

NEW ISSUE

Ratings: Moody's: Aaa
S&P: AAA
Fitch: AAA
See "RATINGS" herein

In the opinion of Co-Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the 2013 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Bonds. See "TAX EXEMPTION" herein.

\$162,170,000
State of Connecticut
State Revolving Fund General Revenue Bonds
consisting of

\$124,935,000
State Revolving Fund General Revenue Bonds
2013 Series A

\$37,235,000
State Revolving Fund Refunding General Revenue Bonds
2013 Series B

Dated: Date of Delivery

Due: March 1 and July 1, as shown on the inside cover page

The proceeds of the State Revolving Fund General Revenue Bonds, 2013 Series A (the "2013A Bonds") will be used by the State of Connecticut (the "State") primarily to make Loans to Borrowers, as defined herein, in connection with the financing or refinancing of public wastewater treatment projects and public drinking water projects. The proceeds of the State Revolving Fund Refunding General Revenue Bonds, 2013 Series B (the "2013B Bonds," and collectively with the 2013A Bonds, the "2013 Bonds") will be used primarily by the State to refund certain Outstanding Bonds (the "Refunded Bonds") issued under the State's SRF Program (as defined herein). The 2013 Bonds are payable solely from all moneys in the Revolving Fund, as defined herein, legally available for application to payments due ("Available Moneys") pursuant to the State Revolving Fund General Revenue Bond Program General Bond Resolution adopted December 17, 2002, as supplemented (the "Resolution"), ratably with any other Bonds issued under the Resolution. The 2013 Bonds and all other Bonds issued under the Resolution are referred to collectively as the "Bonds." 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 Resolution in accordance with the terms and provisions of the Resolution. See "SECURITY FOR THE BONDS" herein.

The 2013 Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund, as hereinafter defined, in accordance with the terms and provisions of the Resolution. The issuance of the 2013 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The 2013 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Resolution.

Interest on the 2013A Bonds will be payable on March 1 and September 1 of each year, commencing on September 1, 2013. Interest on the 2013B Bonds will be payable on January 1 and July 1 of each year, commencing on July 1, 2013. The 2013 Bonds may be owned only in book-entry form through a direct or indirect participant in The Depository Trust Company ("DTC"). Principal of and interest on the 2013 Bonds will be payable by U.S. Bank National Association, as Trustee and Paying Agent, at its corporate trust office in Hartford, Connecticut, or at its office in New York, New York. See "APPENDIX G – Book-Entry-Only System."

The 2013 Bonds are subject to redemption prior to maturity as described herein.

See inside front cover page for maturities, amounts, interest rates and yields.

The 2013 Bonds are offered subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of the legality of the 2013 Bonds by Edwards Wildman Palmer LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Hartford, Connecticut, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Shipman & Goodwin LLP, Hartford, Connecticut, Underwriters' Counsel. It is expected that the 2013 Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about February 21, 2013.

The Honorable Denise L. Nappier
Treasurer of the State of Connecticut

BofA Merrill Lynch

Goldman, Sachs & Co.
Morgan Stanley
Baird
Corby Capital Markets, Inc.
Lebenthal & Co., LLC
Piper Jaffray & Co.
Sterne, Agee & Leach, Inc.

Cabrera Capital Markets, LLC
Estrada Hinojosa & Company, Inc.
Loop Capital Markets LLC
Prager & Co., LLC
TD Securities (USA) LLC
William Blair & Company

Janney Montgomery Scott
Ramirez & Co., Inc.
CastleOak Securities, L.P.
Jefferies
M.R. Beal & Company
Rice Financial Products Company
Wells Fargo Securities

\$162,170,000
State of Connecticut
State Revolving Fund General Revenue Bonds
consisting of

\$124,935,000
State Revolving Fund General Revenue Bonds
2013 Series A
Maturity Schedule
Base CUSIP Number: 20775Y

Maturity		Interest			
March 1	Amount	Rate	Yield	Price	CUSIP±
2014	\$ 3,000,000	1.000%	0.150%	100.872	AA4
2015	500,000	2.000	0.330	103.372	AB2
2016	2,000,000	3.000	0.520	107.440	AC0
2017	350,000	2.000	0.670	105.276	AD8
2017	2,745,000	4.000	0.670	113.211	AU0
2018	6,290,000	3.000	0.880	110.403	AE6
2019	3,230,000	3.000	1.120	110.928	AF3
2019	3,190,000	4.000	1.120	116.741	AV8
2020	4,505,000	2.000	1.370	104.207	AG1
2021	4,690,000	5.000	1.530	126.119	AH9
2022	7,370,000	5.000	1.730	127.221	AJ5
2023	6,495,000	5.000	1.930	127.867	AK2
2024	10,035,000	5.000	2.030	126.823*	AL0
2025	9,555,000	5.000	2.130	125.790*	AM8
2026	8,015,000	5.000	2.200	125.072*	AN6
2027	7,435,000	5.000	2.290	124.157*	AP1
2028	10,390,000	5.000	2.370	123.350*	AQ9
2029	13,385,000	5.000	2.430	122.749*	AR7
2030	11,810,000	5.000	2.480	122.250*	AS5
2031	9,945,000	5.000	2.530	121.754*	AT3

\$37,235,000
State Revolving Fund Refunding General Revenue Bonds
2013 Series B
Maturity Schedule
Base CUSIP Number: 20775Y

Maturity		Interest			
July 1	Amount	Rate	Yield	Price	CUSIP±
2019	\$ 7,570,000	5.000%	1.180%	123.342	AY2
2020	7,530,000	5.000	1.400	125.095	AZ9
2021	1,800,000	3.000	1.620	110.749	BA3
2022	1,530,000	3.000	1.830	110.022	BB1
2024	2,130,000	2.000	2.150	98.494	BC9
2024	5,845,000	5.000	2.070	124.815**	BK1
2026	1,850,000	2.375	2.430	99.374	BD7
2026	4,075,000	5.000	2.220	123.378**	BL9
2027	4,905,000	2.500	2.550	99.400	BE5

* Priced to first optional call date of March 1, 2023.

** Priced to first optional call date of July 1, 2022.

± Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the 2013 Bonds. The State is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the 2013 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2013 Bonds.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2013 Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2013 Bonds and the resolutions and proceedings of the State Bond Commission relating thereto are qualified in their entirety by reference to the definitive forms of the 2013 Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the 2013 Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY

This Summary is provided for the convenience of potential investors and is expressly qualified by the entire Official Statement, which should be reviewed in its entirety by potential investors.

- Issuer:** State of Connecticut (the “State”)
- Issue:** \$124,935,000 State of Connecticut State Revolving Fund General Revenue Bonds, 2013 Series A and \$37,235,000 State of Connecticut State Revolving Fund Refunding General Revenue Bonds, 2013 Series B (collectively, the “2013 Bonds”)
- Dated Date:** Date of Issuance
- Interest Payment Date:** For the 2013A Bonds: March 1 and September 1, commencing September 1, 2013; for the 2013B Bonds: January 1 and July 1, commencing July 1, 2013.
- Principal Due:** As detailed on the inside front page of this Official Statement.
- Redemption:** The 2013A Bonds or portions thereof may be called for optional redemption and payment prior to maturity on March 1, 2023, and thereafter, in whole or in part at any time at the option of the State at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. The 2013B Bonds or portions thereof may be called for optional redemption and payment prior to maturity on July 1, 2022, and thereafter, in whole or in part at any time at the option of the State at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. See “DESCRIPTION OF THE 2013 BONDS – Redemption” herein.
- Authorization:** The State will issue the 2013 Bonds pursuant to Connecticut General Statutes Sections 22a-475 to 22a-483 (the “State Act”) and the Resolution. Under the terms of the State Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize revenue bonds in accordance with the permitted uses of the SRF Programs (defined below) including the Wastewater Program and the Drinking Water Program, subject to the legislative authorizations of additional Bonds, and to authorize the execution of the Resolution as a contract of the State with the holders of all Bonds. See “AUTHORIZATION FOR THE BONDS.”
- Security:** The 2013 Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund, as defined herein, in accordance with the terms and provisions of the Resolution. Available Moneys include all funds in the Revolving Fund legally available therefor 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 Resolution in accordance with the terms and provisions of the Resolution. The issuance of the 2013 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. See “SECURITY FOR THE BONDS” for additional information relating to the security for the 2013 Bonds.

Credit Rating: The 2013 Bonds have received ratings of “AAA” from Standard & Poor’s, a division of McGraw-Hill Companies, Inc., “Aaa” from Moody’s Investors Service, Inc. and “AAA” from Fitch Ratings, Inc. See “RATINGS.”

Program: The State’s Revolving Fund Programs consist of (1) the wastewater pollution control revolving fund program established by the State under the federal Water Quality Act of 1987 (the “Wastewater Program”) and (2) the drinking water revolving fund program established by the State under the 1996 amendments to the federal Safe Drinking Water Act (the “Drinking Water Program” and, together with the Wastewater Program, the “SRF Programs”). Pursuant to the SRF Programs, certain federal capitalization grants and State matching funds are used to provide Loans to qualifying Borrowers and other authorized financial assistance for eligible projects in the State and to provide security for certain obligations issued to fund such Loans or other financial assistance, as described herein. See “THE LOANS” and “SECURITY FOR THE BONDS” herein.

Purpose: The 2013A Bonds are being issued (i) to make Loans to Borrowers under the SRF Programs pursuant to the Resolution and (ii) to pay costs of issuance of the 2013A Bonds. See “THE BORROWERS” and “PLAN OF FINANCE” herein.

The 2013B Bonds are being issued (i) to refund certain Outstanding Bonds issued under the Resolution, and (ii) to pay costs of issuance of the 2013B Bonds. See “PLAN OF FINANCE” herein.

Tax Matters: In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the State described herein, interest on the 2013 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, although such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel is further of the opinion that interest on the 2013 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See “TAX EXEMPTION” herein regarding certain other tax considerations.

Trustee and Paying Agent: U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, CT 06103.

Book-Entry Form: The 2013 Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities Depository of the Bonds. See “APPENDIX G – Book-Entry-Only System.”

Additional Information: Additional information may be obtained upon request to the Office of the State Treasurer, Denise L. Nappier, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106 USA, (860) 702-3288.

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OFFICIAL STATEMENT

\$162,170,000

State of Connecticut

State Revolving Fund General Revenue Bonds

consisting of

\$124,935,000

**State Revolving Fund
General Revenue Bonds
2013 Series A**

\$37,235,000

**State Revolving Fund
Refunding General Revenue Bonds
2013 Series B**

INTRODUCTION

The following introductory information is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, should be read in its entirety. The offering of the 2013 Bonds to potential investors is made only by means of the entire Official Statement.

Purpose of Official Statement

This Official Statement is furnished to provide information concerning the \$124,935,000 aggregate principal amount of State Revolving Fund General Revenue Bonds, 2013 Series A (the “**2013A Bonds**”) and \$37,235,000 aggregate principal amount of State Revolving Fund Refunding General Revenue Bonds, 2013 Series B (the “**2013B Bonds**” and, together with the 2013A Bonds, the “**2013 Bonds**”) being issued by the State of Connecticut (the “**State**”). The 2013 Bonds, together with any bonds heretofore or hereafter issued under the Resolution defined below, are collectively referred to herein as the “**Bonds**.”

General Bond Resolution

The 2013A Bonds and the 2013B Bonds represent the eleventh and twelfth series of Bonds issued by the State pursuant to its State Revolving Fund General Revenue Bond Program General Bond Resolution adopted by the State Bond Commission on December 17, 2002, as supplemented (the “**Resolution**”). Under the Resolution, the Revolving Fund includes the state water pollution control federal revolving loan account within the Clean Water Fund and the state drinking water federal revolving loan account within the Clean Water Fund, each established by the State Act in accordance with the Federal Act, as defined herein, and any similar accounts related to any expansion of the SRF Programs (the “**Revolving Fund**”). Debt service on the Bonds, including the 2013 Bonds, will be payable ratably under the Resolution. The State agrees to apply all moneys in the Revolving Fund legally available for payments due under the Resolution (“**Available Moneys**”) to the timely payment of the Bonds and any Other Financial Assistance and any Related Program Obligations. (See “**Appendix E – DEFINITIONS OF CERTAIN TERMS**” for definitions.) The State has pledged amounts in the Bond Proceeds Fund, the Debt Service Fund and the Support Fund pursuant to the Resolution to the payment of the Bonds. (See “**SECURITY FOR THE BONDS – Flow of Funds**” for definitions of and additional information on funds established under the Resolution.)

Purpose of 2013 Bonds

The proceeds of the 2013A Bonds will be used (i) to make Loans to Borrowers, as defined herein, in connection with the financing or refinancing of public wastewater treatment projects and public drinking water projects, and (ii) to pay costs of issuance of the 2013A Bonds. The proceeds of the 2013B Bonds will be used (i) to refund \$37,575,000 of the State of Connecticut State Revolving Fund General Revenue Bonds, 2006 Series A (the “Refunded Bonds”) issued under the Resolution, and (ii) to pay costs of issuance of the 2013B Bonds. See “**PLAN OF FINANCE**” herein. Upon the issuance of the 2013 Bonds and the defeasance of \$42,170,000 State of Connecticut State Revolving Fund General Revenue Bonds, 2003 Series A (the “Defeased 2003A Bonds”) and \$46,280,000 State of Connecticut State Revolving Fund General Revenue Bonds, 2006 Series A (the “Defeased 2006A Bonds”, and collectively with the Defeased 2003A Bonds the “Defeased Bonds”) and the refunding of the Refunded Bonds, Bonds issued under the Resolution will be outstanding in the aggregate principal amount of \$801,345,000.

Additional Information

There follows in this Official Statement brief descriptions of the State Revolving Fund Program, including the Wastewater Program and the Drinking Water Program, the 2013 Bonds, the Loans and Borrowers whose Loans, including current and anticipated Loan commitments through November 30, 2013, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds, including the 2013 Bonds. Attached hereto as **Appendix A** is certain limited information about such Borrowers. Such information was provided by such Borrowers and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the State or the Underwriters. The information contained herein relating to such Borrowers should be read in conjunction with the information contained in **Appendix A**.

Certain information relating to The Depository Trust Company (“**DTC**”) and the book-entry-only system has been furnished by DTC. All references herein to any document are qualified by the terms of such document in its entirety. Unless otherwise indicated herein, capitalized terms not otherwise defined in this Official Statement will have the meanings in **Appendix E** – “DEFINITIONS OF CERTAIN TERMS.”

Appendix B to this Official Statement contains the SRF Programs’ Financial Statements for the fiscal years ended June 30, 2011, and June 30, 2012. **Appendices C** and **D**, respectively, contain summaries of certain provisions of the Resolution and the Project Loan and Project Grant Agreement between the State and each Borrower. **Appendix E** contains definitions of certain terms. **Appendix F** contains the form of Continuing Disclosure Agreement to be entered into by the State in connection with the issuance of the 2013 Bonds and the form of Municipal Continuing Disclosure Agreement to be entered into by the Borrowers identified in **Appendix A** in connection with the issuance of the 2013 Bonds. **Appendix G** contains a description of the book-entry-only system maintained by DTC. **Appendix H** contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the 2013 Bonds.

STATE OF CONNECTICUT CLEAN WATER FUND

The State Clean Water Fund was created by the State pursuant to the Connecticut General Statutes Sections 22a-475 to 22a-483 (the “State Act”). It is jointly managed by the State Department of Energy and Environmental Protection (“**DEEP**”), the Office of the Treasurer (the “**Treasurer**”) and the State Department of Public Health (“**DPH**”). The Clean Water Fund is divided into the following six accounts: (1)

the water pollution control federal revolving loan account; (2) the water pollution control state account; (3) the Long Island Sound clean-up account; (4) the rivers restoration account; (5) the drinking water federal revolving loan account; and (6) the drinking water state account. The water pollution control federal revolving loan account and the drinking water federal revolving loan account collectively constitute the Revolving Fund, which is established pursuant to the Federal Act to fund the State's SRF Programs.

In accordance with the State Act, the State makes Loans to Borrowers to provide capital for various State and federally mandated water pollution control and drinking water projects. Pursuant to the Resolution, Loans are defined as any loan made by the State to a Borrower pursuant to a Loan Agreement (as defined herein) and any other financial support provided by the State to a Borrower including, without limitation, a guaranty, credit support or credit enhancement. The SRF Program was originally established for wastewater treatment projects. (See "STATE OF CONNECTICUT CLEAN WATER FUND – Wastewater Program" herein). The State amended the State Act in 1996 to create the Drinking Water Program within the State Clean Water Fund Program. (See "STATE OF CONNECTICUT CLEAN WATER FUND – Drinking Water Program" herein.)

Federal Statutory Framework

Water Quality Act. The federal Water Quality Act of 1987, which amended the federal Clean Water Act of 1972 (together with any regulations promulgated thereunder, the "CWA"), established state water pollution control revolving fund programs for wastewater treatment projects. The water pollution control revolving funds are used to provide financial assistance to borrowers in connection with the construction, rehabilitation, expansion or improvement of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage. Federal appropriations continue to be made annually to states for funding of wastewater treatment projects even though the CWA has expired by its terms and, as of this date, has not yet been reauthorized by Congress.

Drinking Water Act. The federal Safe Drinking Water Act, as amended by the Safe Drinking Water Act Amendments of 1996 (together with any regulations promulgated thereunder, the "SDWA" and together with the CWA, the "Federal Act"), established a state drinking water revolving fund program for drinking water infrastructure improvements. State drinking water revolving fund loans must serve to protect the public health and to achieve or maintain compliance with the SDWA. The drinking water revolving funds are to be used to provide financial assistance to local privately owned or publicly owned water systems in connection with the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system.

As a condition for receipt of certain federal financial assistance under both the CWA and the SDWA, each state must establish a revolving fund to accept federal capitalization grants and must provide matching funds equal to 20% of the federal capitalization grants. Federal capitalization grants are paid to the State pursuant to the Federal Transfer Payment System. Cash draws under the Federal Transfer Payment System are initiated when a written payment request is submitted by DEEP or DPH. Upon approval of such request, an electronic transfer of funds, in the amount requested, is made by the United States Environmental Protection Agency ("EPA") to a financial institution designated by the State.

The Federal Act places certain legal constraints and provides authorized uses of amounts in the State's Revolving Fund. Federal regulations limit the uses of program equity to making loans, making loan guarantees, purchasing insurance, refinancing prior debt, providing a source of revenue or security for payment of debt service, investing to earn interest on moneys in such account or paying administrative

expenses associated with qualified projects. Federal capitalization grants and State matching funds in the State's Revolving Fund cannot be used to make grants and must be maintained by the Revolving Fund in perpetuity. Available Moneys may be applied to any uses permissible under the Federal Act and the State Act.

American Recovery and Reinvestment Act. The American Recovery and Reinvestment Act of 2009 ("ARRA"), which was signed into law on February 17, 2009, included measures to modernize the nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief and protect those in greatest need. In an effort to create job opportunities for Connecticut residents and help the State's communities prosper, the State has taken a number of steps to maximize the effectiveness of the ARRA in the State, including establishing a process to coordinate the activities of State agencies and formalizing procedures and policies for promoting transparency and ensuring accountability.

ARRA provided funding to the State in the amount of \$48 million for the Wastewater Program and \$19.5 million for the Drinking Water Program. The State has committed all of its ARRA funds as required by ARRA.

Budget Control Act of 2011 and Future Federal Budget Cuts. The Budget Control Act of 2011, signed into law on August 3, 2011 (the "Budget Control Act") set limits on the federal government's discretionary spending caps at levels necessary to reduce expenditures by \$917 billion from the current federal budget baseline for federal fiscal years 2011 and 2012. Known as sequestration (across-the-board cuts), these cuts were slated to take effect January 2, 2013 and would have automatically cut a total of \$1.2 trillion from discretionary spending over 10 years, including the EPA's overall budget. If sequestration occurs, it is expected that the EPA would see cuts of 7.6 percent for mandatory spending accounts, which includes 8.2 percent for discretionary funds, including grants and program accounts. On January 1, 2013, Congress approved the American Taxpayer Relief Act of 2012 (the "Taxpayer Relief Act") which averted the automatic January 2, 2013, sequestration trigger. The Taxpayer Relief Act extends the deadline for Congress to enact deficit reducing legislation until March 1, 2013. If Congress fails to enact specific deficit reduction measures by March 1, 2013, automatic comprehensive budget sequestration and cuts to defense and nondefense spending will occur. Any budget reducing legislation enacted by Congress or any automatic sequestration and cuts that may occur could have an adverse effect on the EPA's operating budget and its ability to make future federal capitalization grants to states for wastewater treatment projects and drinking water infrastructure improvements.

The State cannot predict what actions Congress and the President will take to comply with the Budget Control Act or what actions they may take in the future to reduce federal budget deficits, or what effect those actions may have on the EPA's ability to provide future capitalization grants to the State's SRF Program.

State's SRF Programs

The State's participation in the federal programs pursuant to the CWA and the SDWA is implemented through its SRF Programs. The purpose of the State's SRF Program 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. To make such loans and financial assistance, the State uses proceeds of Bonds, State contributions of moneys (the "**State Contributions**") and federal capitalization grants. With respect to federal capitalization grants, the State makes periodic cash draws under the Federal Transfer Payment System based on the amount of costs incurred for eligible projects or activities by either all or a

specified group of projects receiving Loans, as determined by the State from time to time. The State has elected to base its cash draws on the costs incurred by a specified group of projects on a dollar-for-dollar basis. See **Appendix C** -- “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION.”

Wastewater Program. The Wastewater Program is funded with (i) federal wastewater capitalization grants awarded by the EPA to the State, (ii) State Contributions and (iii) proceeds of the Bonds. Under the CWA, in order to receive federal wastewater capitalization grants, the State must provide matching funds in a ratio of at least 20% of federal wastewater capitalization grants. State Contributions include required State matching funds and other amounts contributed by the State to the Wastewater Program above the amount required by the CWA. The State has deposited amounts in the Wastewater Program which exceed the required amount of State matching funds for federal wastewater capitalization grants awarded to date.

Under the State’s Wastewater Program, most participating municipalities receive a state-funded grant of 20% and a loan of 80% of total eligible costs. Assistance under the State’s Wastewater Program is in varying amounts depending on the type of projects being financed. The State currently provides Loans with a 2% interest rate which must be repaid over a period no later than 20 years after the completion date of the project. Up to 4% of the annual federal wastewater capitalization grant is federally permitted to be used to fund administrative costs.

Prior to the initial issuance of Bonds, the Wastewater Program made loans to Borrowers from federal wastewater capitalization grants and the proceeds of State general obligation bonds. Since 1991, Wastewater Program loans to Borrowers have been primarily funded from the proceeds of the Bonds.

Federal wastewater capitalization grants for federal fiscal years 1987 through 2012 in the amount of \$489.1 million have been awarded by the EPA to the State, including \$48,000,000 in ARRA funding. During that same time period, in furtherance of the State’s Wastewater Program, the State has made State Contributions in the amount of approximately \$100.1 million in the form of taxable State general obligation bonds and direct loans to Borrowers. The federal wastewater capitalization grants and State Contributions have been used to make Loans, to fund reserves and to pay administrative costs. Capitalization grants are also available to fund any authorized purposes under federal and State law.

The Wastewater Program has provided infrastructure development in areas of the State where more than 65% of the population resides.

Drinking Water Program. The Drinking Water Program is funded with (i) federal drinking water capitalization grants awarded by the EPA to the State, (ii) State Contributions and (iii) proceeds of the Bonds. Under the SDWA, in order to receive federal drinking water capitalization grants, the State must provide matching funds in a ratio of at least 20% of federal drinking water capitalization grants. State Contributions include required State matching funds and other amounts contributed by the State to the Drinking Water Program above the amount required by the SDWA.

Under the Drinking Water Program, the State provides Loans at an interest rate equal to 50% of the most recent rate paid on State of Connecticut General Obligation Bonds (the “**Market Rate**”). Under the Drinking Water Program, there is no grant component and 100% of eligible drinking water projects are funded with Loans; provided, however, that a minimum 30% of Federal FY 2011 and a minimum of 20% but a maximum of 30% Federal FY 2012 Drinking Water Capitalization Grant funds were required to be used for subsidization. The State will meet this requirement to provide subsidization in the form of principal

forgiveness. Loans must be repaid over a period not to exceed 20 years from the completion date of the project. Up to 31% of the federal drinking water capitalization grant for each fiscal year is used for all federally permitted set-aside activities including payments of administrative costs, Small Systems Technical Assistance, State Program Management, Local Assistance and other State drinking-water-related programs.

Beginning in 2001, federal capitalization grants and State Contributions in the Drinking Water Program have been primarily used to provide interest subsidies to Borrowers and to secure Bonds. Such amounts are held by the Trustee and pledged to secure such Bonds. Beginning in 2003, the State began to fund future Loans to Borrowers for the Drinking Water Program primarily from the proceeds of Bonds.

Federal drinking water capitalization grants for federal fiscal years 1997 through 2012 in the amount of \$168.3 million have been awarded by the EPA to the State, including \$19,500,000 in ARRA funding. The State has made State Contributions in an amount equal to the federally required state match. The federal drinking water capitalization grants and State Contributions have been used to make Loans, to fund reserves, to make direct loans to privately owned Borrowers, to pay administrative costs and to fund other set-aside activities.

As stated above, and in accordance with the SDWA, the State designates up to 31% of its drinking water capitalization grants for federally permitted set-aside activities. Each set-aside activity has distinct eligibility criteria as set forth in the Operating Agreement between the EPA and the State. Cash draws by DPH from the EPA system for set-aside activities are to be made in accordance with federal program guidelines. In October 2012, the State received notification of non-compliance from the EPA with regard to the administrative procedures utilized by DPH when using the federal system for transfers within the set-aside accounts. While the State has not yet received a final letter of resolution from the EPA, DPH has worked with EPA to address their concerns and DPH has implemented new administrative procedures so as to comply with EPA program guidelines. While the State cannot predict any future action by the EPA, there is no effect on the amount of the current drinking water capitalization grant or on the ability of the State to make Loans to Borrowers for drinking water projects.

Administration of SRF Programs. The State has administered and managed the Wastewater and Drinking Water Programs in conjunction with one another and intends to continue to do so. Under the State's Wastewater Program, the DEEP is primarily responsible for wastewater projects and the fiscal administration of set-aside projects and accounts. The DPH is responsible for programmatic administration and fiscal operations of the Drinking Water Program projects and set-asides. See "STATE OF CONNECTICUT OFFICE OF THE TREASURER," "STATE OF CONNECTICUT DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION" and "STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH" herein.

Bonds Authorized and Issued

Through Fiscal Year 2013, the State General Assembly has authorized the issuance of \$2,186,820,000 of revenue bonds for State Revolving Fund purposes. The State has issued \$1,287,155,000 of Bonds, including refunding Bonds which do not count against the authorization amount. The State's Outstanding Bonds consist only of Bonds issued under the Resolution, including the 2013 Bonds. Upon the issuance of the 2013 Bonds, and the defeasance of the Defeased Bonds and the refunding of the Refunded Bonds, \$801,345,000 of Bonds will be outstanding.

State General Obligation Bonds. Through Fiscal Year 2013, the State General Assembly has authorized the issuance of \$1.13 billion of general obligation bonds for SRF Program purposes. The proceeds of those bonds are used to make grants and Loans to Borrowers and deposits to the funds held under the Resolution. The State expects that additional grants and Loans to Borrowers, as well as deposits to the Support Fund, will be funded from State general obligation bonds or other Available Moneys in the SRF Programs.

Repayment of the Bonds including the 2013 Bonds

Debt service on the Bonds, including the 2013 Bonds, will be paid from Available Moneys and amounts on deposit in the Bond Proceeds Fund, the Debt Service Fund and the Support Fund created under the Resolution. See “SECURITY FOR THE BONDS” for a discussion of the application of amounts on deposit in the Bond Proceeds Fund, the Debt Service Fund, and the Support Fund, the method by which such Funds are funded and the authorized use of such amounts under the Resolution.

In accordance with the SRF Programs and as required by the State Act, each Loan to a Borrower is made pursuant to a Project Loan and Project Grant Agreement (as referred to herein, a “**Loan Agreement**”) between the Borrower and the State. Under each Loan Agreement, the State agrees to make a loan for eligible project costs incurred by the Borrower (the “**Loan**”), upon the terms and in a maximum amount specified in such Loan Agreement. Each Borrower is obligated pursuant to its Loan Agreement to repay only that amount which it actually draws for the payment of project costs. Each Borrower must deliver a Borrower Obligation which provides for repayment of the principal amount of the Loan, together with interest at the rate of 2% per annum for Wastewater Program Loans or 50% of the Market Rate for Drinking Water Program Loans on the unpaid principal amount of such Loan.

The 2013 Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. The issuance of the 2013 Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The State Act provides that the 2013 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, except property mortgaged or otherwise encumbered under the provisions of and for the purposes of the State Act. The Resolution does not provide for the mortgaging or encumbrance of any State or Borrower real property as security for the 2013 Bonds. See “SECURITY FOR THE BONDS” for additional information relating to the security for the Bonds.

PLAN OF FINANCE

The 2013A Bonds will be issued (i) to provide additional new money for Loans to Borrowers, and (ii) to pay costs of issuance of the 2013A Bonds. The 2013B Bonds will be issued (i) to refund the Refunded Bonds, and (ii) to pay costs of issuance of the 2013B Bonds. In addition, as part of the SRF Program’s ongoing goal of minimizing the overall cost of financing, the State expects to utilize a portion of Available Moneys to defease the Defeased Bonds, as more fully described below. Establishment of the escrow for these Bonds will occur simultaneously with the issuance of the 2013 Bonds.

The Defeased 2003A Bonds being cash defeased simultaneously with the issuance of the 2013 Bonds will be redeemed on October 1, 2013, with Available Moneys as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
October 1, 2014	\$1,990,000	3.000%	100%
October 1, 2015	315,000	3.200	100
October 1, 2016	170,000	3.300	100
October 1, 2017	330,000	3.450	100
October 1, 2018	190,000	3.500	100
October 1, 2020	200,000	3.900	100
October 1, 2020	7,130,000	4.500	100
October 1, 2021	220,000	4.000	100
October 1, 2021	7,410,000	4.500	100
October 1, 2022	7,950,000	4.500	100
October 1, 2023	910,000	4.150	100
October 1, 2023	6,980,000	4.500	100
October 1, 2024	870,000	4.200	100
October 1, 2024	4,460,000	4.500	100
October 1, 2025	<u>3,045,000</u>	4.200	100
Total	\$42,170,000		

The Defeased 2006A Bonds being cash defeased simultaneously with the issuance of the 2013 Bonds will be redeemed on July 1, 2016, with Available Moneys as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
July 1, 2017	\$7,640,000	4.250%	100%
July 1, 2018	7,675,000	4.250	100
July 1, 2021	5,900,000	5.000	100
July 1, 2022	6,275,000	5.000	100
July 1, 2023	7,480,000	4.750	100
July 1, 2025	8,665,000	4.750	100
July 1, 2026	1,535,000	4.500	100
July 1, 2027	<u>1,110,000</u>	4.500	100
Total	\$46,280,000		

The Refunded Bonds being refunded with proceeds of the 2013B Bonds will be redeemed on July 1, 2016, as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
July 1, 2019	\$1,865,000	4.300%	100%
July 1, 2019	5,725,000	5.000	100
July 1, 2020	2,720,000	4.375	100
July 1, 2020	4,820,000	5.000	100
July 1, 2021	1,790,000	4.750	100
July 1, 2022	1,550,000	4.400	100
July 1, 2024	1,580,000	4.400	100
July 1, 2024	6,440,000	5.000	100
July 1, 2026	6,025,000	5.000	100
July 1, 2027	<u>5,060,000</u>	5.000	100
Total	\$37,575,000		

**STATE OF CONNECTICUT
OFFICE OF THE TREASURER**

The Treasurer is primarily responsible for receiving and disbursing all moneys belonging to the State, supervising the collection of State taxes and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission normally delegates to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State general obligation and revenue bonds.

The Treasurer has entered into Memoranda of Agreement with DEEP and DPH, respectively, pertaining to the management of the SRF Programs. The Memoranda of Agreement delegate to the Treasurer certain responsibilities with respect to the implementation and management of the SRF Programs. A Financial Administrator has been appointed by the Treasurer to manage and coordinate the various financial components of the SRF Programs on a day-to-day basis.

The Financial Administrator is responsible for the following tasks: development of all the supporting data for the financing of projects from the SRF Programs, including reviewing any credit related documents submitted by Borrowers to obtain a Loan; coordination of the tax documentation necessary to finance the projects; coordination of the investment of bond proceeds of either revenue bonds or general obligation bonds to maximize the yield while meeting the other programmatic requirements of the SRF Programs; and coordination of the preparation of documentation to finance the SRF Programs. The Financial Administrator and DPH prepare the annual report detailing the activities of the SRF Programs to be submitted to the Governor by the Commissioner of DPH and the Treasurer. The Treasurer makes no representation as to the creditworthiness of any particular Borrower or its ability to make Loan repayments.

The activities of the Financial Administrator are coordinated with those of DEEP and the Office of Policy and Management (“OPM”) for the Wastewater Program. OPM manages the State’s capital budget and oversees the bond allocation process. An Amendment to the Memorandum of Agreement, which became effective January 1, 2009, includes roles and responsibilities related to use of both the statewide accounting, procurement and payroll system known as Core-CT and a new project management and accounting system.

