

STATE OF CONNECTICUT

Clean Water Fund State Revolving Fund Program 2020 Annual Report



Connecticut Clean Water Fund

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

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Environmental Protection

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COMMUNITIES SERVED BY THE CONNECTICUT CLEAN WATER FUND

Litchfield County:

Canaan, Litchfield, New Milford, Plymouth, Thomaston, Torrington, Watertown, Winchester

Hartford County:

Berlin, Bloomfield, Bristol, Burlington,

Canton, East Granby, East Hartford, Enfield, Farmington, Glastonbury, Hartford, Manchester, Marlborough, New Britain, Newington, Plainville, Rocky Hill, Simsbury, Southington, South Windsor,

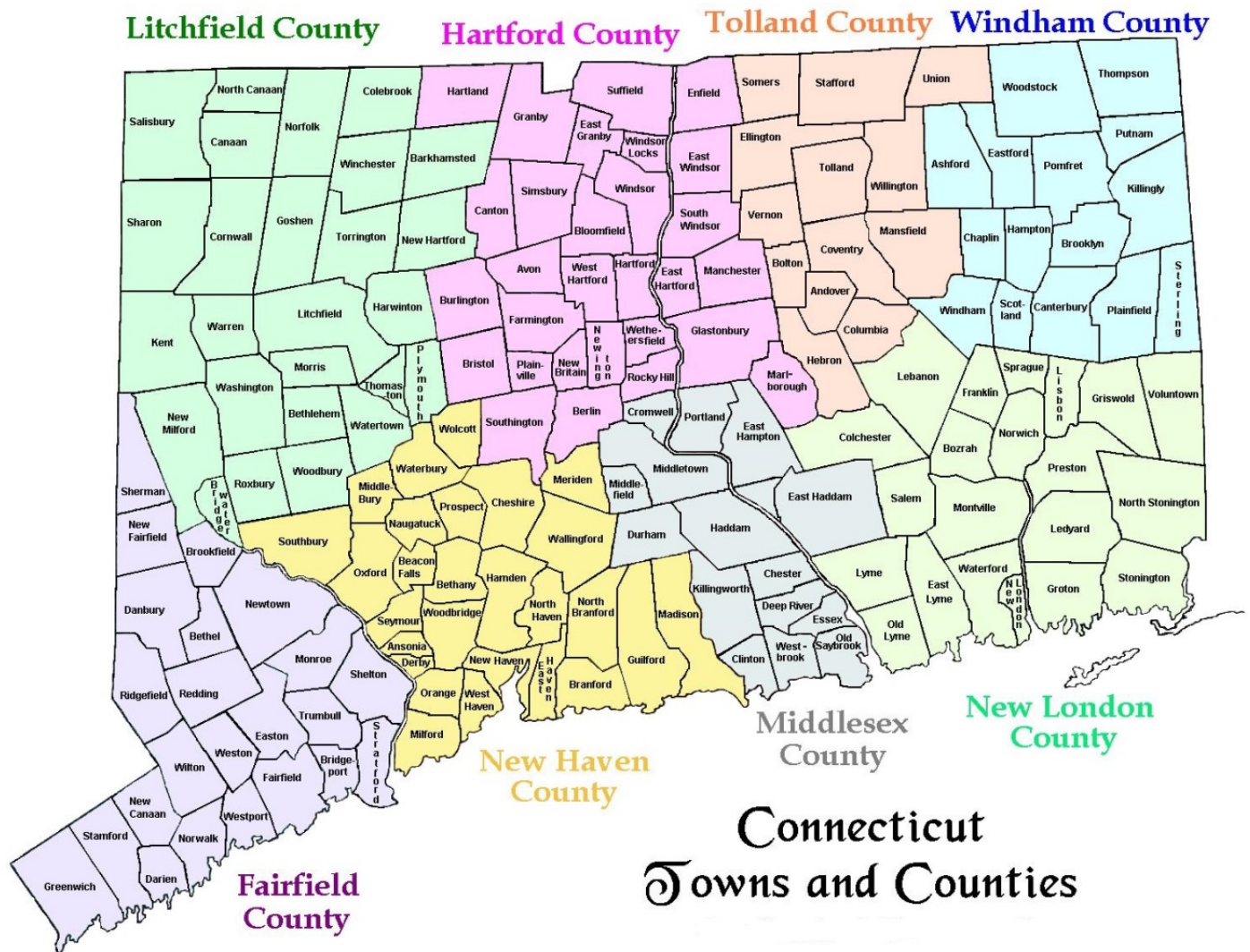
Suffield, West Hartford, Wethersfield, Windsor Locks

Tolland County:

Bolton Lakes, Coventry, Vernon

Windham County:

Killingly, Plainfield, Thompson, Windham



Connecticut Towns and Counties

Fairfield County:

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

New Haven County:

Ansonia, Cheshire, Derby, East Haven, Hamden, Meriden, Middlebury, Milford, Naugatuck, Greater New Haven WPCA, North Branford, North Haven, Seymour, Wallingford, Waterbury, West Haven, Wolcott, Woodbridge

Middlesex County:

Chester, Cromwell, Deep River, East Hampton, Middlefield, Middletown, Old Saybrook, Portland

New London County:

Groton, Ledyard, Montville, New London, Norwich, Old Lyme (including Point-O'-Woods), Sprague, Stonington

REPORT INTRODUCTION

This is the Annual Report on the Connecticut Clean Water Fund (CWF) for the fiscal year ending June 30, 2020. It has been prepared jointly by the Bureau of Water Protection and Land Reuse and the Bureau of Central Services within the Department of Energy and Environmental Protection (DEEP) and the Debt Management Division of the Office of the State Treasurer (OTT).

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

This report includes the history of the CWF and the Clean Water SRF, as well as a review of project financing during FY 2020, projections of future project funding, and management initiatives for FY 2021.

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

A firm of independent certified public accountants has prepared the audited statements for the fiscal year that ended June 30, 2020, as provided in this report.

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

A separate annual report is available for the Drinking Water SRF. Copies of this and previous annual reports since 2001 are available via the State Treasurer's website at <https://portal.ct.gov/OTT>



Gold Star Bridge, Thames River

EXECUTIVE SUMMARY

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

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

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

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

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



Barkhamsted Saville Dam



DEEP's Bureau of Water Protection and Land Reuse administers the programs with the support of the Bureau of Central Services. Through a Memorandum of Agreement with the DEEP, OTT manages the bond financing program and provides the financial management and administration of the loan program.

Several water quality and environmental protection needs are addressed through projects financed through the CWF. Through various statutes and regulations, the State uses the CWF to focus on specific stream segments or bodies of water where municipal discharges have resulted in impairment or pose a significant public health risk, and for which the reduction of pollution will substantially restore the quality of surface or groundwater. As of June 30, 2020, the CWF had made commitments totaling close to \$4.1 billion in grant and loan assistance.

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

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

SUMMARY OF FY 2020 ACTIVITIES

The State of Connecticut's progress in building and improving the capacity of the local wastewater systems by working closely with cities and towns continued through 2020. As a result, the quality of water in Connecticut's rivers and streams continually improved, and consistent with the State's water quality management plans, the flow of nitrogen and other pollutants into Long Island Sound is being reduced.

In FY 2020, the State continued its strong commitment to the CWF programs by providing new bonding authorizations of \$75 million in general obligation bonds, as shown in Appendix I, a portion of which may be allocated to the Drinking Water Fund. These authorizations are an important part of the State's economic development commitments and are consistent with the State's environmental program goals.

CLEAN WATER ACCOMPLISHMENTS

HIGHLIGHTS OF CLEAN WATER FUND ACTIVITY - FY 2020

- *Closed on 10 new Interim Funding Obligations (IFO) totaling \$180.6 million*
- *Closed on 7 new Project Loan Obligations (PLO) totaling \$77.5 million*
- *Disbursed over \$67.1 million in state grant monies for various water quality projects*
- *Disbursed over \$132.7 million in state revenue loan monies for high priority water quality projects*
- *Issued \$250 million in Revenue Green Bonds to fund Clean Water and Drinking Water project loans*
- *Issued \$85.6 million in General Obligation Bonds to fund Clean Water grants*

The following highlights and accomplishments of FY 2020 clearly embody the CWF and Clean Water SRF program goals.

- ✓ Provided financial, administrative, and technical oversight for the construction of wastewater treatment plant upgrades designed to improve the overall treatment quality and resiliency of plants; removed phosphorus to protect non-tidal fresh waters; removed nitrogen to aid in the protection of Long Island Sound.
- ✓ Provided financial, administrative, and technical oversight for the EPA’s State and Tribal Assistance Grants (STAG) program.
- ✓ As of June 30, 2020, cumulative EPA awards have totaled \$611.6 million, including the \$48.0 million of ARRA funding. The required State match is 20% of the total, and to date, Connecticut’s match contributions to the program total \$117.1 million. This exceeds the required 20% by \$4.4 million.
- ✓ Met and maintained the Minority Businesses/Women Businesses Enterprise (MBE/WBE) requirements and the EPA negotiated fair share goals.
- ✓ Provided financial, administrative, and technical oversight for wastewater collection system improvements that will decrease combined sewer overflow (CSO) and sanitary sewer overflow (SSO) discharge, typically to comply with state and federal enforcement actions.
- ✓ Continue to work with communities to fund decentralized wastewater management projects. This innovative alternative to large-scale, conventional infrastructure resolves community pollution problems through the upgrade of individual on-site septic systems, installation of alternative technologies, and development of cluster and small community systems. This approach meets federal requirements of implementing “green” alternatives.



Amston Lake

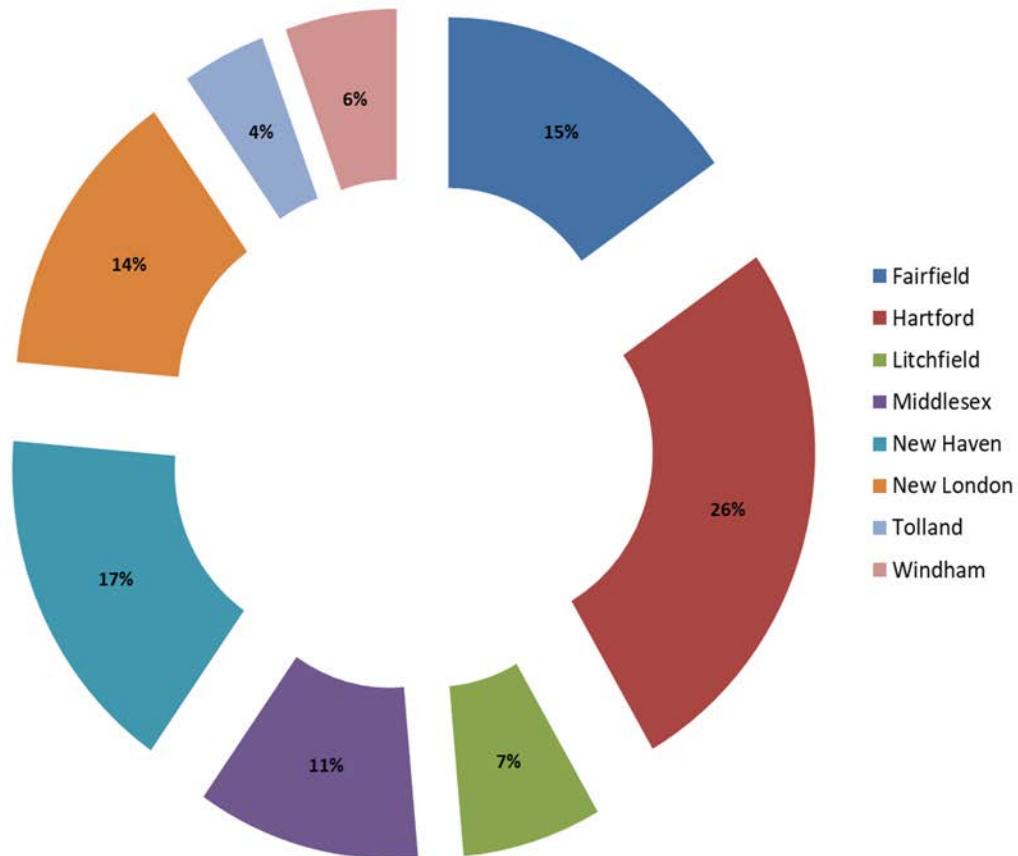
PROJECT FINANCING

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

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

The CWF provides municipalities with critical financing, particularly when DEEP has prepared administrative orders requiring pollution abatement or remedial action. DEEP and municipalities may sign consent orders that set the parameters and timetables for the required actions. Eligible project categories as defined by statute are shown on page 7. Appendix VI details, by town, the current outstanding loan and pending commitments made by the program as of June 30, 2020. The following chart depicts the distribution of the \$1.7 billion in current outstanding commitments by county.

