744
Miscellaneous revenue	<u>0</u>	<u>0</u>
	\$ 363,766	\$ 336,353
OPERATING EXPENSES:		
Salaries & benefits	\$ 4,238,429	\$ 3,929,190
Indirect costs	0	0
Other	<u>656,072</u>	<u>395,505</u>
	\$ 4,894,501	\$ 4,324,695
Income before Operating transfers	\$ (4,530,735)	\$ (3,988,342)
Operating transfers:		
Grants	\$ (65,888,419)	\$ (46,178,021)
Bond Proceeds	65,000,000	60,000,000
Other operating transfers	<u>(4,500,000)</u>	<u>(1,543,261)</u>
Total Operating Transfers	\$ (5,388,419)	\$ 12,278,719
Net Income after Transfers:	\$ (9,919,154)	\$ 8,290,377
<u>Fund Balance</u>		
Beginning of the year	\$ 38,263,456	\$ 29,973,079
End of the year	\$ 28,344,302	\$ 38,263,456

21016 Balance Sheet and Income Statement

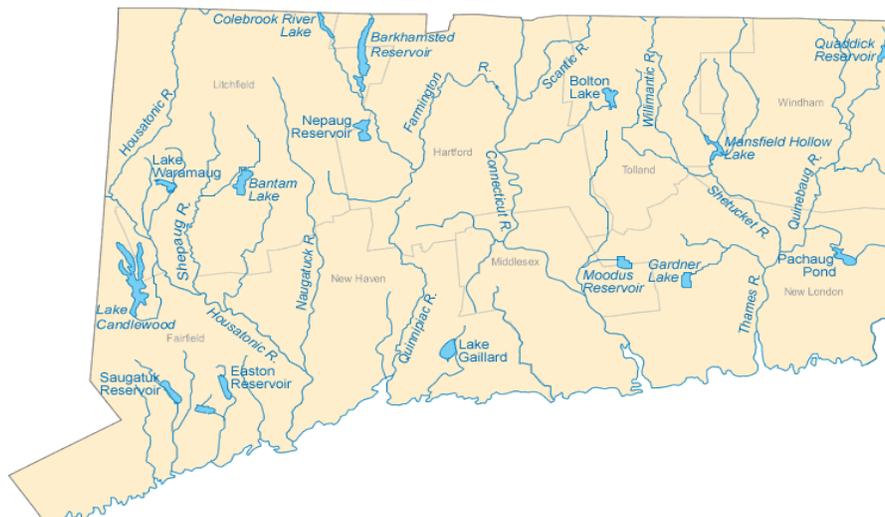
Balance Sheet
Long Island Sound Account (21016) - Unaudited

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>
ASSETS		
Cash and equivalents	\$ 1,830,584	\$ 1,861,556
Due to other state funds	0	0
Due from comptrollers	<u>0</u>	<u>0</u>
 Total assets	 \$ 1,830,584	 \$ 1,861,556
 LIABILITIES		
Due to comptroller	0	0
Total liabilities	<u>0</u>	<u>0</u>
 FUND BALANCE:		
Prior fund balance	\$ 1,861,556	\$ 1,888,254
Net Income/(Loss)	<u>(30,972)</u>	<u>(26,698)</u>
Current fund balance	\$ 1,830,584	\$ 1,861,556
 Total liabilities and fund balance	 \$ 1,830,584	 \$ 1,861,556

**Statement of Revenue and Expenses and the Change in Fund
Balance: Long Island Sound Account (21016) - Unaudited**

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>
OPERATING REVENUE:		
Interest on investments	\$ 2,543	\$ 1,319
Miscellaneous revenue	<u>0</u>	<u>0</u>
	\$ 2,543	\$ 1,319
OPERATING EXPENSES:		
Salaries & benefits	\$ 0	\$ 0
Indirect costs	0	0
Other	<u>33,515</u>	<u>28,017</u>
	\$ 33,515	\$ 28,017
Income before Operating transfers	\$ (30,972)	\$ (26,698)
Operating transfers:		
Grants	\$ 0	\$ 0
Bond Proceeds	0	0
Other operating transfers	<u>0</u>	<u>0</u>
Total Operating Transfers	\$ 0	\$ 0
Net Income after Transfers:	\$ (30,972)	\$ (26,698)
<u>Fund Balance</u>		
Beginning of the year	\$ 1,861,556	\$ 1,888,254
End of the year	\$ 1,830,584	\$ 1,861,556

