



STATE OF CONNECTICUT

Drinking Water Fund State Revolving Fund Program 2023 Annual Report to the Governor



Connecticut Drinking Water Fund

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

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

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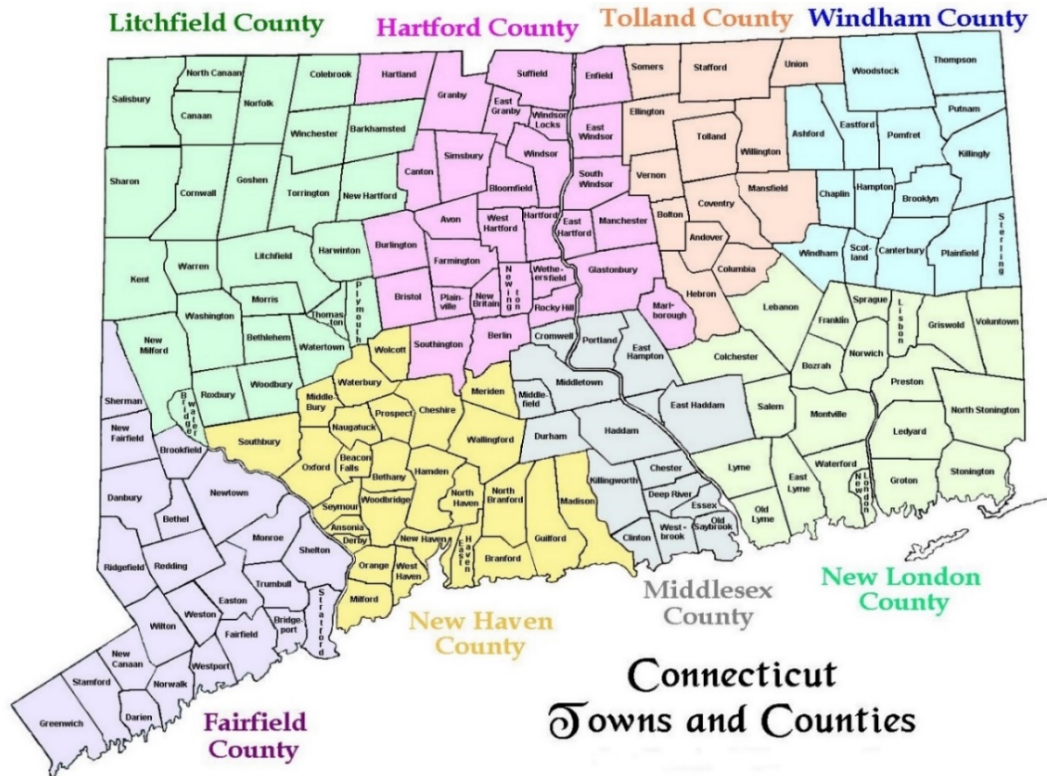
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DWSRF ANNUAL REPORT ACRONYM LIST

ARRA	American Recovery and Reinvestment Act of 2009
AWIA	America's Water Infrastructure Act of 2018
BIL	Bipartisan Infrastructure Law
CGS	Connecticut General Statutes
CMDP	Compliance Monitoring Data Portal
CPCN	Certificate of Public Convenience & Necessity
CT AWWA	Connecticut Section of American Water Works Association
CWF	Clean Water Fund
CWSRF	Clean Water State Revolving Fund
DCAP	Disadvantaged Community Assistance Program
DEEP	Department of Energy and Environmental Protection
DPH	Department of Public Health
DWF	Drinking Water Fund
DWINSA	Drinking Water Infrastructure Needs Survey and Assessment
DW NIMS	Drinking Water National Information Management System
DWS	DPH Drinking Water Section
DWSRF	Drinking Water State Revolving Fund
EPA	United States Environmental Protection Agency
EPGP	Emergency Power Generator Program
FFATA	Federal Funding Accountability and Transparency Act
FTE	Full Time Equivalent
FFY	Federal Fiscal Year of the Federal Government (from October 1 to September 30 each year)
FY	Fiscal Year of the State of CT (from July 1 to June 30 each year)
IFO	Interim Funding Obligation
IUP	Intended Use Plan
MOU	Memorandum of Understanding
OA	Operating Agreement between the State and the EPA
OPM	Office of Policy and Management
OTT	Office of the State Treasurer
PBR	Project Benefits Reporting Database
PFAS	Perfluorinated Alkyl Substances
PLO	Project Loan Obligation
PPL	Project Priority List
PURA	Public Utilities Regulatory Authority
PWS	Public Water System
RCSA	Regulations of Connecticut State Agencies
SDWA	Safe Drinking Water Act
SDWIS	Safe Drinking Water Information System
SA&P	Source Assessment & Protection (Unit within DWS)
SLP	Small Loan Program
SRF	State Revolving Fund
ULOs	Unliquidated Obligations

COMMUNITIES ACROSS THE ENTIRE STATE OBTAINED PROJECT FUNDING OF MORE THAN \$415.5 MILLION THROUGH THE CONNECTICUT DRINKING WATER STATE REVOLVING FUND SINCE PROGRAM'S INCEPTION



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

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

Litchfield County: Canaan, Cornwall, *Kent, Harwinton, New Milford*, Plymouth, Salisbury, Sharon, *Watertown*, Winchester (Winsted), *Woodlake Tax District (Woodbury), Woodbury*

Middlesex County: Cromwell Fire District, East Hampton, Essex, Middlefield, *Portland*

New Haven County: *Guilford, Meriden*, Middlebury, Naugatuck, North Branford, Prospect, *South Central Connecticut Regional Water Authority (RWA)* (includes *New Haven, North Haven, Derby, Ansonia, East Haven, West Haven, Orange, Milford, Woodbridge, Branford, Hamden, North Branford), Waterbury*

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

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

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

Bold and italic towns received multiple loans

REPORT INTRODUCTION



This is the Annual Report to the Governor of the State of Connecticut (State) on the Connecticut Drinking Water State Revolving Fund (DWSRF) for the fiscal year ending June 30, 2023. It has been prepared jointly by the Department of Public Health (DPH) Drinking Water Section (DWS) and the Office of the State Treasurer (OTT) Debt Management Division.

The DWSRF was established by the 1996 amendments to the Federal Safe Drinking Water Act (SDWA) and is a financial assistance program to help water systems achieve the public health protection objectives of the SDWA. The DWSRF provides low-cost financing for drinking water infrastructure improvement projects that have been identified by the DPH, through a call for projects, as part of the agency's responsibility for ensuring the quality and adequacy of the State's public drinking water sources and systems. The financial assistance provided by the DWSRF improves water system compliance with drinking water regulations and increases public health protection.

The primary sources of funding for the DWSRF are revenue bonds and State contributions, which are managed by OTT, and yearly federal capitalization grants from the United States Environmental Protection Agency (EPA). The DPH is the state agency authorized to enter into DWSRF Capitalization Grant agreements with EPA and manage the DWSRF program. Each year DPH is required to submit a grant application to EPA in order to receive its capitalization grant.

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

The DPH, the OTT, the Department of Energy and Environmental Protection (DEEP), and the Office of Policy and Management (OPM) have worked together since 1995 to implement the DWSRF program.

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

This report includes the history of the DWSRF, a review of the DWSRF during Fiscal Year (FY) 2023, descriptions of the revenue bond program, and projections of future project funding. As a major recipient of federal financial assistance, the State will also provide this annual report and audited financial statements to the EPA in order to comply with federal reporting requirements under the SDWA. The State must also comply with the Federal Single Audit Act of 1984. The audited statements for the fiscal year ending June 30, 2023, as provided in this report, have been prepared by a firm of independent certified public accountants.

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

Copies of the 2023 report and previous annual reports since 2001 are available via OTT's website at:

<https://portal.ct.gov/OTT/Debt-Management/Drinking-Water-Fund-Reports>

EXECUTIVE SUMMARY

The DWS's primary responsibility is to protect public health by ensuring that the State's 2,367 public water systems (PWS) provide safe, adequate, and sustainable drinking water to residents and visitors. These responsibilities are carried out through the provision of technical assistance, education, regulatory oversight, enforcement, and low-cost financing for infrastructure improvements. The DWS is committed to maintaining high quality drinking water throughout the State by ensuring that PWSs provide proper treatment, water quality monitoring, source water protection, and consumer education.

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

During FY 2023, the DPH committed approximately \$9 million in funding for eight infrastructure projects through eight funding agreements, of which three agreements were with small systems. Since its inception, the DWSRF program has provided more than \$415.5 million for 304 projects. Since 2010, the capitalization grants have included a requirement to use a portion of the grant to subsidize projects. All projects funded in FY 2023 qualified for partial federal subsidization in the form of principal forgiveness.



Drinking Water Week 2023
May 7-13, 2023

SUMMARY OF FY 2023 ACTIVITIES & ACCOMPLISHMENTS

- Executed eight funding agreements under the DWSRF program totaling \$9 million (of which approximately \$7.5 million was loan and approximately \$1.5 million was subsidy).
- Executed three funding agreements for small water systems, including one under the Small Loan Program totaling \$1,749,218 (of which \$1,482,518 was loan and \$266,600 was subsidy).
- Processed project payment reimbursement requests totaling approximately \$17.7 million in DWSRF funds.
- Provided ongoing asset management and technical assistance to small systems identified with weaknesses during sanitary surveys or compliance assessments.
- Continued to maintain as low a level of Unliquidated Obligations as possible.
- Conducted sanitary surveys of PWSs, including evaluations of technical, financial, and managerial capacity by DWS staff funded through the DWSRF Set-Asides.
- Processed water quality data files, through Electronic Data Interface and through Compliance Monitoring Data Portal (CMDP) from laboratories, containing water quality analytical results. Provided technical assistance to help labs fully transition to report through the CMDP and for other labs still in the process.
- Staff worked on the Lead and Copper Rule Revision implementation and developed the Lead Service Line (LSL) inventory form, which is required to be used by all PWSs when submitting their LSL inventory.

HISTORY & MANAGEMENT OF THE CONNECTICUT DWSRF PROGRAM

In 1996, the United States Congress passed amendments to the SDWA authorizing the EPA to offer states capitalization grants to create the DWSRF. Connecticut General Statutes (CGS) Sections 22a-475 through 22a-483, inclusive, govern the establishment and administration of the DWSRF for the State. The SDWA provided for an annual Congressional authorization of \$1 billion nationally for the DWSRF through 2003. Between 2003 and 2018, the DWSRF funding within the SDWA was not reauthorized by Congress. However, in each subsequent year since 2003, Congress has appropriated funding for the DWSRF. In October 2018 with the passage of the American Water Infrastructure Act (AWIA), the DWSRF was reauthorized for Federal Fiscal Year (FFY) 2019 through FFY 2021 at over \$1 billion each year. In November 2021 with the passage of the Bipartisan Infrastructure Law (BIL), the DWSRF was reauthorized at increasing levels from Federal Fiscal Year (FFY) 2022 (\$2.4 billion) through FFY 2026 (\$3.25 billion). Congress must still appropriate an annual amount which cannot exceed the amount of the authorization. Each state is allocated a certain amount of that appropriation based on the results of the latest national Drinking Water Infrastructure Needs Survey and Assessment (DWINSA). Beginning with the FFY 2018 allocation and through FFY 2022, Connecticut's allocation is 1%, based on the results of the 2015 DWINSA. However, in FFY 2022 Congress reduced the overall by redirecting 36% of the appropriation to drinking water projects through Congressionally Directed Spending (CDS) grants. This reduced each state's FFY 2022 capitalization grant, including Connecticut's. The reduction for FFY 2023 is even larger, at approximately 54%.

The BIL also includes three new federal capitalization grants (namely, the General Supplemental Fund, Lead Service Line Replacement Fund and the Emerging Contaminants Fund) which will provide additional funding through the DWSRF to improve drinking

water systems that millions of families rely on for drinking water that is safe from lead and other contaminants. These grants will be provided annually from FFY 2022 through FFY 2026, with implementation by DPH in accordance with applicable guidance and grant award terms and conditions.

The SDWA requires the State to submit a DWSRF Capitalization Grant application each year to EPA to capture its DWSRF allocation. The State has received a total of \$242.9 million to date in base annual capitalization grants, of which \$224.6 million has been fully expended. The State received a total of \$53.9 million in FY22 from the three BIL capitalization grants, which was the first year of these awards. An additional \$19.5 million capitalization grant was received under the American Reinvestment and Recovery Act of 2009 (ARRA)

As required for each awarded base capitalization grant, a state match equaling 20% of the grant has been provided. In addition, the required BIL General Supplemental grant match of 10% for FFY 2022 and 2023 has also been provided; this match increases to 20% for FFY 2024-2026. The ARRA grant did not have any match requirement.

DPH is the lead agency for the DWSRF and has entered into an Operating Agreement (OA) between the State and the EPA, which includes a Memorandum of Understanding among DPH, DEEP, PURA, and DPH. The OA establishes the basic framework and procedures of the DWSRF. On November 2, 2022, an updated OA was filed with and signed by EPA.

DWSRF Program Management

- DPH is responsible for programmatic and fiscal administration of DWSRF infrastructure improvement projects and the set-aside projects and accounts.

- OTT is responsible for the fiscal administration of the DWSRF accounts and administration of the DWSRF financial plan as part of the CWF.
- DEEP is responsible for the administration of the CWF of which DWSRF is a subaccount.

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



PROGRAM FUNDING

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

The State can request approximately 31% of the federal capitalization grant as set-asides to administer the DWSRF and provide managerial and technical assistance to PWS.

Federal Capitalization Grants

The BIL was signed into law on November 15, 2021. It includes \$50 billion to the EPA to strengthen the nation’s drinking water and wastewater systems – the single largest investment in clean water that the federal government has ever made. The bill includes The Drinking Water and Wastewater Infrastructure Act (§. 914) which reauthorizes funding levels for the SRFs and amends SRF provisions in the Clean Water Act and the Safe Drinking Water Act. In addition to the base Federal Capitalization Grants, the new law authorizes three new DWSRF grants, DWSRF General Supplemental Funding, DWSRF Emerging Contaminants Funding, and DWSRF Lead Service Line Replacement. A significant portion of the three new grants must be provided as a subsidy to disadvantaged communities.

Since 2022, Congress has diverted more than \$2.3 billion away from the programs’ base funding to

pay for mostly unrelated congressional earmarks. The House’s 2024 budget proposes reducing next fiscal year’s SRF funding by over 90% compared to 2021 levels and steering millions away from the well-established programs, adversely impacting the long-term health of our Clean and Safe Drinking water programs. The BIL law made significant one-time investments in these programs, but the funding ends in fiscal year 2026 leaving a trail of unfunded water infrastructure programs in its wake.

Capitalization Grant	CT FFY 2022 Allotment
Base DWSRF	\$7,008,000
General Supplemental	17,992,000
Lead Service Line Replacement	28,350,000
Emerging Contaminant	7,555,000

A fundamental principle of the SRFs is the flexibility provided to states and borrowers to address a wide variety of local water quality and public health challenges.

The SDWA continues to place legal constraints on each state’s DWSRF program. Federal regulations limit the uses of the DWSRF equity to loans, support for bonds issued to make loans, loan guarantees or insurance, refinancing of prior debt, or administrative expenses associated with qualified projects. Appendix II shows the total

cumulative amounts for the DWSRF project funds and set-aside accounts that have been made available to the State based upon EPA approval of the Capitalization Grants for the State. The federal DWSRF capitalization grants awarded to Connecticut [not including awards made under the American Recovery and Reinvestment Act (ARRA) or BIL] from FFY 1997 through FFY 2022 totaled \$242.9 million. Since last year's report, the State received the FFY 2022 award of \$7.0 million, along with the FFY 2022 BIL awards: General Supplemental of \$17.99 mil.; Lead Service Line Replacement (LSL) of \$28.35 mil.; and Emerging Contaminants (EC) of \$7.55 mil. The FFY 2023 grant in the amount of \$4.9 million is expected to be awarded in early fall 2023, along with the FFY 2023 BIL grants: Gen. Supplemental of \$21 mil.; LSL of \$39.9 mil; and EC of \$7.64 mil. While states have significant latitude in the creation and implementation of the DWSRF program, the federal capitalization grants and the required

match for the DWSRF must be maintained by the SRF in perpetuity.

Required State Matching Funds

The State has provided sufficient funds in the DWSRF to meet the required State match. Connecticut's match has been made in the form of cash contributions in the DWSRF for a total of approximately \$64.8 million as of June 30, 2023 (Appendix II).

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

State Authorizations

The State has demonstrated a significant commitment to high water quality for its citizenry through its support of the Water Fund including the CWSRF and DWSRF. Due to the similarities between the federal programs, the State authorizations of revenue bonds and general obligation bonds for the two programs are combined. Pursuant to PAs 86-420 and 14-98, as of June 30, 2023, the State Bond Commission has approved a total of \$393.6 million in Revenue allocations and \$44.0 million in General Obligation allocations, respectively, to the Drinking Water program.

Revenue Bonds - SRF Leveraged Program

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

The SRF revenue bonds are currently rated at the highest available credit rating by three national credit rating agencies. Each rating reflects only the views of the respective rating agency, and an explanation of the significance of any rating may be obtained from the rating agency. There is no assurance that ratings will continue for any given period or that they will not be revised or withdrawn entirely by a rating agency if, in their judgment, circumstances warrant.