Clean Water Fund Outstanding and Pending Loan Commitments by County



ELIGIBLE CLEAN WATER FUND PROJECTS

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

Infrastructure Needs

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

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

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

The Project Priority List

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

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

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

The PPL is prepared for a two-year period. It includes all projects expected to receive funding during the biennium and beyond. Currently, DEEP is administering funding based upon the FY 2018 and FY 2019 PPL which can be found on DEEP's website. In addition, DEEP intends to release the draft PPL for FY 2020 and FY 2021 for public comment this fall. The FY 2018 – FY 2019 PPL can be found on DEEP's website: https://portal.ct.gov/-/media/DEEP/water/municipal_wastewater/CWFFY1819FinalPriorityListpdf.pdf

The fundable FY 2020 construction projects list is a subset of the PPL. As part of the creation and review of the fundable list, projects are monitored closely to ensure that project deadlines are met in order to maximize the available financing in a given year. Annual Clean Water SRF loan funding has fluctuated depending on the level of State bond authorizations and project readiness to proceed.

Available Financing

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

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

Grant Program - 100% State Funded

The State funds the grant payments used to supplement project financing. To date, municipalities have received \$1,094.4 million in CWF grants and \$69.6 million in total Long Island Sound grants funded by State of Connecticut General Obligation Bonds.

Loan Program

Connecticut’s generous 100% project financing program provides participants with a package of financing including grants and long-term loans. After application of grant funding, the CWSRF provides loan financing as part of the project finance agreement. There are a limited number of loan-only projects as well. Municipalities must obtain a local funding authorization to secure CWSRF loans.

Municipalities with projects on the PPL enter into a loan agreement and then initiate design/construction using the interim financing provided under the agreement. Loans are permanently financed after borrowers expend the funds and complete the projects under their interim loan. Ten new interim funding obligations closed during FY 2020 totaling \$180.6 million, as shown on the list of closed loans in Appendix V. The projects are for planning and design, construction of treatment plant upgrades, and system improvements, as required by several DEEP consent orders.

During FY 2020, the State disbursed approximately \$199.8 million for Clean Water projects. On the loan portion, each borrower is obligated to repay the principal amount at a subsidized interest rate of 2%. In FY 2020,

borrower repayments including principal and interest totaled approximately \$122.5 million.

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

Loan Security

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

Currently, there are three options for a municipality to secure its loan as shown above. Each borrower’s loan agreement includes repayment terms and conditions, covenants for the maintenance of the project, and compliance with CWF regulations, state statutes, and federal acts.

BORROWERS

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

Municipalities

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

Municipal Partnerships

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

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

Regional Borrowers

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

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

The Metropolitan District (MDC)

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

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

In May 2015, the Department of Energy and Environmental Protection approved the District's updated Long Term Control Plan (LTCP). The LTCP outlines the MDC's plan for controlling combined sewer overflows. The LTCP can be found on MDC's website: www.themdc.com



The Greater New Haven Water Pollution Control Authority (GNHWPCA)

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

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

The GNHWPCA is expected to borrow for new projects to improve existing facilities at the plant and within the collection system. The first phase of a treatment plant upgrade which will remove nitrogen was completed in 2017. Potential future commitments to remove CSOs in accordance with its Consent Order will be approximately \$500 million.



GNHWPCA East Shore Sewage Treatment Plant



Five Mile Point Light, New Haven

INDEPENDENT REGIONAL AUTHORITIES	Metropolitan District Member Municipalities include: Bloomfield East Hartford Hartford Newington Rocky Hill West Hartford Wethersfield Windsor
	Greater New Haven Water Pollution Control Authority Municipalities include: New Haven East Haven Hamden Woodbridge

ACTIVE PROJECTS

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

The volume of projects funded in each year, as measured by CWF agreements executed with municipalities, is a reflection of both the past demands on the program and the availability of funding through the State Bond Commission. Prior to FY 2020, the total value of CWSRF loans committed to borrowers was over \$2.7 billion. In FY 2020, the value of new CWSRF loans committed to borrowers was \$118.8 million bringing the total value to over \$2.9 billion.

Killingly WPCF Upgrade (688-C)



The Killingly WPCF is going through a comprehensive upgrade to provide nitrogen removal and low level phosphorus removal as is required in their National Pollutant Discharge Elimination System (NPDES) permit. This project is being completed due to the age of the treatment plant, the energy inefficient equipment in use and the need to meet nitrogen and phosphorus limits. The treatment plant upgrade will provide reliable operations for at least 20 years, reduce the phosphorus it discharges to the Quinebaug River and reduce nitrogen reaching Long Island Sound. This project will receive a \$4.2 million grant and a \$17.1 million loan at 2% interest rate for 20 years.



Meriden WPCF Upgrade (710-DC)



The primary purpose of the Meriden Water Pollution Control Facility Upgrade is to comply with the upcoming April 1, 2022, NPDES permit limits for low level phosphorus through the use of a deep bed sand effluent filtration system. Some of the other work includes improvements to the influent pumping station to better handle low flows, new treatment to reduce phosphorus coming from the processing of sludge and the installation of a smaller aeration blower to enhance biological phosphorus removal. The project also includes some loan only work on local pumping stations. The project total funded cost is \$43.7 million with a \$14.6 million grant and \$30.4 million in loan at 2% interest rate for 20 years.



Wallingford WPCF Upgrade (721-DC)



The Town of Wallingford's WPCF Upgrade brings important water quality benefits to the Quinnipiac River watershed. The upgrade provides a cost-effective phosphorus removal system to allow the plant to meet NPDES permitted stringent effluent phosphorus limits which will take effect April 1, 2022. Also included in this upgrade is the addition of two new secondary clarifiers, new ultraviolet disinfection, a new effluent pumping station and replacement of aging, energy inefficient unit processes and equipment. The project is expected to be completed in the winter of 2021/2022 at a total cost of \$58.3 million, of which \$21.2 million will be provided via a state grant and a \$34.6 million in 2% CWSRF loan.



Waterbury WPCF Upgrade (677-DC)

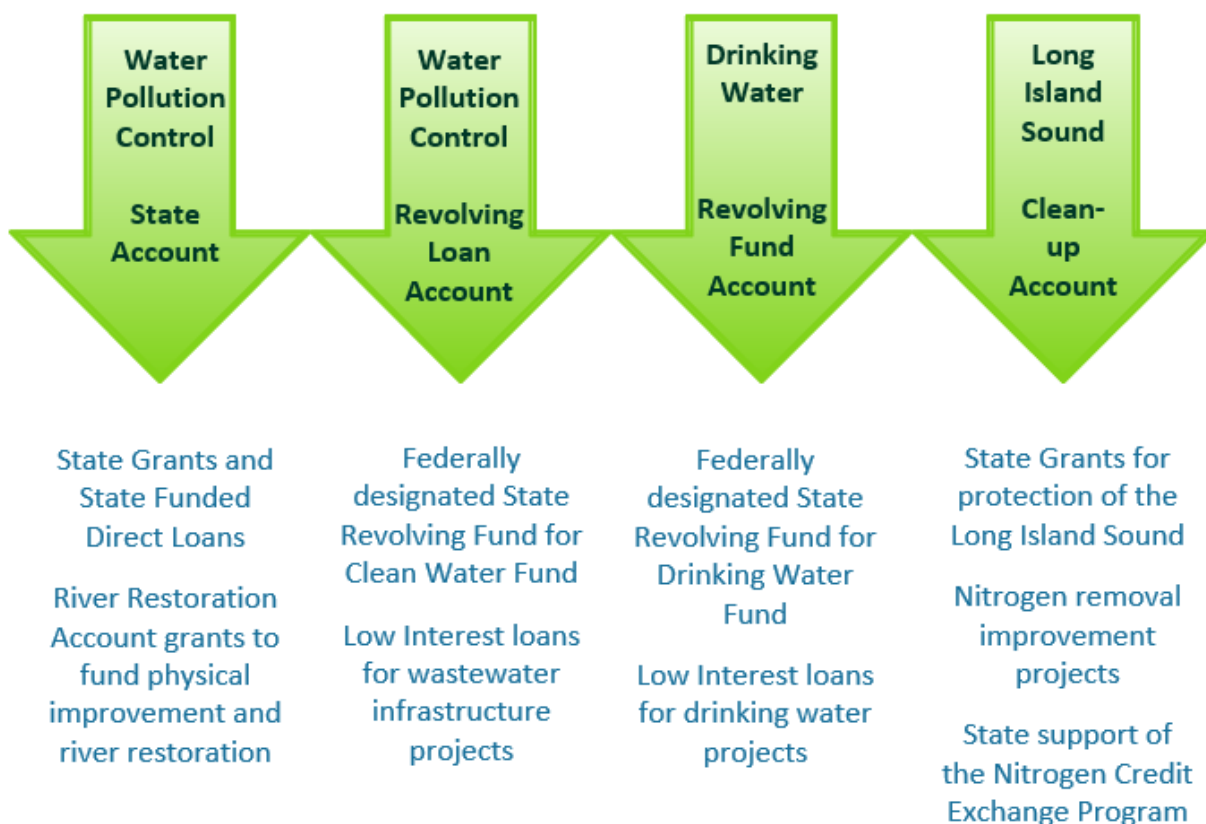


The primary purpose of the Waterbury Water Pollution Control Facility Upgrade is to enhance phosphorus removal to meet the limits prescribed in their NPDES permit. The list of areas being upgraded include: installation of the effluent filtration system; construction of a new filter building, construction of a new chemical storage building and a new effluent pumping station. This project is being completed to meet NPDES permit limits for phosphorus that went into effect April 1, 2020. This project will receive a \$5.7 million grant and a \$23.1 million loan at 2% interest rate for 20 years.



PROGRAM FINANCING FOR THE CLEAN WATER SRF

From 1987 to 1990, project loan costs were funded directly with the federal grant and the required state match. To provide significant direct grants that cannot be financed through the Clean Water SRF, the State created a state-funded grant component that to date has authorized over \$1.8 billion for project grants within the CWF. Since the initial issuance of revenue bonds in 1991, loans to municipalities have been funded with the proceeds of the revenue bonds, significantly increasing the capacity of the CWF. The fund accounts of the Connecticut Clean Water Fund and the uses for each are shown in the graph.



Federal Capitalization Grants

The federal wastewater capitalization grants programs are major programs for the EPA. For the FY period 1987 to 2020, the cumulative capitalization grant awards for the Clean Water SRF totaled \$611.3 million, of which \$601.6 million has been drawn to date.

Although initially from 1987 to 1990 the federal capitalization grants were used to fund project

loan costs, since that time these grants have been used to support the revenue bonding program of the Clean Water SRF.

Awards to Connecticut have fluctuated since the inception of the program. Federal ARRA Stimulus funding in the amount of \$48.0 million was awarded to the State through EPA in April 2009, and fully committed by EPA's February 17, 2010, deadline. The ARRA award was fully expended by DEEP by December 31, 2012. The FY 2019 capitalization grant award of \$19.5 million was received by Connecticut during FY 2020.

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

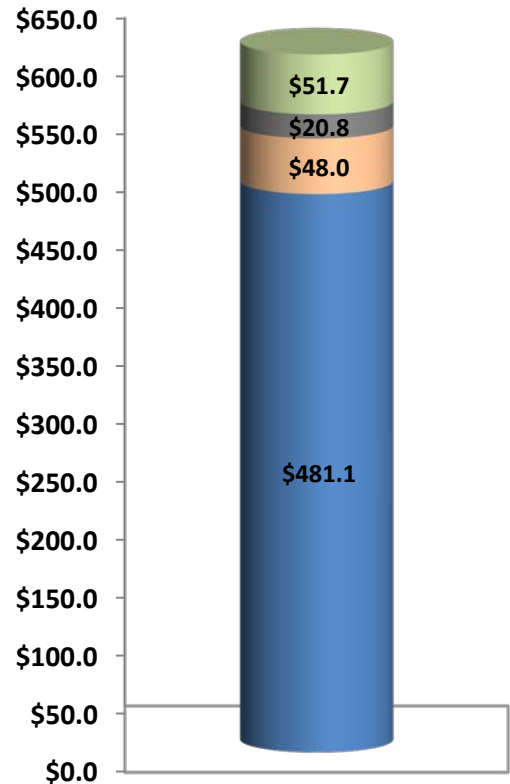
It is expected that Connecticut will continue to experience fluctuating levels of federal grant awards. Annual capitalization grant amounts are shown in Appendix III.

Federal Funding Accountability and Transparency Act (FFATA)

The Federal Funding Accountability and Transparency Act (FFATA), passed in 2006 and amended in 2008, requires information disclosure concerning entities receiving financial assistance through federal awards such as contracts, sub-contracts, grants, and sub-grants. To meet this requirement, the Office of Management and Budget must maintain a single, searchable website that contains information on all federal spending awards. That site is at <http://www.USAspending.gov>. The purpose of this information is to “empower every American with the ability to hold the government accountable for each spending decision. The end result is to reduce waste in the government.” Recipients of funding from the Clean Water SRF will be required to provide this information to DEEP to enter into the federal FFATA Sub-award Reporting System (FSRS). DEEP has met this requirement for federal capitalization grants awarded to date.