FINANCIAL STATEMENTS



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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
FINANCIAL STATEMENTS	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14 - 27
REPORTS AND SCHEDULES REQUIRED BY OMB CIRCULAR A-133	
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 <i>Government Auditing Standards</i>	28 - 29
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	30 - 31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34 - 35

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

Mr. Robert J. Klee, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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 - Water Pollution Control Authority 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 a Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Water Pollution Control Authority 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 - Water Pollution Control Authority 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 - Water Pollution Control Authority 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
CLEAN 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 Clean Water Fund - Water Pollution Control Federal Revolving Loan Account (State Revolving Fund) provides an introduction to the major activities affecting the operation of the state revolving fund and is a narrative overview of the financial performance 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 Clean Water Fund's net position at the close of fiscal year 2016 was \$740,800,997 with total assets of \$1,546,859,032 plus deferred outflows of \$4,306,986 offset by liabilities of \$810,365,021 compared to fiscal year 2015's net position of \$731,445,542. The net position of the fund increased by \$9,355,455, or 1.3%. A few of the major factors influencing this increase were the net change in loans receivable, the spenddown of bond proceeds and the reduction in bonds payable.

Assets of the Clean 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 Clean 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 Clean Water Fund are categorized as follows:

Bonds Outstanding - The Fund's total debt outstanding decreased during the fiscal year by \$73,801,538 to \$726,129,133 as a result of scheduled debt repayments.

The financial statements show funds restricted for loans of \$568,642,267 an increase of \$9,736,240 or 1.7% above the 2015 balance.

Loans Receivable - Total loans receivable increased by \$47,452,661 from \$1,002,014,765 to \$1,049,467,426 reflecting new loans of \$128,125,406 and loan repayments of \$80,672,745.

Operating Revenues - The Fund's gross operating revenue increased by \$1,701,087 or 8.8% to \$20,979,060.

Capitalization Grants - During the year, \$10,474,930 was drawn from the EPA for projects and administrative expenses. To date, since inception, the State has drawn \$479,553,190. Cumulative federal wastewater capitalization grant awards totaled \$491,534,148 (excluding ARRA funding). 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 \$100,079,722 in match funds, exceeding the 20% required by the federal government. The match has been provided by the state and used for program purposes in accordance with the State's operating agreement with US EPA.

Overview of the Financial Statements

The Clean Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Energy and Environmental Protection (DEEP). The Treasurer is responsible for reporting the detailed financial information in the Clean Water Fund financial statements. The Clean Water Fund 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 the statement of net position, change in financial position, and cash flows 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 Clean 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 Clean 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 Wastewater Loan Program

Loans are made to municipalities for project funding and consist of construction loans or interim funding obligations (IFOs) which accrue interest during construction and 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 without penalty. There are several state grants available to participants in this program.

During fiscal year 2016, payments to municipalities for ongoing projects totaled \$128,125,406. Completed projects which were permanently financed during the year totaled \$196,979,317 while new construction loan commitments totaled \$401,768,015.

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 loans made by the DEEP since 1987 are paid to the Clean Water Fund account held at US Bank. These funds provide security for the Bonds and any new Bonds issued thereafter.

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 currently held in the Fund are invested pursuant to investment agreements with AA providers which are collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities whose market value is at least 100% of the funds invested.

The Bond Program

The Connecticut 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 Connecticut Clean Water Fund bond issues since 1991. Proceeds are used for program purposes including the funding of loans to Clean 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	\$740,800,997	\$ 731,445,542	\$9,355,455
Loans Outstanding - current and long term portions	\$1,049,467,426	\$1,002,014,765	\$47,452,661
Bonds Payable	\$726,129,133	\$ 799,930,671	(\$73,801,538)
Interest Expense	\$37,444,363	\$ 33,833,711	\$3,610,652
Operating Revenues- Interest on Loans	\$20,979,060	\$ 19,277,973	\$1,701,087
Interest on Investments	\$8,054,893	\$ 8,599,092	(\$544,199)
Federal Capitalization Grants Drawn	\$10,474,930	\$ 15,125,048	(\$4,650,118)

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 Clean Water Fund.