Currently, the average coupon on the leveraged revenue bonds is higher than the interest rate charged to borrowers. The interest rate of loans made to the borrowers is generally 2%, while the average coupon rate on the last revenue bond issue was 4.7%. Therefore, the debt service on the SRF bonds is paid from a combination of borrower loan repayments and interest earnings on the investment of SRF funds. Program assets and reserve funds are held as security for all bonds. As of June 30, 2023, the State held \$363.7 million in DWSRF program assets invested in loans, the

State’s Short-Term Investment Fund, state and local government securities, and guaranteed investment contracts.

Green Bonds

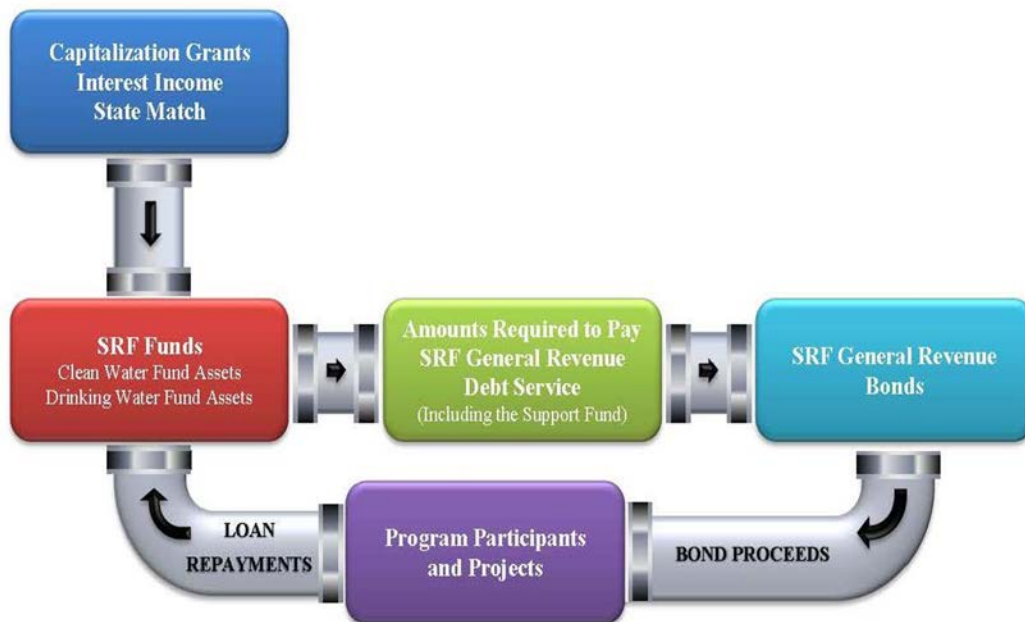
Bonds are designated as “Green” if the net proceeds of the bonds will be applied exclusively for projects and activities that promote climate or other environmentally sustainable purposes in alignment with the Green Bond Principles. The last several new money bonds issued in 2015, 2017, and 2019 were designated as Green Bonds. The State plans to continue issuing Green Bonds in the future, as they are attractive to investors and are a positive for the program. The State chose to pursue Green Bond certification from Sustainalytics. This company is a provider of

environmental, social, and governance research and analysis. Sustainalytics evaluated the State’s SRF Programs, the planned use of the bonds issued, and the alignment thereof with relevant industry standards. Their opinion declares that the State’s approach to selecting projects and managing green bond proceeds is “robust, and its reporting on the use of proceeds is transparent.” Sustainalytics concluded that the State’s program aligns with the four pillars of the Green Bond Principles (2016 guidance). As of June 30, 2023, the State has issued \$750 million in revenue Green Bonds and \$190.5 million in general obligation Green Bonds. The projects funded by the revenue Green Bonds are detailed in Appendix VI.



Flow of Funds

A schematic of the flow of funds for the Drinking Water State Revolving Fund Program, which is part of the CWF Financing program:



CONDITION OF THE FUND

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

The DWSRF depends on the State's continued willingness to commit financial resources to the program. Over the prior few years, due to state budget constraints and increasing drinking water project priorities, the staffing level for the DWSRF program was near its lowest since the program's inception. The program operated with less-than adequate staff needed to attain all program goals. As a result, DPH was directed by Public Act 16-2 (May Spec. Sess. 2016) to prepare a report concerning the expenditures necessary to ensure the continued administration of safe drinking water standards for public drinking water, including the DWSRF program. This report was completed and is available on the DPH website. In October 2017, Section 676 of Public Act 17-2 (June Spec. Sess.) was signed into law and authorized DPH to collect a safe drinking water primacy assessment from some water companies, based on the classification and size of the owned system. DPH began collecting the assessment in January 2019 to support the department's ability to maintain primacy under the federal SDWA. Since 1977, DPH has been delegated primacy from the EPA, giving the agency the authority to implement and enforce the SDWA. In June of 2019, Section 75 of Public Act 19-117 allowed for continuation of the assessment through June 30, 2021, inclusive, each water company that owned a community or non-transient non-community PWS was required to pay to DPH a safe drinking water primacy assessment to support DPH's ability to maintain primacy under the SDWA. The State's General Assembly did not extend the fee program beyond June 30, 2021, allowing it to sunset. An assessment is not being collected during FY 2023, but the State continues to fund the staff salaries

that were previously covered by the assessment. Further information can be found at: <https://portal.ct.gov/en/DPH/Drinking-Water/DWS/Safe-Drinking-Water-Primacy-Assessment>.

With the additional BIL funding, DPH was able to increase its staffing levels for the DWSRF, along with staff at OTT to support the program.

Since the inception of the program, the DWSRF has over \$415.5 million in completed projects and project commitments. Many of the borrowers have multiple loans, and the largest number of loans and commitments continue to be with the MDC, Meriden, New Britain, Norwich, Norwalk, South Central Connecticut Regional Water Authority, and Southington. More recently the towns of Bethel, East Lyme, and Waterbury have received funding for multiple projects.

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

The volume of projects funded in each year, as measured by DWF agreements executed with PWSs, reflects both past demands on the program and the availability of funding through the State Bond Commission. Program capacity and cash flow projections show that combined with the CWSRF Program, the programs can sustain bond issuance of approximately \$150 million in revenue bonds per year through 2039 without additional State funds. Due to available funds in the program's trust accounts, when revenue bond proceeds are fully expended the program continues to provide funding for projects. The combined programs historically have issued bonds every 18-24 months. The current projection is approximately \$250 million per issue, if needed. The SRF program has opted to utilize more of its equity and prepayments received in FY2021 and FY2022 to

originate loans and defease debt. These new methods have delayed the next time in which the program is projected to leverage by issuing bonds. The SRF is monitored closely with the program's financial advisors. Once the prepayment funds are recycled and the program's cash balances are restored to more traditional levels, the SRF will resume its ongoing leveraging. This flexibility is a result of the overall maturity of the SRF as a revolving loan program.

There is evidence that meaningful progress in water quality improvements, increased managerial and financial capacity, needs monitoring, and oversight of water resources has been made through the DWSRF program.

BORROWERS

All State community and non-profit non-community PWSs are eligible to obtain funding through the DWSRF. A PWS is defined as having 15 or more service connections or regularly serves at least 25 people 60 or more days a year. In the State, there are approximately 715 eligible PWSs subdivided by regulation into two categories: community and non-community, which are owned and operated by municipalities, private, or nonprofit entities. Community water systems provide water to populations that reside in the same place for more than 60 days a year. Eligible non-community systems provide water to schools and other locations where the population changes more frequently. The CWSRF and the DWSRF have many similarities. However, one major difference is that the DWSRF can make loans to private entities that own and operate PWSs. DPH emphasizes the importance of reaching potential applicants. Each year outreach initiatives have included e-mails to eligible PWSs and municipal officials, statewide informational meetings, open forums, and the posting of information on DPH DWS website. The DWSRF program is also promoted during sanitary survey inspections of PWSs, and at conferences and workshops around the state.

Maintenance and continued improvement of the existing water infrastructure in the State are dependent upon consistent funding for the DWSRF.

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

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

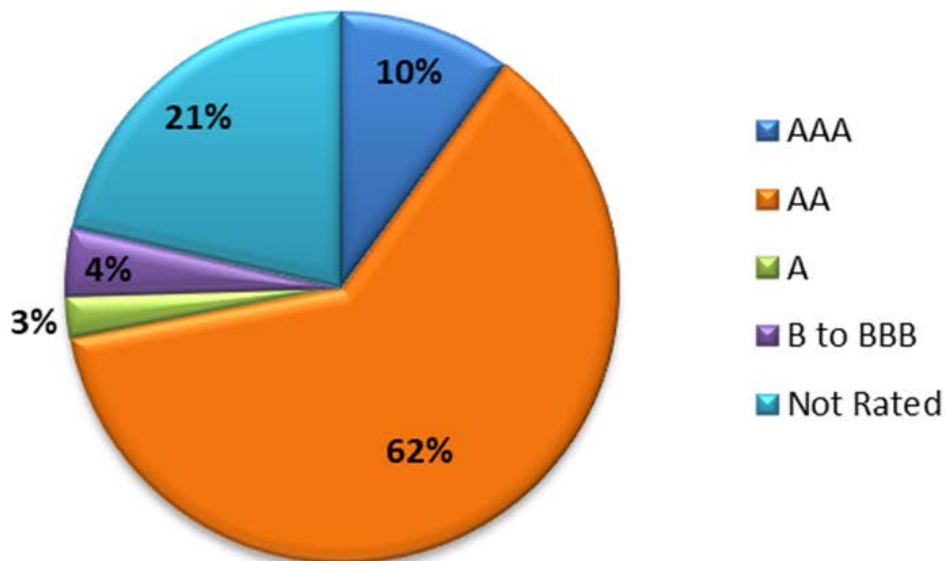
Portfolio Credit Quality

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

The State's SRF loan portfolio is concentrated with 72% of loans to municipalities rated "AA" or higher by S&P Global Ratings as shown on the chart below.

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

State of Connecticut SRF Borrower Credit Ratings*



*Includes Clean Water and Drinking Water Borrowers. Ratings per S&P Global Ratings.

PROJECT FINANCING

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

The DWSRF financial assistance consists of low-interest loans of approximately one-half of the market rate allowing up to 20 years for repayment. The loan interest rate during FY 2023 was 2.0% for all borrowers. The DWSRF also provides technical assistance and training with a portion of the federal grant.

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

Prior to FY 2015, the DWSRF did not offer state grant funding. During FY 2014, on May 22, 2014, Public Act 14-98 (PA 14-98) was signed into law, which under Section 46 provides the State Bond Commission the power to allocate general obligation bonds up to an aggregate \$50 million to be used by the DPH to implement a public water system improvement program. During the spring of 2016 legislative session, this amount was reduced to \$20 million. This program, codified under CGS 22a-483f, provides grants-in-aid, in the form of loan principal forgiveness, to certain eligible PWSs for eligible DWSRF projects. The entire \$20 million available funding under this program was allocated by the State Bond Commission in May 2017 for two specific projects that have been determined to satisfy the eligibility

criteria outlined in the Intended Use Plan (IUP). These projects are: Groton Utilities – Water Treatment Plant Upgrade and Norwich Public Utilities – Stony Brook DAF, Deep River Filters, Occum Tank, Stony Brook transmission mains, and Water main to Sprague. Groton Utilities received \$15 million of these funds during FY 2018. Norwich Public Utilities received \$2.5 million of these funds during FY 2019. Norwich received an additional \$2.39 million during FY 2020 and an additional \$80,600 during FY 2022.

Under Public Act 20-1 an additional \$24 million was approved for this public water system improvement program. These funds are intended to be used for lead service line replacements in disadvantaged communities.

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

Intended Use Plan Summary

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

The current IUP covers FY 2023 and is based on: 1) the use of FFY 2022 capitalization grant funds, including the 3 additional BIL capitalization grants, 2) a state match of 20% of the FFY 2022 capitalization grant award and match of 10% of the BIL General Supplemental capitalization grant award, and 3) unobligated funds carried forward from previous IUPs. During FY 2023, the State provided the required 20% match of \$1.4 million necessary to receive the FFY 2022 award. In addition, the state provided the required 10%

match of \$1.8 million necessary to receive the FFY 2022 BIL General Supplemental award.

A requirement of the BIL funding is to provide a significant amount of subsidy to projects which benefit a “disadvantaged community”. DPH had formalized the “Disadvantaged Community Assistance Program” (DCAP) in 2018 as a result of new requirements at that time to provide subsidy to projects benefiting such communities. With the BIL, EPA recommended that states review the DCAP and make changes if appropriate. As a result, DPH made changes to the IUP and proposed to utilize Centers for Disease Control and Prevention’s (CDC) Social Vulnerability Index (SVI) in both the ranking criteria and to determine qualifications for DCAP.

The initial Public Hearing for the FY 2023 IUP was held on November 22, 2022. The projects considered for funding in that IUP were based upon applications received during the call for projects between February 2022 and April 2022. Applicants and interested parties participated at the hearing on projects to be funded during FY 2023 and had the opportunity to give testimony on projects and the IUP. During the comment period, the EPA provided comment concerning the use of the CDC SVI, stating that it was a potential violation of Title VI of the Civil Rights Act of 1964. As a result, the IUP was revised, and a second public hearing was held on March 29, 2023. These revisions completely removed the use of SVI in both ranking criteria and DCAP. In place of SVI in the DCAP, Median Household Income (MHI) criteria was added to complement the use of the Department Of Economic and Community Development (DECD) Distressed Municipalities list. The FY 2023 Annual IUP was finalized on July 3, 2023, and published on July 7, 2023.

The most recent request for new DWSRF projects from PWSs occurred between February and March 2023, for projects to be funded during FY 2024. The draft FY 2024 IUP is still being drafted, and a public hearing will be scheduled. Since FY 2018, new project eligibility applications are accepted at any time, with periodic updates to the IUP. However, in order to be considered for the initial funding, the

request must have been submitted to DPH by the date announced to be included in the annual Call for Projects.

Priority Ranking System and Project Priority List

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

The priority ranking system is used to award points for situations in which water quality impairments, water quantity deficiencies, or water system imperfections may increase risk to public health or result in noncompliance. The highest points are assigned to projects that are designed to bring systems into compliance with quality and quantity regulations of the Connecticut Public Health Code and SDWA. Points are also awarded for the acquisition of an existing public water system and upgrades to emphasize the importance of supporting projects that achieve long-term solutions to existing or potential water quality or quantity deficiencies. Affordability points are awarded to projects that serve a city or town determined to be a “distressed municipality” by the DECD, according to CGS 32-9p. The list is updated annually, and the three most recent lists available at the time of the call for projects are utilized for assignment of ranking points.

The priority ranking system is reviewed and revised as necessary prior to each call for projects.

Revisions were made for FY 2023 to incorporate the new criteria for BIL funds, specifically for Lead Service Line Inventory and Replacement and Emerging Contaminants, including PFAS. As it is each year, the priority ranking criteria was made available for review and comment from potential borrowers as part of the IUP and public hearing.

The DPH approves project funding to applicants on the PPL to the extent of funds available. Each PWS may apply for and receive project funding in an amount up to 100% of the eligible project cost. In some cases, based on readiness to proceed, a

project may need to be bypassed on the PPL. Funding is offered to the next highest ranked and ready to proceed project(s) on the comprehensive list that was not originally included on the PPL. In these situations, the DWS continues to provide support for a potential recipient so that eligible projects can proceed as soon as possible. No projects were bypassed during FY 2023. The PPL for FY 2023 can be found on the DWS website. Projects on the PPL are currently in the process of moving forward and are at varying stages of progress. The PPL for FY 2024 will be available when the IUP is finalized.



FY 2023 FUNDED PROJECTS DETAIL

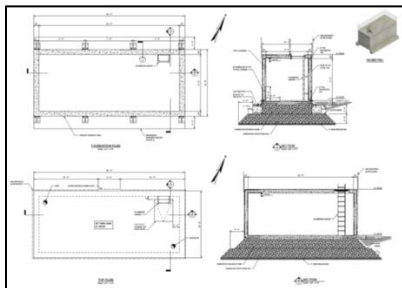
During FY 2023, the DWSRF executed eight new project commitments totaling almost \$9.1 million, including over \$7.5 million in loans for the following projects. A table listing all FY 2023 projects funded is included as Appendix III.

Base Program

Baxter Farm Community Water Association, Inc. – Tank Replacement (\$44,625)

This project consists of the design of a 10,000 gallon concrete tank to replace the system's damaged and deteriorating steel tank. Once the design is completed the water system will pursue a loan for the construction phase of the project. This project will replace critical distribution infrastructure for this water system which is essential in maintaining potable water to the residents living in the community.

The funding agreement was executed on January 10, 2023. Of the total project financing, the loan amount was \$34,000.00 at an interest rate of 2%.



Berlin Water Control Commission – Water Main Replacement Berlin Turnpike (\$1,678,302)

The project consists of replacing approximately 2,650 lineal feet of 20-inch diameter of concrete pipe with 16-inch diameter ductile iron pipe along Berlin Turnpike beginning from the intersection between Woodlawn Road and Berlin Turnpike to Deming Road including horizontal directional drilling of approximately 540 lineal feet of 16-inch diameter HDPE below the Mattabasset River. This project will provide reliability of the transmission main using a

stronger material and minimize the chance of catastrophic failure.