Use of Cumulative Federal Capitalization Grants as of June 30, 2020

(in millions)
Total Drawn = \$601.6



- Project Spending
- ARRA Funds
- Admin Allowance
- Direct Loans

The Required State Matching Funds

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

The CWSRF program has deposited amounts exceeding the 20% required into the fund through FY 2020. In total, Connecticut’s CWSRF program has provided \$117.1 million in state contributions, consisting of \$19.1 million in state match from state-funded projects eligible as match from December 1987 through December 1990 \$81.0 million in state match from privately placed General Obligation (GO) bonds issued between January 28, 1991, and May 6, 1999, \$10.0 million of GO bonds loaned from the March 24, 2016, bond allocation and \$7.0 million of GO bonds loaned from the June 26, 2019, bond allocation which represents a state overmatch of approximately \$4.4 million as of June 30, 2020. Once state overmatch is fully expended, additional state GO bonds will be required to provide future state match funding for federal capitalization grants awards. The \$7.0 million of GO bonds that were allocated for CWF at the June 2019 State Bond Commission meeting will provide state match funding for approximately \$35.0 million of future capitalization grants as shown in Appendix II.

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

Bond Authorizations

Connecticut leaders remain committed to providing high levels of funding for the Clean Water Fund program. The Connecticut Clean Water Fund program is one of the most highly

subsidized in the country, demonstrating the State’s commitment to high water quality for its citizens.

As of June 30, 2020, \$3.9 billion of revenue bonds and \$1.8 billion of GO bonds have been authorized by the legislature for the Clean Water and Drinking Water SRFs.

State General Obligation Authorizations as of June 30, 2020	
\$ MILLIONS	PURPOSE
\$1,546.1	Grants made from the state accounts, including the Long Island Sound and Rivers Restoration Account, state match, and administrative expenses
\$91.2	Direct state-funded loans
\$117.1	Match for the Connecticut CWF federal funds, as required in the capitalization grant agreement, including the \$81 million drawn and used for direct state-funded loans
\$55.7	State-funded interest subsidy support for the revenue bonds issued for the Connecticut CWF
\$1,810.1	Total

State Funding Approval Process

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

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

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

Revenue Bonding Program

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

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

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

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

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

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

Through FY 2020, 17 series of revenue bonds totaling over \$2.5 billion have been issued to provide funding for loan commitments to the Clean Water and Drinking Water SRF programs. All loans are disbursed by each program on a first-come, first-served basis to those borrowers who have executed loan agreements.

Since the inception of the program, OTT has initiated ten refunding or defeasance transactions that have realized over \$105.4 million in debt service savings.

Bond Program Credit Rating

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

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

Fitch Ratings - AAA

S&P Global Ratings - AAA

Moody's Investors Service - Aaa

Each rating reflects only the views of the respective rating agency, and an explanation of the significance of any rating may be obtained from the rating agency. There is no assurance that ratings will continue for any given period or that they will not be revised or withdrawn entirely by a rating agency if, in their judgment, circumstances so warrant.

Green Bonds

Bonds are described as being “Green” if the proceeds of the bonds will be applied exclusively for projects and activities that promote climate or other environmentally sustainable purposes in alignment with the Green Bond Principles, 2016 guidance. In July 2019, the State issued \$250 million of Green Bonds to finance clean water and drinking water infrastructure projects. The State also chose to pursue receiving a second opinion by Sustainalytics. This company is a provider of environmental, social and governance research, and analysis. Sustainalytics evaluated the State’s SRF programs, the planned use of the 2019A bonds, and the alignment thereof with relevant industry standards. Their provided opinion declares that the State’s approach to selecting projects and managing green bond proceeds is “robust, and its reporting on the use of proceeds is transparent.”

Sustainalytics concluded that the State’s program aligns with the four pillars of the Green Bond Principles, 2016 guidance. To date, the State has issued \$750 million in revenue Green Bonds and \$190 million in General Obligation Green Bonds. The projects funded by the bonds are detailed in Appendix IX and Appendix X.



Investment Interest Earnings

Program assets are held for program purposes and used as security for all bonds. As of June 2020, the State held \$1.9 billion in Clean Water assets that were invested in loans, the State’s Short-Term Investment Fund, GO bonds, and guaranteed investment contracts. Earnings on these investments are used to pay a portion of the debt service on the SRF bonds. In FY 2020, earnings accounted for approximately 38.4% of the total debt service of \$98.1 million. Bonds are repaid on established schedules, and invested funds are released and reinvested to support the sustainability of the program. In FY 2020, \$2.0 million was reinvested by the Clean Water SRF and made available for future bond issues to fund new loans.

Loan Credit Quality

The overall credit quality of the state’s municipalities reflects positively on the Connecticut Clean Water Fund. The analysis and review of municipal financial conditions prior to awarding a project loan is part of ensuring the long-term viability of the Connecticut Clean Water Fund. Each municipality applying for

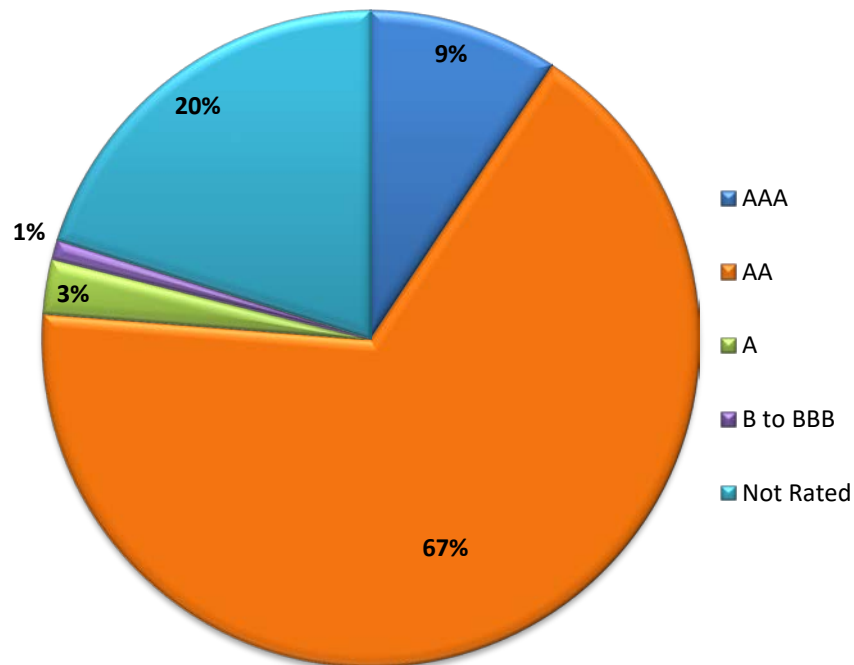
financial assistance submits documentation to evidence its ability to repay the loan. Required documents include financial statements, capital budgets, operating budgets, economic data, and the terms of any management contracts. The project-specific review also has included a feasibility study on a project capital cost repayment analysis with information on any projected need for increases in taxes or user fees.

The Connecticut Clean Water Fund program's loan administration includes separate loan

servicing by the program's trustee bank. There is no grace period for late loan payments, although the agreements allow up to 30 days to cure other defaults. A policy is in place to implement immediate collection procedures in the event of a late or delayed payment.

The Connecticut Clean Water Fund loan portfolio is quite diverse. Approximately 76% of the loans and commitments to municipalities rated "AA" or higher by S&P Global Ratings as shown on the chart below.

State of Connecticut SRF Borrower Credit Ratings*



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

Program Management

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

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

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

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

As the primary agency and the recipient of the federal capitalization grants for the Clean Water SRF on behalf of the State, DEEP executes annual grant agreements with the federal EPA. Through a Memorandum of Agreement, originated in 1989 and amended in 2009, the State Treasurer has certain responsibilities with respect to management of the Clean Water Fund. A financial administrator in OTT manages and coordinates the various financial components and the revenue bonding program of the Clean Water Fund and the Drinking Water Fund on a day-to-day basis.

In 2011, DEEP was formed to bring together the missions of the former Connecticut Departments

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

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

Programs and Funding Initiatives of the Connecticut Clean Water Fund

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

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

The Bureau of Water Protection and Land Reuse of DEEP administers the CWF, primarily within its

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

The Nitrogen Credit Exchange Program

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

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

Public Act 15-38 - An Act Concerning the Sustainability of the Nitrogen Credit Exchange Program implements a self-sufficient credit trading model that will ensure the program’s long-term continuity

Funding for Emerging Initiatives

Reserve for Construction of Green Infrastructure Projects

A reserve in the amount of \$4 million is included in the FY 2018-2019 PPL to fund treatment plant, pump station, and/or collection system improvement projects that incorporate cost effective renewable energy components. This reserve is also for community demonstration projects of green infrastructure technologies to promote infiltration of storm water into the ground in combined sewer overflow areas.

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

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

DEEP and the EPA successfully negotiated phosphorus removal limits for the state in 2012. These limits have been incorporated into the discharge permits for treatment plants throughout Connecticut. Over the past four years, the Connecticut General Assembly passed four laws that provide additional grant funding from the CWF for phosphorus removal projects. The most recently passed law was PA 16-57 which provides a 50% grant for phosphorus removal projects that have low permit limits provided those projects are under construction by July 1, 2019.

Reserve for Pump Station Rehabilitation Projects (100% Loan)

The purpose of the FY 2018-2019 PPL reserve (\$50 million over the two years) is to address the

widespread demand for funding to rehabilitate pump stations throughout the state. The construction reserve shall be used for replacing

aging infrastructure, reducing hydraulic overloading, incorporating energy efficient equipment, and providing emergency power.



East Haddam Swing Bridge on the Connecticut River

Summary of Program Initiatives

The planned program activities and initiatives for the CWF and the Clean Water SRF for FY 2020 include:

- Provide financial and administrative management of new applications for project financing. The DEEP anticipates the initiation of about 25 new Connecticut Clean Water Fund projects during FY 2020
- Meet the EPA negotiated fair share minority- and women-owned enterprises goal for each project. Upon completing the minority- and women-owned availability study during FY 2019, DEEP received EPA approval of the goals for fiscal years 2019 through 2021
- Update the capital project submission plan for the State Bond Commission requests, and maintain active communication with the State Treasurer's Office and the Office of Policy and Management
- Provide financial and administrative management of the EPA special appropriations grants
- Apply for the EPA federal capitalization grant
- In conjunction with the Department of Administrative Services and the Office of Policy and Management, evaluate the need for additional staff to maintain the high technical and fiscal standards of the program
- Coordinate closely with the MDC on their significant clean water capital programs
- Continue work on the implementation of the accounting and project management system

LONG TERM PROJECTIONS

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

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

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

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

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



Day Pond State Park, Colchester

CONDITION OF THE CONNECTICUT CLEAN WATER FUND

The listing in Appendix VIII of wastewater treatment projects funded by the Connecticut Clean Water SRF as of June 30, 2020, shows that the CWF has \$4.1 billion in completed projects and project commitments including \$1.1 billion in state grants for wastewater and Long Island Sound projects.

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

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

overflows caused by combined wastewater and storm water systems

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

Program capacity projections continue to show that the program can sustain bond issuance of approximately \$145 million in revenue bonds per year through 2039 without an increase in state-funded support. The capacity of the financing program and significant additional state general obligation bond and revenue bond authorizations in recent years are clear evidence of the State's continued support of the Clean Water programs. With this continued support and the prudent management of the CWF assets, the program can continue to maintain its long-term sustainability, meeting both the requirements of the federal grants as well as the long-term water quality needs of the people of Connecticut.



Miller Pond State Park - Haddam

APPENDICES



Appendix I: State Funding Authorizations

State Funding Authorizations as of June 30, 2020	FY	Amount	Revenue Bond Authorizations as of June 30, 2020	FY	Amount
State Funding pre FY 00		\$621,330,000	Revenue Funding pre FY00		\$867,900,000
State Funding	2000	43,400,000	Revenue Bond	2000	64,600,000
State Funding	2001	53,100,000	Revenue Bond	2001	66,900,000
State Funding	2002	40,000,000	Revenue Bond	2002	81,000,000
State Funding	2003	40,000,000	Revenue Bond	2003	158,000,000
Funding Deferral	2003	3,200,000			
State Funding	2004	0	Revenue Bond	2004	0
State Funding	2005	-60,000,000	Revenue Bond	2005	0
State Funding	2006	20,000,000	Revenue Bond	2006	0
State Funding	2007	20,000,000	Revenue Bond	2007	100,000,000
State Funding	2008	90,000,000	Revenue Bond	2008	235,000,000
State Funding	2009	90,000,000	Revenue Bond	2009	180,000,000
State Funding	2010	65,000,000	Revenue Bond	2010	80,000,000
State Funding	2011	14,995,976	Revenue Bond	2011	120,000,000
State Funding	2012	92,600,000	Revenue Bond	2012	233,420,000
State Funding	2013	94,000,000	Revenue Bond	2013	238,360,000
State Funding	2014	67,000,000	Revenue Bond	2014	380,430,000
State Funding	2015	218,000,000	Revenue Bond	2015	331,970,000
State Funding	2016	47,500,000	Revenue Bond	2016	58,000,000
State Funding	2017	112,500,000	Revenue Bond	2017	180,000,000
State Funding	2017	-22,500,000	Revenue Bond	2017	0
State Funding	2018	0	Revenue Bond	2018	158,200,000
State Funding	2019	85,000,000	Revenue Bond	2019	350,300,000
State Funding	2020	75,000,000	Revenue Bond	2020	0
TOTAL:		\$1,810,125,976			\$3,884,080,000
Less: Drinking Water Authorizations		<u>\$20,000,000</u>			<u>\$493,012,558</u>
TOTAL: Clean Water Authorizations		\$1,790,125,976			\$3,391,067,442