The major focus for the Clean Water Fund continues to be setting priorities and providing financing for critical work. The Connecticut Department of Energy and Environmental Protection and the Office of the Treasurer, working together, will continue to assist state legislators, municipal officials and regional authorities 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 borrowers, 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 Clean 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 Clean Water Fund's financial statements.

CONTACTS

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

Clean 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 Clean Water Fund and water quality in Connecticut should be addressed to:

Connecticut Department of Energy and Environmental Protection
Bureau of Water Protection and Land Reuse
79 Elm Street
Hartford, CT 06106
Telephone (860) 424-3704
www.ct.gov/deep

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

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,632,718	\$ 4,105,245
Interest receivable - investments	2,279,514	2,701,899
Interest receivable - loans	2,310,669	4,715,645
Due from other funds	-	411,437
Loans receivable	203,481,050	263,915,600
Total current assets	214,703,951	275,849,826
Noncurrent assets:		
Loans receivable	845,986,376	738,099,165
Revolving fund	287,063,518	264,278,615
Restricted assets:		
Bond proceeds fund	20,716,767	143,918,284
Revolving fund	21,623,379	28,006,516
Debt service fund	116,781,564	109,985,434
Support fund	39,983,477	54,160,607
Total restricted assets	199,105,187	336,070,841
Total noncurrent assets	1,332,155,081	1,338,448,621
Total assets	1,546,859,032	1,614,298,447
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges on refundings	4,306,986	7,470,308
Total deferred outflow of resources	4,306,986	7,470,308
LIABILITIES		
Current liabilities:		
Interest payable on revenue and refunding bonds	10,307,820	9,837,994
Bonds payable	61,232,200	73,801,538
Total current liabilities	71,540,020	83,639,532
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	73,928,068	80,554,548
Bonds payable	664,896,933	726,129,133
Total noncurrent liabilities	738,825,001	806,683,681
Total liabilities	810,365,021	890,323,213
NET POSITION		
Restricted for loans	568,642,267	558,906,027
Unrestricted	172,158,730	172,539,515
Total net position	\$ 740,800,997	\$ 731,445,542

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY 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	\$ 20,979,060	\$ 19,277,973
OPERATING EXPENSES		
Salaries	421,068	256,376
Employee benefits	317,177	186,306
Other	186,822	101,127
Project grants	-	747,302
Total operating expenses	<u>925,067</u>	<u>1,291,111</u>
Operating income	<u>20,053,993</u>	<u>17,986,862</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	8,054,893	8,599,092
Amortization of bond premium	6,626,483	6,680,831
Interest expense	<u>(37,444,363)</u>	<u>(33,833,711)</u>
Total nonoperating revenues (expenses)	<u>(22,762,987)</u>	<u>(18,553,788)</u>
Loss before federal capitalization grants and transfers	<u>(2,708,994)</u>	<u>(566,926)</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	9,736,685	13,935,064
Project funds - grants	-	747,302
Administrative set-asides	738,245	442,682
Total federal capitalization grants	<u>10,474,930</u>	<u>15,125,048</u>
OPERATING TRANSFERS	<u>1,589,519</u>	<u>1,030,971</u>
Change in net position	9,355,455	15,589,093
NET POSITION, beginning	<u>731,445,542</u>	<u>715,856,449</u>
NET POSITION, ending	<u>\$ 740,800,997</u>	<u>\$ 731,445,542</u>