The funding agreement was executed on October 12, 2022. Of the total project financing, the loan amount was \$1,428,302.89 at an interest rate of 2%.



Manchester Water Department – Ridgewood/ Griswold Street Area Improvements (\$1,413,069)

This project consists of replacing approximately 4,750 feet of aging water main on Lilac Street, Trumbull Street, Griswold Street, Roosevelt Street, Lincoln Street, Ridgewood Street, Alexander Street, and a portion of St. John Street. This project will improve distribution hydraulics, reduce loss of water from leaks and main breaks, and provide added fire protection.

The funding agreement was executed on March 23, 2023. Of the total project financing, the loan amount was \$1,278,491.06 at an interest rate of 2%.



Metropolitan District Commission – Boulevard/Garfield Water Main Replacement (\$2,084,303)

This project consists of replacing approximately 5,300 feet of undersized water main with 8-inch water main in the area of Boulevard and Garfield St. in West Hartford as well as re-connecting existing water service connections. This project will improve operation and reliability to ensure customers receive an uninterrupted supply of potable water.

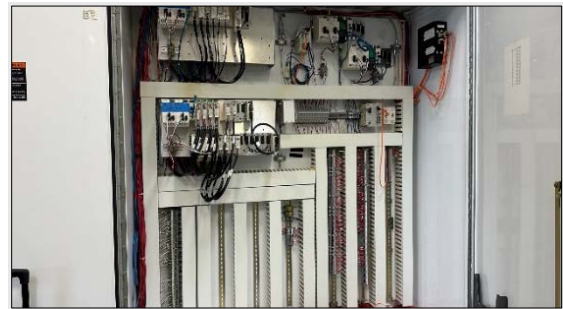
The funding agreement was executed on March 17, 2023. Of the total project financing, the loan amount was \$1,934,303.55 at an interest rate of 2%.



New Britain Water Department – Water Treatment Plant SCADA Upgrades (\$1,862,269)

The project generally consists of furnishing and installation of a replacement for the Water Treatment Plant's (WTP) Supervisory Control and Data Acquisition (SCADA) system, including Programmable Logic Controllers, communications systems, servers, software, system configuration and integration, cybersecurity, and other associated work. This project is essential to bring the Water Treatment Plant's components up to current standards and enhance the cybersecurity of the water system.

The funding agreement was executed on September 15, 2022. Of the total project financing, the loan amount was \$1,350,919.90 at an interest rate of 2%.



South Central CT Regional Water Authority – Brushy Plains Standpipe Demo and Cherry Hill PS Improvement (\$986,422)

This project included the demolition of the Brushy Plains Standpipe due to its costly maintenance and excessive storage times leading to low chlorine levels and increased chance of the creation of disinfection by-products. In addition to the standpipe demolition, the Cherry Hill Pump Station was upgraded to provide a higher quality of water to the Cherry Hill Service Area and maintain fire flows in the absence of the standpipe. Upgrades included new pumps and drives, a new emergency generator, new pressure reducing/sustaining valve, and related electrical improvements.

The funding agreement was executed on July 12, 2022. Of the total project financing, the loan amount was \$758,483.01 at an interest rate of 2%.



South Central CT Regional Water Authority – Seymour Well Replacement (\$979,824)

This project included the installation of a replacement well (4B) in the Seymour Wellfield due to declining yield and water quality from

Well 4R. The new well was connected to the existing facilities at the wellfield to be treated and pumped into the distribution system. This new well improves the water quality delivered to customers.

The funding agreement was executed on July 12, 2022. Of the total project financing, the loan amount was \$718,179.99 at an interest rate of 2%.



Emergency Power Generator Program

The Emergency Power Generator Program (EPGP) was established in FY 2012 due to the potential for widespread and prolonged power outages caused by severe weather or other incidents which would impair a public water system's ability to provide safe and adequate drinking water. The EPGP includes streamlined procurement procedures, as compared to the base DWSRF Program, and allows eligible PWSs with projects costing less than \$100,000 to obtain low-interest loans and subsidies to purchase and install generators to be used in the event of power outages.

Since it began, 66 subsidized loans have been executed totaling over \$2 million for the purchase and/or installation of 73 generators. Funding applications for an additional three generators have been received and are at varying stages in the review process. No loans were executed under this program during FY 2022.

Subsidization is provided up to 25% of the cost of eligible components of each generator project that receives DWSRF funding. The maximum

amount of subsidy a PWS can obtain for a generator is \$25,000. The EPGP's subsidy brought many small systems to the program that may not normally participate in the DWSRF.

Small Loan Program

Similar to the EPGP, during FY 2019 the DPH established the Small Loan Program (SLP) as an extension of the EPGP to allow the streamlined procurement procedures to be used for other non-construction projects costing less than \$100,000, in an effort to make it easier for small PWSs with qualifying projects to proceed through the DWSRF process. This program is only available for the purchase and installation of equipment, or the replacement of equipment, installed within an existing facility that does not involve the construction, alteration, or repair (including painting or decorating) of that facility. Typical projects that would be eligible to receive a loan under this program would include:

- Replacement of pumps or motors
- Installation or replacement of diaphragm pressure tanks
- Installation of water treatment equipment or modifications to existing water treatment systems for regulatory compliance (filters, chemical feed systems, etc.)
- Minor incidental plumbing and electrical work (including SCADA) required only to accommodate the installed or replaced equipment

Low-cost projects that would include new buildings, building additions, building alterations, or heavy equipment operators for site work would be considered construction projects and would not be appropriate for consideration under the SLP.

Regional School District No. 1 Housatonic - Booster Pump Replacement (\$26,290)

This project consists of the purchase and installation of two new booster pumps, associated electrical controls and a 119-gallon diaphragm tank. This project will replace aging

infrastructure and update electrical controls for the booster pumps to provide adequate pressure to the public water system.

The funding agreement was executed on October 13, 2022. Of the total project financing, the loan amount was \$20,315.00 at an interest rate of 2%.



began, DPH has exceeded the goal of providing at least 15% of available funds to small system projects.



Small System Funding

Funding for small systems continues to be a priority for DPH. During FY 2023, three PWSs executed agreements for three projects, totaling more than \$3.9 million. This represents 40% of the agreements but only approximately 21% of the total funding. All small system projects that were ready to proceed were funded. DPH continues to provide outreach and direct technical assistance to small systems in an effort to increase their participation, including assistance with developing Asset Management Plans. These systems generally need more hands-on guidance to understand and meet the DWSRF requirements, and there has been a marked increase in funding requests over the past few years. It is expected that the interest in the DWSRF program from small systems will continue. Overall, since the DWSRF program

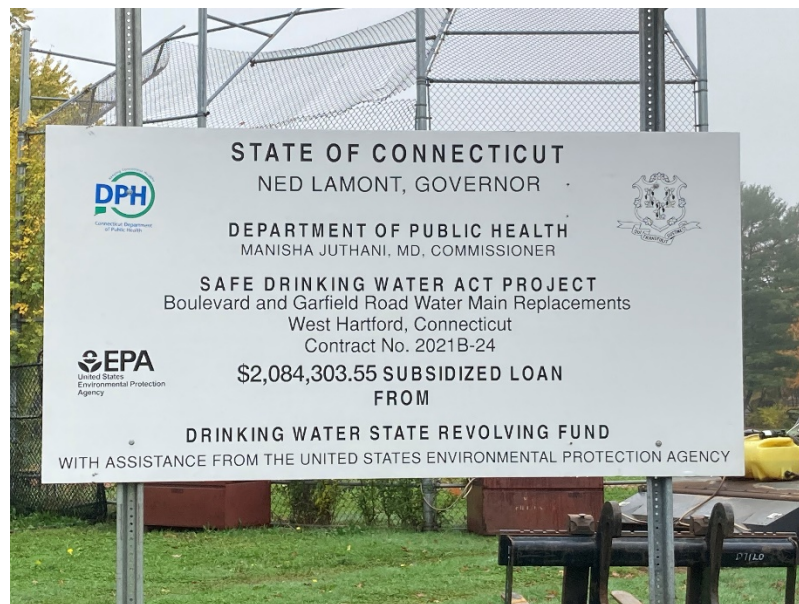


Projects Completed During FY 2023

During FY 2023, several projects sufficiently completed construction activities and placed the new or upgraded infrastructure into service. The table below summarizes those projects.

Projects Completed During FY 2023*			
PWS Name (Applicant)	Loan Agreement #	Town	Brief Description
Berlin Water Control Commission	2023-7109	Berlin	Water Main Replacement Berlin Turnpike
Bethel Water Department	2021-7098	Bethel	2021 Various Water Mains Replacement Project
Metropolitan District Commission	2023-7110	Hartford	Boulevard/Garfield Water Main Replacement
Metropolitan District Commission	2022-7102	Hartford	Wickham Hill Water Main
Norwich Public Utilities	2019-7077-2	Norwich	Stony Brook-DAF
Regional School District No. 1	2021-6001	Canaan	Booster Pump Replacement (SLP)
South Central CT Regional Water Authority	2022-7107	New Haven	Brushy Plains Standpipe Demo and Cherry Hill PS Improvements
South Central CT Regional Water Authority	2022-7106	New Haven	Seymour Well Replacement Well 4B
Winsted Water Works	2022-7105	Winsted	Water Main Replacement Center, Case and Holabird Area

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



Highlights of the Benefits Provided by the FY 2023 Completed Projects

Berlin Water Control Commission: The town of Berlin completed the water main replacement along the Berlin Turnpike, which consisted of 2,650 linear feet of 20-inch diameter concrete pipe encasing 16-inch diameter ductile iron pipe. This project will provide reliability of the transmission main using a stronger material and minimize the chance of catastrophic failure.

Bethel Water Department: The town of Bethel completed various water main replacements on Pleasant Street, Highview Terrace, Bethel Municipal Center, Fleetwood Park, Bonnette Drive Extension, and Rector Street. This project included replacement of water services within the Town right-of-way, installing new fire hydrant assemblies and line valves, associated earthwork, and surface restoration. This project will address hydraulic capacity issues, reduce the risk of failure in the system, and improve system reliability.



The Metropolitan District (MDC): The MDC completed two water main replacement projects. The Boulevard and Garfield project consisted of replacing approximately 5,300 feet of undersized water main with 8-inch water main in the West Hartford area in as well as re-connecting existing water service connections. This project will improve operation and reliability to ensure customers receive an uninterrupted supply of potable water. The Ridgewood Griswold Street

project consisted of replacing approximately 4,750 feet of aging water main on Lilac Street, Trumbull Street, Griswold Street, Roosevelt Street, Lincoln Street, Ridgewood Street, Alexander Street, and a portion of St. John Street. This project will improve distribution hydraulics, reduce loss of water from leaks and main breaks, and provide added fire protection.



Norwich Public Utilities (NPU):

Norwich Public Utilities completed the installation of Dissolved Air Flotation (DAF) package units, modifications to chemical systems, construction of the new DAF building, and demolition or modifications to other existing facilities. The project also included upgrades to all processes and related mechanical components; civil, yard piping and site work; HVAC and plumbing improvements; electrical distribution and instrumentation and control systems modifications; and installation of chemical metering pumps. The project will improve the overall operation of the water treatment system to produce water quality that meets the State Drinking Water Quality Standards and allow NPU to provide adequate and reliable water supply to its Exclusive Service Area.



Regional School District No. 1: Regional School District No. 1 completed the installation of a pump replacement project. New booster pumps, associated electrical controls, and a 119-gallon diaphragm tank were installed. This project replaces aging infrastructure and updates electrical controls for the booster pumps to provide adequate pressure to the public water system. This project utilized the Small Loan Program.

South Central CT Regional Water Authority (SCCRWA): The SCCRWA completed two projects in New Haven. The Brushy Plains project included the demolition of the Brushy Plains Standpipe and upgrade of the Cherry Hill Pump Station which included new pumps and drives, a new emergency generator, new pressure reducing/sustaining valve, and related electrical improvements. The second project was Seymour Well which included the installation of a replacement well (4B) in the Seymour Wellfield due to declining yield and water quality from Well 4R. The new well was connected to the existing facilities at the wellfield to be treated and pumped into the distribution system. This new well improves the water quality delivered to customers.



Winsted Water Works: The town of Winsted completed the installation of water main on Center Street between Elm Street and Case Avenue, Case Avenue between Main Street (Route 44) and Gay

Street, and Holabird Avenue between Whiting Street and Florence Street intersections. In addition, approximately 900 linear feet of new 6-inch ductile-iron water main on Thibault Avenue between Elm Street and Greenwoods Avenue and on Greenwoods Avenue between Thibault Avenue and Gay Street intersections. The water main improvements also include the removal of the existing water main, installation of new hydrants, valves, water service connections, temporary bypass piping, and pavement restoration. This project will improve operation and reliability to ensure customers receive an uninterrupted supply of potable water.



Summary of Projects

Appendix IV provides a more detailed list of FY 2023 subsidy and loan disbursements, loan payment receipts, outstanding loans, undrawn loan commitments, and additional loan commitments anticipated through June 30, 2023.

Drinking Water Infrastructure Needs Survey & Assessment and Future Funding Needs

The Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) documents and assesses the 20-year costs and types of capital investment needs of PWSs that are required to protect public health and ensure compliance with the SDWA throughout Connecticut and the United States. Local water utilities make significant investments to install, upgrade, or replace equipment in order to deliver safe drinking water and protect public health. Every four years, EPA conducts a survey of the anticipated costs of these investments. The results are reported to Congress and are used by the EPA to determine the percentage of the DWSRF appropriation that each state will receive every year for the four-year period interval following the release of the survey's report. The State's participation in the DWINSAs for 1999, 2003, 2007, 2011, 2015, and 2021 evidenced that a significant need for infrastructure improvement funding continues to exist throughout the State. The 2021 survey was originally anticipated to occur during 2019 but was delayed due to various circumstances, including COVID-19.

The 2021 DWINSA assessed the cost and types of drinking water needs throughout the nation for the period January 1, 2021, to December 31, 2040. The results of the survey were used to determine the DWSRF allocation starting with FFY 2023. The results of the 2021 survey, which were released as a Fact Sheet in April 2023, showed that the State's estimated need had grown from \$1.394 billion in 2007 to \$4.910 billion in 2021. Based on this result, starting with the FFY 2023 annual capitalization grant, the State's allotment will be 1%. Even though the need in the State has increased significantly, so has the need throughout the country. The more detailed report of the 2021 DWINSA has not yet been released, however, the State's need increased by approximately 22% from 2015.

The results of the 2021 survey will also be used to determine the allotment of the three BIL

capitalization grants. Starting with FFY 2023, the State's allotment for the General Supplemental and Emerging Contaminant capitalization grant will be 1%, similar to the annual capitalization grant. The State demonstrated a higher level of need for Lead Service Line replacement funding and will receive an allotment of 1.6% for FFY 2023 LSL capitalization grant. Further evaluation of the LSL allotment will be conducted by EPA to determine future allocations.

The AWIA of 2018 included a new requirement that the DWINSA include an assessment of costs to replace all lead service lines and describe, separately, the costs associated with PWS-owned lines and those to replace any remaining portions, to the extent practicable. The 2021 DWINSA also includes an assessment of PWS workforce and use of iron and steel within each water system. Additional information on the needs survey can be found on DPH's and EPA's websites.

As the cost and need for infrastructure projects continue to increase, the demand for low-cost loans will most likely also increase. The availability of federal subsidization since 2010 for DWSRF projects has also increased the demand for loans. For FY 2023, the Call for Projects occurred between February and April 2023. In total, DPH received new requests for loans for 60 infrastructure projects totaling approximately \$184 million in total project costs for funding during FY 2024. This demonstrates the continued demand and interest in the program.

INFRASTRUCTURE NEED AMOUNTS (MILLIONS) (2021 DWINSA)*	
Transmission and Distribution	\$ 3,017.6
Treatment	1,066.1
Storage	445.4
Source	184
Other	197
Total	\$ 4,910.1

FY 2023 SET-ASIDES DETAIL

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

Administrative Set-Aside

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

These staff at OTT perform important functions for the DWSRF Program, from the evaluation of financial viability prior to a project proceeding, to processing of payment requests during construction, and finally closing of the loan and initiation of repayment. All necessary reviews were conducted as required and it is expected that efficiency will improve due to the additional staff hired during the year.

During FY 2023, DPH staff from both the Drinking Water Section (DWS) and Fiscal Office reviewed and processed project payments totaling approximately \$17.7 million, of which approximately \$112,822 was state grant-in-aid and approximately \$287,922 from the Water Infrastructure Improvements for the Nation (WIIN) Small Underserved and Disadvantaged Community (SUDC) grant. It is stated in each loan agreement when payments must be made each month. For this reason, they are processed in a timely manner. In addition, staff attended web-based SRF training hosted by EPA, along with staff from other states in the country and EPA.

Small Systems Technical Assistance Set-Aside

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

This funding is utilized for important functions for both small PWSs and in support of the DWSRF Program. Small systems are generally some of the most vulnerable PWSs and are also the most numerous. These systems typically do not have the in-house expertise that large utilities do and require more direct assistance from DPH staff, especially when issues arise. While they all are required to have certified operators, many of these PWSs are run by volunteer boards and do not necessarily have the comprehensive understanding needed for the operation of a PWS. This set-aside is utilized for sanitary survey inspections, technical assistance including site visits, engineering plan and specification reviews of projects, and subsequent inspections by staff in the DWS. In addition, Level 2 Assessments may be conducted, Bulk Water Hauling Licenses processed, and consumer complaints, emergencies, and/or contamination incidents addressed. DWS Staff may also provide technical assistance to systems on seasonal startup procedures.