The Drinking Water Program Interagency Memorandum of Understanding details the roles and responsibilities of DPH, DEEP, the Treasurer and the Public Utility Regulatory Authority (formerly, the Department of Public Utility Control) (“PURA”) with respect to the Drinking Water Program. DPH is responsible for programmatic administration and fiscal operations of the drinking water projects and set-asides. The Treasurer handles the fiscal administration of all Drinking Water Program accounts, oversight of project loans including loan issuance and loan closings under the fiscal provisions of the State's SRF Programs and the administration of Drinking Water Program, which includes the issuance of bonds. The PURA has programmatic and fiscal input on Drinking Water Program projects for PURA regulated privately owned public drinking water utilities. The PURA has no rate-making authority with respect to municipal Borrowers.

**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION**

DEEP was established as a State agency to carry out the environmental policy of the State, including conserving, improving and protecting the State's natural resources and environment and mitigating water, land and air pollution. The State Act gives DEEP certain statutory responsibilities with respect to the Wastewater Program. DEEP is also responsible for enforcement of, and compliance with, State and federal laws, rules and regulations pertaining to pollution control in the State generally and supervising research related to restoring and rehabilitating the Long Island Sound.

DEEP, as the recipient of the federal wastewater capitalization grants on behalf of the State, executes a capitalization grant agreement with the EPA, processes cash draws of the grants and requests the appropriate state matching funds from the State for deposit in the Wastewater Program. DEEP prepares and submits an annual report detailing its activities to the EPA.

DEEP annually prepares the Project Priority List of eligible water quality projects identifying wastewater treatment projects that are eligible for assistance from the Wastewater Program (“**DEEP Priority List**”). In addition to determining project eligibility, DEEP approves disbursement requests for construction costs incurred by Borrowers who receive financial assistance from the Wastewater Program. DEEP also inspects projects to monitor compliance with approved plans and specifications therefor. DEEP establishes compliance schedules for each step of municipal pollution control projects, including planning, design and construction, and reviews all submissions of Borrowers that are required to follow an enforcement schedule.

**STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH**

The DPH is the state agency that carries out the public health policy of the State, including the use and protection of the State's drinking water resources. The State Act gives DPH certain statutory responsibilities with respect to the Drinking Water Program. The Drinking Water Section of DPH is responsible for enforcement of and compliance with, State and federal laws, rules and regulations pertaining to drinking water and its use in the State.

DPH, as the recipient of the federal drinking water capitalization grants on behalf of the State, executes a capitalization grant agreement with the EPA and requests assistance from the Treasurer in obtaining the appropriate State matching funds from the State for deposit in the Drinking Water Program. DPH prepares and submits an annual report detailing its activities to the EPA.

DPH determines the future needs and sets priorities for funding drinking water projects. Based on approved State and federal appropriations, DPH annually prepares the Project Priority List identifying drinking water projects that are eligible for assistance from the Drinking Water Program (“**DPH Priority List**”). In addition to determining project eligibility, DPH approves and processes disbursement requests for planning, design and construction costs incurred by Borrowers who receive financial assistance from the Drinking Water Program. DPH also inspects projects to monitor compliance with approved plans and specifications therefor. DPH established compliance schedules and reviews all submissions of Borrowers that are required to follow an enforcement schedule. DPH is responsible for reporting the details of these and other program activities to the EPA every year.

THE LOANS

Loan Application Process

While there are slight differences between the Wastewater Program and the Drinking Water Program, the Loan application processes are similar. In order to qualify for funding from a SRF Program, a project must be listed on DEEP's Priority List of eligible water quality projects or DPH's Priority List of eligible drinking water projects (collectively, the “**Priority List**”), which sets forth the projects expected or proposed to receive financial assistance under the SRF Programs. As a condition to being placed on the Priority List for a wastewater treatment project, a borrower must have previously received an administrative abatement order from DEEP directing the borrower to alleviate existing or potential wastewater disposal problems; for the Drinking Water Program no abatement order is required. Once a project is placed on the Priority List, the potential loan recipient must file an application for financial assistance for such project. The application must pass four levels of approval: (1) evaluation and enforcement, which determines if the proposed project addresses the needs cited by DEEP/DPH and complies with regulatory and statutory requirements; (2) project administration, which determines project eligibility for funding in accordance with State and federal regulations; (3) environmental review, which involves the preparation of an environmental assessment of the project; and (4) credit review, which analyzes an applicant's ability to repay the Loan. The Office of the Treasurer reviews the financial information submitted with each application. DEEP and the Office of the Treasurer determine whether, and on what terms and conditions, financial assistance will be provided, including whether or not the State will issue revenue bonds for the benefit of the project. If DEEP and the Office of the Treasurer determine that the State will not finance all or a portion of the cost of such project from the proceeds of revenue bonds, the State may provide a direct loan to assist an eligible project from moneys in the Revolving Fund that are not pledged to or otherwise required for the payment of the Bonds, any other Financial Assistance and any Related Program Obligations. Grants to municipalities for qualified wastewater projects are funded solely from the Wastewater Program. The State funds Wastewater Program grants with State general obligation bonds only.

Loan Agreements

Prior to the making of a Loan to a Borrower for an eligible project from funds in the State Revolving Fund, the Borrower and the State must enter into a Loan Agreement relating to such Loan and the Borrower must deliver to the State an obligation of such Borrower (a “**Borrower Obligation**”) evidencing such Loan. In each Loan Agreement, the State agrees to make a Loan in an amount up to the maximum amount provided in the Loan Agreement. Funds are disbursed to a Borrower only to pay eligible project costs which actually have been incurred by the Borrower, and the amount of a Loan is equal to the aggregate of such disbursed amounts.

Each Loan Agreement specifies a date as of which the project is required to be completed (the “**Scheduled Completion Date**”). Amortization of each Loan is required to begin no later than one year from the earlier of the Scheduled Completion Date specified in the Loan Agreement or the actual project completion date. The final maturity of each Loan is no later than twenty years from the Scheduled Completion Date. Pursuant to the State Act, each Loan bears an interest rate of 2% per annum for Wastewater Program Loans or 50% of the Market Rate for Drinking Water Program Loans.

Loan Repayments

Pursuant to the State Act and the Loan Agreements, principal and interest payments on Loans are payable (i) in equal monthly installments commencing one month after the Scheduled Completion Date, or

(ii) in a single annual installment representing the first year's principal not later than one year after the Scheduled Completion Date and thereafter in monthly installments of principal and interest. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their Loans, with no prepayment penalty, at any time prior to maturity. Under the Resolution, Loan repayments are included in Available Moneys.

Security for the Loans

Each Loan is secured by a Borrower Obligation of the Borrower. Borrower Obligations include bonds, notes or other evidences of debt issued by any Borrower, which obligations may be general obligations, revenue obligations or a combination of general obligations and revenue obligations and/or corporation obligations or such other obligation acceptable to the State and in compliance with the requirements of the State Act and Federal Act. The issuance of the Borrower Obligation must be accompanied by an opinion of counsel to the Borrower to the effect that such obligation constitutes (i) a legal, valid and binding general obligation for which the full faith and credit of the Borrower is pledged, (ii) a legal, valid and binding revenue obligation for which a dedicated source of revenue of that Borrower is pledged and/or (iii) a legal, valid and binding corporate obligation or such other obligation acceptable to the State and in compliance with the requirements of the State Act and the Federal Act.

In connection with the issuance of the 2013 Bonds, the State makes no representation as to the creditworthiness of any particular Borrower or its ability to make Loan repayments. In the past three years, no Borrower has failed to make any of its Loan repayments to the SRF Programs or been more than 15 days late in its Loan repayments.

THE BORROWERS

Under the Resolution, Borrowers may include (i) any metropolitan district, town, water district, consolidated town and city, consolidated town and borough, city, borough, village, fire and sewer district, sewer district or public authority and each municipal organization having authority to levy and collect taxes or make charges for its authorized function, and (ii) any private or public corporation or other entity undertaking activities authorized by the State Act and the Federal Act.

The State has made Loans, and has entered into or anticipates entering into Loan Agreements under which it will agree to make Loans, to the Borrowers in the amounts set forth below. Except as provided below, the bond proceeds are disbursed on a first-come, first-served basis to those Borrowers that have executed Loan Agreements and delivered Borrower Obligations, as such Borrowers incur Project costs. Borrowers in addition to the ones listed below, subject to State Bond Commission approval, may receive Loans from Bond proceeds, provided that they have entered into Loan Agreements with the State. Loan Agreements relating to the Borrowers listed below may be amended to provide that additional municipalities that use portions of any Project may be liable, in lieu of such listed Borrowers, for the repayment of portions of the Loan amounts thereunder. Borrowers may or may not have credit ratings from one or more nationally recognized rating agencies on their municipal debt.

Each municipality and public water system applying for a Loan from the State must (i) obtain all necessary local approvals, (ii) provide evidence of its ability to repay the Loan and (iii) submit all applicable financial information with its complete project application. All Borrowers with outstanding Loans are subject to on-going surveillance by the State. Loan payments by the Borrowers are due monthly. No grace period or missed payments are permitted. This approach assists the State in identifying any

potential payment problems. Loan servicing is provided by the Trustee in communication with the State. There is an annual review process which is overseen by the OPM.

Table 1 below lists, as of November 30, 2012 (i) Borrowers with outstanding Loans under the SRF Programs, (ii) Borrowers who have undrawn Loan commitments and (iii) Borrowers expected to receive additional Loan commitments through November 30, 2013, to be funded under the SRF Programs. Many of the Borrowers listed below have multiple Loans.

**State of Connecticut State Revolving Fund Loans Outstanding as of November 30, 2012,
and Expected Additional Commitments through November 30, 2013**

Loan	Loans Outstanding as of 11/30/12 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Additional Commitments Through 11/30/13 ⁽³⁾	Total Commitments ⁽⁴⁾
Ansonia	\$ 37,126,254	\$	\$	\$ 37,126,254
Aquarion Water (BHC)	173,600			173,600
Bethel	319,978			319,978
Bolton Lakes	815,529	6,352,154		7,167,683
Branford	17,419,636			17,419,636
Bridgeport	35,955,008	11,372,955	3,544,000	50,871,963
Bristol	2,955,403		1,966,503	4,921,906
Brookfield	4,163,280			4,163,280
Burlington	2,126,344			2,126,344
Canaan F.D.	16,690			16,690
Candlewood Trails Assoc.	153,537	372,753		526,290
Canton	1,182,722			1,182,722
Cheshire	5,092,893			5,092,893
Chester	967,285			967,285
Colchester	2,021,896			2,021,896
Cook Willow	378,905			378,905
Coventry	7,003,343			7,003,343
Crystal Lake	193,846			193,846
Danbury	7,228,561	317,188		7,545,749
Darien	401,293			401,293
Deep River	2,386,771			2,386,771
Derby	870,509			870,509
East Haddam	328,708			328,708
East Hampton	268,133			268,133
East Lyme	1,319,589	361,660	5,215,524	6,896,773
East Windsor	2,095,230			2,095,230
Fairfield	16,720,118			16,720,118
Farmington	1,548,931			1,548,931
Glastonbury	17,418,329			17,418,329

(1) Funded from proceeds of federal grants, State general obligation bond proceeds and Bond proceeds.

(2) Consists of undrawn amounts under executed Loan Agreements to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative authorization, additional Bond proceeds.

(3) Consists of amounts expected to be drawn on Loans through November 30, 2013, for which no Loan Agreement has yet been executed, to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative and State Bond Commission authorization, additional Bond proceeds. Certain of the anticipated Loans also will require State Bond Commission authorization.

(4) "Total Commitments" is the sum of Loans Outstanding as of November 30, 2012, Undrawn Loan Commitments and Additional Loan Commitments through November 30, 2013. "Total Commitments" does not reflect projected amortization through November 30, 2013, of Loans Outstanding.

<u>Loan</u>	<u>Loans Outstanding as of 11/30/12</u> ⁽¹⁾	<u>Undrawn Loan Commitments</u> ⁽²⁾	<u>Additional Commitments Through 11/30/13</u> ⁽³⁾	<u>Total Commitments</u> ⁽⁴⁾
GNHWPCA	\$ 33,954,636	\$ 5,172,158	\$ 4,150,000	\$ 43,276,794
Greenwich	6,401,977			6,401,977
Groton	10,410,174			10,410,174
Harrybook Park Condo	103,410			103,410
Hartford	1,460,979			1,460,979
Hillside Water Corp.	89,544			89,544
Jewett City	4,441,019			4,441,019
Ledyard	2,883,273	3,617,577		6,500,850
Litchfield	3,052,599			3,052,599
Manchester	14,367,596	26,608,733		40,976,330
Marlborough	8,063,871			8,063,871
Mattabassett District	12,644,538	73,682,734		86,327,272
MDC	173,002,088	65,216,473	60,085,689	298,304,251
Meriden	35,413,865	943,677	865,000	37,222,542
Middlebury	51,098			51,098
Middlefield	1,466,826			1,466,826
Middletown	6,751,611	873,347	1,730,798	9,355,756
Milford	38,591,149			38,591,149
Naugatuck	863,200			863,200
New Britain	22,325,315		715,334	23,040,649
New Canaan	4,556,896			4,556,896
New London	2,612,453		2,000,000	4,612,453
New Milford	2,119,225	22,349,803		24,469,028
Newtown	6,031,983			6,031,983
North Branford	300,605			300,605
North Haven	642,920			642,920
Norwalk	39,310,136	6,643,086		45,953,222
Norwalk, First Taxing District	-		2,300,000	2,300,000
Norwalk, Second Taxing District	20,259,324			20,259,324
Norwich	10,962,942	839,730	6,932,237	18,734,909
Old Saybrook	2,143,338	5,509,787		7,653,125
Plainfield	880,553			880,553
Plainville	18,527,974			18,527,974
Plymouth	-		1,253,336	1,253,336
Point- o-Woods Association	7,253,093			7,253,093
Portland	4,538,578			4,538,578
Putnam WPCA	2,046,604		338,500	2,385,104

(1) Funded from proceeds of federal grants, State general obligation bond proceeds and Bond proceeds.

(2) Consists of undrawn amounts under executed Loan Agreements to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative authorization, additional Bond proceeds.

(3) Consists of amounts expected to be drawn on Loans through November 30, 2013, for which no Loan Agreement has yet been executed, to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative and State Bond Commission authorization, additional Bond proceeds. Certain of the anticipated Loans also will require State Bond Commission authorization.

(4) "Total Commitments" is the sum of Loans Outstanding as of November 30, 2012, Undrawn Loan Commitments and Additional Loan Commitments through November 30, 2013. "Total Commitments" does not reflect projected amortization through November 30, 2013, of Loans Outstanding.

<u>Loan</u>	<u>Loans Outstanding as of 11/30/12 ⁽¹⁾</u>	<u>Undrawn Loan Commitments ⁽²⁾</u>	<u>Additional Commitments Through 11/30/13 ⁽³⁾</u>	<u>Total Commitments ⁽⁴⁾</u>
Redding	\$ 169,813	\$	\$	\$ 169,813
Ridgefield	1,116,674			1,116,674
Seymour	430,031			430,031
Sharon	1,162,098			1,162,098
Shelton	15,520,475			15,520,475
Simsbury	16,227,845			16,227,845
South Windsor	29,106,839			29,106,839
Southeastern CT Water Authority	157,512			157,512
Southington	14,162,283			14,162,283
Sprague			833,765	833,765
Stafford	22,354			22,354
Stamford	51,718,053			51,718,053
Stonington	681,692			681,692
Stratford	41,712,762			41,712,762
Suffield	166,432			166,432
Thomaston	4,407,685			4,407,685
Torrington	1,991,708			1,991,708
Twin Hills	83,109			83,109
Vernon	6,511,728			6,511,728
Wallingford	1,270,219			1,270,219
Waterbury	46,636,112			46,636,112
Watertown Fire District	657,647			657,647
West Haven	36,408,229		1,232,374	37,640,603
Westport	23,174,619			23,174,619
Winchester	478,233			478,233
Windham	15,339,685			15,339,685
Windsor Locks	892,129			892,129
Woodlake Taxing District	800,638		463,700	1,264,338
Woodstock	274,173			274,173
2012- Generator Program (5)			550,000	550,000
Totals	<u>\$ 978,458,490⁽⁶⁾</u>	<u>\$ 230,233,816⁽⁶⁾</u>	<u>\$ 94,176,760⁽⁶⁾</u>	<u>\$ 1,302,869,065⁽⁶⁾</u>

(1) Funded from proceeds of federal grants, State general obligation bond proceeds and Bond proceeds.

(2) Consists of undrawn amounts under executed Loan Agreements to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative authorization, additional Bond proceeds.

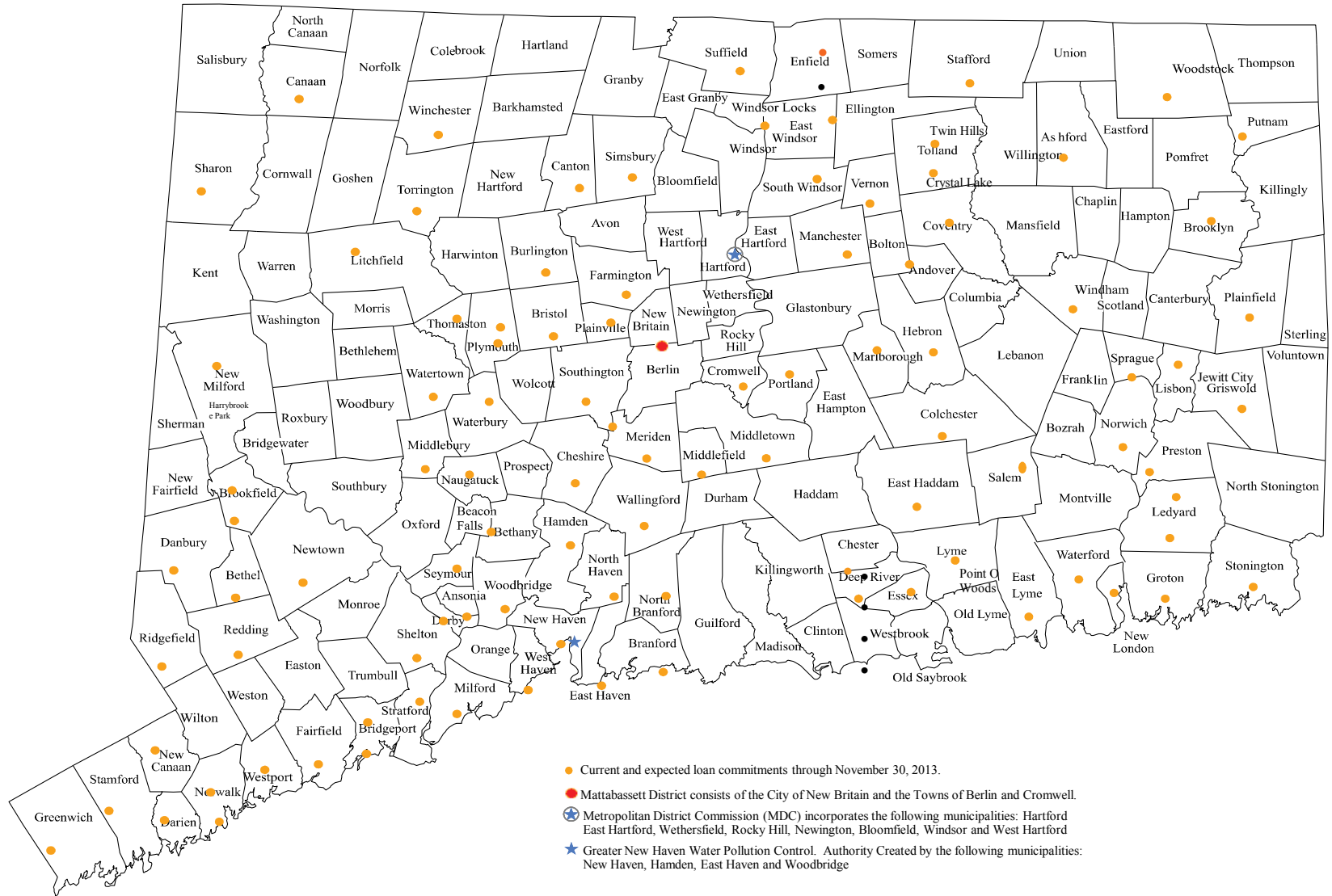
(3) Consists of amounts expected to be drawn on Loans through November 30, 2013, for which no Loan Agreement has yet been executed, to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative and State Bond Commission authorization, additional Bond proceeds. Certain of the anticipated Loans also will require State Bond Commission authorization.

(4) "Total Commitments" is the sum of Loans Outstanding as of November 30, 2012, Undrawn Loan Commitments and Additional Loan Commitments through November 30, 2013. "Total Commitments" does not reflect projected amortization through November 30, 2013, of Loans Outstanding.

(5) Following two severe storm events in the fall of 2011 that caused extended statewide power outages, the DPH implemented an Emergency Power Generator Program within the Drinking Water Program to provide financing to public water systems for the purchase and installation of back-up power generators.

(6) Totals may not add due to rounding.

The following map of the State indicates the location of the Borrowers that are participating in the SRF Programs:



Set forth in **Appendix A** is certain information regarding the Borrowers whose Loans, including current and anticipated Loan commitments through November 30, 2013, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds, including the 2013 Bonds. **Appendix A** of this Official Statement should be read in light of the fact that Loan amounts may change, other Borrowers may be substituted, and additional Borrowers may be added in the future. Further, an identified Borrower may fall below the 10% threshold and thereafter may be released from its obligations under its Municipal Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE AGREEMENTS” and **Appendix F**. The specific amounts loaned to the Borrowers will generally depend upon the actual progress of construction of such Borrowers' projects.

ASSETS AND DEBT IN REVOLVING FUND

The following table sets forth the assets and debt of the Revolving Fund on a cash basis as of November 30, 2012. See “STATE OF CONNECTICUT CLEAN WATER FUND” herein.

Assets and Debt in Revolving Fund¹

<u>Assets</u>	
Loans ²	\$1,208,692,306
Cash and Investments ³	622,073,489 ⁴
State General Obligation Bonds	<u>24,598,944</u>
Total Assets	\$1,855,364,739
 <u>Debt</u>	
Bonds Outstanding under the Resolution	<u>\$791,490,000⁵</u>
Total Debt	\$791,490,000

¹ Assets exclude proceeds of the 2013 Bonds. Debt excludes the 2013 Bonds.

² Includes Loans Outstanding as of November 30, 2012, and undrawn loan commitments.

³ The State currently invests a significant portion of its Revolving Fund assets in long-term investment agreements with financial institutions including AIG Matched Fund Corp., guaranteed by American International Group, Inc.; AIG Financial Products (Jersey) Limited, guaranteed by American International Group, Inc.; CDC Funding Corp., guaranteed by Caisse Des Dépôts et Consignation; Société Générale (New York Branch), payment obligations guaranteed by Financial Security Assurance, Inc., Trinity Plus Funding and Bank of America and the State Treasurer's Short-Term Investment Fund.

⁴ Includes amounts in the Support Fund which are pledged to the Bonds and will be used to pay debt service on the Bonds.

⁵ Amount includes \$26,290,000 in bond principal which matured on or before February 1, 2013.

SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2013A Bonds will be used as follows:

Sources	
Principal Amount of 2013A Bonds	\$124,935,000
Net Original Issue Premium	<u>26,568,640</u>
Total Sources	\$151,503,640
Uses	
Available for Loans	\$150,000,000
Underwriters' Discount and Costs of Issuance	<u>1,503,640</u>
Total Uses	\$151,503,640

It is anticipated that the proceeds of the 2013B Bonds and SRF Program Available Moneys will be used as follows:

Sources	
Principal Amount of 2013B Bonds	\$37,235,000
Net Original Issue Premium	6,333,463
Debt Service Reserve Fund Release	<u>253,533</u>
Total Sources	\$43,821,996
Uses	
Refunding of Refunded Bonds ¹	\$43,376,269
Underwriters' Discount and Costs of Issuance	<u>445,727</u>
Total Uses	\$43,821,996

⁽¹⁾ See "PLAN OF FINANCE."

SECURITY FOR THE BONDS

Special Obligation

Debt service on the 2013 Bonds is expected to be paid from Available Moneys, including pledged amounts in the Bond Proceeds Fund, the Debt Service Fund and the Support Fund. Pursuant to the Resolution, the Available Moneys, all funds and accounts established in connection with the issuance of the Bonds (including the Bond Proceeds Fund, the Debt Service Fund and the Support Fund, but excluding the Rebate Fund), the investments thereof and the proceeds of such investments, if any, are available for the payment of the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds in accordance with the terms and provisions of the Resolution. Although amounts attributable to each program will be tracked separately for the federal reporting purposes, all Available Moneys from both programs will be used to pay principal of and interest on all Bonds of the State's SRF Program. The Resolution does not restrict the use of Available Moneys for other programs

and purposes authorized by federal and State law. See “STATE OF CONNECTICUT CLEAN WATER FUND – Federal Statutory Framework.”

Each Borrower Obligation is (i) a legal, valid and binding general obligation for which the full faith and credit of the Borrower is pledged, (ii) a legal, valid and binding revenue obligation for which a dedicated source of revenue of that Borrower is pledged and/or (iii) a legal, valid and binding corporate obligation or such other obligation acceptable to the State and in compliance with the requirements of the State Act and the Federal Act. Each Borrower Obligation will provide for repayment of the principal amount of the Loan it evidences, together with interest on the unpaid principal amount of such Loan.

The pledge of the Resolution is valid and binding on the State and all other moneys and securities in the funds and accounts established by the Resolution and pledged thereunder are subject to the lien of such pledge without any physical delivery thereof or further act, and such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Flow of Funds

The following funds are created under the Resolution: the Revolving Fund, the Bond Proceeds Fund, the Debt Service Fund, the Support Fund and the Rebate Fund. Moneys will be held in, and transfers will be made to, the separate accounts of such funds in accordance with the Resolution.

Revolving Fund. The Revolving Fund from which the Bonds are to be repaid consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. See “STATE OF CONNECTICUT CLEAN WATER FUND – State’s SRF Programs.” The State will maintain the Revolving Fund in accordance with the Federal Act. Not later than one Business Day prior to any Payment Date, 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 coming due on such Payment Date and any amounts payable from the Debt Service Fund related to Other Financial Assistance and Related Program Obligations. See “**Appendix C**—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION.”

Bond Proceeds Fund. The proceeds of the 2013A Bonds will be deposited in the Bond Proceeds Fund as specified in the applicable Supplemental Resolution which authorizes the issuance of the 2013A Bonds. Moneys in the Bond Proceeds Fund will be expended only for the purposes of the Wastewater Program or the Drinking Water Program, including the financing of Loans to Borrowers, and to the extent that other moneys are not available, for payments of principal of and interest on the Bonds when due and to redeem Bonds at the direction of the State.

Debt Service Fund. Amounts deposited in the Debt Service Fund may include accrued interest and capitalized interest, if any, and amounts transferred from the Revolving Fund, the Support Fund and the Bond Proceeds Fund. Amounts on deposit in the Debt Service Fund will be used for the payment of debt service on the Bonds when due and amounts due on Other Financial Assistance and Related Program Obligations.

Support Fund. The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in the applicable Supplemental Resolution. Moneys 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.

Cross-Collateralization

Both the Drinking Water Program and the Wastewater Program make Loans from the proceeds of the Bonds. Loan repayments from the SRF Programs are deposited to the State Revolving Fund General Revenue Bond Program and available to pay all Bonds whether the Loans were made under the Drinking Water Program or the Wastewater Program. The cross-collateralization of the SRF Programs has been structured in accordance with the EPA regulations, interpretations and guidance (collectively, the “**Federal Environmental Law**”) and the Resolution, as amended and supplemented. See the definition of Federal Act in “**Appendix E—DEFINITIONS OF CERTAIN TERMS.**”

Investment of Funds

The State may invest moneys under the Resolution in any Investment Obligations as defined in the Resolution. Concurrently with the issuance and delivery of the 2013 Bonds, the State will purchase Investment Obligations for the investment of the net proceeds of the 2013 Bonds and amounts to be deposited in the Support Fund and the Debt Service Fund in connection with the issuance of the 2013 Bonds. See “**Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION.**”

Additional Bonds

Under the Resolution, the State expressly reserves the right to adopt one or more supplemental bond resolutions and reserves the right to issue notes and any other obligations so long as the same are not a prior charge or lien on Available Moneys. The Resolution provides that additional bonds may include a pledge of Borrower Obligations pursuant to a Supplemental Resolution.

Bond Anticipation Notes

Whenever the State authorizes the issuance of a Series of Bonds, the Treasurer is authorized to issue Notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewal thereof will be payable solely from the proceeds of such Notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge will have a priority over any other pledge of such proceeds created by the Resolution. Unless otherwise provided in a Supplemental Resolution, Notes will not be secured by the Support Fund or any fund or account established under the Resolution.

State General Taxing Power Not Pledged

The 2013 Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. The issuance of the 2013 Bonds under the State Act and the Resolution shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor, or to make any additional appropriation for their payment. The 2013 Bonds shall not constitute a charge, lien, encumbrance or mortgage, legal or equitable, upon any property of the State or of any political subdivision thereof, and other receipts, funds or moneys pledged therefor. The 2013 Bonds shall not be subject to any statutory limitation on the indebtedness of the State and, when issued, shall not be included in computing the aggregate indebtedness of the State with respect to and to the extent of any such limitation.

AUTHORIZATION FOR THE BONDS

Legal Authority -- State Bond Commission

The State will issue the 2013 Bonds pursuant to the State Act and the Resolution. Under the terms of the State Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize revenue bonds in accordance with the permitted uses of the SRF Programs including the Wastewater Program and the Drinking Water Program, subject to the legislative authorizations of additional Bonds, and to authorize the execution of the Resolution as a contract of the State with the holders of the Bonds.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of the Department of Construction Services and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the State Bond Commission.

Agreement of the State

In consideration of the purchase and acceptance of the Bonds by purchasers or subsequent holders of the Bonds, the provisions of the Resolution will constitute a contract among the State, the Trustee and the holders from time to time of all Bonds issued under the Resolution, including the 2013 Bonds. The provisions, covenants and agreements of the Resolution set forth to be performed on behalf of the State will be for the equal benefit, protection and security of the Holders of any and all of the Bonds issued under the Resolution, including the 2013 Bonds, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other therefor except as expressly provided in the Resolution.

DESCRIPTION OF THE 2013 BONDS

Interest and Principal Payment Dates, Places and Payees. The 2013A Bonds will be dated their date of delivery, and will bear interest therefrom, payable on March 1 and September 1 of each year, commencing September 1, 2013, and will mature on March 1 in the years and in the principal amounts set forth on the inside cover page hereof. The 2013B Bonds will be dated their date of delivery, and will bear interest therefrom, payable on January 1 and July 1 of each year, commencing July 1, 2013, and will mature on July 1 in the years and in the principal amounts set forth on the inside cover page hereof. The principal of, premium, if any, and interest on the 2013 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, or at the office of the Paying Agent in New York, New York, or at the office designated for such payment by the Trustee or any successor Trustee. Interest on the 2013 Bonds will be payable to the person appearing on the registration books of the Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the 2013 Bonds. As long as the 2013 Bonds are registered in book-entry-only form, principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2013 Bonds. The Resolution establishes the fifteenth day preceding each interest payment date as the Record Date for such interest payment date.

Registration, Transfer and Exchange. The 2013 Bonds are issuable as fully registered bonds in any denomination constituting an integral multiple of \$5,000 not exceeding the aggregate principal amount of the 2013 Bonds. The 2013 Bonds may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Hartford, Connecticut, or at the office of the Paying Agent in New York, New York, as provided in the Resolution. Any 2013 Bonds, upon surrender thereof at the corporate trust office or at the paying agency office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2013 Bonds of the same series, maturity and rate of any other authorized denominations. For every exchange or transfer of the 2013 Bonds, the State may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

Redemption

Optional Redemption for the 2013 Bonds. The 2013A Bonds or portions thereof may be called for optional redemption and payment prior to maturity on March 1, 2023, and thereafter, in whole or in part at any time at the option of the State at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

The 2013B Bonds or portions thereof may be called for optional redemption and payment prior to maturity on July 1, 2022, and thereafter, in whole or in part at any time at the option of the State at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

Selection of Bonds to be Redeemed. If less than all of the 2013 Bonds of a particular maturity are redeemed, the 2013 Bonds of such maturity to be redeemed will be selected by lot by the Trustee. The 2013 Bonds (or portions thereof) may be redeemed only in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond.

If the 2013 Bonds are being held by DTC under the book-entry-only system and less than all of such 2013 Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant (as hereinafter defined) in such maturity to be called for redemption, and each Direct Participant is to then select by lot the ownership interest in such maturity to be redeemed.

Notice to Bondholders. Notice of redemption of 2013 Bonds will be mailed, not less than 30 days nor more than 60 days prior to the date of redemption, to the registered owners of the 2013 Bonds, or portions thereof, so called, but the failure to mail such notice with respect to any particular 2013 Bonds will not affect the validity of such call for redemption of any 2013 Bonds with respect to which no such failure has occurred. All 2013 Bonds called for redemption will cease to bear interest on the specified redemption date, provided that funds sufficient for the redemption of such 2013 Bonds in accordance with the Resolution are on deposit with the Trustee. If such moneys are not available on the redemption date, the 2013 Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the 2013 Bonds called for redemption at the place or places of payment, such 2013 Bonds will be paid and redeemed.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the 2013 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the Redemption Price for such optional redemption will not be due and payable unless such moneys are so deposited.