Appendix II: State Match for Federal Capitalization Grants

CLEAN WATER FUND STATE MATCH CONTRIBUTION		
as of June 30, 2020		
State Funded Projects, Bonds, and Contributions	Contract Date/State Bond Commission Approval Date	AMOUNT
EAST LYME: 112-C	12/10/1987	\$8,860,816
DANBURY: 103-C	11/22/1988	\$6,567,587
EAST LYME: 175-C	2/3/1989	\$1,092,206
STONINGTON: 141-C	6/15/1989	\$1,600,000
MIDDLETOWN: 209-D	9/1/1989	\$0
CHESHIRE: 111.1-C	11/13/1990	\$567,432
EAST LYME: 112-CD1	12/31/1990	\$373,389
Privately Placed State GO Bonds	1/28/1991	\$12,873,381
Privately Placed State GO Bonds	1/22/1992	\$26,144,911
Privately Placed State GO Bonds	3/28/1996	\$5,000,000
Privately Placed State GO Bonds	9/30/1997	\$19,000,000
Privately Placed State GO Bonds	5/6/1999	\$18,000,000
Substitution of Project Expenditures for Previously Designated Match: FY 10-16		(\$23,898,892)
MDC: 149-CSL, FY 10	9/17/2007	\$4,992,200
MDC: 149-CSL, FY 11	9/17/2007	\$3,618,000
MDC: 149-CSL, FY 12	9/17/2007	\$3,462,800
MDC: 166-CSL1, FY 13	1/1/2009	\$3,271,200
MDC: 166-CSL1, FY 14	1/1/2009	\$3,435,200
MDC: 166-CSL1, FY 15	1/1/2009	\$3,417,600
MDC: 166-CSL1, FY 16	1/1/2009	\$1,701,892
MDC: 692-C, FY 17	3/24/2016	\$10,000,000
MDC: 692-C, FY 19	6/26/2019	\$7,000,000
TOTAL STATE MATCH:		\$117,079,722
REQUIRED STATE MATCH (20%):		\$112,644,630
State Obligations & Payments (less) Required State Match:		\$4,435,092
Total Federal Capitalization Grants Awarded⁽¹⁾:		\$563,223,148
<i>(1) Total Awarded does not include \$48,010,300 for ARRA, which does not require state match.</i>		
<i>Note 1: Future capitalization grant match funding will be provided from CWF general obligation bond authorizations.</i>		
<i>Note 2: Per EPA request, specific projects will designate the state match contribution from FY 2010 through FY 2016. Due to overmatch, the designated projects will substitute for previously designated match funding until the overmatch is fully expended. GO bonds are state issued General Obligation bonds.</i>		

Appendix III: Federal Capitalization Grants

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

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

Fiscal Year	Project Funds	Administrative Funds	FY Total
Pre FY 00	\$235,217,469	\$9,800,727	\$245,018,196
FY 00-09	130,450,514	5,435,438	135,615,952
FY 10	23,962,560	998,440	24,961,000
FY 11	17,366,400	723,600	18,090,000
FY 12	16,621,440	692,560	17,314,000
FY 13	15,701,760	654,240	16,271,000
FY 14	16,488,960	687,040	17,176,000
FY 15	16,404,480	683,520	17,038,000
FY 16	15,714,240	654,760	16,369,000
FY 17	15,592,320	649,680	16,242,000
FY18	18,876,480	786,520	19,663,000
FY19	18,686,400	778,600	19,465,000
TOTAL	\$541,083,023	*\$22,545,125	\$563,223,148
FY 09-ARRA	\$46,089,888	\$1,920,412	\$48,010,300
TOTAL INCL ARRA	\$587,172,911	\$24,465,537	\$611,233,448

* Includes \$405,000 transferred to EPA for funding of Connecticut Clean Water initiatives funded by EPA

Appendix IV: Federal EPA Cap Grant Analysis - Grant Share

Municipality	CWF Project Number	Cap Grant Year	Total CWF \$ Commitment	Total State Funded Amount	State Grant Share	State Loan Share	Total Federal Cap Grant	Federal Cap Grant Loan	Federal Cap Grant-Additional Subsidy (FY 10 and on)	Disbursed as of 6/30/20 Federal Cap Grant-Additional Subsidy (FY 10 and on)
Old Saybrook	116-C	2010	\$10,000,000	\$5,000,000	\$1,096,875	\$3,903,125	\$5,000,000	\$3,750,000	\$1,250,000	\$1,250,000
MDC-WPCF Phase 1	639-C	2010	56,214,614	37,252,054	8,563,285	28,688,769	18,962,560	12,612,560	6,350,000	6,350,000
MDC-WPCF Phase 2	646-C	2011	35,255,134	17,888,734	5,693,140	12,195,594	17,366,400	12,663,000	4,703,400	4,703,400
Manchester	288-C	2012	51,338,895	44,338,895	10,009,531	34,329,364	7,000,000	6,356,626	643,374	643,374
Mattabassett	567-C	2012	107,864,987	98,243,547	23,881,454	74,362,093	9,621,440	8,821,440	800,000	800,000
Mattabassett	567-C	2013	0	-14,066,160	-1,000,000	-13,066,160	14,066,160	13,066,160	1,000,000	1,000,000
Old Saybrook(FY13 Green)	673-C	2013	15,281,606	13,646,006	3,583,328	10,062,678	1,635,600	1,635,600	0	0
Mattabassett	567-C	2014	0	-14,488,960	-600,000	-13,888,960	14,488,960	13,888,960	600,000	600,000
Farmington (FY 14 Green)	620-DC	2014	62,692,685	60,692,685	14,127,907	46,564,778	2,000,000	1,500,000	500,000	500,000
MDC (FY 15)	652-C	2015	117,312,222	102,616,542	39,939,116	62,677,426	14,695,680	14,695,680	0	0
MDC (FY 15 Green)	652-C	2015	435,600	0	0	0	435,600	435,600	0	0
Cheshire (FY 15 Green)	618-DC	2015	33,335,301	32,620,301	7,412,976	25,207,325	715,000	715,000	0	0
MDC (FY 15 Green)	657-C	2015	49,118,370	48,560,170	10,292,519	38,267,651	558,200	558,200	0	0
MDC (FY 16)	692-C	2016	313,155,369	299,078,029	139,288,266	159,789,763	14,077,340	12,440,440	1,636,900	1,636,900
Middletown (FY 16)	696-C	2016	30,684,371	29,809,371	6,116,192	23,693,179	875,000	875,000	0	0
Southington (FY 16)	651-DC	2016	50,061,872	49,299,972	13,861,923	35,438,049	569,000	569,000	0	0
TBD (FY 16 Green)	tbd	2016	192,900	tbd	tbd	tbd	192,900	192,900	0	0
MDC (FY 17)	692-C	2017	0	-13,968,120	-1,624,200	-12,343,920	13,968,120	12,343,920	1,624,200	1,624,200
Enfield (FY 17)	671-DC	2017	28,827,794	28,188,794	5,658,559	22,530,235	639,000	639,000	0	0
GNHWPCA (FY 17)	711-DC	2017	11,845,727	11,163,411	5,727,864	5,435,547	682,316	682,316	0	0
TBD (FY 17 Green)	tbd	2017	302,884	tbd	tbd	tbd	302,884	302,884	0	0
MDC (FY 18)	692-C	2018	0	-16,197,700	-4,472,152	-11,725,548	16,197,700	11,725,548	4,472,152	3,020,986
Torrington (FY 18)	546-DC	2018	65,796,442	63,117,662	14,846,130	48,271,532	2,678,780	2,038,552	640,228	640,228
Vernon(GreenFY19)	705-DC	2019	67,886,916	57,386,916	20,066,969	37,319,948	10,500,000	11,679,000	0	0

Appendix IV: Federal EPA Cap Grant Analysis - Grant Share cont.

Municipality	CWF Project Number	Cap Grant Year	Total CWF \$ Commitment	Total State Funded Amount	State Grant Share	State Loan Share	Total Federal Cap Grant	Federal Cap Grant Loan	Federal Cap Grant-Additional Subsidy (FY 10 and on)	Disbursed as of 6/30/20 Federal Cap Grant-Additional Subsidy (FY 10 and on)
MDC(FY19)	692-C	2019	0	0	0	0	0	0	7,007,400	7,007,400
		Total	\$1,107,603,689	\$940,182,149	\$322,469,682	\$617,712,468	\$167,228,640	\$144,187,386	\$31,227,654	\$29,776,400

Appendix V: Loans Closed During FY 2020

CLEAN WATER FUND LOAN CLOSING REPORT								
	Closing Date	Municipality	IFO/PLO	Project No	Amount (\$)	New PLO Amount	New IFO Amount	
July	7/31/2019	MDC	IFO	697-DC	\$15,019,749.60		\$15,019,749.60	Certificate
Aug	8/28/2019	Old Colony Beach Club	IFO	644-D	540,815.50		540,815.50	
	8/28/2019	Miami Beach Assoc.	IFO	655-D	623,645.36		623,645.36	
Sept	9/18/2019	Vernon	IFO	705-DC	47,819,947.51		47,819,947.51	
Oct	10/30/2019	Berlin	PLO	217-CSL	1,933,314.07	1,933,314.07		
	10/30/2019	Thomaston	IFO	680-DC	1,517,874.37		1,517,874.37	
Dec	12/5/2019	MDC	IFO	657-CD1	11,041,729.20		11,041,729.20	Amendment
	12/5/2019	MDC	IFO	691-C	225,087.45		225,087.45	
	12/13/2019	Meriden	IFO	710-DC	30,429,393.00		30,429,393.00	
Jan	1/10/2020	Wallingford	IFO	721-DC	34,581,769.00		34,581,769.00	
	1/30/2020	Middletown	IFO	696-C	24,568,178.48		24,568,178.48	Certificate
	1/31/2020	Torrington	PLO	546-DC	20,471,879.52	20,471,879.52		
Feb	2/28/2020	MDC	PLO	697-DC	15,019,749.60	15,019,749.60		
Mar	3/31/2020	Bridgeport	IFO	706-DC	2,920,027.00		2,920,027.00	Certificate
April	4/30/2020	MDC	PLO	692-C	33,394,333.88	33,394,333.88		
	4/30/2020	MDC	IFO	692-C1	60,288,671.30		60,288,671.30	
	4/30/2020	Thomaston	PLO	680-DC	1,394,449.19	1,394,449.19		
May	5/31/2020	GNHWPCA	PLO	711-DC	5,146,207.05	5,146,207.05		
	5/31/2020	MDC	PLO	691-C	190,809.93	190,809.93		
June	6/30/2020	West Haven	IFO	222-CSL	3,880,392.00		3,880,392.00	
	6/30/2020	West Haven	IFO	223-CSL	650,000.00		650,000.00	
	6/30/2020	MDC	IFO	692-C1	63,948,115.50		63,948,115.50	Amendment
Totals					\$375,606,138.51	\$77,550,743.24	\$298,055,395.27	

Total New IFO Loans*	10
Total Dollar Value on New IFO Loans*	\$180,557,595.49
Total New PLO Loans	7
Total Dollar Value on PLO Loans	\$77,550,743.24

*Total Value excludes certificates and amendments

Appendix VI: Outstanding & Pending Loan Commitments

Borrower	Total IFO/PLO as of 06/30/20 (1)	Undrawn Loan Commitments (2)	Commitments Through 06/30/21 (3)	Total Commitments (4)
ANSONIA	\$22,716,309			\$22,716,309
BERLIN	3,414,054			3,414,054
BOLTON LAKES	6,986,060			6,986,060
BRANFORD	5,937,820			5,937,820
BRIDGEPORT	26,193,359	811,556	4,600,000	31,604,915
BRISTOL	8,225,981			8,225,981
BROOKFIELD	2,040,958			2,040,958
BURLINGTON	843,578			843,578
CANTON	646,713			646,713
CHESHIRE	22,806,974			22,806,974
CHESTER	571,547			571,547
COVENTRY	3,598,651			3,598,651
DANBURY	3,627,423			3,627,423
DARIEN	30,646			30,646
DEEP RIVER	1,116,741			1,116,741
DERBY	9,781			9,781
EAST HAMPTON	44,686			44,686
ENFIELD	21,250,011	1,919,224		23,169,235
FAIRFIELD	3,604,621			3,604,621
FARMINGTON	44,103,322	1,640,000		45,743,321
GLASTONBURY	10,870,758			10,870,758
GNHWPCA	63,595,305		37,500,000	101,095,305
GREENWICH	2,150,431			2,150,431
GROTON	5,766,946			5,766,946
HARTFORD	754,414			754,414
JEWETT CITY	1,829,821			1,829,821
KILLINGLY	11,128,506	9,889,493		21,017,999
LITCHFIELD	825,774			825,774
MANCHESTER	27,277,729			27,277,729
MARLBOROUGH	7,420,077		3,800,000	11,220,077
MATTABASSETT DISTRICT	57,112,705			57,112,705
MDC	501,997,729	66,434,674	165,100,000	733,532,403
MERIDEN	29,388,234	22,554,028		51,942,261
MIAMI BEACH CLUB ASSOCIATION	327,601	296,044	4,400,000	5,023,645
MIDDLEFIELD	94,871			94,871
MIDDLETOWN	39,465,723	1,700,689		41,166,412
MILFORD	22,106,400			22,106,400
MONTVILLE	181,192			181,192
NAUGATUCK	185,281			185,281
NEW LONDON	106,944			106,944
NEW MILFORD	15,508,192			15,508,192
NEW BRITAIN	1,680,317			1,680,317