Program Management Set-Aside

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

These support activities are critical to the success in achieving the goals of the entire DWS and overall protection of public health. A few of the more important activities DWS staff performed include: coordination of the administration of grants and interaction with EPA, including submittal of applications and reporting; preparation of guidance documents, work plans, and long-term strategies; provided direct assistance to PWSs for

water quality testing and reporting; assisted in maintenance and updating of the DWS website; assisted with processing water quality data files; continuation of Memorandum of Agreements between DPH and UConn; and participated in finalizing the DWINSA.

The DWS's Operator Certification Program (OCP) ensures that all CWSs and NTNC PWSs are operated by qualified and skilled certified operators. Staff issued certifications for treatment plant, distribution system, small water system operators, backflow prevention device testers, and cross connection survey inspectors based on criteria established in regulation. OCP staff also approved operator training course curriculum, coordinated DWS outreach activities, maintained assigned certified operator information in the Safe Drinking Water Information System, and monitor operator compliance. In addition, staff are drafting revised regulations that will further improve identification of capacity weakness in professional water system operations.

DWSRF Program staff also reviewed the DWSRF financial assistance applications and coordinated the preparation of DWSRF funding agreements among DWS, DPH Fiscal Office, and OTT, and provided legal assistance to the DWS.

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

Local and Other State Program Management Set-Aside

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

Capacity Development

Under this set-aside, DWS staff are responsible for initiatives that are consistent with the DWS's EPA-approved capacity development strategy and help to improve the technical, financial, and managerial

capacity of PWSs. DPH's strategy contains long-term sustainability initiatives including: education, technical assistance, enforcement, consolidation, DWSRF assistance, water system restructuring, promoting the use of asset management, and assessing compliance with State regulations and the SDWA. Systems that do not correct existing violations through technical assistance are referred for formal enforcement actions including possible takeover proceedings.

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

Staff in the OCP are also funded under this set-aside, in addition to under State Program Management.

Staff completed sanitary surveys, technical project reviews, OCCT technical project reviews, level 2 assessments under the Total Coliform Rule (TCR), addressed complaints/emergencies, and reviewed water supply plans.

Staff assisted in processing water quality data files through Electronic Data Interface (EDI) and Compliance Monitoring Data Portal (CMDP), from laboratories. Staff also provided technical assistance to help labs.

Staff also worked on Enforcement tasks, including: preparing Administrative/Consent Orders, issuing formal and informal enforcement actions for monitoring/reporting, maximum contaminant level and public notification violations, and provided technical assistance to PWSs on the EPA Enforcement Targeting Tool report to return them to compliance.

Staff funded by this set-aside are part of the Lead Team, a workgroup created following the crisis in Flint, Michigan, to improve implementation of the Lead & Copper Rule. This team meets regularly to discuss various items, including water sampling results, orders for lead or copper level exceedances, OCCT projects, and lead service line inventory information. During FY 2023, this workgroup also developed question sets on the various State decision points in the Lead & Copper Rule Revisions (LCRR) for ASDWA State meeting on LSL inventory validations, developed recommendations/requirements for the different LCRR State decision points, and reviewed and provided comments on lead service line replacement projects. This workgroup also interacts with other Sections within the DPH which monitor the health effects of lead exposure in the environment in an effort to improve communication and coordination. Finally, this workgroup completed the development of the LSL inventory form, which is required to be used by all PWSs when submitting their LSL inventory.

Staff also assisted in the implementation of new drinking water rules, including improvements to the template for small community water systems to use in developing a Fiscal and Asset Management Plan.

Source Water/Wellhead Protection Program

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

Source Water Protection

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

surrounds the State's public water supplies. The unit continues to develop, enhance, and adapt source water protection laws.

Staff funded by this set-aside performs many functions to support the protection of sources of supply in an effort to maintain potable drinking water. These include review and approval of proposed sources of supply; permitting of activities associated with water company-owned land, such as sale, changes to, and reactional uses of; working with local, regional, and state partnerships on environmental reviews for projects that may have an impact on drinking water quality; and coordination of the process for conducting annual watershed inspections with the submission of annual watershed survey reports. The SA&P Unit has expanded its work related to Contaminants of Emerging Concern including per- and polyfluoroalkyl substances (PFAS), cyanotoxins and sodium/chloride. In late FY21, a separate unit was created to focus on these and other emerging contaminants.

The SA&P Unit staff continues to provide assistance to PWSs that utilize surface water sources with assessing harmful algal bloom toxins in their water sources by participating in internal and regional workgroups and maintaining a web page for public outreach. Staff funded by this set-aside work with PWSs, municipalities, state and federal agencies, local health departments, conservation districts and academia to address increasing levels of chloride and sodium being found in public drinking water sources of supply.

The staff regularly communicates with counterparts at the DEEP, the DPH Private Well Program, the DPH Drinking Water Section enforcement, compliance, emerging contaminants, laboratory testing units, the State water utility coordinating committees, regional governmental and non-governmental source water protection stakeholder organizations, and the EPA. Staff also provides direct technical assistance to PWSs that have sampled their source waters and provide outreach education to local Health Departments and Districts. They also participate in national meetings, conference calls, and webinars on the subject. In addition, staff from

the SA&P Unit are in the process of resuming the Connecticut Source Water Collaborative.

The SA&P Unit develops and maintains a geographic information system (GIS) to provide staff and the public with information that will aid in protecting drinking water sources. The public version of the GIS is available at <https://portal.ct.gov/DPH/Drinking-Water/DWS/Public-Water-Supply-Map>.

Protecting the State's drinking water supplies is a top priority for the state as evidenced by the State Water Plan.

Connecticut's Coordinated Water System Planning Process

In June 2016, DPH convened the Water Utility Coordinating Committee (WUCC) for three Public Water Supply Management Areas pursuant to Connecticut General Statutes (CGS) §25-33f and directed each WUCC to implement the planning process established by that statute as well as CGS §§25-33g and 25-33h. Over a 24-month period, each WUCC held monthly meetings that were open to the public.

Between May and June 2018, each WUCC completed the development of their Coordinated Water Supply Plans (CWSPs). The CWSPs do not attempt to prioritize or recommend any particular capital improvement project, leaving such decisions to the individual utilities to evaluate with assistance from each WUCC. However, several potential projects are identified in order to facilitate further discussion and possible funding.

On December 20, 2018, the Commissioner of Public Health approved the three CWSPs. The approved plans will now guide the implementation of the recommendations by water utilities, municipalities, state agencies, and planning organizations.

The WUCCs have transitioned from the development of Coordinated Water System Plans to the implementation of the recommendations within the Plans. A WUCC Implementation

Workgroup was convened with the specific task of prioritizing and implementing regional water supply planning recommendations. Each regional (Western, Central, and Eastern) WUCC convene quarterly or as needed to implement prioritization of each region's current and emerging requirements of public water utility service evaluation.

Environmental Engineering Program

The Environmental Engineering Program (EEP), housed within the Environmental Health & Drinking Water Branch – Environmental Health Section, supports implementation of drinking water source and wellhead protection, linking the protection of public water supplies with subsurface sewage system regulation, training, planning and enforcement activities. Subsurface sewage disposal systems serve approximately 40% of Connecticut's population. Regulatory responsibilities include small and large subsurface sewage disposal (SSDS) system plan reviews, and exception issuance for central sewage systems (systems serving two or more structures), off-site sewage systems, sewage holding tanks, and sewage system siting variances near water supply wells. Regulatory training includes courses for health agent approval to investigate, inspect, and approve plans for subsurface sewage disposal systems that are conducted throughout the year. Climate resiliency and adaptation action planning for the protection of public water supplies is underway by program staff. The EEP also coordinates with the Office of Legal Compliance on enforcement actions against licensed and unlicensed individuals in the sewage professions. Technical assistance is routinely provided by the program to local health officials.

Various activities include training of subsurface sewage system licensed installers and cleaners, design engineers, and local health department staff in the proper location, design, construction, and operation of these systems. In addition, staff review plans and specifications for all systems with

a capacity of 2,000 to 7,500 gallons per day. EEP staff conducted:

- 15 Complaint intakes for: illegal septage dumping, unlicensed installation, work practice violations and negligence.
- 47 Reviews of plans for subsurface sewage disposal systems
- 286 Central system exception request reviews
- 125 Well exceptions reviews
- 420 Technical assistance and regulation clarifications

During FY 2023, staff conducted regulatory training courses, Phase I and II Subsurface Sewage Disposal Certification courses for health agent approval to investigate, inspect, and approve plans for subsurface sewage disposal systems. The sessions were held in September, October, and November 2022 (Phases I and II), and March and April 2023 (Phase I). Staff prepared presentation material and conducted training of local health officials on required regulations for new and repair subsurface sewage disposal systems. Training was conducted both virtually and in-person. In January, February and March 2023, staff conducted two webinars

and nine in-person regulatory update seminars. Staff prepared the training materials, hosted the webinars, and prepared documents for release to local health departments, design engineers, licensed installers, and cleaners and industry personnel. Staff also prepared a compendium of literature and regulations, which include documents, studies and reports focusing on climate change and the increased risk of water-related illnesses expected under current climate change predictions. At the current rate of change, a sea level rise of 20 inches along Connecticut's coast between 2000 and 2050 is projected. Planning is underway for resiliency adaptations for coastal saltwater intrusion into SSDS infrastructure (caused by climate change) that has the potential to impact PWSs.

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



COMPLIANCE WITH OPERATING AGREEMENT, GRANT CONDITIONS, AND PROGRAM REQUIREMENTS

As described previously, DPH has an Operating Agreement with the EPA for the administration of the DWSRF program. The OA includes several conditions that must be met on an ongoing basis. During FY 2023, the following activities related to these conditions were completed.

- Attorney General Certification included with FFY 2023 grant application met the requirement of the State having the authority to conduct the DWSRF program
- Deposited state matching funds. The State has provided a cumulative amount of approximately \$64.8 million through FY 2023 as state match for the capitalization grants. This is approximately \$13.8 million more than the requirement of \$50.4 million through FFY 2023.
- Reviewed technical, financial, and managerial capacity of assistance recipients
- Maintained DWSRF loan account, set-aside account, and DWSRF administration account
- Required DWSRF loan recipients to adhere to accounting and auditing procedures
- Submitted IUP and used all funds in accordance with the IUP
- Complied with enforceable requirements of the SDWA
- Independent auditor has evaluated program on a yearly basis
- Implemented/maintained system to minimize risk of waste, fraud, abuse, and corrective action
- Submitted and obtained EPA approval for DWSRF Set-Aside Work plans
- Requested approval from the EPA Project Officer as needed prior to any significant deviation to the approved work plans

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

Applicant Credit Evaluation: OTT staff conducted a credit review evaluation for all borrowers. This evaluation determined whether an applicant has the ability to repay a loan.

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

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

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

Minority and Women’s Business Enterprises (MBE/WBE): The DWSRF utilized the same percentages that were approved by the EPA for the Clean Water SRF program of 3% for MBE participation and 5% for WBE participation. DPH utilized equivalency for MBE/WBE reporting beginning with the October 2014 report. During FY 2023, all required reports were submitted.

Conduct Environmental Reviews: All public water system projects that received assistance during FY 2023 were reviewed using the DWS’s “Environmental Reviews of DWSRF Project” guidance document.

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

EPA State Revolving Fund (SRF) Data System: After full execution of the funding agreement, each project was entered into the EPA SRF database. Upon completion of the project and closure of the permanent financing, each project entry was updated.

Bypassed Projects: During FY 2023, it was not necessary to bypass any project.

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

Appendix III lists the projects which entered into binding commitments during FY 2023 and identifies those which are required to comply with AIS. All projects funded during FY 2023 are required to follow these requirements. Each funding agreement includes language referencing the applicability of AIS requirements, regardless if a project is utilizing a waiver or not. All projects are reviewed for compliance with the AIS requirements during routine site visits.

Included with the BIL, the Build America, Buy America Act (BABA) will expand upon the AIS and require more materials and products to be Made in the USA. This requirement was imparted upon

the award of the FFY 2022 capitalization grants. Each funding agreement includes language referencing the applicability of BABA requirements, regardless if a project is utilizing a waiver or not. All projects subject to BABA are reviewed for compliance with the requirements during routine site visits.

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

Federal Funding Accountability and Transparency Act (FFATA): The full amount of reporting requirements through FFY 2021 was met during FY 2022. Projects reported under FFATA will be used for all equivalency reporting, including MBE/WBE utilization and BABA. No loans were reported during FY 2023. Reporting for FFY 2022 funds is anticipated to be completed during FY 2024.



Additional Subsidization

As explained in the project financing section of this report, the DWSRF program has been providing additional subsidy with project loans beginning with the FFY 2010 capitalization grant. Connecticut has met the annual requirements to have subsidy included in executed loans and completed disbursements for FFY 2010 through FFY 2017. The full amount of additional subsidy has been committed for FFY 2018 and disbursements are ongoing and it is expected that the disbursements will be completed during FY 2023. In no case has any maximum amount of committed or disbursed subsidy been exceeded.

DPH acknowledges that we have not yet met our subsidy commitment goals for the 2019, 2020, 2021 and 2022 grants. It is expected that the subsidy for FFY 2019 will be committed by December 31, 2023, the subsidy for FFY 2020 will be committed by October 31, 2023, and the subsidy for FFY 2021 and FY 2022 will be committed by June 2024. Several agreements are expected to be executed during FY 2024 and assigned to these grants. The remaining projects that are expected to be assigned to these grant years are in various stages of the review process.

In previous years, projects had not been held to “readiness” as strictly as they are currently. As a result, there is still some catching up to do as these projects finally proceed to funding agreements and construction. In addition, project delays in FY 2020 and 2021 due to pandemic and inflation are still being felt and will take time to return to normal.

The goal of committing the minimum required subsidy by the end of the second year after the grant appropriation will not be met for FFY 2019, FFY 2020 and FFY 2021. Going forward, we do expect this goal to be met for FFY 2023 and beyond. DPH understands the importance of committing and disbursing these funds in a timely manner, as they have a direct impact on the levels of ULOs.

The AWIA of 2018 required states to provide a certain amount of subsidy to disadvantaged communities beginning with the FFY 2019 capitalization grant.

DPH developed a Disadvantaged Community Assistance Program (DCAP) within the FY 2020 Intended Use Plan. The minimum subsidy has been committed and disbursed under this program for both the FFY 2019 and FFY 2020 grants. No subsidy has been committed yet under the FFY 2021 and FFY 2022 grant. Several eligible projects are in the process of development of loan agreements which will receive this subsidy. It is expected that the remaining amount of subsidy available under the FFY 2019 grant will be committed by December 2023. The DPH intends to utilize the maximum amount of subsidy available from all grants.

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

Summary of Federal Subsidies									
Cap Grant FFY	Minimum Amount of Federal Subsidy to Disburse	Maximum Amount of Federal Subsidy to Disburse	Total Federal Subsidy Amount Committed as of June 30, 2023	Additional Federal Subsidy Expected to be Committed	Federal Subsidy Amount Disbursed as of June 30, 2023	Remaining Federal Subsidy Amount Expected to be Disbursed	Estimated Month for Committal of Minimum Subsidy	Estimated Month for Disbursement of Minimum Federal Subsidy	Estimated Month for Full Disbursement of Federal Subsidy
2010	\$4,071,900	N/A	\$4,723,405	\$0	\$4,723,405	\$0	Achieved	Achieved	Achieved
2011	\$2,825,400	N/A	\$2,990,646	\$0	\$2,990,646	\$0	Achieved	Achieved	Achieved
2012	\$1,795,000	\$2,692,500	\$2,203,031	\$0	\$2,203,031	\$0	Achieved	Achieved	Achieved
2013	\$1,684,200	\$2,526,300	\$1,720,424	\$0	\$1,720,424	\$0	Achieved	Achieved	Achieved
2014	\$1,792,400	\$2,688,600	\$1,937,451	\$0	\$1,937,451	\$0	Achieved	Achieved	Achieved
2015	\$1,778,600	\$2,667,900	\$1,926,939	\$0	\$1,926,939	\$0	Achieved	Achieved	Achieved
2016	\$1,684,600	\$1,684,600	\$1,684,600	\$0	\$1,684,600	\$0	Achieved	Achieved	Achieved
2017	\$1,670,200	\$1,670,200	\$1,670,200	\$0	\$1,670,200	\$0	Achieved	Achieved	Achieved
2018	\$2,221,400	\$2,221,400	\$2,221,400	\$0	\$2,205,498	\$15,902	Achieved	November 2023	November 2023
2019	\$2,200,800	\$2,200,800	\$1,215,890	\$984,910	\$979,914	\$1,220,886	December 2023	December 2024	December 2024
2019 DCAP	\$660,240	\$3,851,400	\$3,815,322	\$36,078	\$3,582,946	\$268,454	Achieved	Achieved	October 2024
2020	\$1,541,540	\$1,541,540	\$0	\$1,541,540	\$0	\$1,541,540	March 2024	June 2025	June 2025
2020 DCAP	\$660,660	\$3,853,850	\$1,507,058	\$2,346,892	\$1,230,254	\$2,623,596	Achieved	Achieved	January 2025
2021	\$1,540,140	\$1,540,140	\$0	\$1,540,140	\$0	\$1,540,140	June 2024	December 2025	December 2025
2021 DCAP	\$660,060	\$3,850,350	\$0	\$3,850,350	\$0	\$3,850,350	June 2024	December 2024	December 2025
2022	\$981,120	\$981,120	\$0	\$981,120	\$0	\$981,120	June 2024	December 2025	December 2025
2022 DCAP	\$840,960	\$2,452,800	\$0	\$2,452,800	\$0	\$2,452,800	June 2024	December 2024	December 2025
Bipartisan Infrastructure Law Subsidy									
2022 Gen	\$8,816,080	\$8,816,080	\$0	\$8,816,080	\$0	\$8,816,080	June 2024	December 2025	December 2025
2022 LSL	\$13,891,500	\$13,891,500	\$0	\$13,891,500	\$0	\$13,891,500	June 2024	December 2025	December 2025
2022 EC	\$6,258,450	\$6,258,450	\$0	\$6,258,450	\$0	\$6,258,450	June 2024	December 2025	December 2025

DWSRF Program Goals

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

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

- Maintaining use of a two-year budget planning period to coincide with the State's biennial budget
- Criteria in the DWSRF Priority Ranking System continues to place significant emphasis on ready-to-proceed projects
- Allowing for new project eligibility applications to be submitted at any time during the year and update the Comprehensive Project List in the IUP with these new projects in a timely manner
- Continuing to work closely with DWSRF loan applicants, along with coordination of regulatory review and loan preparation activities
- Maintaining a pipeline of projects through close interaction with PWSs concerning their system needs during the data gathering process for the 2011 and 2015, and 2021 EPA Drinking Water Infrastructure Needs Survey and Assessment (DWINSA), and working to better promote and explain the DWSRF process
- Continuing to institute streamlining techniques, as time permits

Maintaining an adequate staffing level has also been identified as an important factor in the success of the DWSRF program, and overall in the assistance and

oversight provided to all PWSs. While the minimum goals continue to be achieved, the increased workload on staff is not sustainable. The majority of the staff time is spent implementing the minimum necessary to maintain the program and ensure compliance with ever-increasing federal requirements. Staff do not have time for the efforts needed to grow the program and improve processes for the borrowers.