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

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 23,384,036	\$ 18,278,845
Loan originations	(128,125,406)	(108,368,086)
Principal paid on loans receivable	80,672,745	73,538,582
Payments to employees for salaries and benefits	(738,245)	(442,682)
Payments on project grants	-	(747,302)
Other payments	(186,822)	(101,127)
Net cash used by operating activities	<u>(24,993,692)</u>	<u>(17,841,770)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	<u>10,474,930</u>	<u>15,125,048</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(73,801,538)	(70,351,030)
Proceeds from bonds payable	-	197,525,000
Premium received on bonds payable	-	26,958,312
Interest paid on bonds payable	(33,811,209)	(29,716,938)
Operating transfers	2,000,956	660,666
Net cash provided (used) by noncapital financing activities	<u>(105,611,791)</u>	<u>125,076,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	8,477,275	8,860,373
Increase in revolving fund	(22,784,903)	(22,535,999)
Decrease (increase) in restricted assets	136,965,654	(108,185,028)
Net cash provided (used) by investing activities	<u>122,658,026</u>	<u>(121,860,654)</u>
Net change in cash and cash equivalents	2,527,473	498,634
CASH AND CASH EQUIVALENTS, beginning	<u>4,105,245</u>	<u>3,606,611</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 6,632,718</u>	<u>\$ 4,105,245</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 20,053,993	\$ 17,986,862
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in interest receivable - loans	2,404,976	(999,128)
Increase in loans receivable	(47,452,661)	(34,829,504)
Net cash used by operating activities	<u>(\$ 24,993,692)</u>	<u>(\$ 17,841,770)</u>

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

STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY 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 - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established pursuant to Connecticut General Statutes Section 22a-475 to 22a-499, provides financial assistance to the municipalities of Connecticut for the planning, design and construction of water quality projects. The SRF is funded through revenue bonds, State contributions, and federal grants as established under Title VI of the Water Quality Act of 1987 (Act), 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 governmental units. The following is a summary of the SRF's significant accounting policies:

Measurement Focus and Basis of Accounting

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

Estimates

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

Operating and Nonoperating Revenues and Expenses

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

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 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 municipalities in the State of Connecticut for planning, design and construction of water quality projects. Interest on the loans is calculated at two percent of the outstanding balance and recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the municipalities, 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 municipal 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 (STIF), 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 losses on early retirement of bonds (Note 8) are being amortized over the shorter of the life of the refunded or refunding debt.

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 amounts 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 \$6,632,462 and \$4,104,989, 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 by STIF were \$331,877,359, of which \$20,716,767 is included in the bond proceeds fund, \$276,257,667 is included in the revolving fund, \$34,902,669 is included in the debt service fund and \$256 is included in cash on the Statements of Net Position. As of June 30, 2015 funds held by STIF were \$428,814,450, of which \$143,918,284 is included in the bond proceeds fund, \$251,576,139 is included in the revolving fund, \$33,319,771 is included in the debt service fund and \$256 is included in cash 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 \$19,167,578, all of which is included in the debt service fund on the Statements of Net Position. As of June 30, 2015 funds held in FIGMM were \$5,988,989, all of which is included in the debt service fund 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	
U.S. Treasury State & Local Governments	\$ 13,085,909	\$ 4,275,850	\$ 6,162,334	\$ 2,170,486	\$ 477,239	AA+
Guaranteed Investment Contracts	15,495,394	-	-	15,495,394	-	AA+
Guaranteed Investment Contracts	80,380,353	-	25,930,882	-	54,449,471	A
Guaranteed Investment Contracts	14,781,526	-	14,781,526	-	-	A-
Connecticut General Obligation Bonds	11,380,842	-	4,783,482	6,597,360	-	AA
	<u>\$ 135,124,024</u>	<u>\$ 4,275,850</u>	<u>\$ 51,658,224</u>	<u>\$ 24,263,240</u>	<u>\$ 54,926,710</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	
U.S. Treasury State & Local Governments	\$ 24,283,882	\$ 11,197,973	\$ 9,780,348	\$ 2,218,590	\$ 1,086,971	AA+
Guaranteed Investment Contracts	16,309,349	-	-	16,309,349	-	AA+
Guaranteed Investment Contracts	85,178,696	-	29,829,956	-	55,348,740	A
Guaranteed Investment Contracts	26,217,816	11,734,825	-	14,482,991	-	A-
Connecticut General Obligation Bonds	13,556,530	-	6,089,410	7,467,120	-	AA
	<u>\$ 165,546,273</u>	<u>\$ 22,932,798</u>	<u>\$ 45,699,714</u>	<u>\$ 40,478,050</u>	<u>\$ 56,435,711</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 81.9% and 77.1%, at June 30, 2016 and 2015, respectively, in long-term investment agreements with AIG Matched Fund Corp., Societe Generale, Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified municipalities at an annual interest rate of two percent, secured by the full faith and credit or revenue pledges of the municipalities, or both. 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 or annual 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	\$ 125,474,207	\$ 194,328,119
Completed projects	<u>923,993,219</u>	<u>807,686,646</u>
	<u>\$ 1,049,467,426</u>	<u>\$ 1,002,014,765</u>