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

Borrower	Total IFO/PLO as of 06/30/20 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Commitments Through 06/30/21 ⁽³⁾	Total Commitments ⁽⁴⁾
NORTH HAVEN	303,222			303,222
NORWALK	14,061,544			14,061,544
NORWICH	8,328,162			8,328,162
OLD COLONY BEACH CLUB ASSOC	679,051	328,189	2,900,000	3,907,241
OLD LYME SHORES BEACH ASSOC	431,583	133,722	3,600,000	4,165,306
OLD LYME			5,300,000	5,300,000
PLAINFIELD	268,871			268,871
PLAINVILLE	18,021,324	1,690,755		19,712,079
PLYMOUTH	900,270			900,270
POINT- O-WOODS	3,737,106			3,737,106
PORTLAND	140,502			140,502
RIDGEFIELD			33,294,649	33,294,649
SHELTON	8,632,352			8,632,352
SIMSBURY	8,532,133			8,532,133
SOUTH WINDSOR	18,839,995			18,839,995
SOUTHINGTON	27,623,608	14,260,091		41,883,699
SPRAGUE	566,265			566,265
STAMFORD	21,699,729			21,699,729
STRATFORD	24,291,614			24,291,614
THOMASTON	1,721,849			1,721,849
THOMPSON	479,560			479,560
TORRINGTON	28,844,043	23,586,256		52,430,299
VERNON	8,702,093	39,117,854		47,819,948
WALLINGFORD	8,522,762	26,568,765		35,091,528
WATERBURY	17,352,326	1,339,273		18,691,599
WEST HAVEN	19,824,416			19,824,416
WESTPORT	12,986,211			12,986,211
WINCHESTER	240,232			240,232
WINDHAM	9,244,531			9,244,531
WINDSOR LOCKS	193,941			193,941
Total Commitments	\$1,242,713,477	\$212,270,612	\$260,494,649	\$1,715,478,738

(1) Total outstanding includes active construction projects.

(2) Remaining commitments under active construction loans.

(3) Prioritized new project commitments expected during the coming year.

(4) Total expected commitments through the coming year, may not add due to rounding.

Appendix VII: Clean Water Cumulative Funded Projects FY 2020

State of Connecticut - Department of Energy and Environmental Protection								
Projects Funded by the Clean Water Fund - FY 2020								
Municipality	CWF Project No.	Contract Date	SCD	State Grant	Non-SRF CWF State Loan NQ	State Match Title VI	Title VI SRF Revenue Loan	Total SRF Project Funding
Miami Beach Assoc	655-D	8/28/2019	1/31/2021	181,676.00	0.00	0.00	623,645.36	805,321.36
OCBCA	644-D	8/28/2019	1/31/2021	155,677.50	0.00	0.00	540,815.50	696,493.00
Woodridge Lake	709-PG	8/9/2019	12/1/2019	96,695.13	0.00	0.00	0.00	96,695.13
Statewide		7/1/2019	12/31/2020	618,910.00	0.00	0.00	0.00	618,910.00
Woodlake Tax District	726-PG	8/20/2019	12/31/2020	116,494.95	0.00	0.00	0.00	116,494.95
Vernon	705-DC	9/18/2019	12/31/2023	20,066,968.69	0.00	0.00	47,819,947.51	67,886,916.20
MDC	691-C	12/5/2019	11/30/2019	225,087.45	0.00	0.00	225,087.45	450,174.90
Meriden	710-DC	12/13/2019	7/31/2022	14,645,141.10	0.00	0.00	30,429,392.90	45,074,534.00
Wallingford	721-DC	1/10/2020	9/30/2022	21,217,737.00	0.00	0.00	34,581,769.00	55,799,506.00
Clinton	730-PG	2/14/2020	12/31/2021	44,000.00	0.00	0.00	0.00	44,000.00
West Haven	222-CSL	6/30/2020	6/30/2021	0.00	0.00	0.00	3,880,392.00	3,880,392.00
West Haven	223-CSL	6/30/2020	6/30/2021	0.00	0.00	0.00	650,000.00	650,000.00
Total New IFOs				57,368,387.82	0.00	0.00	118,751,049.72	176,119,437.54
<u>Amendments & Extensions/(IFO's)</u>								
Stratford	713-PG1	8/7/2019	1/31/2020	31,653.28	0.00	0.00	0.00	31,653.28
MDC	697-DC	7/31/2019	7/31/2019	0.00	0.00	0.00	0.00	0.00
Suffield	708-PG	7/12/2019	11/30/2019	0.00	0.00	0.00	0.00	0.00
Thomaston	680-DC	10/16/2019	10/30/2019	0.00	0.00	0.00	0.00	0.00
Middletown	696-C	1/30/2020	1/31/2020	0.00	0.00	0.00	0.00	0.00
MDC	692-C1	6/30/2020	11/30/2022	2,994,091.20	0.00	0.00	3,659,444.80	6,653,536.00
Total Amendments & Extensions/(IFO's)				3,025,744.48	0.00	0.00	3,659,444.80	6,685,189.28
<u>Danglers</u>								
MDC	657-CD1	12/5/2019	6/30/2020	5,383,402.65	0.00	0.00	11,041,729.20	16,425,131.85
Torrington	546-DC	1/31/2020	11/30/2021	9,001,978.71	0.00	0.00	29,838,204.15	38,840,182.86

Appendix VII: Clean Water Cumulative Funded Projects FY 2020 (cont.)

State of Connecticut - Department of Energy and Environmental Protection								
Projects Funded by the Clean Water Fund - FY 2020								
Municipality	CWF Project No.	Contract Date	SCD	State Grant	Non-SRF CWF State Loan NQ	State Match Title VI	Title VI SRF Revenue Loan	Total SRF Project Funding
MDC	692-C	4/1/3020	2/28/2022	49,327,332.89	0.00	0.00	60,288,671.30	109,616,004.19
Total Danglers				63,712,714.25	0.00	0.00	101,168,604.65	164,881,318.90
Total Amendments/Extensions/Danglers (IFO's)				66,738,458.73	0.00	0.00	104,828,049.45	171,566,508.18
<u>PLO's & Grant Closeouts</u>								
Seymour	121-C	4/30/1993	4/30/1992	1,890,643.43	0.00	0.00	10,154,887.30	12,045,530.73
Seymour	146-CD1	12/23/1996	6/30/1996	141,170.72	0.00	0.00	627,427.87	768,598.59
West Haven	166-CD1	1/19/1993	7/1/1995	1,366,425.40	0.00	0.00	2,769,460.55	4,135,885.95
MDC	361-C	4/15/1998	12/31/1999	2,557,675.37	0.00	0.00	2,635,078.51	5,192,753.88
Thomaston	264-C	8/26/1994	4/30/1996	57,406.97	0.00	0.00	1,077,412.58	1,134,819.55
Bridgeport	206-D	12/22/1992	9/30/1993	181,666.26	2,810,439.86	0.00	0.00	2,992,106.12
Naugatuck	675-PG	12/8/2014	10/31/2016	685,663.67	0.00	0.00	0.00	685,663.67
Berlin	217-CSL	10/30/2019	4/30/2019	0.00	0.00	0.00	1,933,314.07	1,933,314.07
Torrington	546-DC	1/31/2020	11/30/2021	5,844,151.20	0.00	0.00	20,471,879.52	26,316,030.72
MDC	697-DC	2/28/2020	1/31/2019	3,754,937.40	0.00	0.00	15,019,749.60	18,774,687.00
Suffield	708-PG	2/28/2020	11/30/2019	384,925.20	0.00	0.00	0.00	384,925.20
Thomaston	680-DC	4/30/2020	4/30/2019	539,722.74	0.00	0.00	1,394,449.19	1,934,171.93
MDC	692-C	4/30/2020	2/28/2022	27,322,636.86	0.00	0.00	33,394,333.88	60,716,970.74
MDC	691-C	5/31/2020	11/30/2019	190,809.94	0.00	0.00	190,809.93	381,619.87
GNHWPCA	711-DC	5/31/2020	11/30/2019	4,967,478.99	0.00	0.00	5,146,207.05	10,113,686.04
Stamford	672-PG	3/17/2016	7/31/2016	466,843.85	0.00	0.00	0.00	466,843.85
Stamford	672-PG1	8/25/2017	9/30/2017	217,387.50	0.00	0.00	0.00	217,387.50
Stamford	672-PG2	4/10/2019	6/30/2019	88,313.70	0.00	0.00	0.00	88,313.70
Total PLOs & Grant Closeouts				50,657,859.20	2,810,439.86	0.00	94,815,010.05	148,283,309.11
<u>Reversal of Original amounts: PLO's & Grants</u>								

Appendix VII: Clean Water Cumulative Funded Projects FY 2020 (cont.)

State of Connecticut - Department of Energy and Environmental Protection								
Projects Funded by the Clean Water Fund - FY 2020								
Municipality	CWF Project No.	Contract Date	SCD	State Grant	Non-SRF CWF State Loan NQ	State Match Title VI	Title VI SRF Revenue Loan	Total SRF Project Funding
Seymour	121-C	4/30/1993	4/30/1992	1,890,643.43	0.00	0.00	10,154,887.30	12,045,530.73
Seymour	146-CD1	12/23/1996	6/30/1996	141,170.72	0.00	0.00	627,427.87	768,598.59
West Haven	166-CD1	1/19/1993	7/1/1995	(1,482,827.09)	0.00	0.00	(2,769,460.55)	(4,252,287.64)
MDC	361-C	4/15/1998	12/31/1999	(2,557,675.37)	(10,100.00)	0.00	(2,624,978.51)	(5,192,753.88)
Thomaston	264-C	8/26/1994	4/30/1996	(57,406.97)	(130,000.00)	0.00	(947,412.58)	(1,134,819.55)
Bridgeport	206-D	12/22/1992	9/30/1993	(181,783.46)	(2,810,439.86)	0.00	0.00	(2,992,223.32)
Naugatuck	675-PG	12/8/2014	10/31/2016	(715,374.55)	0.00	0.00	0.00	(715,374.55)
Berlin	217-CSL	1/10/2019	4/30/2019	0.00	0.00	0.00	(2,130,593.96)	(2,130,593.96)
Torrington	546-DC	1/31/2020	11/30/2021	(14,846,129.91)	0.00	0.00	(50,310,083.67)	(65,156,213.58)
MDC	697-DC	2/28/2020	1/31/2019	(3,754,937.40)	0.00	0.00	(15,019,749.60)	(18,774,687.00)
Suffield	708-PG	3/15/2018	11/30/2018	(384,925.20)	0.00	0.00	0.00	(384,925.20)
Thomaston	680-DC	1/17/2019	4/30/2019	(568,723.63)	0.00	0.00	(1,517,874.37)	(2,086,598.00)
MDC	692-C	1/31/2019	2/28/2022	(76,649,969.75)	0.00	0.00	(93,683,005.18)	(170,332,974.93)
MDC	691-C	5/31/2020	11/30/2019	(225,087.45)	0.00	0.00	(225,087.45)	(450,174.90)
GNHWPCA	711-DC	5/31/2020	11/30/2019	(5,727,863.50)	0.00	0.00	(6,117,863.50)	(11,845,727.00)
Stamford	672-PG	3/17/2016	7/31/2016	(466,843.85)	0.00	0.00	0.00	(466,843.85)
Stamford	672-PG1	8/25/2017	9/30/2017	(217,387.50)	0.00	0.00	0.00	(217,387.50)
Stamford	672-PG2	4/10/2019	6/30/2019	(115,500.00)	0.00	0.00	0.00	(115,500.00)
Total of changes to Amended Project Agreements				(109,983,485.27)	(2,950,539.86)	0.00	(186,230,991.21)	(299,165,016.34)
Total New IFOs and Amendments to Existing Agreements				64,781,220.48	(140,100.00)	0.00	132,163,118.01	196,804,238.49