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SCHEDULE OF DEBT SERVICE ON BONDS AND 2013 BONDS

The following table sets forth debt service on the Outstanding Bonds and the 2013 Bonds:

Fiscal Year Ending June 30	Debt Service on Outstanding Bonds ¹	Principal on 2013A Bonds	Interest on 2013A Bonds	Principal on 2013B Bonds	Interest on 2013B Bonds	Total Debt Service
2013	\$ 25,146,117.51	\$	\$	\$	\$	\$ 25,146,117.51
2014	100,440,575.04	3,000,000.00	5,834,026.38		1,343,387.15	110,617,988.57
2015	99,395,870.04	500,000.00	5,646,350.00		1,560,062.50	107,102,282.54
2016	98,356,741.91	2,000,000.00	5,636,350.00		1,560,062.50	107,553,154.41
2017	78,964,558.78	3,095,000.00	5,576,350.00		1,560,062.50	89,195,971.28
2018	67,168,403.78	6,290,000.00	5,459,550.00		1,560,062.50	80,478,016.28
2019	53,269,278.78	6,420,000.00	5,270,850.00		1,560,062.50	66,520,191.28
2020	61,708,728.78	4,505,000.00	5,046,350.00	7,570,000.00	1,370,812.50	80,200,891.28
2021	42,446,716.28	4,690,000.00	4,956,250.00	7,530,000.00	993,312.50	60,616,278.78
2022	45,485,341.28	7,370,000.00	4,721,750.00	1,800,000.00	778,062.50	60,155,153.78
2023	37,988,198.78	6,495,000.00	4,353,250.00	1,530,000.00	728,112.50	51,094,561.28
2024	32,143,873.78	10,035,000.00	4,028,500.00		705,162.50	46,912,536.28
2025	23,066,293.78	9,555,000.00	3,526,750.00	7,975,000.00	537,737.50	44,660,781.28
2026	24,279,900.02	8,015,000.00	3,049,000.00		370,312.50	35,714,212.52
2027	13,012,925.02	7,435,000.00	2,648,250.00	5,925,000.00	246,468.75	29,267,643.77
2028	3,753,706.26	10,390,000.00	2,276,500.00	4,905,000.00	61,312.50	21,386,518.76
2029		13,385,000.00	1,757,000.00			15,142,000.00
2030		11,810,000.00	1,087,750.00			12,897,750.00
2031		<u>9,945,000.00</u>	<u>497,250.00</u>			<u>10,442,250.00</u>
Total	<u>\$806,627,229.82</u>	<u>\$124,935,000.00</u>	<u>\$71,372,076.38</u>	<u>\$37,235,000.00</u>	<u>\$14,934,993.40</u>	<u>\$1,055,104,299.60</u>

¹ Amounts exclude debt service on the Defeased Bonds and the Refunded Bonds.

ABSENCE OF LITIGATION

Upon delivery of the 2013 Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2013 Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2013 Bonds, or in any way contesting or affecting the validity or enforceability of the 2013 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 2013 Bonds. In addition, such certificate will state that there is no controversy or litigation of any nature now pending by or, to the best of his knowledge, threatened, by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect the financial condition of the SRF Programs or the power of the State to collect and enforce the collection of the revenues, receipts, funds or moneys pledged for payment of the 2013 Bonds.

Each Borrower's Town Attorney, City Attorney, General Counsel, Bond Counsel or other attorney, as applicable, has provided or will provide prior to closing on the 2013 Bonds a certificate to the effect that there is no controversy or litigation of any nature, pending or threatened against the

Borrower contesting or affecting the validity or enforceability of the Borrower Obligations or the use of proceeds of the Borrower Obligations. In addition, such certificate will state that there is no controversy or litigation of any nature now pending or threatened by or against the Borrower which could have a material adverse impact on the financial condition of the Borrower or adversely affect the power of the Borrower to levy, collect and enforce the collection of taxes or other revenues for the payment of its Borrower Obligations which has not been disclosed to the State.

LEGALITY FOR INVESTMENT

Under the provisions of the State Act, the 2013 Bonds are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit-sharing and retirement funds may properly and legally invest funds, including capital in their control or belonging to them. Pursuant to the State Act, the 2013 Bonds are made securities which may properly and legally be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, State bond anticipation notes, State grant anticipation notes or other obligations of the State is now or may hereafter be authorized by law.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the 2013 Bonds and with regard to the status of the interest thereon, are subject to the legal opinion of Edwards Wildman Palmer LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Hartford, Connecticut, Co-Bond Counsel. Signed copies of their opinions, dated and speaking only as of the date of original delivery of the 2013 Bonds, will be delivered to the Underwriters at the time of such original delivery and the form of the opinion is set forth as **Appendix H** to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Shipman & Goodwin LLP, Hartford, Connecticut, as Underwriters' Counsel.

Bond Counsel for each Borrower has rendered or will render to the State an opinion to the effect that (subject to certain exceptions for bankruptcy, insolvency and laws affecting creditors' rights and remedies), upon the disbursement of proceeds of a Loan, such Borrower's Obligation is a valid and legally binding obligation of such Borrower for which such Borrower has validly pledged its full faith and credit and/or for which certain special revenues are validly pledged and creates a valid lien upon such revenues, and that (subject to the aforesaid exceptions) such Borrower's Loan Agreement is a valid and binding obligation of the Borrower, enforceable against it in accordance with its terms.

CERTAIN RELATIONSHIPS

Edwards Wildman Palmer LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Hartford, Connecticut, Co-Bond Counsel, represent certain of the Underwriters in other financings, but are not representing the Underwriters in connection with the issuance of the 2013 Bonds. Shipman & Goodwin LLP, Hartford, Connecticut, counsel to the Underwriters, has served as bond counsel in connection with other bonds issued by the State.

TAX EXEMPTION

In the opinion of Edwards Wildman Palmer LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Hartford, Connecticut, Co-Bond Counsel to the State of Connecticut (“Co-Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Co-Bond Counsel is of the further opinion that interest on the 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2013 Bonds. Failure to comply with these requirements may result in interest on the 2013 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2013 Bonds. The State has covenanted to comply with such requirements to ensure that interest on the 2013 Bonds will not be included in federal gross income. The opinion of Co-Bond Counsel assumes compliance with these covenants.

Co-Bond Counsel is also of the opinion that, under existing law, interest on the 2013 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other Connecticut tax consequences arising with respect to the 2013 Bonds. Prospective Bondholders should be aware, however, that the interest on the 2013 Bonds is included in gross income for purposes of the Connecticut corporation business tax. Co-Bond Counsel has not opined as to the taxability of the 2013 Bonds or the income therefrom under the laws of any state other than Connecticut.

A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in **Appendix H** hereto.

To the extent the issue price of any maturity of the 2013 Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2013 Bonds which is excluded from gross income for federal income tax purposes and is exempt from Connecticut personal income taxes. For this purpose, the issue price of a particular maturity of the 2013 Bonds is the first price at which a substantial amount of such maturity of the 2013 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2013 Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Connecticut personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Resolution, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2013 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2013 Bonds may adversely affect the value of, or the tax status of interest on, the 2013 Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the 2013 Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Co-Bond Counsel is of the opinion that interest on the 2013 Bonds is excluded from gross income for federal income tax purposes and is exempt from Connecticut personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Bonds may otherwise affect a Bondholder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

CONTINUING DISCLOSURE AGREEMENTS

Sections 3-20 and 3-20e of the Connecticut General Statutes, as amended, give the State and political subdivisions of the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the “**Rule**”). The State will enter into a Continuing Disclosure Agreement with respect to the 2013 Bonds for the benefit of the beneficial owners of the 2013 Bonds, substantially in the form included in **Appendix F** to this Official Statement (the “**State Continuing Disclosure Agreement**”), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule (i) certain annual financial information and operating data, (ii) timely, but not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the 2013 Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the State Continuing Disclosure Agreement.

The Borrowers identified in **Appendix A** (the “**Significant Obligor**”) will also enter into separate Borrower Continuing Disclosure Agreements with respect to the 2013 Bonds for the benefit of the beneficial owners of the 2013 Bonds, substantially in the form included in **Appendix F** to this Official

Statement (the “**Borrower Continuing Disclosure Agreements**”), pursuant to which each of such Borrowers will agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data and (ii) timely notice of a failure by such Borrower to provide the required annual financial information on or before the date specified in the Borrower Continuing Disclosure Agreement. Each Borrower's obligation will terminate at such time as the State determines that the Borrower ceases to be an obligated person meeting the objective criteria set forth in its Borrower Continuing Disclosure Agreement. See **Appendix F**.

The State and the Significant Obligors have previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of the Bonds to provide certain annual financial information and (with respect to the State only) event notices pursuant to the Rule. Neither the State nor any such Borrowers have defaulted in their obligations to provide the annual financial information pursuant to the Continuing Disclosure Agreements executed in connection with the sale of certain of the Bonds.

To its knowledge, in the last five years the State has not failed to comply in any material respect with the undertakings pursuant to a continuing disclosure agreement executed by the State in connection with the sale of any other bonds except the State recently discovered that it inadvertently did not file notices of certain bond insurer rating downgrades, which downgrades caused the ratings on the bonds insured by such bond insurers to be downgraded or withdrawn. The State has filed notices reflecting the current rating status on such bonds.

The Underwriters' obligation to purchase the 2013 Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2013 Bonds, executed copies of the State Continuing Disclosure Agreement and each Borrower Continuing Disclosure Agreement.

UNDERWRITING

The aggregate initial offering price of the 2013 Bonds to the public is \$195,072,102.95, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters for the 2013 Bonds, has agreed, subject to certain conditions precedent to closing, to purchase the 2013 Bonds from the State at an aggregate purchase price of \$194,130,211.63 (consisting of \$162,170,000 par amount, plus net premium of \$32,902,102.95 less the Underwriters' discount of \$941,891.32). The Underwriters will be obligated to purchase all of the 2013 Bonds, if any 2013 Bonds are purchased. The 2013 Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2013 Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

RATINGS

Moody's Investors Service, Inc. , Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, Inc. have assigned their municipal bond ratings of Aaa, AAA and AAA, respectively, to the 2013 Bonds. Each such rating reflects only the views of the respective

rating agency, and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A revision or withdrawal of any such rating may affect the market price of the Bonds, including the 2013 Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical and mathematical computations (i) of the adequacy of the amounts deposited in escrow for the Defeased Bonds and the Refunded Bonds, together with the interest income thereon, if any, and uninvested cash, if any, to pay, the principal of and interest and premium, if any, on the Defeased Bonds and the Refunded Bonds, to and including their respective maturity date and the final redemption date and (ii) the yields on the Refunded Bonds and amounts deposited in escrow have been verified by Amtec Corporation. Such verification of arithmetical accuracy and mathematical computations has been based upon information and assumptions supplied by the State and the Financial Advisors and on interpretations of the Code, provided by Co-Bond Counsel. Amtec Corporation has restricted its procedures to verifying the accuracy of certain mathematical computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed any opinion on the data used, the reasonableness of the assumptions or the achievability of the anticipated outcome.

FINANCIAL ADVISORS

Lamont Financial Services Corporation and First Southwest Company have served as the Financial Advisors to the State with respect to the sale of the 2013 Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2013 Bonds. The Financial Advisors have also assisted the State in certain matters relating to the State Revolving Fund General Revenue Bond Program.

INDEPENDENT AUDITORS

Included in **Appendix B** are the audited financial statements of the State's Clean Water Fund and the Drinking Water Fund as of June 30, 2012, and the reports thereon dated September 11, 2012, and September 18, 2012, respectively of Seward & Monde, independent certified public accountants. Such audited financial statements have been included herein in reliance upon the reports of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, and laws of the State, the State Act, the Federal Act, and documents, agreements and court decisions, including but not limited to the Resolution, the Loan Agreements and the Borrower Obligations, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Resolution, the Loan Agreements and the Borrower Obligations are available for inspection during normal business hours at the Office of the Treasurer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the 2013 Bonds.

STATE OF CONNECTICUT

By: /s/ Denise L. Nappier
The Hon. Denise L. Nappier
State Treasurer

Dated at Hartford, Connecticut
this 6th day of February, 2013

APPENDIX A

Borrower Information

Part I: General Information

Part II: Specific Borrower Information

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PART I - GENERAL INFORMATION

The following information is a brief summary of certain State law provisions governing the operation of Municipalities. The term "Municipality" includes a town, city, borough, village, consolidated town and city, consolidated town and borough (collectively "Towns"), and a metropolitan district, fire and sewer district, sewer district, or public authority, as well as any other municipal organization having authority to levy and collect taxes or make charges for its authorized function (collectively "Districts"). Municipalities, or entities comprised of Municipalities, are Borrowers under the General Bond Resolution. Other entities are also Borrowers under the Drinking Water program, consisting in the aggregate of less than 1% of total commitments.

Forms of Municipal Government

The legislative powers of Towns may be vested in: (a) a town meeting; (b) a representative town meeting; (c) a board of selectmen, town or common council, board of directors, board of alderman or board of burgesses; or (d) a combination of (a) or (b) and one of the bodies listed in (c). The chief executive officer of a Town may be elected by the citizens of the Town or appointed by the legislative body.

The legislative powers of a District generally rest with the voters of the District. The officers of a District may be elected or appointed in accordance with State statutory provisions and the requirements of the District's charter.

Towns and Districts may adopt home rule charters. A charter may not be inconsistent with the State Constitution or general statutes.

Municipal Powers

Towns generally have broad powers to conduct the business of the Town. Towns may contract, sue and be sued, assess, levy and collect taxes, take real or personal property, regulate nuisances, ensure public health and safety and take actions to protect the environment. Towns are also authorized to provide services including police, nurses, fire, entertainment, ambulance, street lighting, water, garbage disposal and low-income housing. Towns are authorized to build and regulate public facilities such as airports, parks, cemeteries and hospitals. Sewers, drainage and sewer disposal systems may be acquired, constructed and operated by Towns.

Districts may be established for a variety of specific purposes including, without limitation, the construction and maintenance of drains and sewers.

Sewage Systems

Municipalities may designate a water pollution control authority ("WPCA"). The WPCA may be the municipality's legislative body (other than a town meeting) or an existing or newly created board or commission. The WPCA may prepare and periodically update a water pollution control plan for the Municipality. Such plan shall designate: (i) areas served by any municipal sewage system; (ii) areas where municipal sewage facilities are planned and the schedule of design and construction anticipated or proposed; (iii) areas where sewers are to be avoided; (iv) areas served by any community sewage system not owned by a Municipality; (v) areas to be served by any proposed community sewage system not owned by a Municipality; and (vi) areas to be designated as decentralized wastewater management districts. The WPCA must file copies of its water pollution control plan and any periodic updates with the State Commissioner of Environmental Protection. WPCAs, once authorized, may acquire, construct and operate sewage systems, take and hold real property to be used for sewage systems and establish rules and regulations for supervision and management of sewage systems. WPCAs may levy benefit assessments upon the land and buildings within a municipality that are especially benefited by a sewage system, so

long as the assessment does not exceed the special benefit enjoyed by property. WPCAs may also establish and from time to time revise fair and reasonable charges for connection with and use of a sewage system. All benefit assessments and charges are determined after a public hearing.

Water Systems

Municipalities may acquire, construct and operate, a municipal water supply system where: (1) there is no existing waterworks system; (2) the owner or owners of a private waterworks system are willing to sell or transfer all or part of such system to the municipality; or (3) a public regional waterworks system within said municipality is willing to sell or transfer all or part of the system to the municipality. Any municipality may appropriate funds to extend or cause to have extended water mains: (1) into areas to be used for industrial or commercial purposes or partly for industrial or commercial purposes and partly for residential purposes; or (2) into residential areas or into areas zoned for residential use. The municipality may pay the cost of such extension and may require each owner of property which abuts any such main to reimburse the municipality such owner's proportionate share of the cost of such extension at such time and by such rule as the municipality by ordinance determines.

Revenues

Revenues of Towns are principally derived from real and personal property taxes, State and federal aid and Town fees and charges. Revenues of Districts are principally derived from real property taxes, user fees, benefit assessments and service charges.

See "Assessment and Collection of Real and Personal Property Taxes" for discussion on tax assessment and collection provisions. Also, see Part II of this Appendix A for a description of the amount of certain revenues each Municipality described therein has received in the past.

State Aid

The State may provide a grant to each Town for its unrestricted use. The grants are based on a variety of factors such as population and income levels.

The State is not obligated to maintain or continue State aid, which is subject to appropriations being made by the Connecticut General Assembly. General Assembly appropriations are subject to a provision of the State Constitution precluding the General Assembly from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the percentage increase in personal income or the percentage increase in inflation, unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three fifths of the members of each of the State House of Representatives and the State Senate vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The limitation on general budget expenditures does not include expenditures for the payment of State bonds, notes or other evidences of indebtedness.

Federal Aid

Some Municipalities receive financial assistance from the federal government. The federal government is not obligated to maintain or continue federal aid, which is subject to appropriations being made by the United States Congress.

Assessment and Collection of Real and Personal Property Taxes

The State Constitution contains no special provisions addressing assessment and collection of taxes by Municipalities. State statutes contain specific provisions for this activity, leaving the local taxing authorities to assess and collect taxes.

Municipalities are empowered by State statute to levy and collect taxes. Each Municipality has its own tax collector, who collects taxes for the taxing body in accordance with the State statutes. Generally, a District within a Town will use the Town's assessment roll and apply its tax rates to the assessment roll to arrive at its tax assessments.

Assessment lists are prepared by the Municipality's assessor as of October 1 of each year, using lists of taxable property submitted by taxpayers and information from other sources. The lists are amended to add property omitted from the lists and to increase or decrease the valuation of property. Any taxpayer aggrieved by the actions of the assessor can appeal to the Municipality's board of tax review and to the superior court of the Municipality's judicial district. All property is assessed at a uniform rate of 70% of its fair market value as of October 1. Municipalities must revalue all real estate every fifth year. Field reviews of real property must be made no less frequently than every ten years from the preceding review. Special statutory procedures are available to relieve taxpayers of significant tax increases caused by revaluation. When the assessment list is complete, the tax is levied upon the list to determine the amount of tax due and payable to the tax collector. The tax is due and payable on the first day of the Municipality's fiscal year unless the Municipality has determined that installment payments will be allowed.

Tax on real property becomes a lien on the property from October 1 in the year previous to that in which the tax, or the first installment thereof, became due, and continues until two years after the tax, or first installment, became due. The lien may be continued by the tax collector by filing the requisite certificate with the town clerk. Tax on personal property, other than motor vehicles, becomes a lien on the taxpayers' goods situated in the State on the date of perfection, or upon goods thereafter acquired by the taxpayer. The lien is effective for fifteen years, unless discharged.

Debt Incurrence Procedures

Constitutional and Statutory Requirements

The State Constitution empowers the General Assembly to enact legislation relative to a Municipality's borrowing power. State statutes provide procedures for incurring debt by municipalities. Municipalities may adopt debt incurrence procedures pursuant to home rule ordinance, charter or special act.

Purpose of Authorization and Pledge

Generally, a Municipality or District which has made appropriations for any purpose authorized by law, or which has incurred debts exceeding ten thousand dollars (\$10,000), may issue tax-exempt or taxable bonds, notes or other obligations under such terms and conditions, subject to the provisions of the State statutes, as the Municipality shall determine. The faith and credit of the Municipality may be pledged to the payment of and interest on the obligations. In any case in which the amount of a judgment, a compromised or settled claim against it, award or sum payable by it pursuant to a determination by a court, or an officer, body or agency acting in an administrative or quasi-judicial capacity, exceeds five percent (5%) of the total annual tax receipts of a Municipality or two hundred fifty thousand dollars, whichever is less, such municipality may issue bonds, notes or other obligations for the purpose of funding such judgment, claim, or award or sum other than an award or sum arising out of an employment contract or in connection with construction projects. Towns may issue obligations for the purpose of raising money for a dire emergency as such emergency is certified.

A Municipality that has authorized the acquisition or construction of all or any part of a sewage system and has made an appropriation or has incurred debt therefor, may issue bonds, notes or other obligations. Such bonds, notes or other obligations shall be secured as to principal and interest by: (a) the full faith and credit of the Municipality; (b) a pledge of revenues from sewage systems use charges; or (c) a pledge of revenues to be derived from sewage system connection or use charges or a pledge of benefit assessments or both. The Municipality thereafter must appropriate in each year an amount of money sufficient to pay the principal and interest due that year and shall levy taxes or charges (as appropriate) in an amount sufficient to meet the appropriation.

A Municipality may pay for the acquisition, construction, extension, enlargement and maintenance of any waterworks system by the issuance of general obligation bonds or by the issuance of revenue bonds.

Debt Limit

No Municipality (and no Municipality coterminous with or within such Municipality) shall incur indebtedness in any of the following categories which will cause the aggregate indebtedness in that category to exceed, excluding sinking fund contributions, the multiple stated for each category times the aggregate annual receipts of such Municipality from taxation for the most recent fiscal year next preceding the date of issue:

- | | | |
|-------|---|-------|
| (i) | all debt other than urban renewal projects, water pollution control projects, school projects and funding an unfunded past benefit obligation | 2 1/4 |
| (ii) | debt for urban renewal projects | 3 1/4 |
| (iii) | water pollution control projects* | 3 3/4 |
| (iv) | school building projects | 4 1/2 |
| (v) | debt for funding of an unfunded past benefit obligation | 3 |
| (vi) | total debt, including (i), (ii), (iii), (iv) and (v) above | 7 |

*Debt for water pollution control projects issued in order to meet the requirements of an abatement order of the commissioner of environmental protection is excluded from this computation provided the Municipality files a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commissioner that the Municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable.

Certain Legal Matters

Prior to receipt by any Municipality of any Loan, an approving opinion with respect to the Municipal Obligation which evidences the Loan and an enforceability opinion with respect to the Loan Agreement will be rendered by nationally recognized bond counsel for the Municipality.

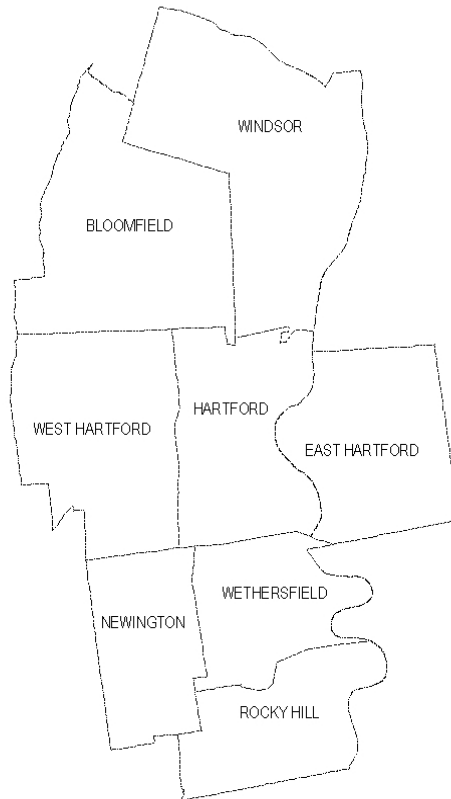
APPENDIX A

PART II- SPECIFIC BORROWER INFORMATION

Set forth in this Part II of Appendix A is certain information regarding the Borrowers whose Loans, including current and/or anticipated Loan commitments through November 30, 2013 are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2013 Bonds, as of the date of this Official Statement.

Except where expressly stated herein, the information which appears in this Official Statement relating to each Borrower is current as of the date of this Official Statement and was furnished by each Borrower for inclusion within this Official Statement. No representation or warranties are made that the information regarding each Borrower has not changed since the date of this Official Statement.

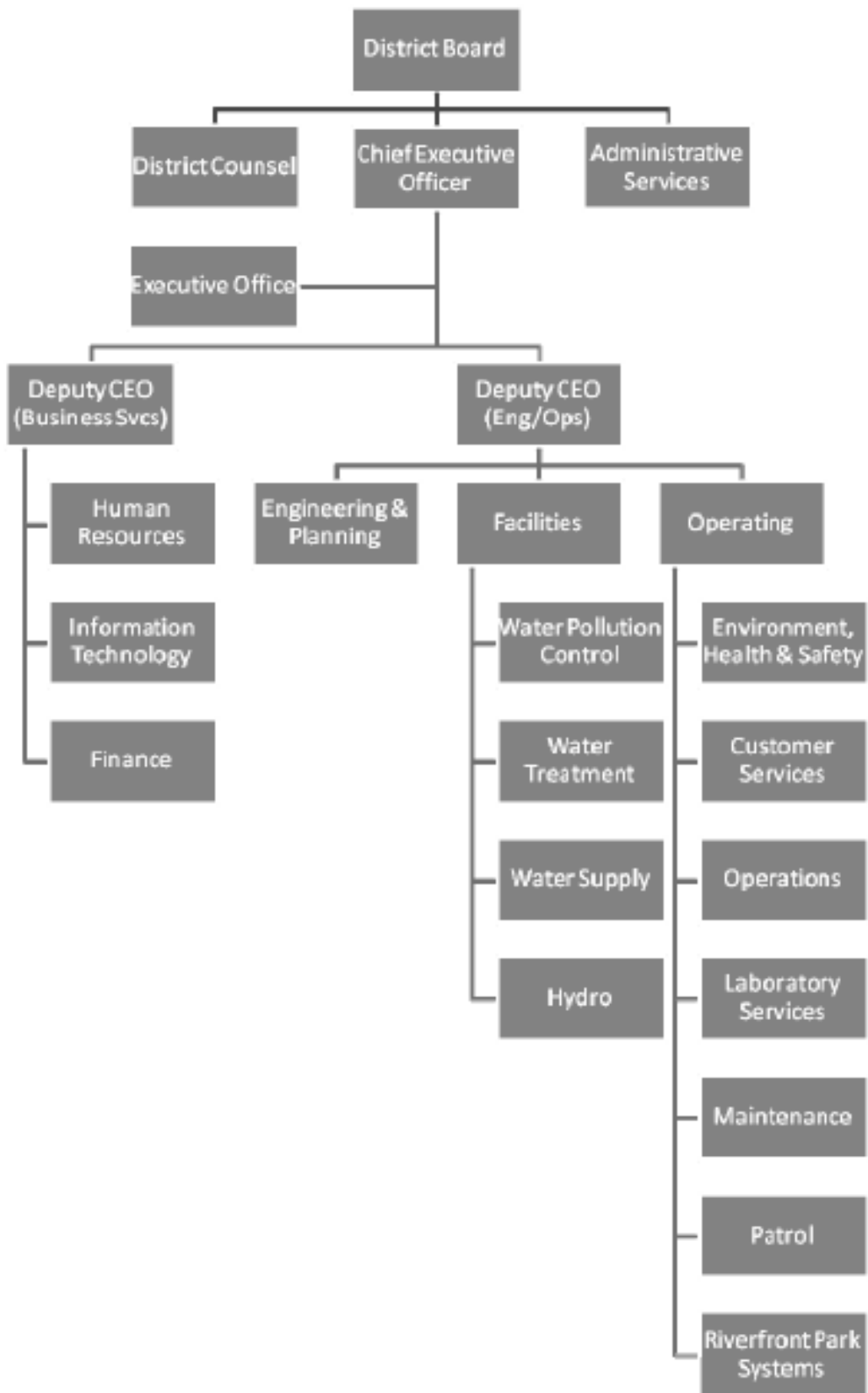
I. THE METROPOLITAN DISTRICT COMMISSION



DESCRIPTION OF THE METROPOLITAN DISTRICT COMMISSION

The Metropolitan District Commission (the “District”) was created by the Connecticut General Assembly in 1929 and operates as a quasi-municipal corporation of the State of Connecticut under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended. The District’s purpose is to provide, as authorized, a complete, adequate and modern system of water supply, sewage collection and disposal facilities for its member municipalities. Additionally, as a result of a Charter amendment approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The member municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (the “Member Municipalities”). The District also provides sewage disposal facilities and supplies water, under special agreements, to non-member towns and state facilities. These towns currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor, Unionville and Windsor Locks.

ORGANIZATIONAL CHART



THE DISTRICT BOARD

A 29-member Board of Commissioners, referred to as the District Board, governs the District. The Member Municipalities appoint seventeen of the commissioners, eight are appointed by the Governor, and four are appointed by the leadership of the Connecticut State Legislature. Appointments made by municipalities having three or more members are subject to the minority representation provisions of Section 9-167a of the Connecticut General Statutes. All commissioners serve without remuneration for terms of six years.

DISTRIBUTION OF COMMISSION MEMBERSHIP

	Commissioners	Appointed By:		
		Member Municipality	Governor	Connecticut State Legislature
Bloomfield.....	1	1	0	0
East Hartford.....	4	3	1	0
Hartford.....	9	6	3	0
Newington.....	2	1	1	0
Rocky Hill.....	1	1	0	0
West Hartford.....	4	3	1	0
Wethersfield.....	2	1	1	0
Windsor.....	2	1	1	0
District at Large.....	4	0	0	4
Total.....	29	17	8	4

POWERS AND RESPONSIBILITIES OF THE DISTRICT BOARD

The District Board is authorized to establish ordinances or bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be an obligation of the District and its inhabitants. The District Board has the power to levy a tax upon the Member Municipalities to finance the operational and capital budget of the General Fund.

The District Board refers a proposed budget of revenues and expenditures to the Board of Finance annually. The Board of Finance reviews the proposed budget, makes adjustments, if desired, and refers it back to the District Board for final enactment.

Capital project appropriations to be financed by the issuance of bonds, notes and other obligations of the District are subject to approval of the District Board upon recommendation of the Board of Finance.

ADMINISTRATION

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. In 2011, the District reorganized its internal structure to meet the ongoing demands of the District’s Clean Water Project, the District’s Asset Management Program and normal operations into two functions under the Deputy CEO of Engineering and Operations, and the Deputy CEO of Business Services. The Deputy CEO of Engineering and Operations is responsible for design and construction of the District’s Clean Water Project, Asset Management and capital planning programs, engineering, maintenance operations, solid waste, water pollution control, water treatment and supply, and the customer service functions of the District. The Deputy CEO of Business Services has responsibility for the District’s accounting, treasury, budget, purchasing, human resources, information technology, risk management and environment, health and safety functions.

DISTRICT CHAIRS AND DISTRICT OFFICIALS

Function	Chair	Date Term Ends
District Board.....	William A. DiBella	2014
Water Bureau.....	Timothy Curtis	2016
Bureau of Public Works.....	Richard V. Vicino	2014
Personnel, Pension & Insurance.....	Alvin E. Taylor	2015
Board of Finance.....	Pasquale J. Salemi	2014

Position	District Officials
Chief Executive Officer.....	Charles P. Sheehan
District Clerk.....	Kristine C. Shaw
District Counsel.....	R. Bartley Halloran
Deputy CEO of Engineering & Operations.....	Scott W. Jellison
Deputy CEO of Business Services.....	John M. Zinzarella
Chief of Program Management.....	Timothy J. Dupuis
Director of Human Resources.....	Erin M. Ryan

Source: District Officials.

DISTRICT EMPLOYEES

The following table illustrates the full and part-time District employees for the last five fiscal years:

Fiscal Year	2012	2011	2010	2009	2008
Total Employees.....	608	553	665	643	636

DISTRICT EMPLOYEES BARGAINING UNITS

Bargaining Groups	Positions Covered	Contract Expiration Date
Clerks, Technicians and Non-Supervisory Engineers - Local 3713...	142	December 31, 2014
Supervisors - Local 1026.....	50	December 31, 2014
Operational - Local 184.....	268	December 31, 2014
Total Union Employees.....	460	

Source: District Officials.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer.

DISTRICT FUNCTIONS

Principal functions of the District are the development and maintenance of sewer and water systems within the boundaries of its Member Municipalities. Additionally, as a result of Charter amendments approved by the Connecticut General Assembly, the District is also empowered to construct, maintain and operate hydroelectric dams.

The District's Bureau of Public Works is responsible for the sewer system, which includes collection, transmission and treatment of sewage from within boundaries of the Member Municipalities and treatment of sewage received from non-member municipalities per special agreement. Commissioners appointed to the Bureau of Public Works are empowered to authorize the layout and construction of additions and improvements to the sewer system, assessment of betterments on property abutting the sanitary sewer line, deferral of assessment as authorized by ordinance and such other matters that by charter, bylaw or ordinance must first be voted upon by the Bureau and then referred to the District Board for final authorization. Public hearings are held during the month at which time the Bureau members act as a court for the assessment of betterments and appraisal of damages. Any party claiming to be aggrieved may take an appeal to the Superior Court of the Judicial District of Hartford.

The District's Water Bureau is responsible for the water system that includes storage, transmission, treatment and distribution of water to customers. In addition, the Water Bureau is responsible for acquisition, construction and operation of hydroelectric plants. Commissioners appointed to the Water Bureau are empowered to make such bylaws or regulations for the preservation, protection and management of the water operations as may be deemed advisable. These include the power to establish rates for the use of water, and to adopt rates for the assessment of benefits upon lands and buildings resulting from installation of water mains and service pipes.

Several other committees are appointed by the District Board to carry out various other functions.

Additionally, the General Assembly of the State of Connecticut passed special legislation enabling the District to maintain a series of parks (developed by Riverfront Recapture) along the Connecticut River. The cost of maintaining Riverfront Recapture's parks is incorporated into the District's water budget and recovered through water rates.

The District also engages in surveying and mapping as a service to its Member Municipalities and its own operations.