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

<u>Year ending June 30</u>	
2017	\$ 78,006,843
2018	74,279,692
2019	74,079,170
2020	71,535,483
2021	64,313,872
Thereafter	<u>561,778,159</u>
	<u>\$ 923,993,219</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the cumulative amount 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	\$ 491,534,148	\$ 474,446,148
Drawn	<u>479,553,190</u>	<u>469,078,261</u>
Available federal letter of credit	<u>\$ 11,980,958</u>	<u>\$ 5,367,887</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 \$95,910,638 and \$93,815,652, respectively. As of June 30, 2016 and 2015, the State match provided was \$100,079,722.

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	\$ 74,787,014	\$ 183,227,044
Investments:		
U.S. Treasury State & Local Governments	13,085,909	24,283,882
Guaranteed Investment Contracts	110,657,273	127,705,861
Connecticut General Obligation Bonds	<u>574,991</u>	<u>854,054</u>
	<u>\$ 199,105,187</u>	<u>\$ 336,070,841</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 also 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 basic rates were 75.33% and 72.67%, respectively, of the SRF wages and the amounts charged aggregated \$317,177 and \$186,306, 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	\$ 667,279,500	\$ -	\$ 46,254,200	\$ 621,025,300
Refunding bonds	132,651,171	-	27,547,338	105,103,833
	<u>\$ 799,930,671</u>	<u>\$ -</u>	<u>\$ 73,801,538</u>	<u>\$ 726,129,133</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	\$ 511,470,017	\$ 197,525,000	\$ 41,715,517	\$ 667,279,500
Refunding bonds	161,286,684	-	28,635,513	132,651,171
	<u>\$ 672,756,701</u>	<u>\$ 197,525,000</u>	<u>\$ 70,351,030</u>	<u>\$ 799,930,671</u>

Revenue Bonds

The proceeds of the SRF's bonds are to be used to provide funds to make loans to Connecticut municipalities, for use in connection with the financing or refinancing of wastewater and drinking water treatment projects.

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

Issue Date	Issue Name	Original Par Amount	Balance Outstanding June 30, 2016
01/01/1991	Clean Water Fund Revenue Bonds, 1991 Series	\$ 100,000,000	\$ -
01/01/1992	Clean Water Fund Revenue Bonds, 1992 Series	105,000,000	-
01/01/1993	Clean Water Fund Revenue Bonds, 1993 Series	50,000,000	-
06/01/1994	Clean Water Fund Revenue Bonds, 1994 Series	75,000,000	-
03/01/1996	Clean Water Fund Revenue Bonds, 1996 Series	80,000,000	-
03/15/1996	Clean Water Fund Subordinate Revenue Refunding Bonds, 1996 Series	48,445,000	-
09/01/1997	Clean Water Fund Revenue Bonds, 1997 Series	110,000,000	-
04/15/1999	Clean Water Fund Revenue Bonds, 1999 Series	125,000,000	-
05/01/1999	Clean Water Fund Subordinate Revenue Refunding Bonds, 1999 Series	78,995,000	-
06/01/2001	Clean Water Fund Revenue Bonds, 2001 Series	100,000,000	-
07/10/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	118,085,000	-
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	115,785,000	-
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-1	55,000,000	-
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-2	66,375,000	-
07/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	150,000,000	7,279,000
07/27/2006	State Revolving Fund Refunding General Revenue Bonds, 2006 Series B	30,070,000	-
08/06/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	196,195,000	17,315,000
06/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	199,440,000	151,250,000
06/25/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series B	44,560,000	-
07/30/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series C	115,835,000	69,110,000
03/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	182,935,000	128,246,300
02/21/2013	State Revolving Fund General Revenue Bonds, 2013 Series A	124,935,000	119,435,000
02/21/2013	State Revolving Fund Refunding General Revenue bonds, 2013 Series B	37,235,000	35,993,833
05/06/2015	State Revolving Fund General Revenue Bonds, 2015 Series A	250,000,000	197,500,000
	Total	<u>\$ 2,558,890,000</u>	<u>\$ 726,129,133</u>