The Small Loan Program was created during FY 2019 to further refine the streamlined procurement procedures that allow small, low-cost (less than \$100,000), non-construction projects to more easily progress through the contractor selection process while still meeting all state and federal procurement and contracting requirements. This process began with the Emergency Power Generator Program and has proved to work very well. It is expected that these procedures will greatly improve the overall DWSRF process for small water systems and increase the number of projects funded for these systems. During FY 2023, one loan was executed under this program.

The DWS continues to work toward transitioning from the current databases to utilizing the Loan and Grants Tracking System (LGTS). Activities during FY 2023 involved continued use of the financial tracking of funding agreements and the start of inputting additional project details. Further modifications to the current project database to help ensure smoother development and transfer of information and development of the LGTS project module have continued, including transitioning to a web-based platform.

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

ULO project balances as of July 1, 2023 are: Base program is \$14,927,000.69; BIL General Supplemental is \$12,594,035; BIL Emerging Contaminants is \$6,258,450; and BIL Lead Service Lines is \$25,024,445. Due to program requirements, all monies provided as federal subsidy must come directly from the federal capitalization grant. As a result, a balance of project

ULO must be maintained in an amount sufficient to fund federal subsidy payments for qualifying projects currently under funding agreements and those for which funds are being carried over. The ULO set-aside balance for the base program is \$3,458,652.89. The set-aside balances for the BIL capitalization grants are \$5,397,965 for General Supplemental, \$1,296,550 for Emerging Contaminant, and \$3,325,555 for Lead Service Lines.

DPH closely monitors DWSRF ULOs with the goal being the expeditious disbursement of each capitalization grant. DPH has a ULO Reduction Plan which outlines strategies to keep DWSRF project and set-aside ULOs as low as possible. EPA has established a national objective for states to not have more than two capitalization grants with funds remaining at any one time. DPH does not expect to fully disburse and draw the remaining funds associated with the FFY 2020 capitalization grant by October 2021. Project delays in FY 2020 and 2021 due to Covid-19, along with supply chain issues, are still being felt and will take time to return to normal. The delay in finalizing the FY 2023 IUP greatly impacted the ability to commit and utilize funds from both the annual capitalization grant award and BIL awards for both projects and set-asides. It is expected that the ULOs will be greatly reduced in FY 2024. It is expected that the FFY 2020 funds will be fully disbursed during FY 2024. The DPH strives to meet the EPA goal in the future.

The set-asides are primarily used to support adequate levels of DWS staffing to implement the DWSRF, Source Water Protection, Capacity Development, and Public Water System Supervision Programs with limited outside contractual support. The State provides in-kind matching funds to obtain our federal EPA grants; however, non-matching state contributions for these activities have diminished in recent years and are not expected to increase in the foreseeable future due to current State budget deficit projections. DPH has been carrying over unspent set-asides from prior years' capitalization grants to sustain these programs. Since 2019, the DPH has been able to collect fees from PWSs to

provide additional support for these programs and reduce our dependence on the capitalization grant carryovers. DPH had authorization to collect fees under Public Act 19-117, enacted as CGS § 19a-37f. This statute allowed for collection of fees from Community and Non-Transient Non-Community PWSs through State FY 2021. Although this assessment is no longer being collected, the State continues to fund the staff salaries that were previously covered by the assessment. DPH's ULO Reduction Plan accelerated the rate of spending these carryover funds to reduce ULOs, but it is necessary to manage those funds in a manner that minimizes the risk of diminishing the important services provided by the programs until alternative sources of new funding are obtained.

With primary SDWA enforcement responsibility granted by the EPA, the DWS requires sufficient resources to meet the many requirements for state primacy. Increasing oversight of state programs current implementation of and compliance with federal rules, such as lead and copper, has led to an increase in workload. The State's drinking water program is in need of additional funding resources in the near future to sustain our current staffing level and necessary to reach an optimal staffing level.



APPENDICES



Appendix I: Management of DWSRF Program

Department of Public Health (DPH)

The DPH is a State of Connecticut regulator focused on protecting public health by regulating access to the health care professions as well as community-based and environmental providers and provides regulatory oversight of health care facilities and other services including drinking water systems. The DPH is the primary agency responsible for the administration of state and federal drinking water regulations. This mandate focuses on the use and the protection of the state's drinking water resources and assuring the quality and adequacy of the State's public drinking water sources. The Drinking Water Section within the DPH is responsible for enforcement of and compliance with State and federal laws, rules, and regulations pertaining to drinking water and its use in the state. CGS Section 25-32 grants DPH jurisdiction over all matters concerning the purity and adequacy of drinking water and provides regulatory oversight of PWSs throughout the state. In the course of a day, virtually every State resident as well as many others who visit the state come into contact with drinking water provided by a public water system. DPH monitors approximately 2,367 PWSs in the State. Of those, approximately 715 PWSs are eligible for DWSRF funding. PWSs monitoring activities include:

- Emphasizing the importance of reaching these potential applicants through the implementation of its public outreach initiatives simultaneously with the improvement of the DWSRF program
- Reaching and maintaining low levels of ULOs associated with capitalization grant awards (projects and set-asides)
- Determining future needs and setting priorities with the preparation of a one-year Project Priority List

- Providing project information to the DEEP for development of the biennial capital budget
- Distributing applications and project information to OTT and when applicable, the DEEP's PURA, for review and approval. Once approved, the loans with the DWSRF borrowers are signed by the DPH
- Establishing a compliance schedule for each step of the project, including planning, design, and construction
- Quarterly and Annual reporting on the details of these and other program activities to the EPA
- Conducting the Public Hearing and Open Forum on the IUP and Project Priority List
- Participating as a member of the DWSRF Interagency Committee

Department of Energy and Environmental Protection (DEEP)

The Connecticut DWSRF, as one of the major programs of the Connecticut Clean Water Fund, was created and initially managed through the coordination of DPH, the Department of Environmental Protection (now DEEP), the Department of Public Utility Control (DPUC), and the OTT. The State Clean Water Act gave the agencies certain statutory responsibilities for the DWSRF, and the agencies worked together through an Interagency Committee. As the program has evolved, the DPUC has been absorbed into the DEEP as the Public Utilities Regulation Authority (PURA) and the DEEP coordinates the capital budget requests for the entire Clean Water Fund, including the DWSRF. DEEP participates as a member of the DWSRF Interagency Committee.

Appendix I: Management of DWSRF Program (cont.)

Office of the State Treasurer

OTT has responsibilities for the DWSRF's financing program and various financial components of the DWSRF. The State Treasurer and the Commissioner of the Department of Environmental Protection entered into a Memorandum of Agreement in 1989 which was later modified by a Memorandum of Understanding in 2009 and in 2022 and signed by the Department of Public Health Commissioner. These Agreements delegate to the State Treasurer various financial components of the CWF and the DWF and certain responsibilities with respect to the implementation and management of the CWF and the DWF. A financial administrator, who works for the State Treasurer, manages and coordinates the various financial components of the CWF and DWF programs on a day-to-day basis. The activities of the financial administrator are coordinated with those of the DPH, the DEEP, and OPM.

Financing Program Administration

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

Appendix II: Federal Capitalization Grant and State Match Summary

Federal Capitalization Grant and State Match* (Base and Supplemental)								
As of June 30, 2023								
Federal Fiscal Year	Project Funds	Set-Aside Funds	Total Capitalization Grant	Cumulative Capitalization Grant	State Match Provided	Required State Match	Cumulative State Match Provided	
1997	\$14,771,658	\$6,636,542	\$21,408,200	\$21,408,200	\$0	\$4,281,640	\$0	\$0
1998	4,913,697	2,207,603	7,121,300	28,529,500	0	1,424,260	0	0
1999	5,150,022	2,313,778	7,463,800	35,993,300	0	1,492,760	0	0
2000	5,352,330	2,404,670	7,757,000	43,750,300	0	1,551,400	0	0
2001	5,374,479	2,414,621	7,789,100	51,539,400	10,398,696	1,557,820	10,398,696	10,398,696
2002	5,556,225	2,496,275	8,052,500	59,591,900	0	1,610,500	10,398,696	10,398,696
2003	5,522,829	2,481,271	8,004,100	67,596,000	0	1,600,820	10,398,696	10,398,696
2004	5,729,139	2,573,961	8,303,100	75,899,100	0	1,660,620	10,398,696	10,398,696
2005	5,716,995	2,568,505	8,285,500	84,184,600	0	1,657,100	10,398,696	10,398,696
2006	5,678,217	2,551,083	8,229,300	92,413,900	5,000,000	1,645,860	15,398,696	15,398,696
2007	6,500,910	1,482,471	7,983,381	100,397,281	1,610,500	1,596,676	17,009,196	17,009,196
2008	6,924,100	1,467,519	8,391,619	108,788,900	1,600,820	1,678,324	18,610,016	18,610,016
2009	4,399,080	3,746,920	8,146,000	116,934,900	3,616,640	1,629,200	22,226,656	22,226,656
2010	9,215,370	4,267,630	13,483,000	130,417,900	0	2,696,600	22,226,656	22,226,656
2011	6,022,180	3,395,820	9,418,000	139,835,900	3,078,085	1,883,600	25,304,741	25,304,741
2012	6,192,750	2,782,250	8,975,000	148,810,900	0	1,795,000	25,304,741	25,304,741
2013	5,622,130	2,798,870	8,421,000	157,231,900	7,169,861	1,684,200	32,474,602	32,474,602
2014	6,183,780	2,778,220	8,962,000	166,193,900	1,065,307	1,792,400	33,539,909	33,539,909
2015	6,143,070	2,749,930	8,893,000	175,086,900	941,253	1,778,600	34,481,163	34,481,163
2016	5,811,870	2,611,130	8,423,000	183,509,900	5,968,953	1,684,600	40,450,116	40,450,116
2017	5,696,230	2,654,770	8,351,000	191,860,900	552,847	1,670,200	41,002,963	41,002,963
2018	7,663,830	3,443,170	11,107,000	202,967,900	493,425	2,221,400	41,496,388	41,496,388
2019	7,592,760	3,411,240	11,004,000	213,971,900	7,343,843	2,200,800	48,840,232	48,840,232
2020	7,597,590	3,413,410	11,011,000	224,982,900	193,100	2,202,200	49,033,332	49,033,332
2021	7,590,690	3,403,410	10,994,100	235,977,000	15,157,085	2,198,820	64,190,416	64,190,416
2022	3,868,020	3,139,980	7,008,000	242,985,000	623,988	1,401,600	64,814,405	64,814,405
2022**	12,594,035	5,397,965	17,992,000	17,992,000	0	1,799,200	64,814,405	64,814,405
						<u>\$50,396,200</u>		34.08%

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

** BIL General Supplemental Federal Capitalization Grant and State Match. BIL Lead Service Line and BIL Emerging Contaminants do not require state

Appendix III: Drinking Water SRF Binding Commitments

Loan Agreement #	Loan Agreement Execution Date	PWSID	Public Water System Name	Project Name	Total DWSRF Funding Amount	Loan Amount	Federal Subsidy Amount	Assigned Cap Grant FFY for Subsidy	AIS
2022-7106	7/12/2022	CT0930011	South Central CT Regional Water Authority *	Seymour Well 4B	\$979,824	\$718,180	\$261,644	2019 DCAP	Y
2022-7107	7/12/2022	CT0930011	South Central CT Regional Water Authority *	Brushy Plains Water System Improvements	\$986,423	\$758,483	\$227,940	2019 DCAP	Y
2022-7108	9/15/2022	CT0890011	New Britain Water Department *	New Britain SCADA	\$1,862,269	\$1,350,920	\$511,349	2020 DCAP	Y
2023-7109	10/12/2022	CT0070021	Berlin Water Control Commission †	Water Main Replacement - Berlin Turnpike	\$1,678,303	\$1,428,303	\$250,000	2019	Y
2021-6001	10/13/2022	CT0210012	Housatonic Valley Regional H.S. - System #1 †	Booster Pump Replacement - Housatonic	\$26,290	\$20,315	\$5,975	2019	Y
2023-7111	1/10/2023	CT1420021	Baxter Farm Community Water Association †	Water Storage Tank Replacement	\$44,625	\$34,000	\$10,625	2019	Y
2023-7110	3/17/2023	CT0640011	Metropolitan District Commission	Boulevard/Garfield Water Main WH	\$2,084,304	\$1,934,304	\$150,000	2019	Y
2023-7112	3/23/2023	CT0770021	Manchester Water Department	Ridgewood/Griswold Area Water Main Replacement	\$1,413,069	\$1,278,491	\$134,578	2019	Y
				Total funded amounts:	\$9,075,106	\$7,522,995	\$1,552,111		
† - These PWSs are considered "small" for the purposes of DWSRF funding.									
* - This project received subsidy under the Disadvantaged Community Assistance Program which is included in the amount shown.									