CRRRA

The Connecticut Resources Recovery Authority (the "CRRRA") and the District entered into a contract dated December 31, 1984, which defined the responsibilities of both parties with respect to the Mid-Connecticut Resource Recovery Facility. The agreement detailed contractual obligations of the District with respect to the operation of the waste-processing facility, the transfer stations, the Hartford landfill and the transportation systems between the transfer stations, the Hartford landfill and the waste processing facilities, as well as the contractual obligations of the CRRRA to compensate and indemnify the District for its services.

The term of the initial contract was for twenty seven (27) years and the CRRRA had the option to extend the contract for an additional twenty (20) years under the same terms and conditions. The contract terminated on December 31, 2011. The Metropolitan District Commission has been displaced from the Mid-Connecticut Project and the CRRRA has contracted with a private contractor.

As of December 30, 2011, there were 82 District employees directly assigned to manage, repair, maintain and/or operate the facilities and processes under the Mid-Connecticut Project. Through agreements with two of its three affiliated bargaining units, the District agreed to relocate vested employees (those over ten years of continuous service) into capital improvement projects. Between the two bargaining units, there were 37 employees with ten years or more of continuous service. Of the 37 employees, three chose to retire with the remainder still actively employed.

As of December 30, 2011, there were 28 employees assigned to the Mid-Connecticut Project with less than ten years of service. These employees were either re-assigned to existing operational budgeted positions or were placed on lay-off status.

The District and CRRA have given the requisite notices to enter binding arbitration to resolve a dispute related to costs concerning the termination of the CRRA contract and other disputed issues.

II. WATER POLLUTION CONTROL

FACILITIES FOR SEWER SERVICE As of December 31

Facilities for Sewer Service	2011	2010	2009	2008	2007
Total General Fixed Assets ¹	\$748,542,631	\$630,175,664	\$517,323,447	\$485,702,577	\$435,091,398
Miles of Sewers:					
Sanitary.....	1,076	1,076	1,075	1,073	1,071
Combined.....	160	160	160	160	160
Storm.....	72	72	72	71	71
Estimated Sewer Connections.....	114,352	114,299	113,711	113,077	112,600
Estimated Sewered					
Population Units:					
Estimated Population.....	366,045	370,329	368,200	367,500	358,251
Estimated Family Units Sewered.....	149,146	150,891	150,024	149,390	145,630
Present Sewage Plant Capacity:					
Design Population.....	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)...	105	105	105	105	105
Average Daily Flow (million gallons).	60	64	73	73	73

¹ Includes all physical facilities and capital projects except infrastructure, which is excluded under GAAP.
Source: District Officials.

Treatment: Water pollution control operations include the primary and secondary treatment of wastewater that flows into the facilities, septic tank loads received at the Hartford facility, and sludge delivered from non-member towns. All treatment processes are in compliance with the District’s National Pollution Discharge Elimination permits issued by the State’s Department of Energy and Environmental Protection (“DEEP”).

Regulatory Compliance: The District entered into a consent order and a consent decree with the State Department of Environmental Protection, the U.S. Department of Justice, and the U.S. Environmental Protection Agency to address sanitary sewer overflow, nitrogen reduction, and combined sewer overflow issues. On November 6, 2006, the voters of the District approved an \$800,000,000 referendum, “Clean Water Project”, to implement components of the previously mentioned consent order and decree. On November 6, 2012 the voters of the District approved a second \$800,000,000 referendum for the “Clean Water Project”.

Maintenance/Replacement: The District’s maintenance of its sewer system is part of the annual sewer operational budget. The District’s replacement program is funded through appropriations under the District’s Capital Improvement Budget.

Revenue: Effective January 1, 1982, the District formally adopted the Adjusted Ad Valorem sewer user charge method of funding its sewer operations. This method of funding allocates the estimated cost of providing sewer services to customers based on actual use of the sewer system. More specifically, the Adjusted Ad Valorem sewer user charge method recovers sewer system costs from three separate user classifications: (1) low flow users (less than 25,000 gallons of discharge per day); (2) high flow users (more than 25,000 gallons per day); and (3) non-municipal tax-exempt users.

Revenue from low flow users is derived from the tax levied on the MDC’s member municipalities and is shown under the revenue item “Tax on Member Municipalities”.

Revenue from high flow users is based on actual sewer flow discharges from those users. A surcharge is levied on high flow users whose share of costs, based on flow, exceeds the portion of their annual property tax payments rendered in support of the District's sewer system. Conversely, high flow users are eligible for year-end rebates if their user charge, based on flow, is less than the portion of the property tax they pay in support of sewer services.

Revenue from non-municipal tax-exempt properties is based on sewer flows from those properties. In addition, sewer user charge revenues from non-member municipalities, per written agreement, are based on actual sewer flows.

Cost Recovery: The District's ability to recover costs associated with the operations of the sewer system is defined in its Charter and Ordinances. Authority to levy a tax on the member municipalities and to bill a Sewer User Charge is defined in Chapters 3 and 10, respectively, of the District Charter. Specific ordinances relating to the District's Adjusted Ad Valorem Sewer User Charge are found in Section 12 of the District's General Sewer Ordinances.

**SEWER USER CHARGE
As of January 1
(Per Hundred Cubic Feet)**

2013	2012	2011	2010	2009	2008	2007	2006
\$2.52	\$2.43	\$2.35	\$2.08	\$2.08	\$2.08	\$1.96	\$1.84

Section 12 of the District's Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a special sewer service surcharge to fund the debt issued for the Clean Water Project. The Series B Bonds can be paid by the District from this surcharge.

**SPECIAL SEWER SERVICE SURCHARGE
As of January 1
(Per Hundred Cubic Feet)**

2013	2012	2011	2010	2009	2008
\$2.40	\$1.90	\$1.40	\$1.05	\$0.70	\$0.35

Source: District Officials.

CLEAN WATER PROJECT*

The Clean Water Project will address approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The Project is in response to an EPA SSO federal consent decree and a Connecticut DEP CSO consent order to achieve the Federal Clean Water Act goals by 2020. The District's goal is to fund 25-35% of the entire project with State and Federal grants; an additional 50% with State and Federal low-cost loans, and the remainder with open market debt. Project financing is expected to be repaid with a Special Sewer Service Surcharge to customers' water bills. The Special Sewer Service Surcharge is expected to increase annually up to an estimated \$5.45 per hundred cubic feet of usage by Fiscal Year 2020.

The total cost of the Clean Water Project is estimated at approximately \$2.1 billion. An \$800 million appropriation was approved by the voters of the Member Municipalities at referendum in November 2006 for Phase I of the Clean Water Project. An appropriation for an additional \$800 million for Phase II of the Clean Water Project was approved by the voters of the Member Municipalities at referendum on November 6, 2012.

*Note: The Clean Water Project, so called, should not be confused with references herein to the "Clean Water Fund", a program of the State of Connecticut to provide loans and grants to municipal entities for funding sewerage projects generally.

III. WATER OPERATIONS

Shortly after the District was created in 1929, approval was obtained from the Connecticut General Assembly and the member municipalities' electorates to construct the Barkhamsted Reservoir located on the east branch of the Farmington River in the towns of Barkhamsted and Hartland. The Barkhamsted Reservoir is the largest single water supply reservoir in Connecticut and has a capacity of 30.3 billion gallons of water.

The District has sought and received legislative and voter approval for various water programs, all with the basic objective of providing a water supply and water distribution system sufficient in size to meet current and anticipated future needs. The District's average level of water production for 2011 was 49.50 million gallons per day.

FACILITIES FOR WATER SERVICE As of December 31

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Utility Plant.....	\$361,492,308	\$348,225,483	\$310,114,400	\$287,468,564	\$270,879,022
Net Addition to Plant.....	13,266,825	38,111,083	22,645,836	16,589,542	15,558,488
Miles of Water Mains.....	1,540	1,542	1,539	1,536	1,534
Gross Miles Added During Year....	(2)	3	3	2	4
Number of Hydrants.....	11,146	11,223	11,291	11,311	11,362
Number of Services.....	102,324	102,034	101,678	101,124	100,598
Number of Meters.....	102,895	102,807	100,378	100,022	99,600
Estimated Population Served.....	405,610	411,228	401,512	400,088	398,400

Source: District Officials.

NUMBER OF WATER CUSTOMERS As of December 31

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Domestic.....	90,974	93,063	94,174	93,068	92,960
Commercial.....	4,410	5,896	5,799	5,797	5,780
Industrial.....	421	589	595	612	612
Public & Other..	1,249	1,726	1,731	1,757	1,767
Total.....	97,054	101,274	102,299	101,234	101,119

Source: District Officials.

AVERAGE DAILY CONSUMPTION As of December 31 (Million Gallons Per Day)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Domestic.....	27.63	29.57	28.27	30.19	31.67
Commercial.....	9.31	9.33	8.67	9.14	9.63
Industrial.....	1.43	1.48	1.51	1.69	1.73
Municipal & Other.....	3.58	3.80	3.65	3.62	3.95
Total Million Gallons Per Day¹.....	41.95	44.18	42.10	44.64	46.98
Maximum Day.....	87.06	88.65	70.87	75.22	78.38
Minimum Day.....	34.64	40.10	41.97	44.23	42.69

¹ Represents net consumption billed.

Source: District Officials.

WATER UTILITY UNIT CHARGE
As of January 1
(Per Hundred Cubic Feet)

2013	2012	2011	2010	2009	2008	2007	2006
\$2.50	\$2.43	\$2.35	\$2.12	\$2.07	\$2.21	\$1.96	\$1.84

Source: District Officials.

Treatment: Standards for the quality of drinking water supplied to District customers are maintained in conformity with the public health code of the Connecticut Department of Public Health and as promulgated under Federal water quality standards, under the Safe Drinking Water Act.

The District is in compliance with the Safe Drinking Water Act, also known as Public Health Code Regulation 19-13-B102, “Standards for Quality of Public Drinking Water”, and all subsequent amendments. The District has consistently pursued a policy to provide its consumers a safe, potable water supply.

Maintenance/Replacement: The District’s maintenance of its water system is part of the annual water operational budget. Its replacement program is funded through appropriations under the District’s Capital Improvement Budget.

Revenue: The Public Utilities Regulatory Authority does not have jurisdiction to establish rates for the use of water but does require that the District maintain its accounting records for water operations in accordance with a uniform system of accounts prescribed for Class A water utilities. Setting of rates for the use of water is vested in the Water Bureau, and as required by Charter, rates must be uniform throughout the District.

Billing Cycles: The District currently has approximately 103,100 quarterly and monthly customers; approximately 101,000 of these accounts are billed quarterly, and the remaining 2,100 accounts are billed monthly.

Cost Recovery: The District’s ability to recover costs associated with the operation of the water system is defined in its Charter and Ordinances. Authority to establish rates is defined in Chapter 5 of the Charter. Specific ordinances relating to the above are found in Section W-I of the District’s Water Supply Ordinances.

IV. HYDROELECTRIC DEVELOPMENT PROGRAM

The District’s current hydroelectric program consisting of generating facilities at the Goodwin Dam in Hartland, Connecticut and at the Colebrook River Dam in Colebrook, Connecticut, was approved by the District Board on July 20, 1982. The Goodwin station began producing power on February 5, 1986, with commercial operations commencing on April 2, 1986. The Colebrook power station began producing power in May 1988, with full commercial operation commencing later that summer.

The District has agreements with the Connecticut Light & Power Company (“CL&P”) for the purchase of electricity generated by the Colebrook and Goodwin generating facilities.

Deregulation: The Connecticut State Legislature mandated that CL&P divest its generating facilities and renegotiate all of its private power producer contracts. The District and CL&P negotiated a buydown agreement, effective March 1, 2001, for the original electrical power production contracts for the Colebrook and Goodwin generating facilities. The Metropolitan District received \$13,000,000 from the original buydown agreement.

The negotiated buydown agreement requires CL&P to purchase electricity from the District’s Colebrook and Goodwin power generating facilities over the remaining life of the original contract. The Goodwin contract expires February 5, 2016, and the Colebrook contract expires March 31, 2017.

Revenues from power sales and from the buydown agreement are estimated by the District to be adequate to finance budget commitments applicable to the hydroelectric program.

Operations and Maintenance: The maintenance of the District’s hydroelectric facilities is part of the annual hydroelectric budget. Appropriations for operating and maintenance expenses are established annually as part of the overall budget process, and these expenses are funded primarily from power sales and proceeds from the CL&P and District buydown agreement.

V. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Town of Bloomfield				Town of East Hartford			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2011	20,406	(0.4)	779	2011	51,091	(0.3)	2,721
2010	20,486	4.6	783	2010	51,252	3.4	2,729
2000	19,587	0.5	748	2000	49,575	(1.7)	2,640
1990	19,483	4.7	744	1990	50,452	(4.0)	2,686
1980	18,608	1.7	711	1980	52,563	(8.7)	2,799
1970	18,301	34.4	699	1970	57,583	30.9	3,066

City of Hartford				Town of Newington			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2011	124,817	0.0	6,946	2011	30,441	(0.4)	2,310
2010	124,775	0.2	6,944	2010	30,562	4.3	2,319
2000	124,578	(10.8)	6,933	2000	29,306	0.3	2,224
1990	139,739	2.5	7,776	1990	29,208	1.3	2,216
1980	136,392	(13.7)	7,590	1980	28,841	10.8	2,188
1970	158,017	(2.6)	8,793	1970	26,037	47.4	1,975

Town of Rocky Hill				Town of West Hartford			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2011	19,533	(0.9)	1,415	2011	63,066	(0.3)	2,820
2010	19,709	9.7	1,428	2010	63,268	(0.5)	2,830
2000	17,966	8.5	1,302	2000	63,589	5.8	2,844
1990	16,554	13.7	1,200	1990	60,110	(1.9)	2,688
1980	14,559	31.1	1,055	1980	61,301	(9.9)	2,742
1970	11,103	50.0	805	1970	68,031	9.1	3,043

Town of Wethersfield				Town of Windsor			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2011	26,641	(0.1)	2,032	2011	28,962	(0.3)	978
2010	26,668	1.5	2,034	2010	29,044	2.9	981
2000	26,271	2.4	2,004	2000	28,237	1.5	954
1990	25,651	(1.4)	1,957	1990	27,817	10.4	940
1980	26,013	(2.4)	1,984	1980	25,204	12.0	851
1970	26,662	29.7	2,034	1970	22,502	15.6	760

¹ 1970-2010 – U.S. Department of Commerce, Bureau of Census; U.S. Census Bureau, 2007-2011 American Community Survey.

² Per square mile: Bloomfield: 26.2 square miles; East Hartford: 18.8 square miles; Hartford: 18.0 square miles; Newington: 13.2 square miles; Rocky Hill: 13.8 square miles; West Hartford: 22.4 square miles; Wethersfield: 13.1 square miles; Windsor: 29.6 square miles.

AGE DISTRIBUTION OF THE POPULATION

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	620	3.0%	2,860	5.6%	8,847	7.1%
5 - 19.....	3,289	16.1%	9,972	19.5%	31,083	24.9%
20 - 44.....	5,517	27.0%	17,465	34.2%	47,664	38.2%
45 - 64.....	6,331	31.0%	13,836	27.1%	25,815	20.7%
65 - 84.....	3,714	18.2%	5,987	11.7%	10,070	8.1%
85 and over.....	935	4.6%	971	1.9%	1,338	1.1%
Totals.....	20,406	100.0%	51,091	100.0%	124,817	100.0%

Median Age (years) 47.1 38.0 29.8

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	1,418	4.7%	1,157	5.9%	3,524	5.6%
5 - 19.....	5,148	16.9%	3,100	15.9%	12,909	20.5%
20 - 44.....	9,128	30.0%	6,011	30.8%	18,390	29.2%
45 - 64.....	9,187	30.2%	6,123	31.3%	17,452	27.7%
65 - 84.....	4,518	14.8%	2,319	11.9%	8,072	12.8%
85 and over.....	1,042	3.4%	823	4.2%	2,719	4.3%
Totals.....	30,441	100.0%	19,533	100.0%	63,066	100.0%

Median Age (years) 44.2 43.2 41.7

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	1,053	4.0%	1,607	5.5%	203,168	5.7%
5 - 19.....	4,874	18.3%	5,799	20.0%	717,785	20.2%
20 - 44.....	7,482	28.1%	8,408	29.0%	1,136,836	32.0%
45 - 64.....	7,722	29.0%	9,078	31.3%	1,000,909	28.1%
65 - 84.....	4,694	17.6%	3,258	11.2%	415,578	11.7%
85 and over.....	816	3.1%	812	2.8%	83,896	2.4%
Totals.....	26,641	100.0%	28,962	100.0%	3,558,172	100.0%

Median Age (years) 44.8 41.9 39.8

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

INCOME DISTRIBUTION

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	100	1.9%	1,027	7.9%	3,520	13.2%
10,000 - 14,999.....	44	0.9%	510	3.9%	2,489	9.3%
15,000 - 24,999.....	194	3.8%	1,021	7.8%	4,367	16.3%
25,000 - 34,999.....	212	4.1%	1,212	9.3%	3,486	13.0%
35,000 - 49,999.....	416	8.1%	1,690	13.0%	3,938	14.7%
50,000 - 74,999.....	1,117	21.8%	2,458	18.9%	4,191	15.7%
75,000 - 99,999.....	881	17.2%	2,404	18.5%	2,108	7.9%
100,000 - 149,999....	1,008	19.6%	1,833	14.1%	1,873	7.0%
150,000 - 199,999....	564	11.0%	470	3.6%	352	1.3%
200,000 and over.....	594	11.6%	390	3.0%	427	1.6%
Totals.....	5,130	100.0%	13,015	100.0%	26,751	100.0%

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	95	1.1%	0	0.0%	292	1.8%
10,000 - 14,999.....	114	1.4%	47	1.0%	247	1.5%
15,000 - 24,999.....	257	3.1%	197	4.0%	437	2.7%
25,000 - 34,999.....	531	6.4%	221	4.5%	777	4.7%
35,000 - 49,999.....	1,104	13.4%	432	8.8%	1,332	8.1%
50,000 - 74,999.....	1,461	17.7%	744	15.2%	2,380	14.5%
75,000 - 99,999.....	1,502	18.2%	1,071	21.9%	2,159	13.2%
100,000 - 149,999....	2,004	24.2%	1,125	23.0%	3,528	21.5%
150,000 - 199,999....	889	10.8%	637	13.0%	2,240	13.7%
200,000 and over.....	307	3.7%	412	8.4%	2,986	18.2%
Totals.....	8,264	100.0%	4,886	100.0%	16,378	100.0%

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	16	0.2%	98	1.3%	28,077	3.1%
10,000 - 14,999.....	115	1.6%	38	0.5%	18,909	2.1%
15,000 - 24,999.....	292	4.0%	213	2.7%	46,077	5.1%
25,000 - 34,999.....	421	5.8%	336	4.3%	56,404	6.2%
35,000 - 49,999.....	574	7.9%	601	7.7%	89,046	9.8%
50,000 - 74,999.....	1,369	18.9%	1,564	20.1%	149,535	16.5%
75,000 - 99,999.....	1,014	14.0%	1,554	20.0%	138,055	15.2%
100,000 - 149,999....	1,751	24.1%	1,918	24.7%	190,736	21.0%
150,000 - 199,999....	959	13.2%	923	11.9%	87,410	9.6%
200,000 and over.....	748	10.3%	521	6.7%	104,575	11.5%
Totals.....	7,259	100.0%	7,766	100.0%	908,824	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

INCOME LEVELS

	<u>Town of Bloomfield</u>	<u>Town of East Hartford</u>	<u>City of Hartford</u>	<u>Town of Newington</u>	<u>Town of Rocky Hill</u>
Per Capita Income, 2011.....	\$41,504	\$25,356	\$16,959	\$35,055	\$38,180
Per Capita Income, 1999.....	\$28,843	\$21,763	\$13,428	\$26,881	\$29,701
Per Capita Income, 1989.....	\$22,478	\$16,575	\$11,081	\$19,668	\$21,918
Per Capita Income, 1979.....	\$9,183	\$7,907	\$5,559	\$8,935	\$9,117
Median Family Income, 2011.....	\$85,338	\$58,320	\$33,363	\$84,132	\$94,574
Median Family Income, 1999.....	\$64,892	\$50,540	\$27,051	\$67,085	\$72,726
Median Family Income, 1989.....	\$56,541	\$36,584	\$24,774	\$50,916	\$56,396
Median Family Income, 1979.....	\$26,628	\$21,939	\$14,032	\$25,160	\$24,735
Percent Below Poverty Level 2011.....	3.7%	13.4%	29.9%	2.8%	2.9%

	<u>Town of West Hartford</u>	<u>Town of Wethersfield</u>	<u>Town of Windsor</u>	<u>State of Connecticut</u>
Per Capita Income, 2011.....	\$45,453	\$38,912	\$35,806	\$37,627
Per Capita Income, 1999.....	\$33,468	\$28,930	\$27,633	\$28,766
Per Capita Income, 1989.....	\$26,943	\$22,246	\$19,592	\$20,189
Per Capita Income, 1979.....	\$12,033	\$9,527	\$8,653	\$8,598
Median Family Income, 2011.....	\$106,089	\$95,470	\$89,876	\$86,395
Median Family Income, 1999.....	\$77,865	\$68,154	\$73,064	\$65,521
Median Family Income, 1989.....	\$60,518	\$53,111	\$55,400	\$49,199
Median Family Income, 1979.....	\$29,937	\$26,358	\$25,993	\$23,151
Percent Below Poverty Level 2011.....	3.7%	2.7%	2.6%	6.5%

Source: U.S. Department of Commerce, Bureau of Census, 2000, 1990 and 1980; Census Bureau, 2007-2011 American Community Survey.

EDUCATIONAL ATTAINMENT

Years of School Completed Age 25 and Over

	<u>Town of Bloomfield</u>		<u>Town of East Hartford</u>		<u>City of Hartford</u>	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	497	3.3%	2,659	7.5%	10,990	15.1%
9th to 12th grade.....	1,015	6.7%	3,984	11.3%	12,406	17.0%
High School graduate.....	3,672	24.2%	12,788	36.2%	22,379	30.7%
Some college, no degree.....	2,918	19.2%	6,794	19.2%	12,871	17.7%
Associate's degree.....	1,062	7.0%	2,570	7.3%	3,840	5.3%
Bachelor's degree.....	3,354	22.1%	4,457	12.6%	6,225	8.5%
Graduate or professional degree.....	2,662	17.5%	2,070	5.9%	4,207	5.8%
Totals.....	15,180	100.0%	35,322	100.0%	72,918	100.0%
Total high school graduate or higher (%).....	90.0%		81.2%		67.9%	
Total bachelor's degree or higher (%).....	39.6%		18.5%		14.3%	

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	993	4.4%	499	3.5%	1,265	2.9%
9th to 12th grade.....	1,218	5.4%	707	4.9%	1,521	3.5%
High School graduate.....	6,526	29.1%	3,691	25.8%	7,192	16.5%
Some college, no degree.....	4,303	19.2%	2,288	16.0%	5,154	11.8%
Associate's degree	2,075	9.3%	942	6.6%	2,693	6.2%
Bachelor's degree.....	4,519	20.2%	3,606	25.2%	12,272	28.1%
Graduate or professional degree..	2,781	12.4%	2,559	17.9%	13,510	31.0%
Totals.....	22,415	100.0%	14,292	100.0%	43,607	100.0%
Total high school graduate or higher (%).....		90.1%		91.6%		93.6%
Total bachelor's degree or higher (%).....		32.6%		43.1%		59.1%

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	847	4.4%	483	2.5%	111,783	4.6%
9th to 12th grade.....	1,146	5.9%	819	4.2%	164,150	6.8%
High School graduate.....	5,076	26.2%	5,545	28.4%	678,997	28.1%
Some college, no degree.....	3,066	15.9%	4,104	21.0%	420,489	17.4%
Associate's degree	1,352	7.0%	1,695	8.7%	176,481	7.3%
Bachelor's degree.....	4,678	24.2%	3,884	19.9%	486,109	20.1%
Graduate or professional degree..	3,175	16.4%	3,016	15.4%	375,913	15.6%
Totals.....	19,340	100.0%	19,546	100.0%	2,413,922	100.0%
Total high school graduate or higher (%).....		89.7%		93.3%		88.6%
Total bachelor's degree or higher (%).....		40.6%		35.3%		35.7%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

MAJOR EMPLOYERS WITHIN THE DISTRICT

Employer	Product	Location	Estimated Number of Employees
United Technologies.....	Manufacturer	Hartford	26,400
The Hartford Financial Group.....	Insurance	Hartford	12,600
Pratt and Whitney Aircraft.....	Manufacturer	East Hartford	7,621
Aetna Inc.....	Insurance	Hartford	7,366
St. Paul Travelers Co.....	Insurance	Hartford	6,200
Hartford Hospital.....	Hospital	Hartford	5,100
Northeast Utilities.....	Utility	Hartford	4,148
Saint Francis Hospital.....	Hospital	Hartford	3,466
CIGNA Corp.....	Insurance	Bloomfield	3,463
United Health Care.....	Insurance	Hartford	2,300
Cianbro Corporation.....	Contractor	Bloomfield	2,200
Hartford Life.....	Insurance	Windsor	2,200
MetLife.....	Insurance	Bloomfield	2,000
ING Group.....	Financial Services	Windsor	1,800
University of Hartford.....	University	West Hartford	1,500
Alstom Power Equipment.....	Power Generation Equipment	Windsor	1,350
CT Dept. of Transportation.....	State of CT	Newington	1,025
Uniprise.....	Insurance, Fiancial Services	Hartford	1,018
CIGNA Corp.....	Insurance	Windsor	1,000
Kaman Corporation.....	Manufacturer	Bloomfield	924
Hebrew Home.....	Health Care	West Hartford	750
Wiremold Product, Inc.....	Manufacturer	West Hartford	720
Westinghouse Electric Company..	Manufacturer	Windsor	700
Northeast Utilities.....	Utility	Windsor	600
Homegoods Distribution.....	Wholesale Distribution	Bloomfield	572
Bank of America Headquarters.....	Financial Services	East Hartford	550
Data-Mail.....	Mail Services	Newington	550
Coca Cola.....	Bottler	East Hartford	546
St. Joseph's College.....	University	West Hartford	540
Colt Manufacturing.....	Manufacturer	West Hartford	520
Stop & Shop Store 610.....	Grocery Store	Wethersfield	510
Macy's.....	Retail	West Hartford	500
Walgreens.....	Drug Store Distribution Center	Windsor	500
Goodwin College.....	University	East Hartford	483
United Technologies Research.....	Research Lab	East Hartford	477
Jacobs Vehicle Systems.....	Manufacturer	Bloomfield	475
Cedarcrest Regional Hospital.....	Health Care/Hospital	Newington	451
Konica Minolta.....	Imaging & Print Processor	Windsor	450
Riverside Health.....	Health Care	East Hartford	448
Henkel Corporation.....	Adhesives & Sealants	Rocky Hill	425
Bank of America.....	Financial Services	Windsor	420
Permasteelisa.....	Manufacturer	Windsor	400
St. Mary's Home.....	Health Care	West Hartford	400
Seabury.....	Health Care	Bloomfield	400
CT Dept. of Info. Technology.....	State of CT	East Hartford	397
Northeast Utilities.....	Utility	Wethersfield	395

Source: 2011 and 2012 Audited Financial Statements of Member Municipalities; Official Statements: May 2011 East Hartford, March 2011, City of Hartford, February 2012 West Hartford and April 2012 Windsor.

Note: The information shown above was derived from information provided from various sources believed to be reliable as of the date provided. It should be noted the data does not reflect any consolidation or workforce reduction plans.

EMPLOYMENT BY INDUSTRY

Sector	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	0	0.0%	7	0.0%	100	0.2%
Construction.....	263	2.5%	992	4.0%	1,990	4.1%
Manufacturing.....	692	6.5%	2,722	11.1%	3,796	7.8%
Wholesale Trade.....	139	1.3%	827	3.4%	970	2.0%
Retail Trade.....	910	8.6%	3,143	12.8%	6,389	13.1%
Transportation and warehousing, and utilities....	470	4.4%	1,458	5.9%	2,304	4.7%
Information	312	2.9%	601	2.5%	854	1.7%
Finance, insurance, real estate, and rental and leasing.....	1,777	16.8%	2,795	11.4%	3,159	6.5%
Professional, scientific, management, administrative, and waste management svcs...	879	8.3%	2,356	9.6%	5,172	10.6%
Educational, health and social services.....	3,446	32.5%	5,536	22.6%	13,037	26.7%
Arts, entertainment, recreation, accommodation and food services.....	357	3.4%	2,140	8.7%	6,379	13.0%
Other services (except public administration)...	598	5.6%	988	4.0%	2,860	5.8%
Public Administration	762	7.2%	961	3.9%	1,882	3.8%
Total Labor Force, Employed.....	10,605	100.0%	24,526	100.0%	48,892	100.0%

Sector	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	20	0.1%	18	0.2%	5	0.0%
Construction.....	782	4.9%	347	3.5%	951	3.1%
Manufacturing.....	1,618	10.2%	928	9.4%	2,463	7.9%
Wholesale Trade.....	479	3.0%	320	3.3%	585	1.9%
Retail Trade.....	1,556	9.8%	941	9.6%	2,664	8.6%
Transportation and warehousing, and utilities....	550	3.5%	306	3.1%	785	2.5%
Information	391	2.5%	141	1.4%	894	2.9%
Finance, insurance, real estate, and rental and leasing.....	2,008	12.7%	1,538	15.6%	4,299	13.8%
Professional, scientific, management, administrative, and waste management svcs...	1,127	7.1%	1,267	12.9%	3,681	11.8%
Educational, health and social services.....	4,485	28.4%	2,486	25.3%	10,086	32.4%
Arts, entertainment, recreation, accommodation and food services.....	1,104	7.0%	687	7.0%	2,002	6.4%
Other services (except public administration)...	737	4.7%	449	4.6%	1,495	4.8%
Public Administration	948	6.0%	404	4.1%	1,207	3.9%
Total Labor Force, Employed.....	15,805	100.0%	9,832	100.0%	31,117	100.0%

Sector	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	19	0.1%	25	0.2%	6,490	0.4%
Construction.....	654	4.9%	770	4.9%	107,614	6.1%
Manufacturing.....	1,002	7.5%	1,276	8.2%	201,999	11.4%
Wholesale Trade.....	204	1.5%	254	1.6%	45,358	2.6%
Retail Trade.....	1,394	10.4%	1,332	8.6%	193,940	11.0%
Transportation and warehousing, and utilities....	561	4.2%	890	5.7%	67,041	3.8%
Information	344	2.6%	308	2.0%	44,581	2.5%
Finance, insurance, real estate, and rental and leasing.....	2,213	16.6%	2,768	17.8%	166,839	9.5%
Professional, scientific, management, administrative, and waste management svcs...	1,278	9.6%	1,604	10.3%	190,314	10.8%
Educational, health and social services.....	3,297	24.7%	3,853	24.8%	451,766	25.6%
Arts, entertainment, recreation, accommodation and food services.....	846	6.3%	882	5.7%	142,250	8.1%
Other services (except public administration)...	578	4.3%	716	4.6%	79,787	4.5%
Public Administration	961	7.2%	886	5.7%	66,776	3.8%
Total Labor Force, Employed.....	13,351	100.0%	15,564	100.0%	1,764,755	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

EMPLOYMENT DATA

Period ¹	Percentage Unemployed				
	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
November 2012....	9.8%	10.2%	15.7%	6.9%	6.5%
October 2012.....	10.8	10.7	15.7	7.5	6.9
August 2012.....	11.7	12.3	17.9	7.6	7.1
June 2012.....	10.4	10.7	15.5	7.4	5.9
April 2012.....	9.1	9.5	13.7	6.3	5.1
February 2012.....	9.3	10.1	14.9	7.0	5.7
Annual Average					
2011.....	10.1%	11.2%	16.2%	7.7%	6.9%
2010.....	10.8	11.6	16.6	8.3	7.4
2009.....	9.0	10.6	14.3	7.3	6.7
2008.....	6.4	7.1	10.7	4.8	4.7
2007.....	5.3	6.1	9.0	4.1	3.9
2006.....	5.4	5.9	9.0	3.8	3.6
2005.....	5.9	6.4	9.7	4.3	4.1
2004.....	6.1	6.6	10.0	4.3	4.2
2003.....	6.8	7.3	11.2	4.9	4.8
2002.....	5.2	6.1	8.8	3.9	3.7

Period ¹	Percentage Unemployed				
	Town of West Hartford	Town of Wethersfield	Town of Windsor	Hartford Labor Market	State of Connecticut
November 2012.....	6.9%	7.1%	8.2%	8.2%	8.3%
October 2012.....	7.6	7.7	8.7	8.6	8.6
August 2012.....	7.9	8.4	9.5	9.4	9.2
June 2012.....	7.3	7.1	8.3	8.5	8.4
April 2012.....	5.8	6.2	7.3	7.4	7.5
February 2012.....	6.2	6.9	7.6	8.1	8.2
Annual Average					
2011.....	7.4%	8.1%	8.5%	8.8%	8.8%
2010.....	7.9	8.8	8.9	9.4	9.3
2009.....	7.3	7.8	8.0	8.3	8.3
2008.....	5.0	5.1	5.2	5.7	5.6
2007.....	4.1	4.2	4.2	4.7	4.6
2006.....	3.9	4.3	4.2	4.6	4.4
2005.....	4.3	4.6	4.6	5.1	4.9
2004.....	4.4	4.6	4.9	5.2	4.9
2003.....	4.8	5.0	5.6	5.7	5.5
2002.....	3.6	3.6	4.2	4.5	4.4

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

Year Built	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	687	7.7%	3,919	18.2%	24,021	44.0%
1940 to 1969.....	4,368	48.8%	12,290	57.0%	19,537	35.8%
1970 to 1979.....	976	10.9%	2,479	11.5%	3,982	7.3%
1980 to 1989.....	1,524	17.0%	1,820	8.4%	3,421	6.3%
1990 to 2000.....	503	5.6%	637	3.0%	1,729	3.2%
Later than 2000.....	896	10.0%	422	2.0%	1,945	3.6%
Total housing units, 2011...	8,954	100.0%	21,567	100.0%	54,635	100.0%
Percent Owner Occupied, 2011		74.5%		56.9%		25.0%

Year Built	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	1,058	8.1%	482	5.7%	6,982	26.7%
1940 to 1969.....	6,046	46.3%	1,896	22.5%	14,116	54.0%
1970 to 1979.....	2,947	22.5%	2,420	28.7%	2,145	8.2%
1980 to 1989.....	1,484	11.4%	1,750	20.7%	1,602	6.1%
1990 to 2000.....	948	7.3%	1,032	12.2%	569	2.2%
Later than 2000.....	589	4.5%	863	10.2%	704	2.7%
Total housing units, 2011...	13,072	100.0%	8,443	100.0%	26,118	100.0%
Percent Owner Occupied, 2011		83.9%		65.6%		73.8%

Year Built	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	2,080	18.2%	1,744	15.5%	346,215	23.3%
1940 to 1969.....	5,659	49.6%	4,266	37.8%	535,273	36.1%
1970 to 1979.....	1,368	12.0%	2,055	18.2%	202,757	13.7%
1980 to 1989.....	1,320	11.6%	1,730	15.3%	191,545	12.9%
1990 to 2000.....	666	5.8%	699	6.2%	109,329	7.4%
Later than 2000.....	322	2.8%	790	7.0%	97,679	6.6%
Total housing units, 2011...	11,415	100.0%	11,284	100.0%	1,482,798	100.0%
Percent Owner Occupied, 2011		78.5%		81.6%		68.9%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

HOUSING INVENTORY

Type	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	5,961	66.6%	10,989	51.0%	8,202	15.0%
1 unit attached.....	490	5.5%	1,040	4.8%	1,704	3.1%
2 to 4 units.....	657	7.3%	4,033	18.7%	20,361	37.3%
5 to 9 units.....	589	6.6%	989	4.6%	8,143	14.9%
10 or more units.....	1,257	14.0%	3,967	18.4%	16,120	29.5%
Mobile home, trailer, othe	0	0.0%	549	2.5%	105	0.2%
Total Inventory.....	8,954	100.0%	21,567	100.0%	54,635	100.0%

Type	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	8,182	62.6%	3,936	46.6%	17,381	66.5%
1 unit attached.....	1,806	13.8%	924	10.9%	768	2.9%
2 to 4 units.....	1,117	8.5%	846	10.0%	3,004	11.5%
5 to 9 units.....	807	6.2%	476	5.6%	674	2.6%
10 or more units.....	1,137	8.7%	2,220	26.3%	4,230	16.2%
Mobile home, trailer, othe	23	0.2%	41	0.5%	61	0.2%
Total Inventory.....	13,072	100.0%	8,443	100.0%	26,118	100.0%

Type	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	8,364	73.3%	8,598	76.2%	879,393	59.3%
1 unit attached.....	420	3.7%	848	7.5%	77,315	5.2%
2 to 4 units.....	971	8.5%	988	8.8%	251,147	16.9%
5 to 9 units.....	139	1.2%	226	2.0%	80,575	5.4%
10 or more units.....	1,521	13.3%	614	5.4%	181,314	12.2%
Mobile home, trailer, othe	0	0.0%	10	0.1%	13,054	0.9%
Total Inventory.....	11,415	100.0%	11,284	100.0%	1,482,798	100.0%

Source: U.S. Census Bureau, 2007-2011 American Community Survey.