Debt service on the outstanding bonds will be paid solely from Available Moneys in the SRF and the Drinking Water Fund. Available Moneys include all funds in the SRF legally available therefore and 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 Bond Series between the SRF and the Drinking Water Fund with \$145,000,000 allocated to the SRF and \$5,000,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$171,195,000 allocated to the SRF and \$25,000,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$194,765,000 allocated to the SRF and \$4,675,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$166,470,850 allocated to the SRF and \$16,464,150 allocated to the Drinking Water Fund.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2013 Series A dated February 21, 2013. In accordance with the State Revolving Fund General Revenue Bonds, 2013 Series Plan of Finance, the State allocated 100% of the proceeds of 2013 Series Bonds 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 SRF and the Drinking Water Fund with \$197,525,000 allocated to the SRF and \$52,475,000 allocated to the Drinking Water Fund.

Revenue bonds payable consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Serial bonds, with interest rates from 1.00% to 5.00%, maturing from 2017 through 2035	<u>\$ 621,025,300</u>	<u>\$ 667,279,500</u>

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% and \$121,375,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series C (2003 Series B and C Refunding Bonds) as auction rate bonds to advance refund Clean Water Fund 1991, 1992, 1994, 1996, 1997, 1999 and 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$272,805,000 and interest rates of 4.3% to 7.0%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the Drinking Water Fund.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$252,975 and \$757,386, respectively.

Refunding Bonds - 2009 Series C

On July 30, 2009 the State issued \$115,835,000 of State Revolving Fund Refunding General Revenue Bonds 2009, Series C (2009 Series C Refunding Bonds) with interest rates of 1.5% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2003 C-1 and C-2.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$530,108 and \$581,553, respectively.

Refunding Bonds - 2013 Series B

On February 21, 2013 the State issued \$37,235,000 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 \$36,322,500.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$1,121,579.

Cash Defeasance - 2013

On February 21, 2013 the SRF paid \$87,030,371 to advance refund Clean Water Fund 2003 Series A Revenue with principal balances totaling \$34,261,871 and interest rates of 3.0% to 4.5% and Clean Water Fund 2006 Series A Revenue with principal balances totaling \$44,737,333 and interest rates of 4.25% to 5.0%. The 2003 Series A bonds were scheduled to mature at various dates through October 1, 2025, but have been redeemed on October 1, 2013. The 2006 Series A bonds were scheduled to mature at various dates through July 1, 2027, but will be redeemed on July 1, 2016.

The outstanding principal balance of the Refunded Bonds as of June 30, 2016 and 2015 was \$78,999,205.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2016 and 2015 totaled \$1,258,661.

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	\$ 61,232,200	\$ 32,628,017
2018	53,891,450	30,189,841
2019	53,831,100	27,962,146
2020	59,843,416	25,503,437
2021	48,369,400	22,772,585
2022-2026	219,937,767	81,968,584
2027-2031	172,323,800	33,823,575
2032-2035	56,700,000	5,097,450
	<u>\$ 726,129,133</u>	<u>\$ 259,945,635</u>

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, is not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 2003, 2006, 2008, 2009, 2011, 2013 and 2015 series revenue bonds, the SRF is required to remit excess investment income to the federal government. Based on calculations made by an independent arbitrage rebate agent, there was no arbitrage liability at June 30, 2016 and 2015.