Appendix VIII: Summary of Project Loan and Grant Agreements

STATE OF CONNECTICUT CLEAN & DRINKING WATER FUND SUMMARY OF ANNUAL CLEAN WATER FUND GRANT & LOAN COMMITMENTS									
FISCAL YEAR	STATE GRANT	STATE LIS GRANT	TITLE VI FEDERAL DIRECT LOAN	NON-SRF CWF STATE LOAN NQ	STATE MATCH TITLE VI	TITLE VI SRF REV LOAN	ARRA - FEDERAL LOAN	L.I.S.R.A. TITLE VI FEDERAL GRANT	TOTAL SRF PROJECT FUNDING*
1987-90	\$23,678,205.35	\$1,152,063.32	\$26,418,270.41	\$32,799,354.00	\$11,553,021.40	\$28,177,928.82	\$0.00	\$0.00	\$123,778,843.30
1990-91	19,899,504.71	9,989,945.92	0.00	145,413.92	7,508,407.95	114,838,604.52	0.00	0.00	152,381,877.02
1991-92	8,818,486.02	1,239,132.10	5,329,035.68	3,087,262.96	0.00	22,926,743.20	0.00	0.00	41,400,659.96
1992-93	21,610,216.65	10,523,998.03	0.00	37,858,006.49	0.00	57,675,394.53	0.00	0.00	127,667,615.70
1993-94	18,988,412.72	20,233,695.65	0.00	2,335,341.50	0.00	86,608,715.63	0.00	0.00	128,166,165.50
1994-95	11,910,241.06	2,138,136.51	0.00	5,388,960.56	0.00	39,649,082.08	0.00	0.00	59,086,420.21
1995-96	18,898,736.46	1,452,035.49	0.00	542,152.87	0.00	39,261,305.55	0.00	0.00	60,154,230.37
1996-97	56,764,542.59	2,157,298.18	0.00	748,667.00	0.00	176,874,399.17	0.00	0.00	236,544,906.94
1997-98	10,346,861.62	65,275.00	0.00	88,659.99	0.00	13,419,598.27	0.00	0.00	23,920,394.88
1998-99	16,214,934.07	0.00	0.00	0.00	0.00	61,750,988.65	0.00	0.00	77,965,922.72
1999-2000	18,775,087.49	568,777.91	0.00	750,000.00	0.00	45,045,382.31	0.00	0.00	65,139,247.71
2000-01	11,565,458.49	1,269,942.00	0.00	4,930,814.87	0.00	25,965,750.86	0.00	0.00	43,731,966.22
2001-02	30,383,842.68	16,314,256.00	0.00	0.00	0.00	112,133,146.76	0.00	0.00	158,831,245.44
2002-03	4,494,829.79	278,980.00	0.00	0.00	0.00	11,669,781.56	0.00	173,835.00	16,443,591.35
2003-04	4,171,256.07	1,589,148.00	0.00	0.00	0.00	9,971,646.60	0.00	1,077,368.00	15,732,050.67
2004-05	27,618,678.94	755,390.00	0.00	0.00	0.00	56,801,599.61	0.00	2,267,579.00	85,175,668.55
2005-06	25,431,493.68	0.00	0.00	0.00	0.00	88,966,920.23	0.00	2,961,808.50	114,398,413.91
2006-07	30,160,245.87	0.00	0.00	0.00	0.00	75,272,549.20	0.00	2,414,592.37	105,432,795.07
2007-08	50,168,409.29	405,260.97	0.00	1,361,118.00	0.00	178,793,293.90	0.00	507,470.00	230,728,082.16
2008-09	39,349,981.59	0.00	0.00	(121,457.03)	0.00	101,354,310.41	0.00	(171,971.65)	140,582,834.97
2009-10	62,029,967.47	(405,260.97)	0.00	3,344,498.69	0.00	147,324,073.58	22,084,738.00	419,464.78	234,378,016.77
2010-11	68,769,150.26	0.00	0.00	288,000.00	0.00	106,314,529.64	0.00	0.00	175,371,679.90
2011-12	45,120,888.66	0.00	0.00	0.00	0.00	144,440,959.33	0.00	0.00	189,561,847.99
2012-13	(3,177,281.36)	0.00	0.00	(160,000.00)	12,073,000.00	20,954,238.30	0.00	0.00	29,689,956.94
2013-14	21,586,392.12	0.00	0.00	(58,206.44)	(12,073,000.00)	85,256,924.30	0.00	0.00	94,712,109.98
2014-15	65,585,982.06	0.00	0.00	0.00	0.00	135,153,995.45	0.00	0.00	200,739,977.51
2015-16	228,170,413.65	0.00	0.00	0.00	0.00	342,393,632.53	0.00	0.00	570,564,046.18
2016-17	17,533,318.56	0.00	0.00	0.00	10,000,000.00	41,247,331.36	0.00	0.00	68,780,649.92
2017-18	14,476,278.75	0.00	0.00	0.00	0.00	79,416,074.29	0.00	0.00	93,892,353.04
2018-19	60,253,745.16	(103,488.38)	0.00	(2,011,005.99)	7,000,000.00	144,899,868.09	0.00	0.00	210,039,118.88
2019-2020	64,781,220.48	0	0	(140,100.00)	0	132,163,118.01	0	0	196,804,238.49
	<u>\$1,094,379,500.95</u>	<u>\$69,624,585.73</u>	<u>\$31,747,306.09</u>	<u>\$91,177,481.39</u>	<u>\$36,061,429.365</u>	<u>\$2,726,721,866.74</u>	<u>\$22,084,738.00</u>	<u>\$9,650,146.00</u>	<u>\$4,071,796,928.25</u>
Non-SRF:	Federal Grant Amount		<u>\$19,909,234.79</u>		<u>\$81,018,292.00</u>	Privately Placed G.O. (PPGO)			
	Total Federal Direct Loans (87-92)		<u>\$51,656,540.88</u>		<u>\$117,079,721.35</u>				

* Total does not include LISRA-Title VI Federal Grant Amount

Appendix IX: Green Bond Reporting – General Obligation Bonds

CLEAN WATER GENERAL OBLIGATION GREEN BONDS

2014 SERIES G GENERAL OBLIGATION GREEN BONDS PAR \$60,000,000 - See FY17 Annual Report for Expenditure Details

2015 SERIES G GENERAL OBLIGATION GREEN BONDS PAR \$65,000,000 - See FY17 Annual Report for Expenditure Details

2016 SERIES F GENERAL OBLIGATION GREEN BONDS PAR \$65,000,000 – See FY18 Annual Report for Expenditure Details

Appendix X: 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	DWF	2019-9063	Generator	\$ 8,486.61
Berlin	CWF	217-CSL	Belcher Brook interceptor sewer rehab project	1,933,314.07
Bethel	DWF	2018-7067	Briar Cliff pump station	622,599.06
Bethel	DWF	2019-7075	Various Water main replacements	644,494.66
Bridgeport	CWF	681-C	Combined sewer overflow storm water pump station	215,323.54
Bridgeport	CWF	706-DC	West side wastewater treatment plan improvements	476,362.73
Bristol	CWF	640-DC	Upgrade WPCF	53,749.84
Bristol	DWF	2019-7073	DeWitt Drive storage tank improvements	490,610.32
East Lyme	DWF	2020-7082	AMI Water meter replacement program	1,292,644.50
Enfield	CWF	671-DC	Upgrade WPCF design and construction	19,437,726.56
Farmington	CWF	620-DC	WPCF facility upgrade	11,964,552.38
GNH WPCA	CWF	711-DC	Short term control plan improvements to reduce CSO's	4,922,694.36
Groton	DWF	2017-7059	Upgrade Poquonock water treatment plant	20,911,791.25
Juniper Club	DWF	2019-9062	Generator	5,389.48
Killingly	CWF	524-DC	Reconstruction of the Rogers Village Pump Station	40,952.78
Killingly	CWF	688-D	Design upgrade to Killingly WPCF	331,090.40
Killingly	CWF	688-C	Upgrade to Killingly WPCF	5,559,336.90
Little Brook Road	DWF	2018-9059	Generator	8,036.29
MDC	CWF	219-CSL	Goff Brook overflow closure	27,318,740.80
MDC	CWF	221-CSL	Cedar Street sewer/water main project Newington	1,690,106.35
MDC	CWF	652-C	WPCA facility upgrade	2,078,420.38
MDC	CWF	657-CD1	Hartford WWTP upgrades	22,430,266.65
MDC	CWF	692-C1	Construction of the MDC SHCST	53,673,618.76
MDC	CWF	697-DC	MDC Hartford WPCF RSRF, GT and solids processing	14,859,749.60
MDC	DWF	2017-7055	Install radio based meter reading equipment phase IV	177,905.23
MDC	DWF	2018-7061	Water main replacement Montclair and Linbrook area in Hartford	376,919.98
MDC	DWF	2018-7062	Water main replacement Garden Street in Wethersfield	926,357.58
MDC	DWF	2019-7074	Water main replacement Bond Street	1,730,861.05
Middletown	CWF	220-CSL	Old Mill Rd area-sanitary sewer, water main & surface improvements	1,591,466.57
Middletown	CWF	696-C	Demo old and construct new inter-municipal pump station	13,270,836.97
New Britain	DWF	2018-7066	Filter plant upgrade, water main improvements, water surface supply statio	718,165.25
Norwich	CWF	707-PD	Develop long term control plan to reduce combined sewer discharges	793,388.86
Norwich	DWF	2017-7056	Mohegan Park water tank installation	484,037.93
Norwich	DWF	2019-7069	Occum Tank and Deep River Filters Rehabilitation	1,651,813.15

Appendix X: Green Bond Reporting – State Revolving Fund Bonds (cont.)

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
Norwich	DWF	2019-7072	AMI Water meter replacement program	\$ 1,582,334.77
Norwich	DWF	2019-7077	Stony Brook dissolved air floatation (DAF)	2,422,053.17
Norwich	DWF	2019-7081	Sprague interconnection and Stony Brook main Rehabilitation	1,992,897.12
Old Colony Beach	CWF	720-D	Design sewers, drainage and green infrastructure improvements	389,834.78
Old Lyme Shores	CWF	645-D	Design sewers, drainage and green infrastructure improvements	425,211.15
Old Saybrook	CWF	673-C1	Decentralized wastewater management system	1,210,941.37
Plainville	CWF	715-DC	WPCF phosphorus removal upgrade project	6,969,112.84
SCCRWA	DWF	2019-7064	Burwell Hill tank replacement	2,366,281.38
SCCRWA	DWF	2019-7078	AMI Water meter replacement program	3,912,957.51
SCCRWA	DWF	2019-7070	Lake Saltonstall water storage tank improvements	791,232.48
Southington	CWF	651-DC	WPCF phosphorus removal upgrade project	19,489,796.08
Southington	DWF	2019-7080	Well installation and improvements	2,228,348.74
Southington	DWF	2019-7076	Well installation and improvements	1,883,252.63
Thomaston	CWF	680-DC	WPCF phosphorus removal upgrade project	1,360,709.45
Torrington	CWF	546-DC	WPCF comprehensive upgrade	21,879,274.02
Waterbury	CWF	677-DC	WPCF phosphorus removal upgrade project	14,349,253.34
Waterbury	DWF	2019-7060	Various Water main improvements and replacements	2,570,037.83
Woodland Summi	DWF	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				\$ -

State Account 21014 Statements of Net Position (unaudited)

	Fiscal Year Ended <u>30-Jun-20</u>	Fiscal Year Ended <u>30-Jun-19</u>
ASSETS:		
Cash and equivalents	\$86,816,201	\$87,997,609
Loans receivable	17,325,940	10,613,015
Interest receivable (loans)	0	0
Interest receivable (investments)	4,812	10,521
Due from Other	0	0
Restricted assets (investments):		
Interest subsidy bonds	<u>345,000</u>	<u>730,000</u>
Total investments	\$104,491,953	\$99,351,145
 Total assets	 <u><u>\$104,491,953</u></u>	 <u><u>\$99,351,145</u></u>
 LIABILITIES:		
	<u>0</u>	<u>0</u>
Total liabilities	<u>0</u>	<u>0</u>
 NET POSITION:		
Prior net position	<u>\$99,351,145</u>	<u>\$81,124,504</u>
Change in net position	5,140,808	18,226,641
Total Net Position	<u><u>\$104,491,953</u></u>	<u><u>\$99,351,145</u></u>

21014 State Account Statements of Revenues, Expenses & Changes in Net Position (unaudited)

	Fiscal Year Ended <u>30-Jun-20</u>	Fiscal Year Ended <u>30-Jun-19</u>
OPERATING REVENUE:		
Interest on loans	\$9,470	\$13,673
Interest on investments	885,588	1,265,251
Miscellaneous revenue	<u>0</u>	<u>0</u>
	\$895,058	\$1,278,925
OPERATING EXPENSES:		
Salaries & benefits	\$5,535,867	\$4,221,945
Indirect costs	0	0
Other	<u>991,659</u>	<u>821,314</u>
	<u>\$6,527,526</u>	<u>\$5,043,259</u>
Income before Operating transfers	<u>\$(5,632,468)</u>	<u>\$(3,764,335)</u>
OPERATING TRANSFERS:		
Grants	\$(67,097,650)	\$(63,827,582)
Bond Proceeds	85,578,000	87,500,000
Other operating transfers	<u>(7,707,074)</u>	<u>(1,681,442)</u>
Total Operating Transfers	<u>\$10,773,276</u>	<u>\$21,990,975</u>
Change in Net Position:	\$5,140,808	\$18,226,641
NET POSITION, beginning	<u>\$99,351,145</u>	<u>\$81,124,504</u>
NET POSTION, ending	<u>\$104,491,953</u>	<u>\$99,351,145</u>

FINANCIAL STATEMENTS



**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)**

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

June 30, 2020 and 2019

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2020 and 2019**

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SEWARD AND MONDE

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

INDEPENDENT AUDITORS' REPORT

Mr. Shawn T. Wooden, Treasurer

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the financial position of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 - 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SRF's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
September 10, 2020

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2020
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) provides an introduction to 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, 2020. 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 net position at the close of fiscal year 2020 was \$832.1 million with total assets of \$1,853.9 million plus deferred outflows of \$5.9 million offset by liabilities of \$1,027.7 million. Compared to the fiscal year 2019 net position of \$809.4 million, the fund increased by \$22.7 million, or 2.8%. The major factor influencing the increase was an increase in loans receivable of \$25.9 million. The increase in the Revolving Fund of \$149.4 million was used to fund project loan amounts thereby increasing the loans receivable as bond proceeds from the 2019 bond sale have been fully expended and continuation of funding project loan payments has been done through the Revolving Fund. At the closing of the 2019 bond sale the funds transferred from the Revolving Fund have been returned.