OWNER-OCCUPIED HOUSING VALUES

Specified Owner-Occupied Units	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	115	1.8%	527	4.6%	289	2.5%
\$50,000 to \$99,999.....	183	2.9%	322	2.8%	923	8.0%
\$100,000 to \$149,999.....	881	13.9%	1,774	15.4%	1,773	15.4%
\$150,000 to \$199,999.....	1,350	21.3%	3,918	34.0%	3,668	31.8%
\$200,000 to \$299,999.....	2,033	32.1%	4,204	36.5%	3,038	26.3%
\$300,000 to \$499,999.....	1,496	23.6%	603	5.2%	1,413	12.3%
\$500,000 to \$999,999.....	251	4.0%	163	1.4%	314	2.7%
\$1,000,000 or more.....	26	0.4%	12	0.1%	115	1.0%
Totals.....	6,335	100.0%	11,523	100.0%	11,533	100.0%

Median Sales Price ¹	\$134,000	\$112,800	\$93,900
Median Sales Price ²	\$225,900	\$190,000	\$186,000

Specified Owner-Occupied Units	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	151	1.4%	92	1.8%	168	0.9%
\$50,000 to \$99,999.....	140	1.3%	98	1.9%	117	0.6%
\$100,000 to \$149,999.....	907	8.6%	311	6.0%	549	3.0%
\$150,000 to \$199,999.....	2,034	19.2%	669	12.8%	1,246	6.8%
\$200,000 to \$299,999.....	5,115	48.3%	1,657	31.7%	6,521	35.4%
\$300,000 to \$499,999.....	2,056	19.4%	2,002	38.4%	7,130	38.7%
\$500,000 to \$999,999.....	128	1.2%	390	7.5%	2,328	12.6%
\$1,000,000 or more.....	55	0.5%	0	0.0%	356	1.9%
Totals.....	10,586	100.0%	5,219	100.0%	18,415	100.0%

Median Sales Price ¹	\$144,800	\$165,400	\$176,400
Median Sales Price ²	\$236,900	\$285,800	\$312,900

Specified Owner-Occupied Units	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	88	1.0%	136	1.6%	15,295	1.6%
\$50,000 to \$99,999.....	160	1.8%	161	1.8%	19,347	2.1%
\$100,000 to \$149,999.....	344	3.9%	472	5.4%	56,379	6.0%
\$150,000 to \$199,999.....	1,117	12.8%	1,549	17.7%	123,823	13.2%
\$200,000 to \$299,999.....	3,791	43.3%	4,386	50.2%	271,204	28.9%
\$300,000 to \$499,999.....	2,815	32.2%	1,818	20.8%	275,823	29.4%
\$500,000 to \$999,999.....	412	4.7%	129	1.5%	129,633	13.8%
\$1,000,000 or more.....	23	0.3%	86	1.0%	45,835	4.9%
Totals.....	8,750	100.0%	8,737	100.0%	937,339	100.0%

Median Sales Price ¹	\$159,300	\$142,200	\$166,900
Median Sales Price ²	\$270,800	\$239,300	\$293,100

¹ Median Sales Price, U.S. Department of Commerce, Bureau of Census, 2000.

² U. S. Census Bureau, 2007-2011 American Community Survey

Source: U. S. Census Bureau, 2007-2011 American Community Survey.

VI. TAX BASE DATA

TAX COLLECTION PROCEDURE

The method for taxing Member Municipalities is set forth in Section 3-12 of the District Charter which grants the District Board, acting on the recommendation of the Board of Finance, the power to levy tax upon the Member Municipalities sufficient to finance the District's budgeted expenses. The tax is divided among the Member Municipalities in proportion to the total revenue received yearly from direct taxation in each Member Municipality, as averaged over the prior three years.

COMPARATIVE ASSESSED VALUATIONS

Town of Bloomfield			Town of East Hartford		
Grand List of 10/1	Net Taxable Grand List	% Growth	Grand List of 10/1	Net Taxable Grand List	% Growth
2011	\$1,981,916,344	1.7%	2011 ¹	\$2,695,242,754	-12.9%
2010	1,948,057,019	-2.1%	2010	3,095,300,382	0.1%
2009 ¹	1,990,439,045	13.4%	2009	3,092,179,605	-0.5%
2008	1,755,693,878	1.9%	2008	3,107,157,886	-2.1%
2007	1,723,152,319	1.6%	2007	3,172,514,025	16.4%
2006	1,695,764,929	-1.3%	2006	2,724,586,547	16.6%
2005	1,717,320,856	3.6%	2005	2,336,874,270	0.2%
2004 ¹	1,657,459,741	45.3%	2004	2,332,474,885	-0.9%
2003	1,140,876,711	-2.2%	2003	2,352,765,590	0.5%
2002	1,166,346,561	4.1%	2002	2,342,001,572	2.1%

¹ Revaluation Year.

¹ Revaluation Year.

City of Hartford			Town of Newington		
Grand List of 10/1	Net Taxable Grand List	% Growth	Grand List of 10/1	Net Taxable Grand List	% Growth
2011 ²	\$3,521,151,129	-5.8%	2011 ²	\$2,564,276,354	-4.3%
2010	3,738,377,678	3.7%	2010	2,679,238,211	0.4%
2009	3,604,167,480	4.0%	2009	2,667,951,078	0.9%
2008	3,465,777,122	0.4%	2008	2,645,387,187	0.5%
2007	3,451,438,441	3.5%	2007	2,633,316,889	1.7%
2006 ¹	3,334,666,569	-5.9%	2006	2,590,253,718	1.0%
2005	3,543,536,778	2.5%	2005 ¹	2,565,009,043	45.3%
2004	3,457,004,010	-1.3%	2004	1,765,120,445	1.1%
2003	3,501,381,134	-1.6%	2003	1,745,823,063	0.4%
2002	3,558,105,263	39.6%	2002	1,738,536,789	0.5%

¹ Revaluation Year. The City has implemented a five-year phase-in of the revaluation.

² Subject to revisions by Board of Assessment Appeals.

¹ Revaluation Year.

² Subject to revisions by Board of Assessment Appeals.

Town of Rocky Hill

Grand List of 10/1	Net Taxable Grand List	% Growth
2011	\$2,156,334,575	0.0%
2010	2,155,935,688	-2.0%
2009	2,200,202,480	-0.1%
2008 ¹	2,202,202,012	32.9%
2007	1,656,796,387	1.3%
2006	1,635,894,255	1.8%
2005	1,607,190,572	0.0%
2004	1,607,187,710	4.8%
2003 ¹	1,533,366,840	24.3%
2002	1,233,515,550	2.8%

¹ Revaluation Year

Town of West Hartford

Grand List of 10/1	Net Taxable Grand List	% Growth
2011 ³	\$5,880,331,173	16.8%
2010	5,034,401,821	0.7%
2009	4,999,850,000	0.9%
2008 ¹	4,953,979,658	1.3%
2007	4,889,430,313	8.7%
2006 ²	4,497,443,813	21.2%
2005	3,710,940,390	1.4%
2004	3,659,349,190	0.9%
2003	3,627,960,740	-0.7%
2002	3,652,787,640	1.1%

¹ In June 2009, the Town Council elected to suspend the phase-in as allowed under newly enacted State legislation.

² Revaluation Year. The Town implemented a phase-in for a period not to exceed five years.

³ Revaluation Year.

Town of Wethersfield

Grand List of 10/1	Net Taxable Grand List	% Growth
2011	\$2,329,648,250	0.6%
2010	2,314,769,170	0.0%
2009	2,315,493,100	0.4%
2008 ¹	2,307,397,010	15.2%
2007	2,003,032,473	0.6%
2006	1,991,317,830	0.0%
2005	1,991,573,140	0.9%
2004	1,974,466,840	1.0%
2003 ¹	1,954,539,220	33.7%
2002	1,462,429,350	0.7%

¹ Revaluation year.

Town of Windsor

Grand List of 10/1	Net Taxable Grand List	% Growth
2011	\$2,907,891,898	3.4%
2010	2,811,979,697	3.2%
2009	2,724,614,072	-7.2%
2008 ¹	2,937,296,936	13.4%
2007	2,590,737,631	7.9%
2006	2,401,738,783	4.3%
2005	2,303,733,056	0.9%
2004	2,283,464,552	1.8%
2003 ²	2,243,767,090	18.9%
2002	1,886,474,120	6.7%

¹ Revaluation Year. The Town has implemented a five-year phase-in of the new assessments.

² Revaluation year.

Source: Assessor's Office, Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF BLOOMFIELD

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$1,981,916,344	34.55	\$66,730,820	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	1,948,057,019	33.70	65,281,933	98.7%	1.3%	1.3%
2009	2011	1,990,439,045	32.72	63,290,257	98.4%	1.6%	0.6%
2008	2010	1,755,693,878	35.53	62,068,048	97.8%	2.2%	0.1%
2007	2009	1,723,152,319	35.29	60,370,599	98.3%	1.7%	0.1%
2006	2008	1,695,764,929	34.33	57,873,253	98.2%	1.8%	0.0%
2005	2007	1,717,320,856	32.50	53,838,811	97.9%	2.1%	0.0%
2004	2006	1,657,459,741	31.03	50,367,798	97.9%	2.1%	0.0%
2003	2005	1,140,876,711	42.33	48,139,008	97.2%	2.8%	0.0%
2002	2004	1,166,346,561	39.80	45,019,634	97.9%	2.1%	0.0%

Source: Tax Collector's Office, Town of Bloomfield.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF EAST HARTFORD

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$2,695,242,754	42.79	\$112,758,795	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	3,095,300,382	34.42	106,016,000	97.3%	2.7%	2.7%
2009	2011	3,092,179,605	33.82	104,001,000	97.2%	2.8%	1.2%
2008	2010	3,107,157,886	31.67	97,618,000	97.7%	2.3%	0.3%
2007	2009	3,172,514,025	31.67	99,128,000	97.6%	2.4%	0.1%
2006	2008	2,724,586,547	36.16	98,607,000	96.0%	4.0%	0.1%
2005	2007	2,336,874,270	43.62	102,173,000	97.5%	2.5%	0.0%
2004	2006	2,332,474,885	41.34	96,830,000	97.5%	2.5%	0.0%
2003	2005	2,352,765,590	40.33	94,983,000	97.8%	2.2%	0.0%
2002	2004	2,342,001,572	38.60	90,309,000	96.9%	3.1%	0.0%

Source: Tax Collector's Office, Town of East Hartford.

PROPERTY TAX LEVIES AND COLLECTIONS – CITY OF HARTFORD

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2011
2011	2013	\$3,521,151,129	75.30	\$243,858,778	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	3,738,377,678	71.79	276,098,205	<i>Collections 7/1/11 & 1/1/12</i>		
2009	2011	3,604,167,480	72.79	268,745,000	95.4%	4.6%	4.6%
2008	2010	3,465,777,122	72.79	260,038,000	95.8%	4.2%	2.5%
2007	2009	3,451,438,441	68.34	242,777,000	96.2%	3.8%	1.8%
2006	2008	3,334,666,569	63.39	221,445,000	96.3%	3.7%	1.7%
2005	2007	3,543,536,778	64.82	229,569,000	95.5%	4.5%	1.4%
2004	2006	3,457,004,010	60.82	210,325,000	94.6%	5.4%	0.8%
2003	2005	3,501,381,134	56.32	194,592,000	95.2%	4.8%	0.5%
2002	2004	3,558,105,263	52.92	185,277,000	94.5%	5.5%	0.0%

Source: Tax Collector's Office, City of Hartford.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF NEWINGTON

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$2,564,276,354	33.03	\$81,752,447	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	2,679,238,211	30.02	80,441,000	98.9%	1.1%	1.1%
2009	2011	2,667,951,078	29.18	77,679,000	98.8%	1.2%	0.3%
2008	2010	2,645,387,187	28.40	75,091,000	99.1%	0.9%	0.1%
2007	2009	2,633,316,889	27.68	72,940,000	98.9%	1.1%	0.1%
2006	2008	2,590,253,718	26.91	69,973,000	99.1%	0.9%	0.1%
2005	2007	2,565,009,043	25.76	66,006,000	99.2%	0.8%	0.1%
2004	2006	1,765,120,445	36.43	64,878,000	98.6%	1.4%	0.1%
2003	2005	1,745,823,063	34.24	59,689,000	99.0%	1.0%	0.1%
2002	2004	1,738,536,789	32.29	56,086,000	99.0%	1.0%	0.1%

Source: Tax Collector's Office, Town of Newington.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF ROCKY HILL

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$2,156,334,575	26.10	\$55,670,575	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	2,155,935,688	24.50	52,823,294	99.0%	1.0%	1.0%
2009	2011	2,200,202,480	23.80	52,249,228	99.0%	1.0%	0.5%
2008	2010	2,202,202,012	22.90	50,276,269	99.3%	0.7%	0.1%
2007	2009	1,656,796,387	29.20	48,792,629	99.3%	0.7%	0.0%
2006	2008	1,635,894,255	28.40	46,723,104	99.4%	0.6%	0.0%
2005	2007	1,607,190,572	28.00	45,313,396	99.4%	0.6%	0.0%
2004	2006	1,607,187,710	25.80	40,962,333	99.4%	0.6%	0.0%
2003	2005	1,533,366,840	25.80	39,864,975	99.4%	0.6%	0.0%
2002	2004	1,233,515,550	29.30	36,169,025	97.8%	2.2%	0.0%

Source: Tax Collector's Office, Town of Rocky Hill.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WEST HARTFORD

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$5,880,331,173	35.92	\$207,660,368	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	5,034,401,821	39.44	199,192,000	99.1%	0.9%	0.9%
2009	2011	4,999,850,000	38.38	192,761,000	98.9%	1.1%	0.4%
2008	2010	4,953,979,658	37.54	186,542,000	99.1%	0.9%	0.1%
2007	2009	4,889,430,313	36.97	181,771,000	99.1%	0.9%	0.0%
2006	2008	4,497,443,813	38.63	174,302,000	99.0%	1.0%	0.0%
2005	2007	3,710,940,390	46.19	172,700,000	99.2%	0.8%	0.0%
2004	2006	3,659,349,190	44.07	162,715,000	99.3%	0.7%	0.0%
2003	2005	3,627,960,740	42.12	153,918,000	99.3%	0.7%	0.0%
2002	2004	3,652,787,640	39.70	144,882,000	99.2%	0.8%	0.0%

Source: Tax Collector's Office, Town of West Hartford.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WETHERSFIELD

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$2,329,648,250	32.19	\$74,596,674	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	2,314,769,170	31.42	72,558,938	98.9%	1.1%	1.1%
2009	2011	2,315,493,100	30.66	70,662,766	98.8%	1.2%	0.6%
2008	2010	2,307,397,010	30.68	70,693,007	99.2%	0.8%	0.4%
2007	2009	2,003,032,473	34.71	69,579,789	99.2%	0.8%	0.3%
2006	2008	1,991,317,830	32.94	65,637,736	99.0%	1.0%	0.2%
2005	2007	1,991,573,140	32.43	64,626,417	99.0%	1.0%	0.1%
2004	2006	1,974,466,840	30.19	59,775,611	99.3%	0.7%	0.1%
2003	2005	1,954,539,220	28.35	55,410,583	99.3%	0.7%	0.1%
2002	2004	1,462,429,350	34.86	51,145,414	99.2%	0.8%	0.1%

Source: Tax Collector's Office, Town of Wethersfield.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WINDSOR

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2012
2011	2013	\$2,907,891,898	27.95	\$79,941,110	<i>Collections 7/1/12 & 1/1/13</i>		
2010	2012	2,811,979,697	28.03	79,201,381	98.8%	1.2%	1.2%
2009	2011	2,724,614,072	28.38	77,747,083	98.6%	1.4%	0.5%
2008	2010	2,937,296,936	28.34	74,984,463	98.6%	1.4%	0.1%
2007	2009	2,590,737,631	29.30	76,374,720	98.8%	1.2%	0.0%
2006	2008	2,401,738,783	29.30	70,937,721	98.8%	1.2%	0.0%
2005	2007	2,303,733,056	29.30	68,003,214	98.7%	1.3%	0.0%
2004	2006	2,283,464,552	28.73	66,125,430	98.8%	1.2%	0.0%
2003	2005	2,243,767,090	28.83	65,083,579	98.9%	1.1%	0.0%
2002	2004	1,886,474,120	33.57	62,034,181	98.8%	1.2%	0.0%

Source: Tax Collector's Office, Town of Windsor.

TEN LARGEST TAXPAYERS – TOWN OF BLOOMFIELD¹

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Connecticut General Life Insurance Co..	Insurance	\$64,078,730	3.23%
Metropolitan Life Insurance Co.....	Insurance	45,371,650	2.29%
Connecticut Light & Power Company....	Utility	38,348,600	1.93%
AMCAP Copaco LLC.....	Real Estate	33,318,210	1.68%
Duncaster Inc.....	Retirement Community	30,369,300	1.53%
Bouwfonds Hawthorn LP.....	Real Estate	25,777,730	1.30%
HG Conn Realty Corp.....	Real Estate	20,511,340	1.03%
Church Home of Hartford Inc.....	Retirement Community	18,554,180	0.94%
National Industrial Portfolio Borrower..	Real Estate	13,705,020	0.69%
Pepperidge Farm Inc.....	Baked Goods	13,354,620	0.67%
Total.....		\$303,389,380	15.31%

¹ Based on a 10/1/11 Net Taxable Grand List of \$1,981,916,344.
Source: Town of Bloomfield.

TEN LARGEST TAXPAYERS – TOWN OF EAST HARTFORD¹

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
United Technologies Corp.....	Manufacturing	\$319,083,300	11.84%
Fremont Riverview LLC.....	Offices	26,982,725	1.00%
Cabela's Inc.....	Retail	26,053,611	0.97%
Connecticut Light and Power Company..	Utility	25,548,530	0.95%
Ansonia Acquisitions LLC.....	Apartments	22,873,249	0.85%
Connecticut Natural Gas Corp.....	Utility	22,693,413	0.84%
Coca-Cola Bottling Co.....	Beverage Mfg./Distributor	20,062,919	0.74%
Computer Sciences Corp.....	Leasing	16,071,630	0.60%
Merchant 99 111 Founders LLC.....	Offices	14,540,988	0.54%
Bank of America.....	Offices	13,488,708	0.50%
Total.....		\$507,399,073	18.83%

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,695,242,754.
Source: Town of East Hartford.

TEN LARGEST TAXPAYERS – CITY OF HARTFORD¹

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Connecticut Light and Power Company..	Utility	\$127,995,190	3.64%
Travelers Indemnity Co. Affiliate.....	Insurance	118,004,500	3.35%
Hartford Fire Insurance & Twin City Ins.	Insurance	114,582,170	3.25%
Aetna Life Insurance Co. & Annuity.....	Insurance	109,213,640	3.10%
CityPlace I LTD Partnership.....	Office Complex	61,035,100	1.73%
Mac-State Square LLC.....	Office Complex	49,966,630	1.42%
Talcott II Gold, LLC.....	Office Complex	45,401,780	1.29%
FGA Trumbull LLC.....	Office Complex	35,947,730	1.02%
Connecticut Natural Gas Corp.....	Utility	35,320,650	1.00%
Northland Properties.....	Office Complex	34,952,950	0.99%
Total.....		\$732,420,340	20.80%

¹ Based on a 10/1/11 Net Taxable Grand List of \$3,534,226,815
Source: City of Hartford.

TEN LARGEST TAXPAYERS – TOWN OF NEWINGTON¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Connecticut Light and Power Company..	Utility	\$36,741,100	1.43%
Newington VF LLC.....	Shopping Center	19,941,215	0.78%
Centro GA Turnpike Plaza LLC.....	Shopping Center	18,868,220	0.74%
Newington Gross LLC.....	Shopping Center	18,806,249	0.73%
TLG Newington LLC.....	Shopping Center	18,957,169	0.74%
Newington-Berlin Retail LLC.....	Real Estate	16,315,933	0.64%
Hayes Kaufman Newington Assoc. LLC.	Real Estate	12,949,237	0.50%
BALF.....	Manufacturing	13,158,290	0.51%
Mandell Properties.....	Printing	12,707,267	0.50%
Target Corporation.....	Shopping Center	12,075,040	0.47%
Total.....		\$180,519,720	7.04%

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,564,276,354.
Source: Town of Newington.

TEN LARGEST TAXPAYERS – TOWN OF ROCKY HILL¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Gallery-Towers Apartments.....	Apartments	\$28,699,990	1.33%
500 Enterprise Drive Trust.....	Real Estate	26,409,660	1.22%
Henkel Corporation.....	Manufacturer of Adhesives	25,728,020	1.19%
Burris Logistics Inc.....	Real Estate	25,213,930	1.17%
RP Glenbrook LLC.....	Warehouse	18,205,510	0.84%
CT Light & Power.....	Utility	13,670,380	0.63%
Acadia Town Line LLC.....	Real Estate	13,300,000	0.62%
Rocky Hill Holdings LLC.....	Real Estate	12,967,500	0.60%
Sysco Food Services of CT.....	Distribution Warehouse	12,446,000	0.58%
Auxxi Horizon Commons LLC.....	Real Estate	12,257,560	0.57%
Total.....		\$188,898,550	8.76%

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,156,334,575.
Source: Town of Rocky Hill.

TEN LARGEST TAXPAYERS – TOWN OF WEST HARTFORD¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Blue Back Square, LLC.....	Real Estate	\$62,701,250	1.07%
West Farms Associates.....	Shopping Mall	35,000,000	0.60%
Corbins Corner Shopping Center LLC...	Retail, Office	34,558,100	0.59%
Connecticut Light and Power Company..	Utility	29,480,670	0.50%
E & A Northeast LP.....	Retail, Office	27,932,870	0.48%
Town Center West Associates.....	Office	23,053,600	0.39%
Sisters of Mercy/McAuley Center.....	Assisted Living	15,968,470	0.27%
Prospect Plaza Improvements, LLC.....	Retail	14,619,400	0.25%
Bishops Albany, LLC.....	Retail	14,401,000	0.24%
Corporate Center West.....	Office	14,063,000	0.24%
Total.....		\$271,778,360	4.62%

¹ Based on a 10/1/11 Net Taxable Grand List of \$5,880,331,173.
Source: Town of West Hartford.

TEN LARGEST TAXPAYERS – TOWN OF WETHERSFIELD¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Wethersfield Apartments Assoc. LLC....	Apartments	\$20,315,200	0.87%
Cedar-Jordan Lane LLC.....	Shopping Center	14,315,000	0.61%
100 Great Meadow Road.....	Real Estate	12,511,200	0.54%
Wethersfield Shopping Center LLC.....	Shopping Center	12,150,600	0.52%
Executive Square LTD Partnership.....	Apartments	11,001,300	0.47%
Connecticut Light and Power Company..	Utility	9,390,860	0.40%
Connecticut Natural Gas.....	Utility	7,611,420	0.33%
Prime Development Group LLC.....	Real Estate	6,282,000	0.27%
Crosstone Realty Associates.....	Convalescent Home	6,160,000	0.26%
1290 Realty LLC.....	Real Estate	5,925,800	0.25%
Total.....		\$105,663,380	4.54%

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,329,648,250.
Source: Town of Wethersfield.

TEN LARGEST TAXPAYERS – TOWN OF WINDSOR¹

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Griffin Land & Affiliates.....	Real Estate	\$77,202,020	2.65%
Walgreens.....	Pharmacy	61,826,055	2.13%
CIGNA.....	Insurance	58,730,777	2.02%
IBM & Affiliates.....	Information Technology	46,807,524	1.61%
Northeast Utilities.....	Utility	42,768,024	1.47%
Cellco/Verizon Wireless.....	Information Technology	41,722,615	1.43%
Hartford Financial Corporation.....	Finance	30,411,782	1.05%
ING.....	Finance	26,456,015	0.91%
Ferraina & Affiliates.....	Real Estate	25,987,304	0.89%
GPT Windsor LLC/Rivers Bend Condos.	Real Estate	25,689,650	0.88%
Total.....		\$437,601,766	15.05%

¹ Based on a 10/1/11 Net Taxable Grand List of \$2,907,891,898.

Source: Town of Windsor.

EQUALIZED NET GRAND LIST

Town of Bloomfield			Town of East Hartford		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2010	\$2,786,819,016	-5.97%	2010	\$3,966,619,309	-7.51%
2009	2,963,847,920	-5.66%	2009	4,288,594,846	-2.31%
2008	3,141,560,761	-1.55%	2008	4,390,028,134	-10.49%
2007	3,190,940,420	0.51%	2007	4,904,766,424	21.05%
2006	3,174,623,445	5.19%	2006 ¹	4,051,722,914	-15.36%
2005	3,018,109,847	23.13%	2005	4,786,965,847	9.88%
2004	2,451,100,334	-3.37%	2004	4,356,509,975	3.65%
2003	2,536,505,711	12.62%	2003	4,202,990,710	7.68%
2002	2,252,300,627	9.25%	2002	3,903,131,066	15.15%
2001	2,061,653,818	20.70%	2001	3,389,738,837	7.84%

¹ Revaluation phased- in.

City of Hartford			Town of Newington		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2010	\$7,147,577,757	-7.34%	2010	\$3,880,511,002	-4.74%
2009	7,713,607,784	5.52%	2009	4,073,474,409	2.99%
2008	7,309,947,142	-8.96%	2008	3,955,308,064	-2.98%
2007	8,029,737,495	42.94%	2007	4,076,961,126	-3.38%
2006 ¹	5,617,517,672	-39.01%	2006	4,219,375,008	13.61%
2005	9,210,207,486	8.21%	2005	3,714,043,661	-8.34%
2004	8,511,588,775	13.23%	2004	4,051,823,902	15.60%
2003	7,516,844,095	15.37%	2003	3,505,059,414	6.65%
2002	6,515,441,287	4.64%	2002	3,286,385,834	14.57%
2001	6,226,723,655	7.46%	2001	2,868,380,207	16.27%

¹ Revaluation phased- in.

Town of Rocky Hill			Town of West Hartford		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2010	\$2,763,696,337	-6.61%	2010	\$7,244,491,864	1.50%
2009	2,959,219,154	-6.24%	2009	7,137,413,505	-4.48%
2008	3,156,073,966	3.76%	2008	7,472,184,092	1.90%
2007	3,041,593,706	2.77%	2007	7,332,637,978	13.73%
2006	2,959,539,490	-0.98%	2006	6,447,326,690	-30.58%
2005	2,988,857,920	9.97%	2005	9,287,369,286	4.97%
2004	2,717,981,445	23.36%	2004	8,847,511,973	7.97%
2003	2,203,211,200	-6.28%	2003	8,194,628,368	9.28%
2002	2,350,776,824	7.32%	2002	7,498,407,342	11.05%
2001	2,190,518,862	14.36%	2001	6,752,286,664	10.75%

¹ Revaluation phased- in.

Town of Wethersfield			Town of Windsor		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2010	\$3,128,048,308	-4.47%	2010	\$4,003,835,033	-0.89%
2009	3,274,360,078	-0.76%	2009	4,039,645,772	-5.96%
2008	3,299,287,214	-9.29%	2008	4,295,760,010	-5.23%
2007	3,637,100,135	0.18%	2007	4,533,063,159	-0.46%
2006	3,630,413,611	-2.64%	2006	4,553,843,709	9.66%
2005	3,728,964,091	5.31%	2005	4,152,615,879	10.89%
2004	3,541,097,244	26.68%	2004	3,744,909,821	14.72%
2003	2,795,283,343	-4.73%	2003	3,264,253,914	-4.07%
2002	2,934,207,370	12.87%	2002	3,402,721,292	9.48%
2001	2,599,590,018	7.42%	2001	3,108,204,837	11.09%

¹ Revaluation phased- in.

Source: State of Connecticut, Office of Policy and Management.

VII. FINANCIAL INFORMATION

FISCAL YEAR

Financial information for the District for fiscal years ended December 31, 2007 through December 31, 2011 and for the Member Municipalities for fiscal years ended June 30, 2007 through June 30, 2011 for the City of Hartford and June 30, 2008 through June 30, 2012 for the other Member Municipalities, was taken from audited financial statements. Budget and audited financial data for the Member Municipalities of the District was provided by the Member Municipalities.

The District's fiscal year begins January 1 and ends December 31. The fiscal year for the Member Municipalities begins July 1 and ends June 30.

BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

The District's accounting system is organized and operated on a fund accounting basis, conforming to the Charter and Ordinances of the District, the Governmental Accounting Standards Board ("GASB"), Generally Accepted Accounting Principles ("GAAP") for municipalities, State of Connecticut Department of Public Utility Control requirements, and the American Institute of Certified Public Accountants industry audit guide, "Audits of State and Local Governmental Units". The District's proprietary funds apply all GASB pronouncements as well as follow pronouncements issued before November 30, 1989, unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. Please refer to Appendix A "Notes to the Financial Statements" herein for compliance and implementation details.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Actual data for the General Fund for the District and Member Municipalities is presented in this Official Statement on a modified accrual basis of accounting and a current financial resources measurement focus. Revenues are recorded when they become measurable and available to finance operations of the fiscal year and expenditures are recorded when the related liability has been incurred. Actual data for the Water Utility Fund, the Hydroelectric Fund, and the Mid-Connecticut Fund utilize the accrual basis of accounting or on a cost of services or “capital maintenance” measurement focus. Revenues are recognized when they are earned and their expenses are recognized when they are incurred. Budget data for the District and all Member Municipalities are presented on a budgetary non-GAAP basis, whereby encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued; and accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. All unencumbered budget appropriations lapse at the end of each fiscal year. Actual expenditures include current encumbrances, which method of accounting for encumbrances is different from that utilized by the GAAP accounting method.