Appendix IV: Drinking Water Projects – FY 2023 Disbursements, Receipts, Outstanding & Estimated Additional Commitments

Applicant	Town	Federal Subsidy Disbursed FY2023	Loan Disbursed FY2023	Loan Received FY2023	IFO/PLO Loan Outstanding at 06/30/2023	Undrawn Loan Commitments	Estimated Additional Commitments thru 06/30/2024
Aqua Vista Association Inc.	Danbury	-	-	9,496	128,606	-	-
Ashford Hills, LLC	Ashford	-	-	2,425	8,199	-	-
Baxter Farms Community Water Assoc.	Tolland	8,742	26,225	2,169	33,000	7,775	122,456
Berlin	Berlin	222,032	1,029,914	-	1,029,914	398,389	-
Bethel	Bethel	32,652	115,456	349,342	6,451,117	-	7,690,000
Bristol	Bristol	-	-	61,991	901,752	-	4,774,776
Brookfield	Brookfield	224,495	783,196	24,193	759,003	-	-
Candlewood Knolls Water Authority	New Fairfield	-	-	7,454	168,208	-	-
Colchester	Colchester	-	-	134,740	731,005	-	262,500
Cook Willow	Plymouth	-	-	1,886	73,549	-	-
Cromwell Fire District	Cromwell	-	-	7,444	107,005	-	1,350,000
Danbury	Danbury	-	-	-	-	-	2,474,321
East Lyme	East Lyme	-	-	850,077	10,425,121	-	-
East Windsor	East Windsor	-	-	-	-	-	578,125
Groton	Groton	-	-	3,575,000	35,425,000	-	-
Guilford	Guilford	-	-	174,202	2,379,059	-	-
Hazardville Water Co	Enfield	-	-	4,073	15,283	-	-
Heritage Cove Condominiums	Essex	-	-	2,397	34,603	-	-
Jewett City - Other	Jewett City	-	-	3,830	2,269	-	-
Killingworth	Killingworth	-	-	-	-	-	47,500
Knob Hill Condominiums	Colchester	-	-	3,014	4,527	-	-
Ledyard	Ledyard	-	-	329,924	3,097,696	-	-
Madison	Madison	-	-	-	-	-	275,000
Manchester	Manchester	-	-	100,749	1,853,672	-	-
Meriden	Meriden	-	-	1,008,473	13,038,727	-	-
Middletown	Middletown	-	-	-	-	-	17,500
Montville	Montville	-	-	-	-	-	1,406,033
N Willington Village Condo Assoc	Willington	-	-	-	199	-	-
Naugatuck	Naugatuck	-	-	811	543	-	654,895
New Britain	New Britain	583,456	1,783,245	1,394,500	5,554,384	1,054,409	250,000
New Fairfield	New Fairfield	-	-	-	-	-	1,457,730
New Haven	New Haven	-	-	-	-	-	25,330,650
New London	New London	-	-	255,648	3,762,982	-	2,585,000
New Milford - Candlewood Trails	New Milford	-	-	29,765	308,420	-	-
Newtown	Newtown	-	-	40,861	25,791	-	-
Northland Country Living, LLC DBA Garden Lane Apts.	Morris	-	-	4,601	8,373	-	-
Norwalk - First Taxing District	Norwalk	102,576	2,744,691	358,974	9,941,475	2,667,221	5,896,080

Applicant	Town	Federal Subsidy Disbursed FY2023	Loan Disbursed FY2023	Loan Received FY2023	IFO/PLO Loan Outstanding at 06/30/2023	Undrawn Loan Commitments	Estimated Additional Commitments thru 06/30/2024
Norwich	Norwich	777,389	457,549	1,200,081	17,238,632	-	1,672,050
Portland	Portland	-	-	91,198	803,851	-	-
Prospect - Harmony Acres	Prospect	-	-	1,924	1,140	-	-
Putnam	Putnam	-	-	-	-	-	98,750
Putnam River Trail	Putnam	-	-	53,764	403,226	-	-
Regional School District No 1	Falls Village	5,975	20,315	20,315	-	-	-
Ridgefield	Ridgefield	-	-	27,355	210,313	-	2,132,910
Southeastern CT Water Authority	Various	-	-	8,876	96,570	-	-
Sharon	Sharon	-	-	28,842	11,345	-	-
Simsbury - Tariffville Fire	Simsbury	-	-	52,629	847,013	-	-
South Central CT Regional Water Authority	Various	489,584	1,476,663	1,380,947	25,413,542	-	-
Southington	Southington	-	-	426,832	7,867,834	-	-
St. Joseph's Church Brookfield	Brookfield	-	-	3,991	85,725	-	-
The Juniper Club, Inc.	Bloomfield	-	-	338	5,084	-	-
The Metropolitan District	various	601,003	4,232,457	3,659,564	55,670,667	1,413,952	28,610,916
Waterbury	Waterbury	-	-	155,234	3,011,218	-	-
Wellswood Estates Foundation, Inc.	Willimantic	-	-	4,283	38,375	-	-
Westchester Hills Condo Assoc. Inc.	Westchester	-	-	4,693	6,005	-	-
Weston	Weston	-	-	-	-	-	76,906
Winchester	Winchester	946,685	1,092,528	-	1,092,528	-	2,909,992
Windham	Windham	-	-	-	-	-	312,008
Woodlake Tax District	Woodbury	-	-	58,417	438,233	-	-
Woodland Summit Community Water	Tolland	-	-	9,581	166,440	-	-
Yeshiva Gedolah of Waterbury	Durham	-	-	3,379	23,706	-	-
Totals		3,994,589	13,762,241	15,930,279	209,700,934	5,541,745	90,986,099

Appendix V: Cumulative Set-Aside Funding by Category

<i>As of 6/30/2023</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Capacity Development and Wellhead Protection)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	15%	31%
1997-2016 Awarded	\$7,879,396	\$7,438,576	\$10,016,936	\$11,762,386	\$17,429,186
Drawn thru 06/30/2023	\$7,879,396	\$7,438,576	\$10,016,936	\$11,762,386	\$17,429,186
Balance	\$0	\$0	\$0	\$0	\$0
2017 Award	\$400,000	\$167,020	\$835,100	\$1,252,650	\$2,654,770
Drawn thru 06/30/2023	\$400,000	\$167,020	\$835,100	\$1,252,650	\$2,654,770
Balance	\$0	\$0	\$0	\$0	\$0
2018 Award	\$444,280	\$222,140	\$1,110,700	\$1,666,050	\$3,443,170
Drawn thru 06/30/2023	\$444,280	\$222,140	\$1,110,700	\$1,666,050	\$3,443,170
Balance	\$0	\$0	\$0	\$0	\$0
2019 Award	\$440,160	\$220,080	\$1,100,400	\$1,650,600	\$3,411,240
Drawn thru 06/30/2023	\$440,160	\$220,080	\$1,100,400	\$1,650,600	\$3,411,240
Balance	\$0	\$0	\$0	\$0	\$0
2020 Award	\$440,440	\$220,220	\$1,101,100	\$1,651,650	\$3,413,410
Drawn thru 06/30/2023	\$440,440	\$220,219	\$1,101,100	\$1,651,650	\$3,413,409
Balance	\$0	\$1	\$0	\$0	\$1
2021 Award	\$440,040	\$220,020	\$1,100,100	\$1,650,150	\$3,410,310
Drawn thru 06/30/2023	\$437,452	\$45,248	\$958,844	\$1,650,094	\$3,091,638
Balance	\$2,588	\$174,772	\$141,256	\$56	\$318,672
2022 Award	\$370,320	\$237,660	\$1,480,800	\$1,051,200	\$3,139,980
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
Balance	\$370,320	\$237,660	\$1,480,800	\$1,051,200	\$3,139,980
TOTAL Awarded:	\$10,414,636	\$8,725,716	\$16,745,136	\$20,684,686	\$36,902,066
Drawn thru 06/30/2023	\$10,041,728	\$8,313,283	\$15,123,080	\$19,633,429	\$33,443,412
TOTAL Balance:	\$372,908	\$412,433	\$1,622,056	\$1,051,257	\$3,458,654

BIL General Supplemental FFY 2022					
<i>As of 6/30/2023</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Cap. Dev. and Wellhead Protection)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	15%	31%
2022 Award	\$719,680	\$359,840	\$1,799,200	\$2,519,245	\$5,397,965
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
Balance	\$719,680	\$359,840	\$1,799,200	\$2,519,245	\$5,397,965
TOTAL Awarded:	\$719,680	\$359,840	\$1,799,200	\$2,519,245	\$5,397,965
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
TOTAL Balance:	\$719,680	\$359,840	\$1,799,200	\$2,519,245	\$5,397,965

BIL Emerging Contaminants FFY 2022					
<i>As of 6/30/2023</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Wellhead Protection)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	5%	21%
2022 Award	\$262,200	\$151,100	\$505,500	\$377,750	\$1,296,550
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
Balance	\$262,200	\$151,100	\$505,500	\$377,750	\$1,296,550
TOTAL Awarded:	\$262,200	\$151,100	\$505,500	\$377,750	\$1,296,550
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
TOTAL Balance:	\$262,200	\$151,100	\$505,500	\$377,750	\$1,296,550

BIL Emerging Contaminants FFY 2022					
<i>As of 6/30/2023</i>	Administration	Small Systems Technical Assistance	State Program Management	Local Assistance (Cap. Development)	Total
Set-Aside Maximum Percentage:	4%	2%	10%	10%	26%
2022 Award	\$1,044,000	\$567,000	\$494,832	\$1,219,723	\$3,325,555
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
Balance	\$1,044,000	\$567,000	\$494,832	\$1,219,723	\$3,325,555
TOTAL Awarded:	\$1,044,000	\$567,000	\$494,832	\$1,219,723	\$3,325,555
Drawn thru 06/30/2023	\$0	\$0	\$0	\$0	\$0
TOTAL Balance:	\$1,044,000	\$567,000	\$494,832	\$1,219,723	\$3,325,555

Appendix VI: Green Bond Reporting - State Revolving Fund Bonds

CLEAN WATER & DRINKING WATER REVENUE GREEN BONDS

2015 SERIES A REVENUE GREEN BONDS PAR \$283,600,000 - PROCEEDS \$283,600,000 - See FY17 Annual Report for Expenditure Details

2017 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,723,051.45 - See FY19 Annual Report for Expenditure Details

2019 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,715,831.53 - Issue Date: 7/9/2019

Recipient	Program	Project #	Project Description	Disbursements
Arnio Drive	Drinking Water	2019-9063	Generator	\$8,486.61
Berlin	Clean Water	217-CSL	Belcher Brook interceptor sewer rehab project	1,933,314.07
Bethel	Drinking Water	2018-7067	Briar Cliff pump station	622,599.06
Bethel	Drinking Water	2019-7075	Various Water main replacements	644,494.66
Bridgeport	Clean Water	681-C	Combined sewer overflow storm water pump station	215,323.54
Bridgeport	Clean Water	706-DC	West side wastewater treatment plan improvements	476,362.73
Bristol	Clean Water	640-DC	Upgrade WPCF	53,749.84
Bristol	Drinking Water	2019-7073	DeWitt Drive storage tank improvements	490,610.32
East Lyme	Drinking Water	2020-7082	AMI Water meter replacement program	1,292,644.50
Enfield	Clean Water	671-DC	Upgrade WPCF design and construction	19,437,726.56
Farmington	Clean Water	620-DC	WPCF facility upgrade	11,964,552.38
GNH WPCA	Clean Water	711-DC	Short term control plan improvements to reduce CSO's	4,922,694.36
Groton	Drinking Water	2017-7059	Upgrade Poquonock water treatment plant	20,911,791.25
Juniper Club	Drinking Water	2019-9062	Generator	5,389.48
Killingly	Clean Water	524-DC	Reconstruction of the Rogers Village Pump Station	40,952.78
Killingly	Clean Water	688-D	Design upgrade to Killingly WPCF	331,090.40
Killingly	Clean Water	688-C	Upgrade to Killingly WPCF	5,559,336.90
Little Brook Road	Drinking Water	2018-9059	Generator	8,036.29
MDC	Clean Water	219-CSL	Goff Brook overflow closure	27,318,740.80
MDC	Clean Water	221-CSL	Cedar Street sewer/water main project Newington	1,690,106.35
MDC	Clean Water	652-C	WPCA facility upgrade	2,078,420.38
MDC	Clean Water	657-CD1	Hartford WWTP upgrades	22,430,266.65
MDC	Clean Water	692-C1	Construction of the MDC SHCST	53,673,618.76
MDC	Clean Water	697-DC	MDC Hartford WPCF RSRF, GT and solids processing	14,859,749.60
MDC	Drinking Water	2017-7055	Install radio based meter reading equipment phase IV	177,905.23
MDC	Drinking Water	2018-7061	Water main replacement Montclair and Linbrook area in Hartford	376,919.98
MDC	Drinking Water	2018-7062	Water main replacement Garden Street in Wethersfield	926,357.58
MDC	Drinking Water	2019-7074	Water main replacement Bond Street	1,730,861.05
Middletown	Clean Water	220-CSL	Old Mill Rd area-sanitary sewer, water main & surface improvements	1,591,466.57
Middletown	Clean Water	696-C	Demo old and construct new inter-municipal pump station	13,270,836.97
New Britain	Drinking Water	2018-7066	Filter plant upgrade, water main improvements, water surface supply station	718,165.25
Norwich	Clean Water	707-PD	Develop long term control plan to reduce combined sewer discharges	793,388.86
Norwich	Drinking Water	2017-7056	Mohegan Park water tank installation	484,037.93
Norwich	Drinking Water	2019-7069	Occum Tank and Deep River Filters Rehabilitation	1,651,813.15
Norwich	Drinking Water	2019-7072	AMI Water meter replacement program	1,582,334.77
Norwich	Drinking Water	2019-7077	Stony Brook dissolved air floatation (DAF)	2,422,053.17
Norwich	Drinking Water	2019-7081	Sprague interconnection and Stony Brook main Rehabilitation	1,992,897.12
Old Colony Beach Club	Clean Water	720-D	Design sewers, drainage and green infrastructure improvements	389,834.78
Old Lyme Shores	Clean Water	645-D	Design sewers, drainage and green infrastructure improvements	425,211.15
Old Saybrook	Clean Water	673-C1	Decentralized wastewater management system	1,210,941.37
Plainville	Clean Water	715-DC	WPCF phosphorus removal upgrade project	6,969,112.84
SCCRWA	Drinking Water	2019-7064	Burwell Hill tank replacement	2,366,281.38
SCCRWA	Drinking Water	2019-7078	AMI Water meter replacement program	3,912,957.51
SCCRWA	Drinking Water	2019-7070	Lake Saltonstall water storage tank improvements	791,232.48
Southington	Clean Water	651-DC	WPCF phosphorus removal upgrade project	19,489,796.08
Southington	Drinking Water	2019-7080	Well installation and improvements	2,228,348.74

CLEAN WATER & DRINKING WATER REVENUE GREEN BONDS

2015 SERIES A REVENUE GREEN BONDS PAR \$283,600,000 - PROCEEDS \$283,600,000 - See FY17 Annual Report for Expenditure Details

2017 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,723,051.45 - See FY19 Annual Report for Expenditure Details

2019 SERIES A REVENUE GREEN BONDS PAR \$250,000,000 - PROCEEDS \$298,715,831.53 - Issue Date: 7/9/2019

<u>Recipient</u>	<u>Program</u>	<u>Project #</u>	<u>Project Description</u>	<u>Disbursements</u>
Southington	Drinking Water	2019-7076	Well installation and improvements	1,883,252.63
Torrington	Clean Water	546-DC	WPCF comprehensive upgrade	21,879,274.02
Waterbury	Clean Water	677-DC	WPCF phosphorus removal upgrade project	14,349,253.34
Waterbury	Drinking Water	2019-7060	Various Water main improvements and replacements	2,570,037.83
Woodland Summit	Drinking Water	2018-7068	AMI Water meter replacement program	200,492.03
Funds Fully Expended as of 04/30/2020				\$ 298,715,831.53
Total Remaining To Disburse				\$ -

Appendix VII: Cumulative Project Subsidy Disbursed

Additional Subsidy - FFY Disbursements Completed					
The list of completed project disbursements for these FFYs were all included in prior years' Annual Reports					
FFY	Total funding amount (agreements with subsidy)	Committed Subsidy amount	Final Subsidy amount disbursed	Minimum Subsidy	Maximum Subsidy
2010	\$24,812,486	\$4,723,406	\$4,723,406	\$4,071,900	N/A
2011	\$36,292,003	\$2,990,646	\$2,990,646	\$2,825,400	N/A
2012	\$30,832,448	\$2,203,031	\$2,203,031	\$1,795,000	\$2,692,500
2013	\$22,899,791	\$1,720,424	\$1,720,424	\$1,684,200	\$2,526,300
2014	\$22,855,356	\$1,937,451	\$1,937,451	\$1,792,400	\$2,688,600
2015	\$10,153,537	\$1,926,939	\$1,926,939	\$1,778,600	\$2,667,900
2016	\$17,064,012	\$1,684,600	\$1,684,600	\$1,684,600	\$1,684,600
No additional subsidy is expected to be committed for these FFYs.					