10 - 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	\$170,885,486	\$544,970,963	\$ 715,856,449
Change in net position	<u>1,654,029</u>	<u>13,935,064</u>	<u>15,589,093</u>
Balance at June 30, 2015	172,539,515	558,906,027	731,445,542
Change in net position	<u>(380,785)</u>	<u>9,736,240</u>	<u>9,355,455</u>
Balance at June 30, 2016	<u>\$172,158,730</u>	<u>\$568,642,267</u>	<u>\$ 740,800,997</u>

The net position restricted for loans represents amounts accumulated from federal drawdowns, less administrative expenses (not exceeding 4% of the federal grant) and subsidies, and the State's match of federal funds.

11 - OPERATING TRANSFERS

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

	<u>2016</u>	<u>2015</u>
State funded loan repayments	\$ 354,387	\$ 602,263
Operating expenses transfer	738,689	442,682
Operating expenses reimbursement	(738,689)	(442,682)
Transfer related to cost of issuance of bond offerings	-	(867,383)
Transfer related to DWF debt service	<u>1,235,132</u>	<u>1,296,091</u>
	<u>\$ 1,589,519</u>	<u>\$ 1,030,971</u>

12 - 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 municipalities	\$ 1,257,689,453	\$ 1,531,741,894
Loan amount outstanding to municipalities	<u>1,049,467,426</u>	<u>1,002,014,765</u>
Loan commitments outstanding	<u>\$ 208,222,027</u>	<u>\$ 529,727,129</u>

13 - 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

Mr. Robert J. Klee, Commissioner,
Department of Energy and Environmental Protection,
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 - Water Pollution Control Authority 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
296 STATE STREET
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

Mr. Robert J. Klee, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in *OMB 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 - WATER POLLUTION CONTROL
 AUTHORITY 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	66.458	<u>\$ 10,474,930</u>	<u>\$ 9,736,685</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY 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 - Water Pollution Control Authority 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 municipalities during the year.

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

C - SUBRECEIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2016 totaled \$9,736,685. There were no grants disbursed to subrecipients during year ended June 30, 2016.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$1,049,467,426 as of June 30, 2016.

STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY 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? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: 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 X No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	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? X Yes No

. . . Continued . . .

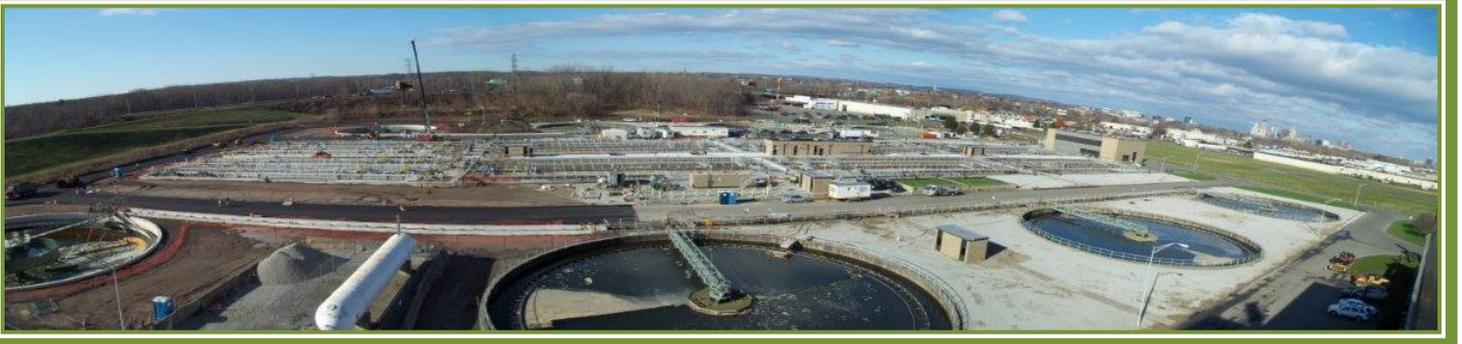
STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016
. . . Continued . . .

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
Clean Water Fund Program
Please Visit:**

<http://www.ct.gov/deep/cleanwaterfund>