BUDGETARY PROCEDURES

The District Board refers annually a proposed budget of revenues and expenditures to the Board of Finance. The Board of Finance reviews the proposed budget, makes adjustments if desired, and refers it back to the District Board for final enactment.

Annual operating budgets are adopted for the General Fund and the Water Utility Enterprise Fund. Total fund budgets are adopted for the Hydroelectric Development Project Enterprise Fund and the Mid-Connecticut Project Internal Service Fund. The unencumbered balance of appropriations in the General Fund lapses at year-end. Encumbered appropriations are carried forward.

Capital project appropriations to be financed by the issuance of bonds, notes and other obligations of the District are subject to approval of the District Board upon recommendation of the Board of Finance.

The level of budgetary control is at the function level except for the engineering and planning, operations, water pollution control, plants and maintenance functions, which are controlled at the activity level due to the size of their operating budgets. Purchase amounts are encumbered prior to the release of purchase orders to vendors. Purchase orders that may result in an overrun of the budget line item within the sub-function level appropriation balances are not released until additional appropriations are made available. The Chief Executive Officer has the authority to transfer budgeted amounts between items comprising an appropriation for a given department or activity level. Any revisions that alter total appropriations at the level of control must have the prior approval of the Board of Finance and the District Board.

DEBT ADMINISTRATION POLICY

Capital appropriations require approval by a two-thirds vote of the entire District Board and by a majority of the electors of the District at a referendum with the following exceptions:

1. Capital appropriations not exceeding \$5,000,000 for any single item within the capital section of the budgets.
2. Appropriations for any reason involving not more than \$10,000,000 in any one year for the purpose of meeting a public emergency threatening the lives, health or property of citizens of the District.
3. Construction of or leasing headquarters facilities.
4. Any public improvement all or a portion of which is to be paid for by assessments of benefits or from funds established to pay for waste or water facilities.

With the exception of the two \$800,000,000 appropriations and bond authorizations for the District’s Clean Water Project approved at referenda in November, 2006 and November, 2012, which are expected to be supported by bonds payable from a Special Sewer Service Surcharge (see “*Clean Water Project*” and “*Authorized but Unissued Debt – The District*” herein), the District has followed a policy of financing capital expenditures by issuing general obligation bonds secured by unlimited taxes levied proportionately upon the Member Municipalities comprising the District (See “*Security and Remedies*” herein).

In addition to taxes, certain water charges, sewer user fees, and assessments are available to repay the general obligation bonds. Sewer bonds are payable from a municipal tax levy on each Member Municipality and from sewer user charges levied on tax-exempt and high-flow users. General obligation water bonds are paid from water sale revenues. Assessable sewer construction bonds are secured by liens against assessments on benefited properties. The receipts from assessments are deposited in a separate fund, and payments for debt service on assessable sewer construction bonds are made from such fund. Hydroelectric bonds are funded from power sales revenue deposited in a separate fund, and payments of the debt service on the Hydroelectric bonds are made from said fund.

ANNUAL AUDIT

Pursuant to its Charter and Connecticut law, the District is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended December 31, 2011, the examination was conducted by the firm of Blum, Shapiro & Company, P.C., independent certified public accountants and business consultants, of West Hartford, Connecticut. The firm was appointed by the Board of Finance.

PENSION PLAN

The District has a defined benefit, single-employer plan that was adopted by the District Board on January 1, 1944 and amended April 1, 1989. Per Section 1-5 of the District Charter, the District Board shall have the power to adopt a pension plan for the employees of the District and shall have the power to provide the management and prudent investment of pension funds in accordance with Connecticut General Statutes. By ordinance, the Personnel, Pension and Insurance Committee is charged with the responsibility for administering the District's retirement plan.

The investment of the District's plan is defined by the Immediate Participating Guarantee contract and Pension Plan Investment Policy. The assets of the Pension Plan are invested under a group annuity contract with the Aetna Life Insurance Company and with an independent investment manager in two types of accounts:

1. General Account providing a stable rate of return for deposits that become part of the general asset pool of Aetna Life Insurance.
2. Discretionary pension assets comprising employer and employee deposits under the management of Wellington Management Company LLP. Written guidelines for this account are adopted by the Personnel, Pension and Insurance Committee and confirmed by the District Board.

Participation in the plan is immediate upon employment for anyone below the normal retirement age of 65. Employees are required to contribute 5% of their annual covered salary. The District is required to contribute an actuarially determined amount to the pension plan. Currently, the District's contribution is 19.5% of annual covered payroll. The District's recommended contribution for 2011 was \$15,050,472 and for 2012 is \$5,347,556. This recommended contribution was comprised as follows:

Two-Year Trend Information			
Year Ended	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Funded
MDC			
2011	\$4,948,298	\$4,633,200	94%
2012	\$5,347,556	\$5,822,098	109%
MidCT			
2011	\$10,102,174	\$0	0%

As noted in the legal section of the offering statement, the MDC and CRRA are currently involved in arbitration with regard to the contract termination expenses. The current contract agreement between the MDC and CRRA expired on December 31, 2011 and the 2011 MidCT annual required contribution amount, which was billed to CRRA, reflects a required contribution to bring the pension plan to 100% funding status with respect to MidCT employees at December 31, 2011.

Please refer to Appendix A "Basic Financial Statements" under section "Notes to Financial Statements - Note 4" herein for information on the District's Pension Plan.

OTHER POST EMPLOYMENT BENEFITS

The District provides health care and life insurance benefits for retired employees in accordance with union contracts. The District's personnel, pension and insurance committee established and empowered by the District's general ordinances establishes the benefit provisions and the employer's and employees' obligations. Substantially all of the District's employees qualify for retiree health care and life insurance benefits if they become eligible for retirement. Retiree health and life insurance benefits are provided through indemnity plans and health maintenance organizations and the District records the annual insurance premiums and claim costs in its expenditures or expenses as appropriate. The total District costs for health care and life insurance benefits for approximately 532 retirees for the year ended December 31, 2011 were \$5,030,753.

In 2004, the Governmental Accounting Standards Board issued Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other than Pension Plans, which is effective for the District beginning with its financial statements for the year ended December 31, 2007. This pronouncement requires the recognition of post employment benefits as expenses as earned by employees, which requires recognition of a liability based upon actuarial factors similar to defined benefit pension plans.

The District has engaged its actuary to perform the required calculations and has determined that the unfunded actuarial accrued liability based upon a valuation date of January 1, 2011 was approximately \$219 million. Currently, the District follows a pay as you go methodology with respect to funding.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed
12/31/2007	\$13,222,655	\$4,035,877	30.5%
12/31/2008	13,783,385	5,319,344	38.6%
12/31/2009	15,120,029	4,873,081	32.2%
12/31/2010	15,691,061	5,155,361	32.9%
12/31/2011	19,247,038	26,995,985	140.3%
Net OPEB Obligation as of December 31, 2010.....			\$38,433,460
Net OPEB Obligation as of December 31, 2011.....			\$30,684,513

Please refer to Appendix A “Basic Financial Statements” under section “Notes to Financial Statements - Note 5” herein for information on the District’s Post Employment Healthcare Plan.

INVESTMENT POLICIES AND PRACTICES

Connecticut General Statutes define the legal investments available to municipalities and establish criteria for financial institutions to receive municipal deposits.

Sections 7-400 and 7-402 allow municipalities to invest in certificates of deposit, municipal bonds and notes, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government and money market mutual funds.

Sections 3-27a through 3-27i allow for the purchases of participation certificates in the Short Term Investment Fund (“STIF”) managed by the State of Connecticut Treasurer. STIF’s primary investment vehicles are United States Government Obligations, United States agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts and bank acceptances.

Section 36a-330 defines the collateralization requirements and risk-based capital ratios for financial institutions to accept municipal deposits. A financial institution must collateralize varying levels of public deposits depending on its risk-based capital ratio. A qualified public depository (financial institution) must collateralize 10% of its deposits, if its risk-based capital ratio is above 10%. However, if the public depository’s risk-based capital ratio is greater or equal to 8% but less than 10%, the public depository must collateralize 25% of its total public deposits. A financial institution must provide collateral equal to 100% of its public deposits, if its risk-based capital ratio is greater than or equal to 3% but less than 8%. If the financial institution’s risk-based capital is less than 3%, the firm’s public deposits must be collateralized at 120%.

DISTRICT CASH MANAGEMENT INVESTMENT POLICY

The District’s Cash Management Investment Policy further defines the investment and deposit of District funds. This policy is the direct responsibility of the Board of Finance with oversight of the District Board. The District’s funds are deposited and invested with qualified public depositories that have a risk-based capital ratio greater than or equal to 10%. In addition, the only investments allowed under this policy are obligations of the United States and certain of its agencies, fully collateralized repurchase agreements of such investment, certificates of deposit, the State of Connecticut Short Term Investment Fund, custodial pools, investment companies or investment trusts.

The District’s Cash Management Investment Policy defines the primary objectives of investment activities as safety, liquidity and return on investment.

RISK MANAGEMENT

The District purchases commercial insurance for all risks of loss except as follows. The District is self insured for health care, workers’ compensation claims up to \$500,000 for each accident, deductibles for property damage up to \$100,000 for each location and general and automobile liability up to \$250,000 for each incident. Additionally, the District has provided for \$1.0 million of excess

coverage for liability coverage with no limits for workers' compensation excess coverage. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

COMPENSATED ABSENCES

The District's full liability for accumulated unpaid vacation, sick pay and other employee accounts is accrued in proprietary funds (using the accrual basis of accounting). Such amounts are also recorded for governmental funds. In accordance with GAAP, the amount of the liability expected to be liquidated with expendable available financial resources is accrued in the individual fund. Additional expenditures are accrued only to the extent that anticipated compensated absences will be used in excess of a normal year's accumulation based on historical data. The remaining liability is recorded in the general long-term obligations account group. Accrued compensated absences as of December 31, 2011 were \$5,547,733.

**REVENUES AND APPROPRIATIONS
BUDGET FOR 2013**

Water Revenues	Budget 2013
Sale of Water.....	\$62,995,500
Other Operating Revenue.....	3,446,100
Total Operating Revenue.....	\$66,441,600
Non-Operating Revenue.....	1,582,100
Contribution from (to) Working Funds.....	0
Total Water Revenues.....	\$68,023,700
Sewer Revenues	
Tax on Member Municipalities.....	\$34,799,400
Revenue From Other Governmental Agencies.....	2,860,500
Other Sewer Revenues.....	7,927,300
Sewer User Charge Revenue.....	6,131,200
Total Operating Revenue.....	51,718,400
Contributions/Transfers From Other Funds.....	37,660,000
Revenue Surplus Designated from Prior Year.....	3,295,600
Total Sewer Revenues.....	92,674,000
Total Water and Sewer Revenues.....	\$160,697,700
Hydroelectric Revenues.....	2,022,200
Total Revenues and Other Financing Sources.....	\$162,719,900

	2013		
	Water	Sewer	Total
Appropriations Water And Sewer Budgets			
District Board.....	\$ 123,200	\$ 118,300	\$ 241,500
Executive Office.....	403,000	387,200	790,200
Administrative Services.....	169,400	162,800	332,200
Legal.....	1,243,000	1,194,400	2,437,400
Human Resources.....	684,200	657,400	1,341,600
Information Technology.....	3,591,800	1,769,100	5,360,900
Finance.....	2,017,800	1,938,500	3,956,300
Environment, Health, Safety.....	617,000	592,800	1,209,800
Engineering and Planning.....	158,300	152,100	310,400
Customer Service.....	3,076,900	1,585,100	4,662,000
Operating Office.....	520,500	500,200	1,020,700
Laboratory Services.....	871,100	804,000	1,675,100
Operations.....	6,591,700	2,197,300	8,789,000
Water Pollution Control.....	-	14,463,500	14,463,500
Maintenance.....	5,541,400	5,324,000	10,865,400
Water Treatment.....	4,838,400	-	4,838,400
Water Supply.....	3,049,700	-	3,049,700
Patrol.....	1,659,400	-	1,659,400
Debt Service.....	12,276,300	50,262,400	62,538,700
Employee Benefits.....	10,244,900	8,382,300	18,627,200
General Insurance.....	2,456,900	1,053,000	3,509,900
Taxes and Fees.....	2,677,000	-	2,677,000
Special Agreements, Programs.....	2,965,700	571,000	3,536,700
Contingencies.....	895,600	558,600	1,454,200
Riverfront Park Systems.....	1,350,500	-	1,350,500
Total Water and Sewer Budgets...	\$ 68,023,700	\$ 92,674,000	\$ 160,697,700
Hydroelectric Budget.....			2,022,200
Mid-Connecticut Project Budget..			-
Total Appropriations.....	\$ 68,023,700	\$ 92,674,000	\$ 162,719,900

**SOURCES OF FUNDS
BUDGET FOR 2013**

<u>Sale of Water by User</u>	<u>Budget 2013</u>
Domestic.....	27.82%
Commercial.....	6.95
Industrial.....	1.24
Public Authority.....	1.72
Total	37.73%
<u>Sewer Revenues Paid By Member Municipality Tax</u>	
Hartford.....	6.12
West Hartford.....	4.60
East Hartford.....	2.44
Windsor.....	1.86
Newington.....	1.85
Wethersfield.....	1.69
Bloomfield.....	1.59
Rocky Hill.....	1.24
Total	21.39%
<u>Other Sources of Funds for Sewer & Water</u>	
Other Sewer & Water Revenues.....	40.88%
Total Sources of Funds for Sewer & Water	100.00%
<u>Sources of Funds for All Projects</u>	
Water revenues.....	41.81
Sewer Revenues.....	56.95
Hydroelectric Revenues.....	1.24
Total	100.00%

GENERAL FUND REVENUES AND EXPENDITURES
The District
Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2013 ¹	Budget 2012 ¹	Actual 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
REVENUES:							
Taxation - Member Towns	\$34,799,400	\$33,493,200	\$32,360,500	\$30,967,000	\$30,967,000	\$32,670,177	\$30,966,992
Sewer User Fees	6,131,200	5,911,800	5,648,811	5,387,089	5,196,099	5,288,435	4,390,879
Intergovernmental	2,860,500	2,860,500	6,126,080	6,316,756	6,953,697	7,048,123	8,955,916
Investment Income			29,710	55,844	97,017	357,252	871,102
Other Revenues	7,927,300	7,954,600	5,566,982	4,422,576	1,535,880	2,311,566	1,283,323
Designated for Surplus	3,295,600	3,000,000	0				
Transfers In	37,660,000	17,918,000	9,817,075	5,372,200	4,000,000	3,250,000	3,250,000
Total Revenues and Transfers In	\$92,674,000	\$71,138,100	\$59,549,158	\$52,521,465	\$48,749,693	\$50,925,554	\$49,718,212
EXPENDITURES:							
General Government	\$8,405,600	\$8,246,300	\$7,463,935	\$6,827,898	\$6,351,751	\$4,902,564	\$4,322,023
Engineering & Planning	152,100	213,000	1,124,966	1,781,538	1,401,698	1,481,110	1,418,756
Operations	2,697,500	2,607,000	3,281,022	3,307,062	3,446,176	2,827,880	2,430,307
Plants & Maintenance	20,591,500	22,209,700	20,001,916	21,805,352	18,243,576	20,922,437	20,269,789
Employee Benefits & Other	10,564,900	9,632,800	8,388,095	7,443,301	5,323,916	6,889,633	6,798,102
Miscellaneous Expenses	0	0	0				
Transfers Out	50,262,400	28,229,300	19,084,525	12,711,530	16,163,137	10,904,477	11,091,640
Total Expenditures and Transfers Out	\$92,674,000	\$71,138,100	\$59,344,459	\$53,876,681	\$50,930,254	\$47,928,101	\$46,330,617
Results from Operations		²	\$204,699	(\$1,355,216)	(\$2,180,561)	\$2,997,452	\$3,387,594
Fund Balance, January 1			\$14,864,207	\$16,219,423	\$18,399,984	\$15,402,532	\$12,014,938
Fund Balance, December 31			\$15,068,906	\$14,864,207	\$16,219,423	\$18,399,984	\$15,402,532

¹ Budgetary Basis.

² At this time, District Officials anticipate that revenues and transfers in will exceed expenditures and transfers out by approximately \$2.6 million for the Fiscal Year ended December 31, 2012.

ANALYSIS OF GENERAL FUND EQUITY
The District
(GAAP BASIS)

	Actual 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
Reserved:					
Inventory	\$1,749,997	\$1,432,019	\$1,439,183	\$1,467,023	\$1,831,908
Encumbrances	2,423,443	1,921,258	2,024,851	1,806,389	1,602,690
Unreserved:					
Designated for Infrastructure					
Improvements	10,895,466	11,510,930	12,755,389	15,126,572	11,967,934
Total Fund Balance	\$15,068,906	\$14,864,207	\$16,219,423	\$18,399,984	\$15,402,532

Source: Audit Reports 2007-2011; Budgets 2012 and 2013.

HISTORY OF MEMBER MUNICIPALITY'S TAXATION ¹

<u>Member Municipality</u>	<u>Budget</u>		<u>Budget</u>		<u>Actual</u>	
	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Bloomfield	\$ 2,584,900	7.43	\$ 2,488,900	7.43	\$ 2,399,000	7.41
East Hartford	3,964,500	11.39	3,856,000	11.51	3,769,700	11.65
Hartford	9,955,500	28.61	9,472,000	28.28	9,046,600	27.96
Newington	3,014,900	8.66	2,888,200	8.62	2,794,700	8.64
Rocky Hill	2,011,100	5.78	1,941,700	5.80	1,869,100	5.78
West Hartford	7,485,100	21.51	7,207,700	21.52	6,968,100	21.53
Wethersfield	2,756,900	7.92	2,682,500	8.01	2,619,900	8.10
Windsor	3,026,500	8.70	2,956,200	8.83	2,893,400	8.93
Total	\$ 34,799,400	100.0%	\$ 33,493,200	100.0%	\$ 32,360,500	100.0%

<u>Member Municipality</u>	<u>Actual</u>		<u>Actual</u>		<u>Actual</u>	
	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Bloomfield	\$ 2,268,900	7.33	\$ 2,276,400	7.35	\$ 2,368,588	7.25
East Hartford	3,757,200	12.13	3,880,800	12.53	4,279,793	13.10
Hartford	8,614,800	27.82	8,548,800	27.61	8,977,765	27.48
Newington	2,628,400	8.49	2,628,500	8.49	2,734,494	8.37
Rocky Hill	1,769,500	5.71	1,740,000	5.62	1,819,729	5.57
West Hartford	6,650,900	21.48	6,642,000	21.45	7,004,486	21.44
Wethersfield	2,510,900	8.11	2,493,500	8.05	2,577,677	7.89
Windsor	2,766,400	8.93	2,757,000	8.90	2,907,646	8.90
Total	\$ 30,967,000	100.0%	\$ 30,967,000	100.0%	\$ 32,670,178	100.0%

¹ *The District has the power to levy a tax upon the Member Municipalities sufficient to finance the District's budgeted expenses. The tax is divided among the Member Municipalities in proportion to the total revenue received yearly from direct taxation in each Member Municipality, as averaged over the prior three years.*

Source: District Officials.

WATER UTILITY FUND REVENUES AND EXPENDITURES

The District

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2013 ¹	Budget 2012 ¹	Actual 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
Operating Revenues:							
Water Sales.....	\$62,995,500	\$61,228,700	\$55,530,498	\$58,781,185	\$51,330,641	\$56,753,810	\$52,679,339
Other Operating Revenues.....	3,446,100	3,250,100	0	0	1,426,721	0	0
Total Operating Revenue.....	\$66,441,600	\$64,478,800	\$55,530,498	\$58,781,185	\$52,757,362	\$56,753,810	\$52,679,339
Total Operating Expenses.....							
	74,553,100	54,236,000	50,971,083	66,192,477	65,759,309	59,248,467	52,984,997
Operating Income (Loss).....	(8,111,500)	10,242,800	4,559,415	(7,411,292)	(13,001,947)	(2,494,657)	(305,658)
Non-operating Revenues.....	1,582,100	1,375,000	873,794	1,400,776	2,061,891	1,628,902	1,651,843
Income (Loss) Before Interest &							
Fiscal Charges & Operating Transfers.....	(6,529,400)	11,617,800	5,433,209	(6,010,516)	(10,940,056)	(865,755)	1,346,185
Interest & Fiscal Charges.....	6,529,400	(11,617,800)	(3,528,359)	(3,213,148)	(2,754,207)	(2,407,659)	(1,116,179)
Income Before Operating Transfers.....	\$0	\$0	\$1,904,850	(\$9,223,664)	(\$13,694,263)	(\$3,273,414)	\$230,006
Net Operating Transfers.....	0	0	588,642	11,397,670	12,545,151	4,182,548	5,091,177
Net Income (Loss).....	\$0	\$0	\$2,493,492	\$2,174,006	(\$1,149,112)	\$909,134	\$5,321,183
Net Assets, January 1.....		2	\$245,092,394	\$242,918,388	\$244,067,500	\$243,158,366	\$237,837,183
Net Assets, December 31.....			\$247,585,886	\$245,092,394	\$242,918,388	\$244,067,500	\$243,158,366

¹ Budgetary Basis.

² At this time, District Officials anticipate that revenues and transfers in will exceed expenditures and transfers out by approximately \$6.7 million for the Fiscal Year ended December 31, 2012.

Source: Audit Reports 2007-2011; Budgets 2012 and 2013.

HYDROELECTRIC FUND REVENUES AND EXPENDITURES

The District

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2013 ¹	Budget 2012 ¹	Actual 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
Operating Revenues:							
Power Sales.....	\$878,400	\$878,400	\$1,115,675	\$869,162	\$1,110,802	\$1,127,992	\$669,106
Miscellaneous.....	4,000	4,000	0	0	0	0	0
Total Operating Revenue.....	\$882,400	\$882,400	\$1,115,675	\$869,162	\$1,110,802	\$1,127,992	\$669,106
Total Operating Expenses.....							
	\$427,200	\$426,300	\$321,966	\$363,741	\$447,432	\$375,156	\$433,989
Operating Income (Loss).....	\$455,200	\$456,100	\$793,709	\$505,421	\$663,370	\$752,836	\$235,117
Non-operating Revenues (Expenses).....	\$1,139,800	\$1,133,900	\$2,944	\$4,122	\$8,618	\$46,805	\$79,539
Income Before Operating Transfers.....	\$1,595,000	\$1,590,000	\$796,653	\$509,543	\$671,988	\$799,641	\$314,656
Net Operating Transfers.....	(1,595,000)	(1,590,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)
Net Income (Loss).....	\$0	\$0	(\$753,347)	(\$1,040,457)	(\$878,012)	(\$750,359)	(\$1,235,344)
Net Assets, January 1.....		2	\$10,063,388	\$11,103,845	\$11,981,857	\$12,732,216	\$13,967,560
Net Assets, December 31.....			\$9,310,041	\$10,063,388	\$11,103,845	\$11,981,857	\$12,732,216

¹ Budgetary Basis.

² At this time, District Officials anticipate that revenues and transfers in will exceed expenditures and transfers out by approximately \$48,000 for the Fiscal Year ended December 31, 2012.

Source: Audit Reports 2007-2011; Budgets 2012 and 2013.

MID-CONNECTICUT PROJECT FUND REVENUES AND EXPENDITURES

The District

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	<u>Actual</u> <u>2011</u>	<u>Actual</u> <u>2010</u>	<u>Actual</u> <u>2009</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Total Operating Revenue	\$46,711,439	\$21,526,912	\$17,978,766	\$15,726,127	\$18,165,810
Operating Expenses:					
General Administration.....	2,206,429	4,409,666	3,682,848	3,221,408	3,721,163
Operations.....	837,469	1,672,871	1,397,142	1,222,088	1,411,677
Maintenance.....	3,112,756	6,217,822	5,192,978	4,542,327	5,247,004
Capital Outlay.....					
Personnel Services.....	21,539,808	9,226,553	7,705,798	6,740,304	7,785,966
Total Operating Expenses	\$27,696,462	\$21,526,912	\$17,978,766	\$15,726,127	\$18,165,810
Operating Income (Loss)	\$19,014,977	\$0	\$0	\$0	\$0

¹ *Budgetary Basis.*

Source: Audit Reports 2007-2011.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Bloomfield

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Adopted Budget 2012-13 ¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Taxes and Assessments.....	\$67,915,820	\$66,310,109	\$64,430,555	\$62,139,854	\$60,941,705	\$57,743,856
State and Federal Grants.....	7,988,562	12,018,377	9,952,846	10,277,496	11,248,024	16,966,207
Charges for Services.....	1,215,723	1,534,009	1,559,250	1,575,137	1,681,133	2,673,546
Investment Income.....	35,000	34,882	152,656	247,948	622,892	1,270,773
Licenses and Permits.....	246,160	0	0	0	0	0
Other.....	1,387,735	228,226 ⁴	15,835,164 ²	86,940	65,560	740,363
Transfers In.....	0	197,911	75,000	0	0	72,513
Total Revenues and Transfers In.....	\$78,789,000	\$80,323,514	\$92,005,471	\$74,327,375	\$74,559,314	\$79,467,258
EXPENDITURES:						
General Government.....	\$3,793,753	\$3,360,349	\$3,579,222	\$3,559,984	\$3,739,756	\$3,397,447
Public Safety.....	7,173,548	6,528,267	7,025,588	6,750,622	6,767,994	6,570,161
Public Works.....	2,934,429	5,570,103	2,450,354	2,616,066	2,505,502	2,335,729
Leisure Services.....	686,880	664,004	663,276	637,660	616,925	650,214
Public Libraries.....	1,353,821	1,367,410	1,397,095	1,328,969	1,334,575	1,299,620
Human Services.....	1,350,633	1,280,713	1,382,686	1,331,051	1,265,602	1,219,285
Facilities.....	1,743,185	1,542,864	1,697,811	1,813,899	1,733,268	1,477,987
Fixed Charges.....	12,943,362	12,588,736	11,887,131	11,066,954	10,450,261	10,409,040
Miscellaneous.....	363,000	109,268	221,393	285,904	202,415	258,069
Education.....	38,555,104	41,407,469	40,609,912	40,445,920	40,453,351	45,243,647
Debt Service.....	6,531,285	5,486,120	3,142,441	3,275,364	2,539,866	1,818,007
Transfers Out.....	1,360,000	733,186	14,576,807 ³	270,000	1,650,000	2,274,135
Total Expenditures and Transfers Out.....	\$78,789,000	\$80,638,489	\$88,633,716	\$73,382,393	\$73,259,515	\$76,953,341
Results from Operations.....		(\$314,975)	\$3,371,755	\$944,982	\$1,299,799	\$2,513,917
Fund Balance, July 1.....		\$13,399,384	\$10,027,629	\$9,082,647	\$7,782,848	\$5,268,931
Fund Balance, June 30.....		\$13,084,409	\$13,399,384	\$10,027,629	\$9,082,647	\$7,782,848

¹ Budgetary Basis.

² Includes \$12,400,000 refunding bonds issued, \$2,082,150 premium on bond issuance and \$1,250,737 premium on refunding bond issuance.

³ Includes \$13,701,807 payment to refunded bond escrow agent.

⁴ Includes \$76,365 premium on bond issuance.

ANALYSIS OF GENERAL FUND EQUITY

**Town of Bloomfield
(GAAP BASIS)**

	<u>Actual</u> <u>2011-12</u>	<u>Actual</u> <u>2010-11</u>	<u>Actual</u> <u>2009-10</u>	<u>Actual</u> <u>2008-09</u>	<u>Actual</u> <u>2007-08</u>
Restricted.....	\$1,382,150	\$2,082,150			
Assigned.....	672,501	358,070	\$720,057	\$998,384	\$467,300
Unassigned.....	11,029,758	10,959,164	9,307,572	8,084,263	7,315,548
Total Fund Balance	\$13,084,409	\$13,399,384	\$10,027,629	\$9,082,647	\$7,782,848

Unassigned Fund Balance
As % of Total Expenditures

<u>13.68%</u>	<u>12.36%</u>	<u>12.68%</u>	<u>11.04%</u>	<u>10.71%</u> ¹
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¹ Revenues and transfers in were adjusted to \$70,788,855 and expenditures and transfers out were adjusted to \$68,274,938 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for Bloomfield's teachers.
Source: Audit Reports 2008-2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES

**Town of East Hartford
Summary of Audited Revenues and Expenditures
(GAAP BASIS)**

	Adopted Budget 2012-13¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Property Taxes.....	\$114,764,795	\$107,495,000	\$103,943,000	\$98,458,000	\$100,745,000	\$97,595,000
Intergovernmental.....	49,265,216	60,641,000	51,565,000	51,585,000	57,601,000	79,733,000
Other local revenues.....	3,958,610	10,482,000	8,635,000	7,012,000	6,891,000	8,749,000
Transfers In.....	0	5,979,000 ³	457,000	399,000	520,000	655,000
Total Revenues and Transfers In.....	\$167,988,621	\$184,597,000	\$164,600,000	\$157,454,000	\$165,757,000	\$186,732,000
EXPENDITURES:						
General Government.....	\$31,783,048	\$30,955,000	\$26,997,000	\$26,943,000	\$27,155,000	\$24,033,000
Public Safety.....	24,842,948	25,544,000	25,048,000	24,261,000	23,817,000	23,878,000
Inspection/Permits.....	656,558	639,000	645,000	682,000	849,000	744,000
Public Works.....	12,691,708	8,185,000	8,629,000	8,742,000	9,424,000	8,978,000
Parks and Recreation.....	2,739,527	2,558,000	2,600,000	2,427,000	2,683,000	2,671,000
Health and Social Services.....	1,409,031	1,361,000	1,326,000	1,257,000	1,246,000	1,237,000
Debt Service.....	8,099,382	9,758,000	9,160,000	9,539,000	9,592,000	8,760,000
Education.....	85,766,419	97,696,000	89,434,000	84,284,000 ²	92,242,000 ²	114,773,000
Transfers Out.....	0	6,208,000 ⁴	187,000	17,000	316,000	2,234,000
Total Expenditures and Transfers Out.....	\$167,988,621	\$182,904,000	\$164,026,000	\$158,152,000	\$167,324,000	\$187,308,000
Results from Operations.....		\$1,693,000	\$574,000	(\$698,000)	(\$1,567,000)	(\$576,000)
Fund Balance, July 1.....		\$13,518,000	\$12,944,000	\$13,642,000	\$15,209,000	\$15,785,000
Fund Balance, June 30.....		\$15,211,000	\$13,518,000	\$12,944,000	\$13,642,000	\$15,209,000

¹ Budgetary Basis.

² These expenditures are reflected on a budgetary basis and do not include State of Connecticut on-behalf payments to the Connecticut Teachers' Retirement System for Town teachers and certain other grants and expenditures of the Board of Education.

³ Includes \$5,280,000 of Bond Issuance and \$193,000 of refunding bond premium.

⁴ Includes \$5,411,000 in refunding bond escrow.

ANALYSIS OF GENERAL FUND EQUITY
Town of East Hartford
(GAAP BASIS)

	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
Assigned.....	\$1,257,000	\$668,000	\$906,000	\$943,000	\$867,000
Unassigned.....	13,954,000	12,850,000	12,038,000	12,699,000	14,342,000
Total Fund Balance	\$15,211,000	\$13,518,000	\$12,944,000	\$13,642,000	\$15,209,000
Unassigned Fund Balance					
As % of Total Expenditures	<u>7.63%</u>	<u>7.83%</u>	<u>7.61%</u>	<u>7.59%</u>	<u>9.25%</u> ¹

¹ Revenues and transfers in were adjusted to \$154,432,000 and expenditures and transfers out were adjusted to \$155,008,000 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for East Hartford's teachers.