Restricted assets include assets that have been restricted in use in accordance with the terms of an award, agreement or by state law. The majority of the assets are invested and portions are restricted in accordance with the requirements of state statutes and the federal Clean Water Act. Restricted assets represent the amount of assets which relate to the federal capitalization grants and associated state match. Unrestricted assets include all assets not restricted and available for any program purpose.

The Fund's net revenue before federal capitalization grants and transfers decreased to a negative \$2.7 million after showing a gain in FY 2019 of \$3.5 million. The net loss of \$6.2 million is higher due to increased interest expense.

Overview of the Financial Statements

The Clean Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Energy and Environmental Protection (DEEP). The Treasurer is responsible for reporting the detailed financial information in the Clean Water Fund financial statements. The Clean Water Fund is classified as an Enterprise Fund within the Proprietary Funds of the State of Connecticut. Proprietary funds focus on the determination of the change in the statement of net position, change in financial position, and cash flows for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The loan program activities shown on the financial statements indicate the amount of loans financed and the amount of repayments collected during the past year. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and state matching funds. The amount of capitalization grants remaining for future use is disclosed in the Notes to the Financial Statements.

The Revenue Bond Program is the leveraged financing strategy implemented by the Connecticut SRF that maximizes the financing capacity of the respective federal capitalization grants, the required 20% state match for these grants and the Fund's assets. Based on this strategy, the Connecticut SRF issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund. For the Revenue Bond Program activities, the financial statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future.

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

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

Operating Activities

The Wastewater Loan Program

Loans are made to municipalities for project funding and consist of construction loans or interim funding obligations (IFOs) which accrue interest during construction and long-term permanent 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. There are several state grants available to participants in this program.

During fiscal year 2020, payments to municipalities for ongoing projects totaled \$132.7 million. Completed projects which were permanently financed during the year totaled \$77.6 million while new construction loan commitments totaled \$180.6 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, US Bank. Repayments on the loans made by the DEEP since 1987 are paid to the Clean Water Fund account held at US Bank. These funds provide security for the Bonds and any new Bonds issued thereafter.

Non-Operating Activities

Investment of Funds

The federal capitalization grants and the state 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 State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments.

The State currently invests in the State's Short Term Investment Fund (STIF) and in guaranteed investment agreements with financial institutions. Certain monies currently held in the Fund are invested pursuant to investment agreements with providers which are collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities whose market value is at least 100% of the funds invested.

The Bond Program

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

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

SELECTED FINANCIAL INFORMATION

	2020	2019	Increase/ (Decrease)
Total Net Position	\$ 832,083,520	\$ 809,370,950	\$ 22,712,570
Total Loans Outstanding	\$ 1,243,827,125	\$ 1,217,931,467	\$ 25,895,658
Bonds Payable	\$ 883,775,966	\$ 744,424,383	\$ 139,351,583
Interest Expense	\$ 44,303,211	\$ 37,957,290	\$ 6,345,921
Operating Revenues - Interest on Loans	\$ 24,869,319	\$ 24,242,763	\$ 626,556
Interest on Investments	\$ 12,821,640	\$ 12,888,171	(\$ 66,531)
Federal Capitalization Grants Drawn	\$ 15,293,531	\$ 21,851,252	(\$ 6,557,721)

ECONOMIC CONDITIONS AND OUTLOOK

Connecticut's economy is showing signs of recovery from the devastating effects of the COVID-19 pandemic. There may be additional support and investment coming from the federal government to support Connecticut businesses and families through this time.

The global impact of COVID-19 has resulted in unprecedented pause to economies all over the world. In April, U.S. payroll employment fell by 20.5 million jobs with declines reported in all 50 states. Connecticut lost a historic 266,300 new jobs, a 15.9% decline in just one month. On an encouraging note, Connecticut has recently begun to reverse this trend, adding back an estimated 77,300 net jobs in June 2020 and another 26,500 in July 2020 as reported by Connecticut Department of Labor. However, the economic impact of COVID-19 has not yet fully materialized. Forecast data provided by IHS shows the State unemployment rate growing to 15.5% in Fiscal Year 2021 compared to an estimated 7.4% in Fiscal Year 2020. Connecticut Department of Labor's Office of Research estimates the State's average annual unemployment rate as of April 2020 to be in the range of 17.5%. All of these estimates are based on models developed for different circumstances and should not be viewed as anything other than an indication of the significant impact of COVID-19 on the State. Real Gross State Product is expected to contract by 2.8% in Fiscal Year 2021, the year in which the full economic impact of the pandemic is expected.

Economic indicators show that the COVID-19 pandemic is affecting virtually all aspects of the state and national economies. Connecticut continues to navigate this pandemic and is following public health guidelines such as mask-wearing and social distancing.

Connecticut's housing sector shows mixed results compared to this time last year. Berkshire Hathaway HomeServices reported a drop of nearly 15% in home sales in June 2020 compared to June 2019. However, the median sale price increased by over 5% during that same time period. The firm reported stronger results for the Connecticut housing market for July 2020, as compared to July 2019, with sales of single family homes up 14.3% and median sale prices up 15.5%.

The Office of Policy and Management, in its August 20, 2020 letter, is estimating a General Fund surplus for FY 2020 of \$52.3 million. The final result for fiscal year 2020 will be reported by the State Comptroller on September 30, 2020. Any surplus will be deposited to the Budget Reserve Fund along with a projected transfer of \$582.9 million from the State's volatility cap provision. Following these deposits, the Budget Reserve Fund is expected to reach over \$3 billion, more than 15% of General Fund expenditures. This will help the State address a \$2.1 billion General Fund budget deficit in fiscal year 2021 projected by the Office of Policy and Management. This projected shortfall represents 10.3 percent of net General Fund appropriations and is primarily due to significant revenue reductions related to the impact of the ongoing coronavirus pandemic.

Public Act 20-1 effective March 12, 2020 increased the State's Clean Water and Drinking Water Fund revenue bond authorization by \$84.0 million in FY 2021 bringing the total authorization for both revenue bonding programs to nearly \$4.0 billion since inception. This enables the State Revolving Fund (SRF) programs to continue their efforts to provide necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the SRF programs to provide timely and innovative financial assistance for critical projects. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the SRF programs.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CONTACTS

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

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

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF NET POSITION
June 30, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,300,225	\$ 4,960,740
Interest receivable - investments	1,334,444	1,591,659
Interest receivable - loans	3,819,451	2,076,187
Loans receivable	258,664,805	214,744,898
Total current assets	269,118,925	223,373,484
Noncurrent assets:		
Loans receivable	985,162,320	1,003,186,569
Revolving fund	372,307,353	222,921,993
Restricted assets:		
Bond proceeds fund	856	880
Revolving fund	5,605,467	8,023,880
Debt service fund	202,120,634	179,294,921
Support fund	19,588,995	23,484,311
Total restricted assets	227,315,952	210,803,992
Total noncurrent assets	1,584,785,625	1,436,912,554
Total assets	1,853,904,550	1,660,286,038
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges on refundings	5,907,094	6,866,633
Total deferred outflow of resources	5,907,094	6,866,633
LIABILITIES		
Current liabilities:		
Interest payable on revenue and refunding bonds	12,517,558	9,555,506
Bonds payable	48,569,399	58,363,416
Total current liabilities	61,086,957	67,918,922
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	131,434,600	103,801,832
Bonds payable	835,206,567	686,060,967
Total noncurrent liabilities	966,641,167	789,862,799
Total liabilities	1,027,728,124	857,781,721
NET POSITION		
Restricted for loans	623,328,089	617,328,205
Unrestricted	208,755,431	192,042,745
Total net position	\$ 832,083,520	\$ 809,370,950

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 24,869,319</u>	<u>\$ 24,242,763</u>
OPERATING EXPENSES		
Salaries	447,769	504,259
Employee benefits	387,311	452,451
Other	192,481	59,683
Project grants	8,458,566	3,661,212
Total operating expenses	<u>9,486,127</u>	<u>4,677,605</u>
Operating income	<u>15,383,192</u>	<u>19,565,158</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	12,821,640	12,888,171
Amortization of bond premium	13,405,540	8,967,940
Interest expense	<u>(44,303,211)</u>	<u>(37,957,290)</u>
Total nonoperating revenues (expenses)	<u>(18,076,031)</u>	<u>(16,101,179)</u>
Income (loss) before federal capitalization grants and transfers	<u>(2,692,839)</u>	<u>3,463,979</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	5,999,885	17,233,330
Project funds - grants	8,458,566	3,661,212
Administrative set-asides	835,080	956,710
Total federal capitalization grants	<u>15,293,531</u>	<u>21,851,252</u>
OPERATING TRANSFERS	<u>10,111,878</u>	<u>335,504</u>
Change in net position	22,712,570	25,650,735
NET POSITION, beginning	<u>809,370,950</u>	<u>783,720,215</u>
NET POSITION, ending	<u>\$ 832,083,520</u>	<u>\$ 809,370,950</u>

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 23,126,055	\$ 24,227,364
Loan originations	(132,680,001)	(155,325,261)
Principal paid on loans receivable	106,784,343	91,324,996
Payments to employees for salaries and benefits	(835,080)	(956,710)
Payments on project grants	(8,458,566)	(3,661,212)
Other payments	(192,481)	(59,683)
Net cash used by operating activities	<u>(12,255,730)</u>	<u>(44,450,506)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	<u>15,293,531</u>	<u>21,851,252</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(58,363,417)	(53,831,100)
Proceeds from bonds payable	229,845,000	-
Premium received on bonds payable	41,038,310	-
Payment to refunded revenue bond escrow agent	(32,786,058)	-
Interest paid on bonds payable	(39,725,560)	(37,496,923)
Operating transfers	10,111,878	335,504
Net cash provided (used) by noncapital financing activities	<u>150,120,153</u>	<u>(90,992,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	13,078,851	13,155,670
Decrease (increase) in revolving fund	(149,385,360)	121,390,707
Increase in restricted assets	(16,511,960)	(21,054,981)
Net cash provided (used) by investing activities	<u>(152,818,469)</u>	<u>113,491,396</u>
Net change in cash and cash equivalents	339,485	(100,377)
CASH AND CASH EQUIVALENTS, beginning	<u>4,960,740</u>	<u>5,061,117</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 5,300,225</u>	<u>\$ 4,960,740</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 15,383,192	\$ 19,565,158
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(1,743,264)	(148,675)
Increase in loans receivable	(25,895,658)	(63,866,989)
Net cash used by operating activities	<u>(\$ 12,255,730)</u>	<u>(\$ 44,450,506)</u>

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

**STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2020 and 2019**

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established pursuant to Connecticut General Statutes Section 22a-475 to 22a-499, provides financial assistance to the municipalities of Connecticut for the planning, design and construction of water quality projects. The SRF is funded through revenue bonds, State contributions, and federal grants as established under Title VI of the Water Quality Act of 1987 (Act), which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basis of Accounting

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

Estimates

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

Operating and Nonoperating Revenues and Expenses

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Investments

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

There were no material investment gains or losses for the years ended June 30, 2020 and 2019.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to municipalities in the State of Connecticut for planning, design and construction of water quality projects. Interest on the loans is calculated at two percent of the outstanding balance and recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the municipalities, or both. No allowance for loan losses is considered necessary based on management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as changes in the size of the municipal loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

Restricted Assets

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

Bond Premiums/Deferred Loss

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

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

Revenue Bonds

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

<u>Fund / Account</u>	<u>Description and Use</u>
Revolving Fund	The Revolving Fund consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. The State maintains the Revolving Fund in accordance with the Federal Act. The State shall transfer to the Debt Service Fund any amounts necessary, together with any amounts on deposit therein, sufficient to pay principal of, redemption premium, if any, and interest on bonds.
Bond Proceeds Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds are 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 amounts from the Revolving Fund, Support Fund and, if necessary, Bond Proceeds Fund sufficient to pay the debt service on the bonds. Pays principal and interest on outstanding bonds.
Support Fund	The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Monies in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on Bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.
Administrative Fund: Cost of Issuance Account	Established outside the SRF, receives a portion of the revenue bond proceeds. Investment income is transferred to the revenue fund for debt service payments. Used to pay issuance cost on revenue bonds.
Rebate Fund	Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement. Used for IRS obligations as required.

Deferred outflows/inflows of resources

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

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

Net Position

Net position is classified in the following categories:

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

Subsequent Events

Management of the SRF has evaluated subsequent events through September 10, 2020, the date the financial statements were available to be issued.

Subsequent to June 30, 2020, certain municipalities made early payments of \$71,335,537 to pay off their CWF project loans. The SRF expects to use this prepayment to fund new project loans.