Additional Subsidy - FFY 2017					FFY 2017 subsidy: \$1,670,200			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
2019-7077	Norwich Public Utilities	Stony Brook WTP DAF †	2/27/2019	\$6,354,903	\$273,662	\$273,662	\$0	Disbursements complete *
2020-7086	Metropolitan District Commission	Madison Ave. Water Main Replacement - Hartford	10/13/2020	\$1,906,156	\$102,070	\$102,070	\$0	Disbursements complete ^~
Total of Disbursements completed and reported prior to FY 2023:				\$10,842,838	\$1,294,468	\$1,294,468		10 projects
Total amounts as of June 30, 2023 for FFY 2017:				\$19,103,897	\$1,670,200	\$1,670,200	\$0	
† - This project also received an additional amount of state grant-in-aid under the Public Water System Improvement Program; this project also received additional overall funding during FY 2022								
* - The subsidy assigned to this project has been split between FFY 2016 and FFY 2017 and the amount updated for 2017.								
^ - The subsidy assigned to this project has been split between FFY 2017 and FFY 2018 and the amounts updated.								
~ - The subsidy disbursement for this project was noted as complete in the 2022 report, however, the amount of subsidy assigned to this project was updated due to reassignment of subsidy from another project.								
No additional subsidy is expected to be committed for FFY 2017								

Additional Subsidy - FFY 2018					FFY 2018 subsidy: \$2,221,400			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
2021-7095	Norwalk First Taxing District	Advanced Metering Infrastructure - Phase 1	4/28/2021	\$2,000,000	\$169,447	\$153,545	\$15,902	November 2023
2021-7093	Metropolitan District Commission	Webster Hill Water Main Replacement - West Hartford	6/24/2021	\$6,128,604	\$300,000	\$300,000	\$0	Disbursements complete
2020-7086	Metropolitan District Commission	Madison Ave. Water Main Replacement - Hartford	10/13/2020	\$1,906,156	\$88,545	\$88,545	\$0	Disbursements complete *~
2022-7099	New Britain	Batterson Park Water Main replacement	10/19/2021	\$920,403	\$14,129	\$14,129	\$0	Disbursements complete ^~
Total of Disbursements completed and reported prior to FY 2023:				\$17,397,475	\$1,649,279	\$1,649,279		12 projects
Total amounts as of June 30, 2023 for FFY 2018				\$28,352,638	\$2,221,400	\$2,205,498	\$15,902	
* - The subsidy assigned to this project has been split between FFY 2017 and FFY 2018 and amounts updated								
^ - The subsidy assigned to this project has been split between FFY 2018 and FFY 2019								
~ - The subsidy disbursement for this project was noted as complete in the 2022 report, however, the amount of subsidy assigned to this project was updated due to reassignment of subsidy from another project.								
No additional subsidy is expected to be committed for FFY 2018								

Additional Subsidy - FFY 2019					FFY 2019 subsidy: \$2,200,800			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
2022-7099	New Britain	Batterson Park Water Main Replacement	10/19/2021	\$920,403	\$69,212	\$69,212	\$0	Disbursements complete ^{^~}
2022-7100	New Britain	White Bridge Facilities Upgrades (Design of New Wells & pump station)	10/19/2021	\$2,120,000	\$34,034	\$30,800	\$3,234	October 2023
2021-6005	Heritage Cove	SLP - Various Wellhouse Equipment Upgrades	12/10/2021	\$56,243	\$12,281	\$12,281	\$0	Disbursements complete
2022-7103	Norwalk First Taxing District	West Rocks Area Improvements	12/16/2021	\$6,800,000	\$150,000	\$99,957	\$50,043	April 2024
2021-7098	Bethel Water Department	2021 Water Main Replacements	12/17/2021	\$796,655	\$174,691	\$174,691	\$0	Disbursements complete
2022-7101	Brookfield - Huckleberry School	Consolidation with Aquarion Water Co. and Interconnection of Homes Served by Private Wells with High Chloride Levels	4/6/2022	\$1,012,777	\$224,495	\$224,495	\$0	Disbursements complete
2023-7109	Berlin Water Control Commission	Water Main Replacement - Berlin Turnpike	10/12/2022	\$1,678,303	\$250,000	\$222,032	\$27,968	April 2024
2021-6001	Regional School District #1	Booster Pump Replacement - Housatonic	10/13/2022	\$26,290	\$5,975	\$5,975	\$0	Disbursements Complete
2023-7111	Baxter Farm Community Water Association	Water Storage Tank Replacement (Design)	1/10/2023	\$44,625	\$10,625	\$8,742	\$1,883	January 2024
2023-7110	Metropolitan District Commission	Boulevard/Garfield Area Water Main	3/17/2023	\$2,084,304	\$150,000	\$131,729	\$18,271	May 2024
2023-7112	Manchester Water Department	Ridgewood/Griswold Area Water Main Replacement	3/23/2023	\$1,413,069	\$134,578	\$0	\$134,578	March 2024
Total amounts as of June 30, 2023 for FFY 2019				\$16,952,668	\$1,215,890	\$979,914	\$235,977	
[^] - The subsidy assigned to this project has been split between FFY 2018 and FFY 2019 [~] - The subsidy disbursement for this project was noted as complete in the 2022 report, however, the amount of subsidy assigned to this project was updated due to reassignment of subsidy from another project.								
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$984,910	\$0	\$984,910	December 2024
Totals expected for FFY 2019:					\$2,200,800	\$979,914	\$1,220,886	

Additional Subsidy - FFY 2019 - DCAP					Min FFY 2019 DCAP subsidy: \$660,240 Max FFY 2019 DCAP subsidy: \$3,851,400			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
2022-7099	New Britain - Batterson Park (DCAP only)	Batterson Park Water Main Replacement	10/19/2021	\$920,403	\$166,681	\$166,681	\$0	Disbursements complete
2022-7100	New Britain - White Bridge - planning (DCAP only)	White Bridge Facilities Upgrades (Design of New Wells & pump station)	10/19/2021	\$2,120,000	\$400,000	\$361,993	\$38,007	October 2023
2022-7102	Metropolitan District Commission	Wickham Hill Water Main Replacement - East Hartford	5/9/2022	\$3,867,347	\$650,000	\$455,630	\$194,370	October 2024
2022-7104	Norwich Public Utilities	Countryside Drive Assoc. Consolidation	5/9/2022	\$564,464	\$349,507	\$349,507	\$0	Disbursements complete
2022-7105	Winsted Water Works (Winchester)	Water Main Replacements - Case, Center and Holabird Area	6/24/2022	\$2,039,213	\$946,685	\$946,685	\$0	Disbursements complete
2022-7106	South Central CT Regional Water Authority	Seymour Well 4B	7/12/2022	\$979,824	\$261,644	\$261,644	\$0	Disbursements complete
2022-7107	South Central CT Regional Water Authority	Brushy Plains Water System Improvements	7/12/2022	\$986,423	\$159,574	\$159,574	\$0	Disbursements complete
Total of Disbursements completed and reported prior to FY 2023:				\$8,230,287	\$881,231	\$881,231	\$0	2 projects
Total amounts as of June 30, 2023 for FFY 2019 DCAP				\$19,707,962	\$3,815,322	\$3,582,946	\$232,377	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$36,078	\$0	\$36,078	October 2024
Totals expected for DCAP FFY 2019:					\$3,851,400	\$3,582,946	\$268,454	

Additional Subsidy - FFY 2020					FFY 2020 subsidy: \$1,541,540			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2021	Subsidy amount not yet disbursed as of June 2021	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2020				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$1,541,540	\$0	\$1,541,540	June 2025
Totals expected for FFY 2020:					\$1,541,540	\$0	\$1,541,540	

Additional Subsidy - FFY 2020 - DCAP					Min FFY 2020 DCAP subsidy: \$660,660 Max FFY 2020 DCAP subsidy: \$3,853,850			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
2022-7107	South Central CT Regional Water Authority	Brushy Plains Water System Improvements	7/12/2022	\$986,423	\$68,365	\$68,365	\$0	Disbursements completed
2022-7108	New Britain Water Department	SCADA	9/15/2022	\$1,862,269	\$511,349	\$234,545	\$276,804	May 2024
Total of Disbursements completed and reported prior to FY 2023:				\$6,787,815	\$927,344	\$927,344		
Total amounts as of June 30, 2023 for FFY 2020 DCAP				\$9,636,507	\$1,507,058	\$1,230,254	\$276,804	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$2,346,792	\$0	\$2,346,792	January 2025
Totals expected for DCAP FFY 2020:					\$3,853,850	\$1,230,254	\$2,623,596	

Additional Subsidy - FFY 2021					FFY 2021 subsidy: \$1,540,140			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2022.								
Total amounts as of June 30, 2023 for FFY 2021				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$1,540,140	\$0	\$1,540,140	December 2025
Totals expected for FFY 2021:					\$1,540,140	\$0	\$1,540,140	

Additional Subsidy - FFY 2021 - DCAP					Min FFY 2021 DCAP subsidy: \$660,060 Max FFY 2021 DCAP subsidy: \$3,850,350			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2021 DCAP				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$3,850,350	\$0	\$3,850,350	December 2025
Totals expected for DCAP FFY 2021:					\$3,850,350	\$0	\$3,850,350	

Additional Subsidy - FFY 2022					FFY 2022 subsidy: \$981,120			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2022				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$981,120	\$0	\$981,120	December 2025
Totals expected for FFY 2022:					\$981,120	\$0	\$981,120	

Additional Subsidy - FFY 2022 - DCAP					Min FFY 2022 DCAP subsidy: \$840,960 Max FFY 2022 DCAP subsidy: \$2,452,800			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2022 DCAP				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$2,452,800	\$0	\$2,452,800	December 2025
Totals expected for DCAP FFY 2022:					\$2,452,800	\$0	\$2,452,800	

General Supplemental Subsidy - FFY 2022					FFY 2022 Subsidy: \$8,816,080			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2022 Supplemental				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$8,816,080	\$0	\$8,816,080	December 2025
Totals expected for DCAP FFY 2021:					\$8,816,080	\$0	\$8,816,080	

BIL Lead Service Line Subsidy - FFY 2022					FFY 2022 Subsidy: \$13,891,500			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for FFY 2022 LSL				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$13,891,500	\$0	\$13,891,500	December 2025
Totals expected for BIL LSL FFY 2022:					\$13,891,500	\$0	\$13,891,500	

BIL Emerging Contaminants Subsidy - FFY 2022					FFY 2022 subsidy: \$6,258,450			
Loan Agreement #	Recipient	Project Name	Loan Agreement execution date	Total funding amount	DCAP Committed Subsidy amount	Subsidy amount disbursed as of June 2023	Subsidy amount not yet disbursed as of June 2023	Expected date of full subsidy disbursement
No loan agreements with subsidy have been executed through June 30, 2023.								
Total amounts as of June 30, 2023 for BIL EC FFY 2022:				\$0	\$0	\$0	\$0	
Additional subsidy to be committed								
multiple	Multiple - TBD	Multiple	TBD	TBD	\$6,258,450	\$0	\$6,258,450	December 2025
Totals expected for BIL EC FFY 2022:					\$6,258,450	\$0	\$6,258,450	

FINANCIAL STATEMENTS



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

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

June 30, 2023 and 2022

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2023 and 2022**

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SEWARD AND MONDE

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INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Mr. Erick Russell, Treasurer

Manisha Juthani, MD, Commissioner,
Department of Public Health,
State of Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account, as of June 30, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental 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 auditing standards generally accepted in the United States of America, 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 basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 7, 2023 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's 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 7, 2023

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2023
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) introduces the major activities affecting the operation of the SRF and is a narrative overview of the financial performance for the fiscal year ended June 30, 2023. The information contained in this discussion should be considered in conjunction with the Fund's basic financial statements and the notes thereto.

Financial Highlights

The Fund's total assets were \$363.7 million plus deferred outflows of \$0.1 million offset by liabilities of \$142.2 million. The net position at the close of fiscal year 2023 was \$221.6 million, which is an increase of \$5.2 million or 2.4% compared to fiscal year 2022's net position of \$216.4 million. The major factor influencing this increase was increased interest earnings on investments and interest earned on loans. The Revolving Fund decreased \$7.5 million as continuation of funding project loan payments has been done through the Revolving Fund until the next time revenue bonds are issued.

Restricted assets saw an increase of \$6.4 million in the current fiscal year as a result of an increase in the debt service fund related to loan principal repayments. Restricted assets are shown in accordance with the terms of an award, agreement or by state law. Most of the assets are invested and portions are restricted in accordance with the requirements of state statutes and the federal Safe Drinking Water Act. Restricted assets represent the amount of assets that relate to the federal capitalization grants and associated state match. Unrestricted assets include all assets not restricted and available for any program purpose.

The Fund's net loss before federal capitalization grants and transfers was \$3.0 million after showing a loss of \$6.7 million in fiscal year 2022. The net gain of \$3.7 million is a result of increased investment interest.

Overview of the Financial Statements

The Drinking Water Fund financial statements are reported by the Office of the State Treasurer in conjunction with the Connecticut Department of Public Health (DPH). The Treasurer's Office is responsible for reporting the detailed financial information in the Drinking Water Fund financial statements, which incorporates information generated and prepared by the DPH Business Office and DPH Drinking Water Section. The Drinking Water Fund is a part of the Clean Water Fund which is classified as an Enterprise Fund within the Proprietary Funds of the State of Connecticut's financial statements. 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 like a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Drinking Water loan program activities shown in the financial statements indicate the amount of loans financed and the amount of repayments collected during the past fiscal 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 SRF that maximizes the financing capacity of the respective federal capitalization grants, the required state match for these grants, and the Fund's assets. Based on this strategy, the SRF issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income, and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund. For the Revenue Bond Program activities, the financial statements indicate the amount of the bonds issued and retired and the remaining amount of bonds to be repaid in the future.

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

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

Operating Activities

The Drinking Water Loan Program

Loans are made to public water systems, owned by both municipalities and private entities, for project funding and consist of construction loans or interim funding obligations (IFOs), which accrue interest during construction and long-term permanent loan obligations (PLOs), which are initiated after project completion. The PLOs have 20-year repayment terms and can be prepaid at any time without penalty for loans closed prior to October 23, 2020. Commencing October 23, 2020, all new loan agreements now permit optional prepayments of principal only on or after ten (10) years from the date of any PLO. This adjustment was necessary to counteract the historically low interest rate environment that existed in fiscal years 2021 and 2022 that prompted many borrowers to prepay their SRF loans before their scheduled maturity. The State followed the tax law requirements by using the prepayments to originate new loans and defease debt in keeping with IRS guidance. There is subsidization available for qualified projects through the federal capitalization grants and state grant funds.

During fiscal year 2023, payments to public water systems for ongoing projects totaled \$13.8 million. Completed projects that were permanently financed during the fiscal year totaled \$18.3 million. There were seven new construction loan commitments made to public water systems during fiscal year 2023 totaling \$9.1 million.

Further details about the loans can be found in the Notes to the Financial Statements.

Loan repayment collection services are provided by the Trustee. Repayments on the DWF loans made by the State since 1998 are paid to the Drinking Water State account held by the Trustee. These funds provide security for the bonds and any new bonds issued hereafter.

Non-Operating Activities

Investment of Funds

The federal capitalization grants and the state matching funds are used to provide leveraged financing for eligible projects in the State. All other State contributions that are held by the Trustee are used as they are deposited for program purposes. The federal capitalization grants, the state matching funds, and all other State contributions are deposited into the SRF accounts held by the Trustee in the form of either cash or permitted investments.

Funds are invested in the State's Short-Term Investment Fund (STIF), the U.S. Treasury's State and Local Government Series (SLGS) securities and in guaranteed investment contracts (GICs) with various financial institutions. Certain monies are also invested pursuant to investment agreements with providers that 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. A formal SRF Investment Policy was adopted effective July 2023.

The Bond Program

On July 1, 2022, the State executed an optional cash redemption of the remaining outstanding State Revolving Fund Refunding General Revenue Bonds, 2013 Series B in the amount of \$18,805,000. On March 1, 2023, the State executed an optional cash redemption of the remaining outstanding State Revolving Fund Refunding General Revenue Bonds, 2013 Series A in the amount of \$80,570,000. Program capacity was increased in fiscal years 2021 and 2022 through receipt of \$301.8 million of loan prepayments. Due to the high level of prepayments received, it is projected that the SRF will not need to fund new program loans by issuing revenue bonds for the next few years. This will effectively pause the program's practice of leveraging through debt issuance, and instead rely on the increased cash balances to make loans and defease debt. Once prepayment funds are recycled and the program's cash balances are restored to more traditional levels, the SRF is expected to resume its ongoing leveraging by issuing bonds. Historically, the program issued bonds every 18-24 months for approximately \$250 million per issue, if needed.

The SRF has issued long-term bonds backed by the pledge of specific assets including loans, reserve funds, and other program assets. Pursuant to the 2002 General Bond Resolution and Connecticut General Statutes (CGS) Sections 22a-475 to 22a-483, the long-term bonds of the SRF are special obligations of the State that are payable only from the revenues or monies available in the SRF. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution, the latest of three resolutions used for SRF bond issues since 1991. Proceeds are used for program purposes including funding loans to Drinking Water Fund borrowers. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

The program's advisors are:

Bond Counsel - Hardwick Law Firm, LLC

Financial Advisors - Sycamore Advisors

Financial Advisors - Hilltop Securities

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 SRF is the recipient of credit ratings from three nationally recognized credit rating agencies as follows: Aaa from Moody's Investors Services, AAA from S&P Global Ratings, and AAA from Fitch Ratings.

SELECTED FINANCIAL INFORMATION

	Fiscal Year 2023	Fiscal Year 2022	Increase/ (Decrease)
Total Net Position	\$ 221,593,229	\$ 216,385,447	\$ 5,207,782
Total Loans Outstanding	209,700,934	211,868,972	(2,168,038)
Bonds Payable	120,835,000	127,792,834	(6,957,834)
Interest Expense	6,011,068	6,340,494	(329,426)
Operating Revenues - Interest on Loans	4,566,059	3,899,141	666,918
Interest on Investments	5,171,779	364,179	4,807,600
Federal Capitalization Grants Drawn	8,113,474	6,010,414	2,103,060

OUTLOOK

Investment in the nation's water infrastructure is a key public and environmental policy goal at both the State and federal level. A major breakthrough toward that goal occurred with the passage of the Bipartisan Infrastructure Law (BIL) in November 2021 that provides a five-year boost to federal funding for the SRFs. BIL has delivered a portion of the more than \$50 billion to the Environmental Protection Agency (EPA) during fiscal year 2023 to improve our nation's drinking water, wastewater, and stormwater infrastructure - the single largest investment in water that the federal government has ever made. Since the implementation of BIL, the actual base funding amounts (base is not part of BIL) the SRFs have received are significantly less than what was proposed initially during BIL due to federal earmark projects. The federal earmarks are expected to continue impacting the base funding through fiscal year 2026 which alters the number of projects that the State can fund and permanently eliminates a recurring source of funding to meet the need to repair, rehabilitate and replace the aging State's water infrastructure.

In addition, at the State level, Connecticut Public Act 23-205 effective June 30, 2023, increased the State's Clean Water and Drinking Water Fund revenue bond authorization by \$25.0 million in fiscal year 2025 bringing the total authorization for both revenue bonding programs to nearly \$4.5 billion since inception.

All these factors impact how Connecticut municipalities plan and implement the capital projects funded by the SRF programs. Current reduced authorizations for base funding provide the SRF programs with limited continuity to provide necessary funding to as many communities and critical projects as possible. Nonetheless, with BIL funding, the SRF programs are expected to create jobs while upgrading Connecticut's aging water infrastructure and addressing key challenges like lead in drinking water and per-and polyfluoroalkyl substances (PFAS) contamination.