Source: Audit Reports 2008-2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES
City of Hartford
Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Adopted Budget 2012-13 ¹	Budget 2011-12 ¹	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07
REVENUES:							
Property Taxes.....	\$251,238,853	\$275,144,264	\$274,013,000	\$266,990,000	\$250,668,000	\$232,955,000	\$231,638,000
Licenses and Permits.....	6,138,530	5,568,580	4,891,000	5,608,000	8,155,000	9,850,000	8,594,000
Investment Income.....	2,234,448	5,178,287	317,000	1,027,000	201,000	1,714,000	3,510,000
Intergovernmental.....	265,450,349	248,827,741	272,915,000	267,840,000	270,021,000	341,042,000	250,108,000
Charges for Services.....	2,954,647	2,787,135	2,807,000	2,175,000	1,961,000	2,194,000	2,599,000
Reimbursements.....	4,643,557	3,426,114	0	0	0	0	0
Other Revenues.....	3,282,956	657,100	7,743,000	7,396,000	9,952,000	11,211,000	8,479,000
Transfers In.....	4,327,641	4,355,000	4,159,000	2,884,000	8,035,000	14,715,000	9,952,000
Total Revenues and Transfers In.....	\$540,270,981	\$545,944,221	\$566,845,000	\$553,920,000	\$548,993,000	\$613,681,000	\$514,880,000
EXPENDITURES:							
General Government.....	\$21,954,030	\$22,563,694	\$19,800,000	\$19,831,000	\$20,929,000	\$21,890,000	\$17,699,000
Public Safety.....	73,956,231	74,065,368	75,672,000	70,756,000	72,998,000	74,402,000	71,506,000
Public Works.....	13,457,183	13,129,426	13,083,000	12,522,000	13,629,000	11,825,000	14,158,000
Development and Community.....	5,066,738	4,906,516	4,228,000	4,342,000	2,241,000	2,541,000	2,194,000
Human Services.....	5,553,837	5,091,418	7,103,000	7,237,000	7,565,000	7,303,000	7,740,000
Library.....	8,215,000	7,915,000	0	0	0	0	0
Education.....	284,008,188	283,365,643	304,370,000	305,210,000	305,432,000	374,467,000	279,086,000
Benefits and Insurance.....	59,401,678	66,806,520	65,160,000	55,791,000	57,985,000	57,012,000	54,754,000
Other.....	32,037,551	31,600,091	34,552,000	31,042,000	31,335,000	28,122,000	28,755,000
Transfers Out.....	36,620,545	36,500,545	37,427,000	44,854,000	48,466,000	42,686,000	37,736,000
Total Expenditures and Transfers Out.....	\$540,270,981	\$545,944,221	\$561,395,000	\$551,585,000	\$560,580,000	\$620,248,000	\$513,628,000
Results from Operations.....			\$5,450,000	\$2,335,000	(\$11,587,000)	(\$6,567,000)	\$1,252,000
Fund Balance, July 1.....			\$19,636,000 ²	\$16,313,000	\$27,900,000	\$34,467,000	\$33,215,000
Fund Balance, June 30.....			\$25,086,000	\$18,648,000	\$16,313,000	\$27,900,000	\$34,467,000

¹ Budgetary Basis.

² Restated.

ANALYSIS OF GENERAL FUND EQUITY

**City of Hartford
(GAAP BASIS)**

	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07
Assigned.....	\$2,525,000	\$148,000	\$95,000		
Unassigned.....	22,561,000	18,500,000	16,218,000	27,900,000	34,467,000
Total Fund Balance	\$25,086,000	\$18,648,000	\$16,313,000	\$27,900,000	\$34,467,000
Unassigned Fund Balance					
As % of Total Expenditures	<u>4.02%</u>	<u>3.35%</u>	<u>2.89%</u>	<u>5.39%</u> ¹	<u>6.71%</u>

¹ Revenues and transfers in were adjusted to \$510,881,000 and expenditures and transfers out were adjusted to \$517,448,000 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for Hartford's teachers.
Source: Audit Reports 2007-2011; Budgets 2012 and 2013.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Newington

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2012-13 ¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Property Taxes.....	\$82,258,338	\$80,895,000	\$77,704,000	\$75,594,000	\$73,276,000	\$70,359,000
Payment in Lieu of Taxes.....	2,316,301	2,343,000	3,096,000	3,050,000	2,936,000	2,481,000
Licenses, Fees and Permits	165,225	278,000	194,000	300,000	409,000	724,000
Intergovernmental.....	15,404,636	24,791,000	19,176,000	19,882,000	18,967,000	32,993,000
Rental.....	136,945	133,000	137,000	130,000	139,000	86,000
Income on Investments.....	100,000	67,000	123,000	172,000	509,000	1,426,000
Fines.....	35,000	123,000	93,000	64,000	96,000	41,000
Charges for Services.....	480,000	488,000	510,000	605,000	597,000	868,000
Refunds and Reimbursements.....	91,825	0	0	0	23,000	23,000
Other.....	40,033	832,000	136,000	51,000	74,000	929,000
Transfers In ²	2,413,638	164,000	127,000	3,739,000 ³	284,000	94,000
Total Revenues and Transfers In.....	\$103,441,941	\$110,114,000	\$101,296,000	\$103,587,000	\$97,310,000	\$110,024,000
EXPENDITURES:						
General Government.....	\$4,360,206	\$4,016,000	\$3,874,000	\$3,823,000	\$3,957,000	\$3,254,000
Public Safety.....	7,682,013	7,533,000	7,173,000	7,054,000	6,850,000	6,818,000
Public Works.....	4,874,759	6,223,000	4,668,000	4,532,000	4,722,000	4,563,000
Community Planning & Develop.....	443,023	422,000	430,000	479,000	513,000	503,000
Health and Human Services.....	1,119,117	1,093,000	1,074,000	1,117,000	1,108,000	1,149,000
Library.....	1,676,218	1,668,000	1,566,000	1,646,000	1,634,000	1,750,000
Parks and Recreation.....	1,578,547	1,542,000	1,472,000	1,429,000	1,447,000	1,575,000
Education.....	63,347,585	68,303,000	64,499,000	63,212,000	60,397,000	73,635,000
Miscellaneous.....	11,694,373	10,424,000	10,026,000	8,928,000	8,741,000	8,829,000
Debt Service	2,235,672	2,312,000	2,158,000	2,523,000	2,524,000	2,592,000
Transfers Out.....	4,430,428	4,958,000	5,026,000	7,892,000 ⁴	4,370,000	4,418,000
Total Expenditures and Transfers Out.....	\$103,441,941	\$108,494,000	\$101,966,000	\$102,635,000	\$96,263,000	\$109,086,000
Results from Operations.....		\$1,620,000	(\$670,000)	\$952,000	\$1,047,000	\$938,000
Fund Balance, July 1.....		\$16,973,000	\$17,643,000	\$16,691,000	\$15,644,000	\$14,706,000
Fund Balance, June 30.....		\$18,593,000	\$16,973,000	\$17,643,000	\$16,691,000	\$15,644,000

¹ Budgetary Basis.

² Includes \$2,000,000 and \$2,500,000 appropriated from prior years' surplus in Fiscal Year 2012 and 2013, respectively.

³ Includes \$3,640,000 refunding bonds issued.

⁴ Includes \$3,571,000 payment to refunded bond escrow agent.

ANALYSIS OF GENERAL FUND EQUITY

**Town of Newington
(GAAP BASIS)**

	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
Assigned.....	\$4,174,000	\$3,891,000	\$1,745,000	\$1,947,000	\$1,572,000
Designated for Sub. Year.....	0	0	2,000,000	2,000,000	2,000,000
Unassigned.....	<u>14,419,000</u>	<u>13,082,000</u>	<u>13,898,000</u>	<u>12,744,000</u>	<u>12,072,000</u>
Total Fund Balance	\$18,593,000	\$16,973,000	\$17,643,000	\$16,691,000	\$15,644,000

Unassigned Fund Balance					
As % of Total Expenditures	<u>13.29%</u>	<u>12.83%</u>	<u>13.54%</u>	<u>13.24%</u>	<u>13.42%</u> ¹

¹ Revenues and transfers in were adjusted to \$90,845,000 and expenditures and transfers out were adjusted to \$89,907,000 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for Newington's teachers.

Source: Audit Reports 2008-2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES

**Town of Rocky Hill
Summary of Audited Revenues and Expenditures
(GAAP BASIS)**

	Adopted Budget 2012-13¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Taxes and Assessments.....	\$56,089,758	\$53,019,340	\$52,381,560	\$50,445,629	\$48,912,057	\$46,816,288
Intergovernmental.....	5,129,394	9,149,211	7,432,129	7,203,662	7,917,555	16,123,098
Charges for Services.....	582,150	896,449	844,632	792,346	865,279	1,527,511
Income on Investments.....	21,000	13,720	24,417	39,737	145,626	485,174
Miscellaneous.....	1,031,725	747,501	722,482	656,980	905,675	661,167
Transfers In ²	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,420,000</u> ³	<u>0</u>	<u>0</u>
Total Revenues and Transfers In.....	\$62,854,027	\$63,826,221	\$61,405,220	\$66,558,354	\$58,746,192	\$65,613,238
EXPENDITURES:						
General Government.....	\$2,277,450	\$2,463,450	\$2,269,845	\$2,313,302	\$2,065,990	\$1,942,303
Public Safety.....	5,706,458	5,503,034	5,650,377	5,341,066	5,260,900	5,153,545
Public Works.....	5,497,780	5,352,691	5,256,628	4,973,582	5,123,227	4,970,210
Health and Human Services.....	563,124	522,184	522,896	501,487	500,418	487,942
Parks, Recreation and Facilities.....	5,263,468	5,312,396	5,423,382	5,253,636	5,133,980	5,646,646
Library Services.....	926,152	862,248	882,446	875,847	859,124	887,210
Education.....	30,193,935	32,952,537	30,865,280	30,266,724	29,424,694	36,640,268
Miscellaneous.....	8,231,925	6,948,577	6,477,639	6,162,034	6,316,464	6,191,227
Capital Outlays.....	2,062,385	973,159	956,339	523,784	978,410	1,082,172
Debt Service.....	2,131,350	2,385,319	2,363,467	2,895,090	2,866,997	2,827,933
Transfers Out.....	<u>0</u>	<u>497,548</u>	<u>506,348</u>	<u>7,646,494</u> ⁴	<u>199,641</u>	<u>380,381</u>
Total Expenditures and Transfers Out.....	\$62,854,027	\$63,773,143	\$61,174,647	\$66,753,046	\$58,729,845	\$66,209,837
Results from Operations.....		\$53,078	\$230,573	(\$194,692)	\$16,347	(\$596,599)
Fund Balance, July 1.....		\$4,248,375	\$4,017,802	\$4,212,494	\$4,196,147	\$4,792,746
Fund Balance, June 30.....		<u>\$4,301,453</u>	<u>\$4,248,375</u>	<u>\$4,017,802</u>	<u>\$4,212,494</u>	<u>\$4,196,147</u>

¹ Budgetary Basis

² Appropriated from prior years' surplus.

³ Includes \$7,420,000 refunding bonds issued.

⁴ Includes \$7,316,494 payment to refunded bond escrow agent.

ANALYSIS OF GENERAL FUND EQUITY

**Town of Rocky Hill
(GAAP BASIS)**

	<u>Actual 2011-12</u>	<u>Actual 2010-11</u>	<u>Actual 2009-10</u>	<u>Actual 2008-09</u>	<u>Actual 2007-08</u>
Assigned.....	\$245,955	\$754,586	\$209,884	\$249,965	\$201,398
Designated for subsequent year.....	0	0	281,148	389,306	550,967
Unassigned.....	<u>4,055,498</u>	<u>3,493,789</u>	<u>3,526,770</u>	<u>3,573,223</u>	<u>3,443,782</u>
Total Fund Balance	<u>\$4,301,453</u>	<u>\$4,248,375</u>	<u>\$4,017,802</u>	<u>\$4,212,494</u>	<u>\$4,196,147</u>
Unassigned Fund Balance					
As % of Total Expenditures	<u>6.36%</u>	<u>5.71%</u>	<u>5.28%</u>	<u>6.08%</u>	<u>6.23%</u> ¹

¹ Revenues and transfers in were adjusted to \$54,722,741 and expenditures and transfers out were adjusted to \$55,319,340 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for Rocky Hill's teachers.

Source: Audit Reports 2008-2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES

Town of West Hartford

Summary of Audited Revenues and Expenditures

(BUDGETARY BASIS)¹

	Adopted Budget 2013	Actual 2012	Actual 2011	Actual 2010⁵	Actual 2009	Actual 2008³
REVENUES:						
Property Taxes.....	\$210,047,364	\$200,033,000	\$192,983,674	\$186,107,046	\$181,795,303	\$173,317,428
Intergovernmental.....	21,255,618	29,446,000	18,621,913	18,187,292	21,763,308	20,475,283
Charges for Services.....	4,464,071	4,970,000	4,303,666	5,023,016	3,842,699	4,196,926
Income on Investments.....	550,000	451,000	710,532	1,045,452	1,939,717	2,535,631
Miscellaneous.....	507,490	1,004,000	1,139,786	840,955	1,263,195	951,782
Total Revenues.....	\$236,824,543	\$235,904,000	\$217,759,571	\$211,203,761	\$210,604,222	\$201,477,050
EXPENDITURES:						
General Government:						
Town Council/Town Clerk.....	\$663,443	\$647,000	\$642,041	\$637,457	\$712,456	\$756,674
Town Manager.....	262,618	258,000	262,140	256,402	397,791	322,634
Coporation Counsel.....	449,934	446,000	433,330	420,651	712,733	567,625
Registrar of Voters.....	264,156	225,000	318,599	260,883	276,822	351,579
Financial Services.....	2,588,432	2,505,000	2,486,510	2,393,932	3,011,436	3,159,025
Assessors.....	630,077	597,000	568,505	503,155	732,077	761,934
Employees Services.....	401,216	362,000	352,330	315,264	496,497	526,885
Public Safety:						
Fire Services.....	10,190,818	11,051,000	9,989,335	9,413,246	12,002,732	12,395,580
Police Services.....	14,405,071	14,293,000	13,503,746	12,935,254	17,599,765	17,886,581
Community Maintenance:						
Community Services.....	2,698,288	2,541,000	2,623,274	2,566,910	3,637,517	4,016,611
Public Works.....	10,913,211	9,858,000	10,660,178	10,213,004	12,602,305	12,134,801
Facilities Services.....	2,008,941	1,986,000	1,778,024	2,560,492	2,399,337	2,265,984
Human & Cultural Resources:						
Human & Leisure Services.....	2,703,717	2,661,000	2,582,698	2,522,868	2,999,008	1,249,192
Library Services.....	3,172,405	3,029,000	2,919,121	2,933,180	3,611,701	3,684,505
Debt and Sundry.....	46,357,424	40,581,000	25,901,099	39,951,799	27,431,392	22,611,372
Sub-Total Town.....	97,709,751	91,040,000	75,020,930	87,884,497	88,623,569	82,690,982
Board of Education.....	138,769,729	132,317,000	126,136,796	121,088,824	122,632,074	116,903,853
Total Expenditures.....	\$236,479,480	\$223,357,000	\$201,157,726	\$208,973,321	\$211,255,643	\$199,594,835
Excess of Revenues Over						
(Under) Expenditures.....	\$345,063	\$12,547,000	\$16,601,845	\$2,230,440	(\$651,421)	\$1,882,215
Other Financing Sources (Uses):						
Transfers In.....	845,402	994,000	878,214	1,106,321	1,853,065	1,238,896
Transfers Out.....	(1,190,465)	(13,591,000)	(16,785,699)	(2,484,019)	(1,657,731)	(2,480,693)
Total Other Financing Sources (Uses).....	(\$345,063)	(\$12,597,000)	(\$15,907,485)	(\$1,377,698)	\$195,334	(\$1,241,797)
Excess of Rev& Other Sources Over Exp and Other Uses....						
	\$0	(\$50,000)	\$694,360	\$852,742	(\$456,087)	\$640,418
Fund Balance, July 1.....	\$17,446,163⁴	\$17,887,751	\$17,193,391⁴	\$16,377,649	\$16,833,736⁴	\$16,193,318⁴
Designated Fund Balance Yr End..	0	0	0	0	0	781,185
Fund Balance, June 30.....	\$17,446,163	\$17,837,751	\$17,887,751	\$17,230,391	\$16,377,649	\$16,052,551

¹On a budgetary basis, encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. This accounting treatment is different from that utilized under GAAP. All unencumbered budget appropriations lapse at the end of each fiscal year.

²In fiscal year 2007, the Administrative Services Department was combined with the Financial Services Department; the Human Services Department was combined with Leisure Services Department; and the Town's payment to MDC was moved from the Public Works Department to Debt and Sundry.

³In the fiscal year 2008 the Facilities Services Department was separated from the Financial Services Department.

⁴Restated.

⁵In fiscal year 2010, all Risk Management costs (Health, Workers Compensation, etc.) were transferred from individual departments to Debt and Sundry.

Source: Town of West Hartford, February 2012 Final Official Statement; Audit 2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Wethersfield

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Adopted Budget 2012-13 ¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Property Taxes.....	\$74,740,499	\$72,867,903	\$70,620,970	\$71,117,614	\$69,563,000	\$65,964,160
Intergovernmental.....	9,406,300	16,674,045	14,296,441	14,093,177	14,000,914	26,025,271
Other Local Revenues.....	2,769,856	1,498,540	2,155,787	2,709,868	2,465,628	3,499,256
Transfers In ²	350,000	672,465	0	13,332,220 ³	0	0
Total Revenues and Transfers In.....	\$87,266,655	\$91,712,953	\$87,073,198	\$101,252,879	\$86,029,542	\$95,488,687
EXPENDITURES:						
Public Safety.....	\$9,190,738	\$8,597,455	\$8,443,638	\$8,132,620	\$8,223,044	\$7,719,496
Public Works.....	7,912,203	7,594,385	7,877,295	7,395,776	8,008,600	7,527,745
Recreation and Parks.....	1,475,256	1,389,756	1,495,198	1,442,808	1,679,063	1,497,924
Social Services.....	870,945	829,087	906,931	897,535	1,172,956	1,042,139
Library.....	1,723,885	1,665,484	1,659,845	1,620,882	1,670,957	1,560,342
General Government.....	9,043,722	9,090,322	7,359,677	7,936,072	6,319,344	6,747,319
Education.....	51,614,354	55,269,575	54,344,069	54,093,101	51,564,577	61,482,749
Debt Service.....	3,733,225	3,569,423	3,775,508	4,044,856	3,952,959	4,020,885
Contingency.....	340,000	0	0	0	0	0
Transfers Out.....	1,362,327	3,356,751	2,022,213	15,734,384 ⁴	2,944,918	3,304,321
Total Expenditures and Transfers Out.....	\$87,266,655	\$91,362,238	\$87,884,374	\$101,298,034	\$85,536,418	\$94,902,920
Results from Operations.....		\$350,715	(\$811,176)	(\$45,155)	\$493,124	\$585,767
Fund Balance, July 1.....		\$9,794,730	\$10,605,906⁵	\$8,904,357⁵	\$8,852,600	\$8,266,833
Fund Balance, June 30.....		\$10,145,445	\$9,794,730	\$8,859,202	\$9,345,724	\$8,852,600

¹ Budgetary Basis.

² Includes \$700,000 and \$350,000 appropriated from prior years' surplus in Fiscal Year 2012 and Fiscal Year 2013.

³ Includes \$12,010,000 refunding bonds issued and \$1,322,220 premium on refunding bonds.

⁴ Includes \$13,161,148 payment to refunded bond escrow agent.

⁵ Restated.

ANALYSIS OF GENERAL FUND EQUITY

Town of Wethersfield

(GAAP BASIS)

	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
Committed.....	\$405,817	\$1,823,247	\$813,143	\$1,434,292	\$311,496
Assigned.....	829,460	858,617	700,000	700,000	1,281,000
Unassigned.....	8,910,168	7,112,866	7,346,059	7,211,432	7,260,104
Total Fund Balance	10,145,445	9,794,730	8,859,202	9,345,724	8,852,600
Unassigned Fund Balance As % of Total Expenditures	<u>9.75%</u>	<u>8.09%</u>	<u>7.25%</u>	<u>8.43%</u>	<u>9.28%</u>¹

¹ Revenues and transfers in were adjusted to \$78,788,687 and expenditures and transfers out were adjusted to \$78,202,920 for Fiscal Year ended June 30, 2008 to reflect increased on-behalf payments by the State of Connecticut to the Connecticut State Teachers' Retirement Fund, for Wethersfield's teachers.

Source: Audit Reports 2008-2012; Budget 2013.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Windsor

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Adopted Budget 2012-13 ¹	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
REVENUES:						
Property Taxes.....	\$81,425,210	\$79,806,333	\$78,440,338	\$75,182,401	\$76,562,176	\$71,336,266
State & Federal Governments.....	14,747,130	21,115,541	19,819,257	19,483,098	21,033,244	19,912,200
Charges for Services.....	1,682,260	3,361,671	3,764,362	2,327,254	2,105,689	3,037,786
Investment Income.....	130,000	158,626	243,289	215,245	801,980	1,753,149
Transfers In ²	900,000	903,038	113,220	112,590	539,456	0
Total Revenues						
and Transfers In.....	\$98,884,600	\$105,345,209	\$102,380,466	\$97,320,588	\$101,042,545	\$96,039,401
EXPENDITURES:						
Education.....	\$66,417,840	\$67,390,801	\$64,675,805	\$63,097,716	\$63,321,537	\$61,406,479
General Government.....	16,430,320	10,823,683	10,508,186	9,845,335	9,932,944	9,850,885
Culture & Recreation.....	1,331,770	3,714,831	3,562,735	2,423,677	2,448,050	2,243,064
Human Services.....	768,340	1,293,713	1,339,342	1,223,405	1,210,215	1,182,827
Public Safety.....	8,946,890	9,246,685	9,191,543	8,173,386	8,361,647	7,900,906
Public Works.....	4,989,440	5,444,107	5,745,378	5,551,103	5,600,080	5,245,661
Transfers Out.....	0	7,196,210	6,223,950	6,716,700	8,770,185	7,949,387
Total Expenditures and						
Transfers Out.....	\$98,884,600	\$105,110,030	\$101,246,939	\$97,031,322	\$99,644,658	\$95,779,209
Results from Operations.....		\$235,179	\$1,133,527	\$289,266	\$1,397,887	\$260,192
Fund Balance, July 1.....		\$18,368,958	\$17,235,431³	\$15,268,657	\$13,870,770	\$13,610,578
Fund Balance, June 30.....		\$18,604,137	\$18,368,958	\$15,557,923	\$15,268,657	\$13,870,770

¹ Budgetary Basis.

² Represents appropriation from prior years' surplus.

³ Restated.

ANALYSIS OF GENERAL FUND EQUITY

Town of Windsor

(GAAP BASIS)

	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09	Actual 2007-08
Reserved for Encumbrances.....			\$334,036	\$522,844	\$160,497
Nonspendable.....	\$48,934	\$35,544	44,044	35,989	40,758
Reserved for Prepaids.....				19,731	
Committed.....		3,395,259	900,000	1,075,000	500,000
Assigned.....	3,238,973			74,905	
Unassigned.....	15,316,230	14,938,155	14,279,843	13,540,188	13,169,515
Total Fund Balance	\$18,604,137	\$18,368,958	\$15,557,923	\$15,268,657	\$13,870,770
Unassigned Fund Balance					
As % of Total Expenditures	<u>14.57%</u>	<u>14.75%</u>	<u>14.72%</u>	<u>13.59%</u>	<u>13.75%</u>

Source: Audit Reports 2008-2012; Budget 2013.

VIII. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS – THE DISTRICT

As of February 13, 2013

(Pro Forma)

Long-Term Debt			Original	Debt	Date of
Date	Purpose	Rate %	Issue	Outstanding	Fiscal Year
				As of 2/13/13	Maturity
12/01/93	General Purpose, Issue of 1993	5.20-6.13	12,000,000	600,000	2013
09/30/94	CWF (285D).....	2.00	875,983	29,199	2013
10/31/96	CWF (274C, 285C).....	2.00	24,237,340	3,332,634	2015
12/30/97	CWF (270C).....	2.00	6,690,902	1,310,302	2016
06/30/99	CWF (319C).....	2.00	1,691,005	500,255	2018
12/30/99	CWF (383C).....	2.00	4,241,334	1,223,485	2019
06/30/00	CWF (361C).....	2.00	2,635,079	911,298	2019
08/31/01	Drinking Water (SRF 9709C).....	2.60	206,898	78,449	2020
12/31/01	Drinking Water (SRF 9704C).....	2.60	860,842	340,750	2020
06/30/02	Drinking Water (SRF 9710C).....	2.50	861,978	362,750	2021
06/30/02	CWF (405C).....	2.00	8,163,200	3,639,426	2021
03/30/03	CWF (267C).....	2.00	5,213,046	2,380,819	2022
06/30/03	CWF (494C).....	2.00	2,029,367	1,006,228	2022
11/01/03	General Purpose, Issue of 2003	2.40-4.52	4,900,000	2,695,000	2023
12/31/03	Drinking Water (DWSRF9709CD1).....	2.10	956,990	435,431	2020
12/31/03	Drinking Water (9704DCD1).....	2.10	2,225,346	1,036,313	2020
12/31/03	Drinking Water (200105C).....	2.10	2,343,735	1,230,461	2023
11/01/04	General Purpose, Issue of 2004	3.00-4.75	36,200,000	18,045,000	2024
12/31/04	CWF (451C).....	2.00	3,987,009	2,269,258	2024
06/01/08	General Purpose, Issue of 2008.....	3.625-	80,000,000	64,000,000	2028
09/30/09	CWF (521C).....	2.00	4,240,340	3,215,591	2028
10/31/08	CWF (508C).....	2.00	1,232,078	908,658	2027
12/30/08	CWF (160C).....	2.00	1,888,557	1,361,335	2027
12/31/08	CWF (578C).....	2.00	2,042,741	1,512,273	2027
02/28/09	CSL (142).....	2.00	6,200,000	4,675,833	2028
09/30/09	CWF (520C).....	2.00	4,547,580	3,562,271	2028
09/30/09	CSL (149).....	2.00	12,710,000	9,956,166	2028
06/01/10	Refunding Bonds.....	2.56	12,845,000	12,795,000	2022
07/15/10	General Purpose, Series A 2010.....	3.65	91,900,000	85,649,985	2035
07/15/10	General Purpose, Series B 2010.....	4.21	46,200,000	44,440,000	2040
01/31/11	CWF (578CD2).....	2.00	2,619,264	2,346,424	2030
08/31/11	Drinking Water (DWSRF 2010-8008)....	2.06	2,579,412	2,267,733	2030
02/28/12	Drinking Water (DWSRF 2010-8009)....	2.06	772,079	678,786	2030
03/31/12	CSL (166).....	2.00	21,907,709	20,920,877	2030
03/31/12	CWF (619D1).....	2.00	12,600,000	12,032,433	2030
01/31/13	CWF (626C).....	2.00	22,160,848	21,052,805	2032
01/31/13	Drinking Water (DWSRF 2010-8009-1)..	2.06	193,644	193,644	2030
02/14/13	General Purpose, Series A 2013.....	This Issue	32,238,000 *	32,238,000 *	2033
02/14/13	General Purpose, Series B 2013.....	This Issue	26,690,000 *	26,690,000 *	2033
Total Long-Term Debt.....			\$505,887,306	\$391,924,872	

*Preliminary, subject to change.

Short-Term Debt:

The District issued \$58,928,000 in General Obligation Bond Anticipation Notes, Series A on December 6, 2012 to temporarily finance various sewer, water and public improvement projects of the District. The Notes will mature on February 14, 2013.

The District issued \$187,762,000 in General Obligation Bond Anticipation Notes, Series B on December 6, 2012 to temporarily finance various sewer, water and public improvement projects of the District. The Notes will mature on June 20, 2013.

The District currently has \$127,789,701 of outstanding Interim Funding Obligations (“IFO’s”) issued under the State of Connecticut’s Clean Water Fund Program and Drinking Water State Revolving Fund Program. The amount drawn to date is \$64,361,318.

Other Long-Term Commitments:

The District has no other long term commitments.

CLEAN WATER FUND PROGRAM

The Metropolitan District is a participant in the State of Connecticut’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum. All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrification projects (30% grant and 70% loan). Loans are made pursuant to a Project Loan and Grant Agreement. During construction the municipality enters into a short-term borrowing agreement with the State called an Interim Funding Obligation (“IFO”) from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion a 20-year debt obligation called a Project Loan Obligation (“PLO”) is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may prepay their loans at any time prior to maturity without penalty.

DRINKING WATER STATE REVOLVING FUND PROGRAM

The Metropolitan District is a participant in the State of Connecticut’s Drinking Water State Revolving Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance through loans bearing interest at rates ranging from 2% to 3% per annum and grants.

Loans and grants are made pursuant to a Project Loan and Subsidy Agreement. Each municipality is obligated to repay only that amount that is drawn down for the payment of project costs (“Loan Agreement”). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

The amortization requirements, payment schedule and prepayment provisions are the same as under the Clean Water Fund Program.

ANNUAL BONDED DEBT MATURITY SCHEDULE - THE DISTRICT¹

As of February 13, 2013

(Pro Forma)

Fiscal Year Ending 12/31	Outstanding Principal¹	Interest	Total	Series A Bonds This Issue*	Series B Bonds This Issue*	Cumulative Percent Retired
2013	\$20,380,908	\$8,464,787	\$28,845,695			5.20
2014	20,419,594	10,730,993	31,150,587	1,613,000	1,335,000	11.16
2015	20,752,614	10,112,270	30,864,884	1,615,000	1,335,000	17.21
2016	19,532,726	9,489,434	29,022,160	1,615,000	1,335,000	22.95
2017	19,378,180	8,803,149	28,181,329	1,615,000	1,335,000	28.64
2018	19,328,180	8,102,817	27,430,997	1,615,000	1,330,000	34.33
2019	19,418,294	7,411,762	26,830,056	1,615,000	1,335,000	40.03
2020	18,908,616	6,716,827	25,625,443	1,615,000	1,335,000	45.61
2021	18,012,945	6,049,962	24,062,907	1,615,000	1,335,000	50.96
2022	17,509,255	5,453,044	22,962,299	1,610,000	1,335,000	56.18
2023	16,107,287	4,879,622	20,986,909	1,610,000	1,335,000	61.04
2024	15,732,128	4,332,711	20,064,839	1,610,000	1,335,000	65.81
2025	14,858,699	3,815,238	18,673,937	1,610,000	1,335,000	70.35
2026	14,913,699	3,319,357	18,233,056	1,610,000	1,335,000	74.90
2027	14,733,769	2,819,199	17,552,968	1,610,000	1,335,000	79.42
2028	13,884,704	2,326,442	16,211,146	1,610,000	1,335,000	83.71
2029	9,197,874	1,938,478	11,136,352	1,610,000	1,335,000	86.81
2030	8,682,025	1,637,044	10,319,069	1,610,000	1,335,000	89.77
2031	4,633,042	1,358,612	5,991,654	1,610,000	1,335,000	91.71
2032	3,562,336	1,199,540	4,761,876	1,610,000	1,335,000	93.37
2033	3,549,999	1,051,911	4,601,910	1,610,000	1,330,000	95.02
2034	3,644,999	886,599	4,531,598			95.95
2035	3,699,999	716,536	4,416,535			96.90
2036	2,225,000	541,413	2,766,413			97.47
2037	2,320,000	446,850	2,766,850			98.06
2038	2,425,000	342,450	2,767,450			98.68
2039	2,535,000	233,325	2,768,325			99.32
2040	2,650,000	119,250	2,769,250			100.00
Totals	\$332,996,872	\$113,299,620	\$446,296,492	\$32,238,000	\$26,690,000	

¹ Excludes principal and interest payments made in current Fiscal Year 2013.

Source: District Officials.

*Preliminary, subject to change.

**OVERLAPPING AND UNDERLYING NET DEBT
THE DISTRICT AND MEMBER MUNICIPALITIES**

As of February 13, 2013
(Pro Forma)

The outstanding indebtedness of the District is considered overlapping debt of the Member Municipalities.

The outstanding indebtedness of the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford is considered underlying debt of the District:

Member Municipalities	Share of Net District Debt¹	Net Direct District Debt Applicable to Member Municipalities as of 2/13/13²	Net Direct Debt of Member Municipalities	Underlying Debt Issued Since 6/30/2012	Underlying Net Debt Applicable to District
Bloomfield.....	7.43	\$12,435,856	\$63,316,024	\$0	\$63,316,024
East Hartford.....	11.39	19,063,850	45,865,000	0	45,865,000
Hartford.....	28.61	47,885,578	389,839,551 ³	0	389,839,551
Newington.....	8.66	14,494,551	11,690,000	0	11,690,000
Rocky Hill.....	5.78	9,674,192	14,750,000	2,000,000	16,750,000
West Hartford.....	21.51	36,002,055	144,643,514	0	144,643,514
Wethersfield.....	7.92	13,255,987	27,458,582	0	27,458,582
Windsor.....	8.70	14,561,501	38,996,366	0	38,996,366
Totals.....	100.00%	\$167,373,570	\$736,559,037	\$2,000,000	\$738,559,037

¹ The Member Municipalities' share of the District's Net Direct Debt is based on the annual tax levy of each Member Municipalities as of Fiscal Year 2012-13.

² Excludes \$392,596,128 of Interim Funding Obligations (IFO's), Permanent Loan Obligations (PLO's), General Obligation Bonds and Notes issued pursuant to authorizations totaling \$1.6 billion for the District's Clean Water Project. These obligations are expected to be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills, beginning in 2008. See pages 17 and 70 herein for further details.

³ Estimate.

Source: Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford Audits.

DEBT STATEMENT - THE DISTRICT

As of February 13, 2013

(Pro Forma)

LONG TERM DEBT (including this issue)	
Water (Self-Supporting).....	\$98,423,848
Sewer.....	131,099,841
Combined Funded CIP Projects ¹	33,702,798
Clean Water Project ³	<u>128,698,385</u>
TOTAL LONG TERM DEBT	\$391,924,872
SHORT TERM DEBT	
Notes.....	187,762,000
CWF/DWSRF - IFO's ²	<u>127,789,701</u>
TOTAL DIRECT DEBT ³	\$707,476,573
Less:	
Debt Not Subject to Debt Limitation ⁴	<u>147,506,875</u>
TOTAL DIRECT NET DEBT	\$559,969,698
NET UNDERLYING DEBT - Member Municipalities ⁵	<u>738,559,037</u>
DIRECT NET DEBT PLUS NET UNDERLYING	\$1,298,528,735

¹ Represents bonds funded by water and sewer sources.

² Interim Funding Obligations ("IFO's") issued under the Clean Water Fund and Drinking Water State Revolving Fund programs total \$127,789,701; funds drawn to date total \$64,361,318.