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, 2020 and 2019 funds held by the State Comptroller were \$5,299,954 and \$4,960,473, 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, 2020 and 2019 cash included in restricted assets was \$15,067,464 and \$25,017,078, respectively. As of June 30, 2020 and 2019, the Trustee held principal cash in the amount of \$0 and \$303, respectively, which is included in the revolving fund.

As of June 30, 2020 funds held by STIF were \$511,013,732, of which \$856 is included in the bond proceeds fund, \$369,502,594 is included in the revolving fund, \$141,510,011 is included in the debt service fund and \$271 is included in cash on the Statements of Net Position. As of June 30, 2019 funds held by STIF were \$319,652,423, of which \$880 is included in the bond proceeds fund, \$218,034,045 is included in the revolving fund, \$101,617,231 is included in the debt service fund and \$267 is included in cash on the Statements of Net Position.

STIF is a money market investment pool, rated AAAM as of June 30, 2020 and 2019 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, 2020 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$15,067,464, all of which is included in the debt service fund on the Statements of Net Position. As of June 30, 2019 funds held in FIGMM were \$25,017,078, all of which is included in the debt service fund on the Statements of Net Position.

FIGMM is a money market investment pool, managed by Fidelity Investments, normally investing at least 80% of assets in U.S. Government securities and repurchase agreements for those securities and generally maintaining a dollar-weighted average maturity of 60 days or less.

Investments

As of June 30, 2020, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 5,935,794	\$ -	\$ 3,921,721	\$ 2,014,073	\$ -	AA+
Connecticut General Obligation Bonds	2,804,759	-	2,804,759	-	-	A+
Guaranteed Investment Contracts	41,161,276	-	-	41,161,276	-	A-
Guaranteed Investment Contracts	12,420,816	-	12,420,816	-	-	BBB+
Guaranteed Investment Contracts	11,219,735	-	5,605,467	5,614,268	-	NR
	<u>\$ 73,542,380</u>	<u>\$ -</u>	<u>\$ 24,752,763</u>	<u>\$ 48,789,617</u>	<u>\$ -</u>	

As of June 30, 2019, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 6,861,136	\$ 925,343	\$ 3,921,720	\$ 2,014,073	\$ -	AA+
Connecticut General Obligation Bonds	4,887,646	1,947,886	2,939,760	-	-	A+
Guaranteed Investment Contracts	7,906,374	7,906,374	-	-	-	A
Guaranteed Investment Contracts	43,603,516	-	-	43,603,516	-	A-
Guaranteed Investment Contracts	13,070,853	-	13,070,853	-	-	BBB+
Guaranteed Investment Contracts	12,726,923	-	6,117,505	6,609,418	-	NR
	<u>\$ 89,056,448</u>	<u>\$ 10,779,603</u>	<u>\$ 26,049,838</u>	<u>\$ 52,227,007</u>	<u>\$ -</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 87.9% and 86.8%, at June 30, 2020 and 2019, respectively, in long-term investment agreements with AIG Matched Fund Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified municipalities at an annual interest rate of two percent, secured by the full faith and credit or revenue pledges of the municipalities, or both. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly or annual installments. Prepayments are not subject to any penalty.

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

	<u>2020</u>	<u>2019</u>
Construction in process	\$ 169,605,252	\$ 121,460,063
Completed projects	<u>1,074,221,873</u>	<u>1,096,471,404</u>
	<u>\$ 1,243,827,125</u>	<u>\$ 1,217,931,467</u>

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

<u>Year ending June 30</u>	
2021	\$ 89,059,553
2022	87,770,325
2023	84,449,689
2024	83,333,568
2025	82,898,916
Thereafter	<u>646,709,822</u>
	<u>\$ 1,074,221,873</u>

5 - FEDERAL LETTER OF CREDIT

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

	<u>2020</u>	<u>2019</u>
Awarded	\$ 563,223,148	\$ 543,758,148
Drawn	<u>553,613,923</u>	<u>538,320,392</u>
Available federal letter of credit	<u>\$ 9,609,225</u>	<u>\$ 5,437,756</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, 2020 and 2019, the required State match was \$112,644,630 and \$108,751,630, respectively. As of June 30, 2020 and 2019, the State match provided was \$117,079,722.

6 - RESTRICTED ASSETS

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

	<u>2020</u>	<u>2019</u>
Cash equivalents:		
Cash	\$ 15,067,464	\$ 25,017,078
Money market investment pool	141,510,867	101,618,111
Investments:		
U.S. Treasury State & Local Governments	5,935,794	6,861,136
Guaranteed Investment Contracts	<u>64,801,827</u>	<u>77,307,667</u>
	<u>\$ 227,315,952</u>	<u>\$ 210,803,992</u>

7 - RELATED PARTY TRANSACTIONS

The SRF is one fund of many within the State of Connecticut financial reporting structure and as a result, certain transactions including operating transfers, loans receivable and allocation of expenses among funds are under the direction of the State.

Investments

The SRF has invested in the State Treasurer's Short Term Investment Fund and also holds State General Obligation Bonds as presented in Note 3.

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2020 and 2019, the basic rates were 86.50% and 89.73%, respectively, of the SRF wages and the amounts charged aggregated \$387,311 and \$452,451 respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2020 is as follows:

	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Principal Refunded</u>	<u>Principal Paydowns</u>	<u>Balance June 30, 2020</u>
Revenue bonds	\$ 563,840,550	\$ 200,000,000	\$ -	\$ 26,210,750	\$ 737,629,800
Refunding bonds	<u>180,583,833</u>	<u>29,845,000</u>	<u>32,130,000</u>	<u>32,152,667</u>	<u>146,146,166</u>
	<u>\$ 744,424,383</u>	<u>\$ 229,845,000</u>	<u>\$ 32,130,000</u>	<u>\$ 58,363,417</u>	<u>\$ 883,775,966</u>

A summary of changes in bonds payable during the year ended June 30, 2019 is as follows:

	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Principal Refunded</u>	<u>Principal Paydowns</u>	<u>Balance June 30, 2019</u>
Revenue bonds	\$ 608,236,650	\$ -	\$ -	\$ 44,396,100	\$ 563,840,550
Refunding bonds	<u>190,018,833</u>	<u>-</u>	<u>-</u>	<u>9,435,000</u>	<u>180,583,833</u>
	<u>\$ 798,255,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,831,100</u>	<u>\$ 744,424,383</u>

Revenue Bonds

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

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

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2020
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	\$ 166,470,850	\$ 53,034,800
2/21/2013	State Revolving Fund General Revenue Bonds, 2013 Series A	124,935,000	99,125,000
2/21/2013	State Revolving Fund Refunding General Revenue Bonds, 2013 Series B	35,933,833	28,676,166
5/6/2015	State Revolving Fund General Revenue Bonds, 2015 Series A	197,525,000	185,470,000
6/15/2017	State Revolving Fund General Revenue Bonds, 2017 Series A	200,000,000	200,000,000
6/15/2017	State Revolving Fund Refunding General Revenue Bonds, 2017 Series B	102,640,000	87,625,000
7/9/2019	State Revolving Fund General Revenue Bonds, 2019 Series A	200,000,000	200,000,000
7/9/2019	State Revolving Fund Refunding General Revenue Bonds, 2019 Series B	29,845,000	29,845,000
		<u>\$ 1,057,349,683</u>	<u>\$ 883,775,966</u>

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

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2011 Series A dated March 24, 2011. In accordance with the State Revolving Fund General Revenue Bonds, 2011 Series Plan of Finance, the State allocated the proceeds of 2011 Series Bonds between the SRF and the Drinking Water Fund with \$166,470,850 allocated to the SRF and \$16,464,150 allocated to the Drinking Water Fund.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2013 Series A dated February 21, 2013. In accordance with the State Revolving Fund General Revenue Bonds, 2013 Series Plan of Finance, the State allocated 100% of the proceeds of 2013 Series Bonds to the SRF.

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

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 SRF and the Drinking Water Fund with \$200,000,000 allocated to the SRF and \$50,000,000 allocated to the Drinking Water Fund.

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 SRF and the Drinking Water Fund with \$200,000,000 allocated to the SRF and \$50,000,000 allocated to the Drinking Water Fund.

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

	<u>2020</u>	<u>2019</u>
Serial bonds, with interest rates from 1.00% to 5.00%, maturing through 2039	<u>\$ 737,629,800</u>	<u>\$ 563,840,550</u>

Refunding Bonds - 2009 Series C

On July 30, 2009 the State issued \$115,835,000 of State Revolving Fund Refunding General Revenue Bonds 2009, Series C with interest rates of 1.5% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2003 C-1 and C-2 (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through October 1, 2022, but have been redeemed on July 31, 2009.

The outstanding principal balance of the Refunding Bonds as of June 30, 2020 and 2019 was \$0 and \$41,950,000, respectively.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2020 and 2019 totaled \$678,005 and \$354,999, respectively.

Refunding Bonds - 2013 Series B

On February 21, 2013 the State issued \$35,993,833 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, 2020 and 2019 was \$28,676,166 and \$35,993,833, respectively.

Refunding Bonds - 2017 Series B

On June 15, 2017 the State issued \$102,640,000 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, 2020 and 2019 was \$87,625,000 and \$102,640,000, respectively.

Amortization of the deferred loss on early retirement of bonds for the years ended June 30, 2020 and 2019 totaled \$773,579 for both years.

Refunding Bonds - 2019 Series B

On July 9, 2019 the State issued \$29,845,000 of State Revolving Fund Refunding General Revenue Bonds 2019, Series B with interest rates of 4.0% to 5.0% to refund on a current basis Clean Water Fund Refunding General Revenue Bonds, Series 2009 C (Refunded Bonds). The Refunded Bonds were scheduled to mature at various dates through October 1, 2022.

The outstanding principal balance of the Refunding Bonds as of June 30, 2020 was \$29,845,000.

Amortization of the deferred loss on early retirement of bonds for the year ended June 30, 2020 was \$164,015.

Bond Maturities

Requirements at June 30, 2020 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 48,569,399	\$ 41,578,597
2022	58,568,900	39,426,527
2023	59,008,450	36,723,678
2024-2028	294,724,217	140,759,697
2029-2033	244,265,000	73,957,450
2034-2037	140,325,000	22,933,000
2038-2039	<u>38,315,000</u>	<u>2,451,500</u>
	<u>\$ 883,775,966</u>	<u>\$ 357,830,448</u>

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, is not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 2011, 2013, 2015, 2017 and 2019 series revenue bonds, the SRF is required to remit excess investment income to the federal government. Based on calculations made by an independent arbitrage rebate agent, there was no arbitrage liability at June 30, 2020 and 2019.

10 - NET POSITION

The following represents an analysis of net position for the years ended June 30, 2020 and 2019:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2018	\$ 183,625,340	\$ 600,094,875	\$ 783,720,215
Change in net position	<u>8,417,405</u>	<u>17,233,330</u>	<u>25,650,735</u>
Balance at June 30, 2019	192,042,745	617,328,205	809,370,950
Change in net position	<u>16,712,686</u>	<u>5,999,884</u>	<u>22,712,570</u>
Balance at June 30, 2020	<u>\$ 208,755,431</u>	<u>\$ 623,328,089</u>	<u>\$ 832,083,520</u>

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

11 - OPERATING TRANSFERS

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

	<u>2020</u>	<u>2019</u>
State funded loan repayments	\$ 296,546	\$ 271,834
Operating expenses transfer	835,080	956,710
Operating expenses reimbursement	(835,080)	(956,710)
Transfer related to cost of issuance of bond offerings	(657,643)	-
Transfer related to bond proceeds	10,472,975	-
Transfer related to DWF debt service	-	63,670
	<u>\$ 10,111,878</u>	<u>\$ 335,504</u>

12 - LOAN FUNDING COMMITMENTS

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

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

	<u>2020</u>	<u>2019</u>
Total funds committed to municipalities	\$ 1,715,478,738	\$ 1,901,192,477
Loan amount outstanding to municipalities	<u>1,243,827,125</u>	<u>1,217,931,467</u>
Loan commitments outstanding	<u>\$ 471,651,613</u>	<u>\$ 683,261,010</u>

13 - RISK MANAGEMENT

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

14 - RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts to the SRF may include a decrease in planned projects and borrowers' ability to pay their loan payments. The future effects of these issues are unknown.

SEWARD AND MONDE

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

Mr. Shawn T. Wooden, Treasurer

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Seward and Monde

North Haven, Connecticut
September 10, 2020

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. Shawn T. Wooden, Treasurer

Ms. Katie Dykes, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

Report on Compliance for Each Major Federal Program

We have audited the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account's (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2020. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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



Opinion of Each Major Federal Program

In our opinion, the SRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Seward and Monde

North Haven, Connecticut
September 10, 2020

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
 AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2020**

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Capitalization Grants for State Revolving Fund	66.458	\$ 15,293,531	\$ 14,458,451

See notes to schedule.

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020**

A - ACCOUNTING BASIS

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

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2020 totaled \$5,999,885. Grants disbursed to subrecipients during year ended June 30, 2020 totaled \$8,458,566.

D - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$1,243,827,125 as of June 30, 2020.

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
 AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program
66.458	Capitalization Grants for State Revolving Fund

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

Auditee qualified as low risk auditee? X Yes No

. . . Continued . . .

**STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020
. . . 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.