The implementation of the BIL calls for strong partnership, and the EPA is working with the states SRFs to ensure that communities see the full benefits of this investment. Meanwhile inflation impacts on the cost of construction and labor as well as national supply chain disruptions have an impact on the cost and time to complete these projects in the local communities. One strategy to mitigate their impact to the water and wastewater systems sector is the EPA "adjustment period waivers" which also helps communities to prepare SRF's for compliance with the new Made in America standards in BIL.

Interest rates also have an impact on state SRFs, including Connecticut. Due to the very low interest rates during the pandemic, the Connecticut SRF saw a significant increase in requests by borrowers to prepay SRF loans. Although the 2% loan rate has been very attractive to SRF borrowers, in the historically ultra-low interest rate environment that existed in fiscal years 2021 and 2022 many borrowers issued refunding bonds and prepaid their SRF loans before maturity for savings. With the Federal Reserve more recently increasing interest rates to address inflationary pressures, the prepayments have ceased but the cost of new bonding will be higher to finance these programs.

The major focus for the Drinking Water SRF continues to be setting priorities and providing financing for critical work. Working together, DPH and the Office of the State Treasurer will continue to assist state legislators and municipal officials to determine the most cost-effective and efficient way to meet the water quality needs of the communities within the state.

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

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

CONTACTS

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

SRF Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
165 Capitol Avenue
Hartford, CT 06106
Telephone (860) 702-3000
<https://portal.ct.gov/OTT>

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

Connecticut Department of Public Health
Drinking Water Section
410 Capitol Avenue, MS# 12 DWS
P.O. Box 340308
Hartford, CT 06134-0308
Telephone (860) 509-7333
<https://portal.ct.gov/DPH>

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2023 and 2022**

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,530,598	\$ 4,499,394
Interest receivable - investments	4,979	24,534
Interest receivable - loans	193,320	396,342
Grant receivable	2,351,630	285,687
Loans receivable	27,158,767	31,783,309
Total current assets	32,239,294	36,989,266
Noncurrent assets:		
Loans receivable	182,542,167	180,085,663
Revolving fund	103,081,026	110,548,064
Restricted assets:		
Bond proceeds fund	955	920
Revolving fund	-	1,435,619
Debt service fund	26,123,212	17,050,744
Support fund	656,089	1,011,451
Match account	19,037,822	19,890,497
Total restricted assets	45,818,078	39,389,231
Total noncurrent assets	331,441,271	330,022,958
Total assets	363,680,565	367,012,224
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings	80,603	100,754
Total deferred outflows of resources	80,603	100,754
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	1,788,978	1,883,054
Bonds payable	8,005,000	6,331,000
Total current liabilities	9,793,978	8,214,054
Noncurrent liabilities:		
Premium on revenue and refunding bonds	19,543,961	21,051,643
Bonds payable	112,830,000	121,461,834
Total noncurrent liabilities	132,373,961	142,513,477
Total liabilities	142,167,939	150,727,531
NET POSITION		
Unrestricted	24,264,639	19,680,846
Restricted for loans	197,328,590	196,704,601
Total net position	\$ 221,593,229	\$ 216,385,447

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2023 and 2022**

	2023	2022
OPERATING REVENUES		
Interest on loans	\$ 4,566,059	\$ 3,899,141
OPERATING EXPENSES		
Salaries	2,071,459	1,275,434
Employee benefits	1,948,281	1,188,309
Other	577,720	597,370
Project grants	3,593,844	3,013,232
Total operating expenses	8,191,304	6,074,345
Operating loss	(3,625,245)	(2,175,204)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	5,171,779	364,179
Amortization of bond premium	1,507,683	1,453,439
Interest expense	(6,011,068)	(6,340,494)
Total nonoperating revenues (expenses)	668,394	(4,522,876)
Loss before federal capitalization grants and transfers	(2,956,851)	(6,698,080)
FEDERAL CAPITALIZATION GRANTS		
Project funds - grants	3,593,844	3,013,232
Set-aside activities	4,519,630	2,997,182
Total federal capitalization grants	8,113,474	6,010,414
OPERATING TRANSFERS	51,159	15,151,717
Change in net position	5,207,782	14,464,051
NET POSITION, beginning	216,385,447	201,921,396
NET POSITION, ending	\$ 221,593,229	\$ 216,385,447

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 4,769,081	\$ 5,284,966
Loan originations	(13,762,241)	(23,018,657)
Principal paid on loans receivable	15,930,279	11,674,306
Payments to employees for salaries and benefits	(4,019,740)	(2,463,743)
Payments on project grants	(3,593,844)	(3,013,232)
Other payments	(577,720)	(597,370)
Net cash used by operating activities	(1,254,185)	(12,133,730)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	6,047,531	6,124,368
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(6,957,834)	(6,965,000)
Interest paid on bonds payable	(6,084,992)	(6,408,659)
Operating transfers	51,159	15,151,717
Net cash provided (used) by noncapital financing activities	(12,991,667)	1,778,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	5,191,334	390,392
Decrease in revolving fund	7,467,038	11,300,962
Increase in restricted assets	(6,428,847)	(7,215,027)
Net cash provided by investing activities	6,229,525	4,476,327
Net change in cash and cash equivalents	(1,968,796)	245,023
CASH AND CASH EQUIVALENTS, beginning	4,499,394	4,254,371
CASH AND CASH EQUIVALENTS, ending	\$ 2,530,598	\$ 4,499,394
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 3,625,245)	(\$ 2,175,204)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease in interest receivable - loans	203,022	1,385,825
(Increase) decrease in loans receivable	2,168,038	(11,344,351)
Net cash used by operating activities	(\$ 1,254,185)	(\$ 12,133,730)

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

**STATE of CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2023 and 2022**

1 - NATURE OF ORGANIZATION

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Estimates

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

Operating and Nonoperating Revenues and Expenses

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Investments

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

There were no material investment gains or losses for the years ended June 30, 2023 and 2022.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to public water systems in the State of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the SDWA. Interest rates on the loans range from 2.00% to 2.55% and interest income is recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the public water systems, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as changes in the size of the public water system loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

Restricted Assets

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

Bond Premiums/Deferred Loss

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

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

Revenue Bonds

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

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

Deferred outflows/inflows of resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The SRF only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statements of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The SRF does not have any items that qualify for reporting in this category.

Net Position

Net position is classified in the following categories:

- a. Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The SRF does not have capital assets.
- b. Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Subsequent Events

Management of the SRF has evaluated subsequent events through September 7, 2023, 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, 2023 and 2022 funds held by the State Comptroller were \$4,883,148 and \$4,786,002 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, 2023 funds held in Connecticut Short Term Investment Funds (STIF) were \$115,482,612, of which \$955 is included in the bond proceeds fund, \$103,081,026 is included in the revolving fund and \$12,400,631 is included in the debt service fund on the Statements of Net Position. As of June 30, 2022 funds held in Connecticut Short Term Investment Funds (STIF) were \$122,510,688, of which \$920 is included in the bond proceeds fund, \$110,548,064 is included in the revolving fund and \$11,961,704 is included in the debt service fund on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2023 and 2022 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, 2023 funds held in Fidelity Investments Money Market Government Portfolio (FCGXX) were \$32,760,403, of which \$13,722,581 is included in the debt service fund and \$19,037,822 is included in the match account on the Statements of Net Position. As of June 30, 2022 funds held in FCGXX were \$24,979,537, of which \$5,089,040 is included in the debt service fund and \$19,890,497 is included in the match account on the Statements of Net Position.

FCGXX is a money market investment pool, managed by Fidelity Investments, rated AAAM, by Standard and Poor's, 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, 2023, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			Rating
		Less than 1	1 - 5	6 - 10	
U.S. Treasury State & Local Governments	\$ 69,379	\$ -	\$ 69,379	\$ -	AA+
Guaranteed Investment Contracts	91,468	-	91,468	-	A-
Guaranteed Investment Contracts	495,242	-	495,242	-	NR
	<u>\$ 656,089</u>	<u>\$ -</u>	<u>\$ 656,089</u>	<u>\$ -</u>	

As of June 30, 2022, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			Rating
		Less than 1	1 - 5	6 - 10	
U.S. Treasury State & Local Governments	\$ 69,379	\$ -	\$ 52,939	\$ 16,440	AA+
Guaranteed Investment Contracts	162,037	-	162,037	-	A+
Guaranteed Investment Contracts	1,583,444	803,411	780,033	-	A-
Connecticut General Obligation Bonds	632,208	-	632,208	-	NR
	<u>\$ 2,447,068</u>	<u>\$ 803,411</u>	<u>\$ 1,627,217</u>	<u>\$ 16,440</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 89% and 71%, at June 30, 2023 and 2022, respectively, in long-term investment agreements with Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

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

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

	<u>2023</u>	<u>2022</u>
Construction in process	\$ 13,682,177	\$ 18,214,146
Completed projects	<u>196,018,757</u>	<u>193,654,826</u>
	<u>\$ 209,700,934</u>	<u>\$ 211,868,972</u>

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

<u>Year ending June 30</u>	
2024	\$ 13,476,590
2025	13,134,141
2026	13,231,763
2027	13,293,068
2028	13,356,252
Thereafter	<u>129,526,943</u>
	<u>\$ 196,018,757</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the cumulative amounts of funds awarded and drawn, as well as the amount of funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2023</u>	<u>2022</u>
Awarded	\$ 242,991,900	\$ 235,983,900
Drawn	<u>224,591,649</u>	<u>218,544,118</u>
Available federal letter of credit	<u>\$ 18,400,251</u>	<u>\$ 17,439,782</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 awards. As of June 30, 2023 and 2022, the required State match was \$48,616,380 and \$47,214,780, respectively. As of June 30, 2023 and 2022, the State match provided was \$64,814,405 and \$64,190,416, respectively. The State established a separate account in order to be able to clearly track the State match deposits and State match expenditures in order to ensure compliance with the federal capitalization grant requirement.

The State was awarded three additional grants by EPA during the year ended June 30, 2023. These grants consist of the Bipartisan Infrastructure Law (BIL) supplemental grant in the amount of \$17,992,000, with a 9.09% State matching requirement, the emerging contaminant BIL grant in the amount of \$7,555,000 and the lead service line grant in the amount of \$28,350,000, with a 0% State matching requirement. There were no draws on these grants during the year ended June 30, 2023.

6 - RESTRICTED ASSETS

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

	<u>2023</u>	<u>2022</u>
Cash equivalents:		
Money market investment pool	\$ 45,161,989	\$ 36,942,161
Investments:		
U.S. Treasury State & Local Governments	69,379	69,379
Guaranteed Investment Contracts	586,710	1,745,483
Connecticut General Obligation Bonds	<u>-</u>	<u>632,208</u>
	<u>\$ 45,818,078</u>	<u>\$ 39,389,231</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 held 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, 2023 and 2022, the actual rates were 94.05% and 93.17%, respectively, of the SRF wages and the amounts charged aggregated \$1,948,281 and \$1,188,309, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2023
Revenue bonds payable	\$ 125,495,000	\$ -	\$ -	\$ 6,055,000	\$ 119,440,000
Refunding bonds payable	2,297,834	-	626,834	276,000	1,395,000
	<u>\$ 127,792,834</u>	<u>\$ -</u>	<u>\$ 626,834</u>	<u>\$ 6,331,000</u>	<u>\$ 120,835,000</u>

A summary of changes in bonds payable during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Issued	Principal Refunded	Principal Paydowns	Balance June 30, 2022
Revenue bonds payable	\$ 132,120,000	\$ -	\$ -	\$ 6,625,000	\$ 125,495,000
Refunding bonds payable	2,637,834	-	-	340,000	2,297,834
	<u>\$ 134,757,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,965,000</u>	<u>\$ 127,792,834</u>

Revenue Bonds

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

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

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2023
5/6/2015	State Revolving Fund General Revenue Bonds, 2015 Series A	\$ 52,475,000	\$ 32,895,000
6/15/2017	State Revolving Fund General Revenue Bonds, 2017 Series A	50,000,000	37,640,000
6/15/2017	State Revolving Fund Refunding General Revenue Bonds, 2017 Series B	2,485,000	1,395,000
7/9/2019	State Revolving Fund General Revenue Bonds, 2019 Series A	50,000,000	48,905,000
		<u>\$ 154,960,000</u>	<u>\$ 120,835,000</u>

Debt service on the outstanding bonds will be paid solely from Available Moneys in the SRF and the Clean Water Fund. Available Moneys include all funds in the SRF legally available and therefore can be used for any lawful purpose. The bond proceeds fund, the debt service fund and the support fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment of all bonds issued under the 2002 Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2015 Series A dated May 6, 2015. In accordance with the State Revolving Fund General Revenue Bonds, 2015 Series Plan of Finance, the State allocated the proceeds of 2015 Series Bonds between the Clean Water Fund and the SRF with \$197,525,000 allocated to the Clean Water Fund and \$52,475,000 allocated to the SRF.

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

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2019 Series A dated July 9, 2019. In accordance with the State Revolving Fund General Revenue Bonds, 2019 Series Plan of Finance, the State allocated the proceeds of 2019 Series Bonds between the Clean Water Fund and the SRF with \$200,000,000 allocated to the Clean Water Fund and \$50,000,000 allocated to the SRF.

The SRF's revenue bonds payable are serial bonds, of which \$119,440,000 and \$125,495,000 was outstanding as of June 30, 2023 and 2022, respectively. The serial bonds mature through 2037 and have interest rates ranging from 1.0% to 5.0%.

Refunding Bonds - 2013 Series B

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

The outstanding principal balance of the Refunding Bonds as of June 30, 2023 and 2022 was \$-0- and \$677,834, respectively. The bonds were called and fully redeemed on July 1, 2022.

Refunding Bonds - 2017 Series B

On June 15, 2017 the State issued \$2,485,000 of State Revolving Fund Refunding General Revenue Bonds 2017, Series B with interest rates of 3.625% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2009 A (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through June 1, 2027, but have been redeemed on June 1, 2019.

The outstanding principal balance of the Refunding Bonds as of June 30, 2023 and 2022 was \$1,395,000 and \$1,620,000, respectively.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2023 and 2022 totaled \$20,151 for both years.

Bond Maturities

Requirements at June 30, 2023 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 8,005,000	5,765,075
2025	7,910,000	5,384,994
2026	8,520,000	4,994,344
2027	8,130,000	4,570,344
2028	7,345,000	4,172,644
2029-2033	41,695,000	15,098,138
2034-2038	35,785,000	5,204,500
2039	3,445,000	172,250
	<u>\$ 120,835,000</u>	<u>\$ 45,362,289</u>

9 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2023 and 2022:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2021	\$ 24,392,630	\$ 177,528,766	\$ 201,921,396
Change in net position	<u>(4,711,784)</u>	<u>19,175,835</u>	<u>14,464,051</u>
Balance at June 30, 2022	19,680,846	196,704,601	216,385,447
Change in net position	<u>4,583,793</u>	<u>623,989</u>	<u>5,207,782</u>
Balance at June 30, 2023	<u>\$ 24,264,639</u>	<u>\$ 197,328,590</u>	<u>\$ 221,593,229</u>

The net position reserved for loans represents amounts accumulated from federal drawdowns, less set-aside activity expenses not exceeding 31% of the federal grant and subsidies, and the State's match of federal funds.

10 - OPERATING TRANSFERS

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

	<u>2023</u>	<u>2022</u>
State match	<u>\$ 51,159</u>	<u>\$ 15,151,717</u>

11 - LOAN FUNDING COMMITMENTS

The operating agreements for the federal capitalization grants require that the SRF enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant.

The following represents a summary of loan commitments at June 30:

	<u>2023</u>	<u>2022</u>
Total funds committed to public water systems	\$ 306,228,777	\$ 333,367,334
Loan amount outstanding to public water systems	<u>209,700,934</u>	<u>211,868,972</u>
Loan commitments outstanding	<u>\$ 96,527,843</u>	<u>\$ 121,498,362</u>

12 - RISK MANAGEMENT

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

SEWARD AND MONDE

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

Mr. Erick Russell, Treasurer

Manisha Juthani, MD, Commissioner,
Department of Public Health,
State of Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2023.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRF's internal control. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SRF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 7, 2023

SEWARD AND MONDE

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

Mr. Erick Russell, Treasurer

Manisha Juthani, MD, Commissioner,
Department of Public Health,
State of Connecticut

Report on Compliance for Each Major Federal Program

Opinion of Each Major Program

We have audited the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2023. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the SRF and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the SRF's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to the SRF's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the SRF's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the SRF's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the SRF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the SRF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the SRF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Seward and Monde

North Haven, Connecticut
September 7, 2023

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2023**

<u>Federal Grantor; Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 8,113,474</u>	<u>\$ 3,593,844</u>

See notes to schedule.

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023**

A - ACCOUNTING BASIS

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

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2023 totaled \$0. Grants disbursed to subrecipients during year ended June 30, 2023 totaled \$3,593,844.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$209,700,934 as of June 30, 2023.

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2023**

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 that are not considered to be material weaknesses? ___ 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 that are not considered to be material weaknesses? ___ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance? ___ Yes X No

Identification of Major Programs:

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

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

Auditee qualified as low risk auditee? X Yes ___ No

. . . Continued . . .

**STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023
. . . 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.