³ It is expected that \$392,596,128 of Bonds, Notes, Interim Funding Obligation and Permanent Loan Obligations issued pursuant to authorizations totaling \$1.6 billion for the District's Clean Water Project will be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills, beginning in 2008. See pages 19 and 72 herein for further details.

⁴ Represents debt issued for water purposes, supply of electricity and self-supporting clean water projects.

⁵ Represents net direct debt of each Member Municipality.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – THE DISTRICT

As of February 13, 2013

(Pro Forma)

Population ¹	364,957
Net Taxable Grand List - 10/1/11 @ 70% of full value ²	\$24,036,792,477
Estimated Full Value ³	\$34,338,274,967
Equalized Net Taxable Grand List - 2010 ⁴	\$34,921,598,626

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$707,476,573	\$559,969,698	\$1,298,528,735
Per Capita.....	\$1,938.52	\$1,534.34	\$3,558.03
Ratio to Net Taxable Grand List.....	2.94%	2.33%	5.40%
Ratio to Estimated Full Value.....	2.06%	1.63%	3.78%
Ratio to Equalized Grand List.....	2.03%	1.60%	3.72%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

² Represents 2011 Net Taxable Grand Lists for the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

³ Represents estimated full values of 2011 Net Taxable Grand Lists of the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

⁴ Office of Policy and Management, State of Connecticut.

DEBT STATEMENT – TOWN OF BLOOMFIELD

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$63,316,024
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$63,316,024
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$63,316,024
NET OVERLAPPING DEBT - MDC 2/13/13	12,435,856
NET UNDERLYING DEBT - Fire Districts 10/20/10	<u>660,281</u>
TOTAL OVERALL DIRECT NET DEBT	\$76,412,161

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.
Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF BLOOMFIELD

As of June 30, 2012

(Pro Forma)

Population ¹	20,406
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$1,981,916,344
Estimated Full Value	\$2,831,309,063
Equalized Net Taxable Grand List - 2010 ²	\$2,786,819,016
Money Income per Capita - 2011 ³	\$41,504

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$63,316,024	\$63,316,024	\$76,412,161
Per Capita.....	\$3,102.81	\$3,102.81	\$3,744.59
Ratio to Net Taxable Grand List.....	3.19%	3.19%	3.86%
Ratio to Estimated Full Value.....	2.24%	2.24%	2.70%
Ratio to Equalized Grand List.....	2.27%	2.27%	2.74%
Debt per Capita to Money Income per Capita..	7.48%	7.48%	9.02%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Bloomfield.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Bloomfield.

DEBT STATEMENT – TOWN OF EAST HARTFORD

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$45,865,000
SHORT TERM DEBT	0
TOTAL DIRECT DEBT	\$45,865,000
Less:	
School Construction Grants - State of Conn. ¹	0
TOTAL NET DIRECT INDEBTEDNESS	\$45,865,000
NET OVERLAPPING DEBT - MDC 2/13/13	19,063,850
TOTAL OVERALL DIRECT NET DEBT	\$64,928,850

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF EAST HARTFORD

As of June 30, 2012

(Pro Forma)

Population ¹	51,091
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$2,695,242,754
Estimated Full Value	\$3,850,346,791
Equalized Net Taxable Grand List - 2010 ²	\$3,966,619,309
Money Income per Capita - 2011 ³	\$25,356

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$45,865,000	\$45,865,000	\$64,928,850
Per Capita.....	\$897.71	\$897.71	\$1,270.85
Ratio to Net Taxable Grand List.....	1.70%	1.70%	2.41%
Ratio to Estimated Full Value.....	1.70%	1.70%	1.69%
Ratio to Equalized Grand List.....	1.16%	1.16%	1.64%
Debt per Capita to Money Income per Capita..	3.54%	3.54%	5.01%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of East Hartford.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of East Hartford.

DEBT STATEMENT – CITY OF HARTFORD ²

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$346,840,000
CWF - PLO	1,497,000
SHORT TERM DEBT	52,500,000
TOTAL DIRECT DEBT	\$400,837,000
Less:	
School Construction Grants - State of Conn. ¹	10,997,449
TOTAL NET DIRECT INDEBTEDNESS	\$389,839,551
NET OVERLAPPING DEBT - MDC 2/13/13	47,885,578
TOTAL OVERALL DIRECT NET DEBT	\$437,725,129

¹ Represents School Construction Grants payable to the City over the life of certain School Bond issues.

² Estimate.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – CITY OF HARTFORD⁴

As of June 30, 2012

(Pro Forma)

Population ¹	124,817
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$3,521,151,129
Estimated Full Value	\$5,030,215,899
Equalized Net Taxable Grand List - 2010 ²	\$7,147,577,757
Money Income per Capita - 2011 ³	\$16,959

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$400,837,000	\$389,839,551	\$437,725,129
Per Capita.....	\$3,211.40	\$3,123.29	\$3,506.94
Ratio to Net Taxable Grand List.....	11.38%	11.07%	12.43%
Ratio to Estimated Full Value.....	7.97%	7.75%	8.70%
Ratio to Equalized Grand List.....	5.61%	5.45%	6.12%
Debt per Capita to Money Income per Capita..	18.94%	18.42%	20.68%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for the City of Hartford.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for City of Hartford.

⁴ Estimate.

DEBT STATEMENT – TOWN OF NEWINGTON

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$11,690,000
SHORT TERM DEBT	0
TOTAL DIRECT DEBT	\$11,690,000
Less:	
School Construction Grants - State of Conn. ¹	0
TOTAL NET DIRECT INDEBTEDNESS	\$11,690,000
NET OVERLAPPING DEBT - MDC 2/13/13	14,494,551
TOTAL OVERALL DIRECT NET DEBT	\$26,184,551

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF NEWINGTON

As of June 30, 2012

(Pro Forma)

Population ¹	30,441
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$2,564,276,354
Estimated Full Value	\$3,663,251,934
Equalized Net Taxable Grand List - 2010 ²	\$3,880,511,002
Money Income per Capita - 2011 ³	\$35,055

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$11,690,000	\$11,690,000	\$26,184,551
Per Capita.....	\$384.02	\$384.02	\$860.17
Ratio to Net Taxable Grand List.....	0.46%	0.46%	1.02%
Ratio to Estimated Full Value.....	0.32%	0.32%	0.71%
Ratio to Equalized Grand List.....	0.30%	0.30%	0.67%
Debt per Capita to Money Income per Capita..	1.10%	1.10%	2.45%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Newington.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Newington.

DEBT STATEMENT – TOWN OF ROCKY HILL

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$14,750,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$14,750,000
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$14,750,000
NET OVERLAPPING DEBT - MDC 2/13/13	<u>9,674,192</u>
TOTAL OVERALL DIRECT NET DEBT	\$24,424,192

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF ROCKY HILL

As of June 30, 2012

(Pro Forma)

Population ¹	19,533
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$2,156,334,575
Estimated Full Value	\$3,080,477,964
Equalized Net Taxable Grand List - 2010 ²	\$2,763,696,337
Money Income per Capita - 2011 ³	\$38,180

	Total Direct Debt \$14,750,000	Total Net Direct Debt \$14,750,000	Total Overall Net Debt \$24,424,192
Per Capita.....	\$755.13	\$755.13	\$1,250.41
Ratio to Net Taxable Grand List.....	0.68%	0.68%	1.13%
Ratio to Estimated Full Value.....	0.48%	0.48%	0.79%
Ratio to Equalized Grand List.....	0.53%	0.53%	0.88%
Debt per Capita to Money Income per Capita..	1.98%	1.98%	3.28%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Rocky Hill.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Rocky Hill.

DEBT STATEMENT – TOWN OF WEST HARTFORD

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$145,620,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$145,620,000
Less:	
School Construction Grants - State of Conn. ¹	<u>976,486</u>
TOTAL NET DIRECT INDEBTEDNESS	\$144,643,514
NET OVERLAPPING DEBT - MDC 2/13/13	<u>36,002,055</u>
TOTAL OVERALL DIRECT NET DEBT	\$180,645,569

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.
Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF WEST HARTFORD

As of June 30, 2012

(Pro Forma)

Population ¹	63,066
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$5,880,331,173
Estimated Full Value	\$8,400,473,104
Equalized Net Taxable Grand List - 2010 ²	\$7,244,491,864
Money Income per Capita - 2011 ³	\$45,453

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$145,620,000	\$144,643,514	\$180,645,569
Per Capita.....	\$2,309.01	\$2,293.53	\$2,864.39
Ratio to Net Taxable Grand List.....	2.48%	2.46%	3.07%
Ratio to Estimated Full Value.....	1.73%	1.72%	2.15%
Ratio to Equalized Grand List.....	2.01%	2.00%	2.49%
Debt per Capita to Money Income per Capita..	5.08%	5.05%	6.30%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of West Hartford.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of West Hartford.

DEBT STATEMENT – TOWN OF WETHERSFIELD

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$26,850,000
SHORT TERM DEBT	795,000
TOTAL DIRECT DEBT	\$27,645,000
Less:	
School Construction Grants - State of Conn. ¹	186,418
TOTAL NET DIRECT INDEBTEDNESS	\$27,458,582
NET OVERLAPPING DEBT - MDC 2/13/13	13,255,987
TOTAL OVERALL DIRECT NET DEBT	\$40,714,569

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF WETHERSFIELD

As of June 30, 2012

(Pro Forma)

Population ¹	26,641
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$2,329,648,250
Estimated Full Value	\$3,328,068,929
Equalized Net Taxable Grand List - 2010 ²	\$3,128,048,308
Money Income per Capita - 2011 ³	\$38,912

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$27,645,000</u>	<u>\$27,458,582</u>	<u>\$40,714,569</u>
Per Capita.....	\$1,037.69	\$1,030.69	\$1,528.27
Ratio to Net Taxable Grand List.....	1.19%	1.18%	1.75%
Ratio to Estimated Full Value.....	0.83%	0.83%	1.22%
Ratio to Equalized Grand List.....	0.88%	0.88%	1.30%
Debt per Capita to Money Income per Capita..	2.67%	2.65%	3.93%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Wethersfield.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Wethersfield.

DEBT STATEMENT – TOWN OF WINDSOR

As of June 30, 2012

(Pro Forma)

LONG TERM DEBT	\$38,470,000
SHORT TERM DEBT	800,000
TOTAL DIRECT DEBT	\$39,270,000
Less:	
School Construction Grants - State of Conn. ¹	273,634
TOTAL NET DIRECT INDEBTEDNESS	\$38,996,366
NET OVERLAPPING DEBT - MDC 2/13/13	14,561,501
TOTAL OVERALL DIRECT NET DEBT	\$53,557,867

¹ Represents School Construction Grants payable to the Town over the life of certain School Bond issues.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF WINDSOR

As of June 30, 2012

(Pro Forma)

Population ¹	28,962
Net Taxable Grand List - 10/1/11 @ 70% of full value	\$2,907,891,898
Estimated Full Value	\$4,154,131,283
Equalized Net Taxable Grand List - 2010 ²	\$4,003,835,033
Money Income per Capita - 2011 ³	\$35,806

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$39,270,000	\$38,996,366	\$53,557,867
Per Capita.....	\$1,355.91	\$1,346.47	\$1,849.25
Ratio to Net Taxable Grand List.....	1.35%	1.34%	1.84%
Ratio to Estimated Full Value.....	0.95%	0.94%	1.29%
Ratio to Equalized Grand List.....	0.98%	0.97%	1.34%
Debt per Capita to Money Income per Capita..	3.79%	3.76%	5.16%

¹ U.S. Census Bureau, 2007-2011 American Community Survey, Town of Windsor.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2007-2011 American Community Survey, for Town of Windsor.

BOND AUTHORIZATION

The District has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to applicable debt limitations and the procedural requirements of the District Charter.

TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued with maturity dates not exceeding two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue if the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary notes remain outstanding. The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewerage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment.

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

LIMITATION ON INDEBTEDNESS

The District Charter provides that the total outstanding indebtedness of the District, for non-water purposes, shall not exceed:

5.00% of the combined Grand Lists of its Member Municipalities.

In accordance with the District's Charter Section 4-3, no bonds, notes or other certificates of debt, except such as are to mature in six months or less and to be paid from current taxes shall be issued if such issue shall bring the total outstanding indebtedness of the District to an amount in excess of five per centum of the combined grand lists of said District unless otherwise provided by special act. The grand lists for the purpose of this section shall be deemed to include the assessed value of all shares of capital stock the taxes on which are required by section 1205 of the Connecticut General Statutes, revision of 1918, as amended, to be remitted annually to the municipalities by the State. In computing the total outstanding indebtedness of the District there shall be deducted the amount of the District's sinking fund, the amount of bonds issued for the supply of water or for the construction of subways or underground conduits for cables, wires or pipes and of such other bonds of the District as may be issued under any act of the legislature, especially providing that the bonds issued thereunder shall be deducted in computing the total outstanding indebtedness of the District. Bonds and notes issued for a sewerage system, and secured solely by a pledge of sewerage system use charges, are not included in computing the aggregate indebtedness of the District for this purpose.

The Charter also provides for exclusion from the debt limitation of any debt to be paid from a funded sinking fund.

**STATEMENT OF STATUTORY DEBT LIMITATION
THE DISTRICT
As of February 13, 2013
(Pro Forma)**

COMBINED 2011 NET TAXABLE GRAND LISTS OF MEMBER MUNICIPALITIES.....	\$24,036,792,477
DEBT LIMIT - 5% of combined Grand Lists ¹.....	<u>\$1,201,839,624</u>
INDEBTEDNESS:	
Water Bonds.....	\$84,106,848
Sewer Bonds.....	122,662,841
Clean Water Project Bonds ²	102,008,385
Headquarters Bonds.....	4,667,639
Maxim Road Facility Bonds.....	1,064,202
Information System Bonds.....	7,467,415
Vehicle Maintenance Facility Bonds.....	323,390
Pump Station Assessment Bonds.....	160,000
Long Term Strategic Initiative Bonds.....	1,168,031
Capital Equipment Replacement Bonds.....	1,126,599
Emergency Generator Replacement Bonds.....	272,998
Vehicle/Equipment Replacement.....	1,740,028
Facility Renovations.....	3,595,622
General Purpose Bonds.....	2,632,876
Series A Bonds.....	32,238,000 *
Series B Bonds.....	<u>26,690,000 *</u>
TOTAL DIRECT LONG-TERM INDEBTEDNESS.....	\$391,924,872
Notes Due 6/20/2013.....	187,762,000
CWF/DWSRF Interim Funding Obligations ³	<u>127,789,701</u>
TOTAL DIRECT SHORT-TERM INDEBTEDNESS.....	\$315,551,701
TOTAL DIRECT INDEBTEDNESS.....	\$707,476,573
Less Outstanding Debt Not Subject to Debt Limitation ³	
Water Bonds.....	\$84,106,848
Water's Share of Headquarters Bonds.....	2,380,496
Water's Share of Maxim Road Facility Bonds.....	542,743
Water's Share of Information System Bonds.....	3,808,381
Water's Share of Vehicle Maintenance Facility Bonds.....	164,929
Water's Share of Pump Station Assessment Bonds.....	81,600
Water's Share of Long Term Strategic Initiative Bonds.....	595,696
Water's Share of Emergency Generator Replacement Bonds.....	139,229
Water's Share of Capital Equipment Replacement Bonds.....	574,566
Water's Share of Vehicle/Equipment Replacement.....	887,414
Water's Share of Facility Renovations.....	1,833,767
Water's Share of General Purpose Bonds.....	1,342,766
Water Notes Maturing 6/20/13.....	30,922,010
Water's Share of 2013 Bonds.....	<u>20,126,430</u>
TOTAL DEBT NOT SUBJECT TO DEBT LIMITATION.....	\$147,506,875
TOTAL NET DIRECT INDEBTEDNESS.....	\$559,969,699
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....	<u>\$641,869,925</u>

¹ The District's Charter does not limit its borrowing capacity for water purposes, but limits its capacity for nonwater purposes to 5% of the combined Grand Lists of its Member Municipalities. The nature of this limitation requires the aggregation of obligations which normally appear in separate account groups.

² It is expected that these obligations issued pursuant to authorizations totaling \$1.6 billion for the District's Clean Water Project will be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills, beginning in 2008. See pages 19 and 72 herein for further details.

³ In accordance with Title 7, Section 374b of the Connecticut General Statutes, indebtedness incurred by the District for the supply of electricity, or issued in anticipation of receipt of proceeds from assessments which have been levied upon property benefited by any public improvement, is not subject to limitation.

Source: Audited Financial Statements; District Officials.

*Preliminary, subject to change.

AUTHORIZED BUT UNISSUED DEBT - THE DISTRICT ¹

As of February 13, 2013
(Pro Forma)

Project	Authorized	Previously Funded	Debt Authorized but Unissued			
			General Purpose	Water	Sewers	Total
Water Capital Improvements.....	\$428,992,900	\$115,138,787		\$313,854,113		\$313,854,113 ²
Sewer Capital Improvements.....	1,983,914,696	493,844,163			1,490,070,533	1,490,070,533 ^{1,2}
Combined Funding Capital Improvements.....	124,728,000	43,877,115	80,850,885			80,850,885
Total.....	\$2,537,635,596	\$652,860,065	\$80,850,885	\$313,854,113	\$1,490,070,533	\$1,884,775,531 ³

¹ Includes an authorization of \$800 million approved by the Member Municipalities in November 2006 for Phase I of the District's Clean Water Project and an \$800 million authorization approved by the Member Municipalities on November 6, 2012 for Phase II of the Project; the overall cost is estimated at approximately \$2.1 billion. The Project will address approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The Project is in response to a federal consent decree and a Connecticut DEP consent order to achieve the Federal Clean Water Act goals by 2020. A Special Sewer Service Surcharge adopted in October 2007 and implemented in January 2008 will be used exclusively for the payment of debt service on bonds and loans to be issued to finance the Project. The District's goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are supported by the Special Sewer Service Surcharge will not be included in the calculation of overlapping debt of the Member Municipalities. As of February 13, 2013 the District has issued \$400,440,974 as IFO's, PLO's, General Obligation Bonds and Notes under the State's Clean Water Fund Program and Drinking Water State Revolving Fund.

² Includes projects which qualify for the State of Connecticut Clean Water Fund and Drinking Water Revolving Fund Program (See "Clean Water Project" herein.)

³ The District is developing options for financing the Clean Water Project, particularly Phase II.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – THE DISTRICT¹

Long-Term Debt	2011	2010	2009	2008	2007
Bonds.....	\$296,252,648	\$309,000,925	\$185,193,756	\$118,534,750	\$113,365,009
Short-Term Debt					
Bond Anticipation Notes.....	102,134,000	0	112,980,843	39,268,891	63,825,000
Total.....	\$398,386,648	\$309,000,925	\$298,174,599	\$157,803,641	\$177,190,009

¹ Does not include underlying debt and capital lease obligations.

Source: Annual Audited Financial Statements 2007- 2011.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF BLOOMFIELD¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds.....	\$63,316,024	\$50,993,624	\$28,135,535	\$29,845,000	\$30,955,000
Short-Term Debt					
BANs/State DECD Note	0	0	20,000,000	205,510	222,396
Total.....	\$63,316,024	\$50,993,624	\$48,135,535	\$30,050,510	\$31,177,396

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.

Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF EAST HARTFORD¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds.....	\$45,865,000	\$41,225,000	\$47,400,000	\$45,150,000	\$51,170,000
Short-Term Debt					
Bond Anticipation Notes.....	0	0	0	0	0
Total.....	\$45,865,000	\$41,225,000	\$47,400,000	\$45,150,000	\$51,170,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.

Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – CITY OF HARTFORD¹

Long-Term Debt	2012 Est.	2011	2010	2009	2008	2007
Bonds/CWF.....	\$348,337,000	\$323,367,000	\$321,090,000	\$297,590,000	\$308,105,000	\$327,050,000
Short-Term Debt						
Bond Anticipation Notes.....	52,500,000	45,350,000	40,000,000	10,000,000	0	0
Total	\$400,837,000	\$368,717,000	\$361,090,000	\$307,590,000	\$308,105,000	\$327,050,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2007-2011; Estimate 2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF NEWINGTON¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds.....	\$11,690,000	\$13,515,000	\$15,145,000	\$16,855,000	\$18,605,000
Short-Term Debt					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$11,690,000	\$13,515,000	\$15,145,000	\$16,855,000	\$18,605,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF ROCKY HILL¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds.....	\$14,750,000	\$16,515,000	\$18,250,000	\$20,515,000	\$22,510,000
Short-Term Debt					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$14,750,000	\$16,515,000	\$18,250,000	\$20,515,000	\$22,510,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WEST HARTFORD¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds.....	\$145,620,000	\$145,095,000	\$151,225,000	\$148,150,000	\$160,995,000
Short-Term Debt					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$145,620,000	\$145,095,000	\$151,225,000	\$148,150,000	\$160,995,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WETHERSFIELD¹

Long-Term Debt	2012	2011	2010	2009	2008	2007
Bonds.....	\$26,850,000	\$29,400,000	\$32,080,000	\$35,230,000	\$31,105,000	\$33,840,000
Short-Term Debt						
Bond Anticipation Notes.....	795,000	795,000	0	0	0	0
Total	\$27,645,000	\$30,195,000	\$32,080,000	\$35,230,000	\$31,105,000	\$33,840,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2008-2012.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WINDSOR¹

Long-Term Debt	2012	2011	2010	2009	2008
Bonds	\$38,470,000	\$38,485,000	\$38,730,000	\$39,265,000	\$43,743,000
Short-Term Debt					
Bond Anticipation Notes	800,000	1,010,000	0	3,535,000	2,345,000
Total	\$39,270,000	\$39,495,000	\$38,730,000	\$42,800,000	\$46,088,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2008- 2012.

RATIO OF DIRECT DEBT TO VALUATION AND POPULATION - THE DISTRICT

Fiscal Year Ended 12/31	Net Assessed Value¹	Estimated Full Value²	Direct Debt³	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population⁴	Direct Debt per Capita
2011	\$23,594,896,860	\$33,706,995,514	\$398,386,648	1.69%	1.18%	364,957	\$1,091.60
2010	23,374,891,689	33,392,702,413	309,000,925	1.32%	0.93%	365,764	844.81
2009	22,120,418,478	31,600,597,826	298,174,599	1.35%	0.94%	357,668	833.66
2008	20,871,666,444	29,816,666,349	157,803,641	0.76%	0.53%	356,976	442.06
2007	19,776,178,105	28,251,683,007	177,190,009	0.90%	0.63%	357,401	495.77

¹ Represents the Net Taxable Grant Lists of the Member Towns.
² Represents the estimated full value of the Member Towns' Net Taxable Grand Lists.
³ Does not include underlying debt and capital lease obligations.
⁴ Represents the total population of the Member Towns.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF BLOOMFIELD

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$1,948,057,019	\$2,782,938,599	\$63,316,024	3.25%	2.28%	20,406	\$3,102.81	7.48%
2011	1,990,439,045	2,843,484,350	50,993,624	2.56%	1.79%	20,406	2,498.95	6.02%
2010	1,755,693,878	2,508,134,111	48,135,535	2.74%	1.92%	20,486	2,349.68	5.66%
2009	1,723,152,319	2,461,646,170	30,050,510	1.74%	1.22%	20,696	1,452.00	3.50%
2008	1,695,764,929	2,422,521,327	31,177,396	1.84%	1.29%	20,727	1,504.19	3.62%

¹ Does not include overlapping debt and capital lease obligations.
² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.
³ Income per Capita: \$41,504 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF EAST HARTFORD

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$3,095,300,382	\$4,421,857,689	\$45,865,000	1.48%	1.04%	51,091	\$897.71	3.54%
2011	3,092,179,605	4,417,399,436	41,225,000	1.33%	0.93%	51,091	806.89	3.18%
2010	3,107,157,886	4,438,796,980	47,400,000	1.53%	1.07%	51,252	924.84	3.65%
2009	3,172,514,025	4,532,162,893	45,150,000	1.42%	1.00%	48,634	928.36	3.66%
2008	2,724,586,547	3,892,266,496	51,170,000	1.88%	1.31%	48,571	1,053.51	4.15%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$25,356 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - CITY OF HARTFORD

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012 Est.	\$3,738,377,678	\$5,340,539,540	\$400,837,000	10.72%	7.51%	124,817	\$3,211.40	18.94%
2011	3,604,167,480	5,148,810,686	368,717,000	10.23%	7.16%	124,817	2,954.06	17.42%
2010	3,465,777,122	4,951,110,174	361,090,000	10.42%	7.29%	124,775	2,893.93	17.06%
2009	3,451,438,441	4,930,626,344	307,590,000	8.91%	6.24%	124,060	2,479.36	14.62%
2008	3,334,666,569	4,763,809,384	308,105,000	9.24%	6.47%	124,062	2,483.48	14.64%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$16,959 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF NEWINGTON

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$2,679,238,211	\$3,827,483,159	\$11,690,000	0.44%	0.31%	30,441	\$384.02	1.10%
2011	2,667,951,078	3,811,358,683	13,515,000	0.51%	0.35%	30,441	443.97	1.27%
2010	2,645,387,187	3,779,124,553	15,145,000	0.57%	0.40%	30,562	495.55	1.41%
2009	2,633,316,889	3,761,881,270	16,855,000	0.64%	0.45%	29,818	565.26	1.61%
2008	2,590,253,718	3,700,362,454	18,605,000	0.72%	0.50%	29,699	626.45	1.79%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$35,055 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF ROCKY HILL

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$2,155,935,688	\$3,079,908,126	\$14,750,000	0.68%	0.48%	19,533	\$755.13	1.98%
2011	2,200,202,480	3,143,146,400	16,515,000	0.75%	0.53%	19,533	845.49	2.21%
2010	2,202,202,012	3,146,002,874	18,250,000	0.83%	0.58%	19,709	925.97	2.43%
2009	1,656,796,387	2,366,851,981	20,515,000	1.24%	0.87%	18,827	1,089.66	2.85%
2008	1,635,894,255	2,336,991,793	22,510,000	1.38%	0.96%	18,852	1,194.04	3.13%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey

³ Income per Capita: \$38,180 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF WEST HARTFORD

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$5,034,401,821	\$7,192,002,601	\$145,620,000	2.89%	2.02%	63,066	\$2,309.01	5.08%
2011	4,999,850,000	7,142,642,857	145,095,000	2.90%	2.03%	63,066	2,300.68	5.06%
2010	4,953,979,658	7,077,113,797	151,225,000	3.05%	2.14%	63,268	2,390.23	5.26%
2009	4,889,430,313	6,984,900,447	148,150,000	3.03%	2.12%	60,852	2,434.60	5.36%
2008	4,497,443,813	6,424,919,733	160,995,000	3.58%	2.51%	60,495	2,661.29	5.86%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$45,453 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF WETHERSFIELD

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$2,314,769,170	\$3,306,813,100	\$27,645,000	1.19%	0.84%	26,641	\$1,037.69	2.67%
2011	2,315,493,100	3,307,847,286	30,195,000	1.30%	0.91%	26,641	1,133.40	2.91%
2010	2,307,397,010	3,296,281,443	32,080,000	1.39%	0.97%	26,668	1,202.94	3.09%
2009	2,003,032,473	2,861,474,961	35,230,000	1.76%	1.23%	25,767	1,367.25	3.51%
2008	1,991,317,830	2,844,739,757	31,105,000	1.56%	1.09%	25,719	1,209.42	3.11%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$38,912 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME - TOWN OF WINDSOR

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2012	\$2,811,979,697	\$4,017,113,853	\$39,270,000	1.40%	0.98%	28,962	\$1,355.91	3.79%
2011	2,724,614,072	3,892,305,817	39,495,000	1.45%	1.01%	28,962	1,363.68	3.81%
2010	2,937,296,936	4,196,138,480	38,730,000	1.32%	0.92%	29,044	1,333.49	3.72%
2009	2,590,737,631	3,701,053,759	42,800,000	1.65%	1.16%	29,014	1,475.15	4.12%
2008	2,401,738,783	3,431,055,404	46,088,000	1.92%	1.34%	28,851	1,597.45	4.46%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Public Health Estimates 2007-2009; U.S. Census Bureau, 2010; FY 2011-12, U.S. Census Bureau, 2007-2011 American Community Survey.

³ Income per Capita: \$35,806 U.S. Census Bureau, 2007-2011 American Community Survey.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES - TOWN OF BLOOMFIELD

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012	\$5,486,120	\$80,638,489	6.80%
2011	3,142,441	88,633,716	3.55%
2010	3,275,364	73,382,393	4.46%
2009	2,539,866	73,259,515	3.47%
2008	1,818,007	68,274,938	2.66%

Source: Annual Audited Financial Statements 2008-2012.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES - TOWN OF EAST HARTFORD

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012	\$9,758,000	\$182,904,000	5.34%
2011	9,160,000	164,026,000	5.58%
2010	9,539,000	158,152,000	6.03%
2009	9,592,000	167,324,000	5.73%
2008	8,760,000	155,008,000	5.65%

Source: Annual Audited Financial Statements 2008-2012.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL FUND EXPENDITURES – CITY OF HARTFORD**

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012 Est.	36,500,545	545,944,221	6.69%
2011	37,796,000	561,395,000	6.73%
2010	36,264,000	551,585,000	6.57%
2009	36,097,000	560,580,000	6.44%
2008	32,841,000	517,448,000	6.35%
2007	27,530,000	513,628,000	5.36%

Source: Annual Audited Financial Statements 2007- 2011: Estimate 2012.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL FUND EXPENDITURES - TOWN OF NEWINGTON**

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012	\$2,312,000	\$108,494,000	2.13%
2011	2,158,000	101,966,000	2.12%
2010	2,523,000	102,635,000	2.46%
2009	2,524,000	96,263,000	2.62%
2008	2,592,000	89,907,000	2.88%

Source: Annual Audited Financial Statements 2008-2012.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL FUND EXPENDITURES - TOWN OF ROCKY HILL**

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2012	\$2,385,319	\$63,773,143	3.74%
2011	2,363,467	61,174,647	3.86%
2010	2,895,090	66,753,046	4.34%
2009	2,866,997	58,729,845	4.88%
2008	2,827,933	55,319,340	5.11%

Source: Annual Audited Financial Statements 2008-2012.

**RATIO OF ANNUAL BONDED DEBT SERVICE
TO TOTAL GOVERNMENTAL EXPENDITURES - TOWN OF WEST HARTFORD¹**

Fiscal Year Ended 6/30	Annual Debt Service	Total	Ratio of Debt Service
		Governmental Funds Expenditures	to Governmental Funds Expenditures %
2012	\$19,933,000	\$240,694,000	8.28%
2011	19,877,000	257,064,000	7.73%
2010	19,268,000	244,463,000	7.88%
2009	19,689,000	244,864,000	8.04%
2008 ²	14,640,000	264,717,000	5.53%
2007	16,803,000	219,827,000	7.64%

¹ Includes All Governmental Funds, excluding capital outlay. Data is reflected on a modified accrual basis.

² Increase in Total Governmental Funds Expenditures for fiscal year 2008 results from a significant increase in the intergovernmental revenue and expenditures recorded for payments made by the State of Connecticut on behalf of the Town for the Connecticut Teachers' Retirement System. The contribution by the State increased as a result of state issued pension obligation bonds that partially funded the plan.

Source: Town of West Hartford, February 2012 Official Statement; Estimate 2012.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL FUND EXPENDITURES - TOWN OF WETHERSFIELD**

Fiscal Year Ended 6/30	Annual Debt Service	Total	Ratio of General Fund Debt Service
		General Fund Expenditures	to Total General Fund Expenditures %
2012	\$3,569,423	\$91,362,238	3.91%
2011	3,775,508	87,884,374	4.30%
2010	4,044,856	101,298,034	3.99%
2009	3,952,959	85,536,418	4.62%
2008	4,020,885	78,202,000	5.14%

Source: Annual Audited Financial Statements 2008-2012.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GOVERNMENTAL EXPENDITURES - TOWN OF WINDSOR¹**

Fiscal Year Ended 6/30	Annual Debt Service	Total	Ratio of Debt Service
		Governmental Funds Expenditures	to Governmental Funds Expenditures %
2012	\$5,925,093	\$105,110,030	5.64%
2011	6,020,144	101,246,939	5.95%
2010	5,859,963	97,031,322	6.04%
2009	6,271,961	99,644,658	6.29%
2008	6,048,015	95,779,209	6.31%

¹ Includes all Governmental Funds, excluding Capital Expenditures.

Source: Annual Audited Financial Statements 2008-2012.

CAPITAL IMPROVEMENT PROGRAMS AND FUTURE BORROWINGS

Each year the District adopts a Capital Improvement Program (“CIP”) for its capital infrastructure and facility needs. The program requires a series of decisions about the amount, timing, purpose and structure of debt issuance. Annual capital project appropriations and the issuance of debt are approved in accordance with budgetary policies and procedures as presented under the Budget Procedure and Policy of Debt Administration. The Finance Department manages all District borrowings, paying particular attention to debt affordability and timing of borrowings to take advantage of favorable market conditions. The goal is to repay debt rapidly, maintain a conservative level of outstanding debt, and ensure the District’s continued positive financing standing in the bond market. For 2012, the CIP continues to focus on implementing a comprehensive asset management program for wastewater, water and combined programs

The District has also initiated a comprehensive Clean Water Project CIP. The Project combines the elimination of Sanitary Sewer Overflows, the design and construction of the Combined Sewer Overflow Long-Term Plan and the treatment and reduction of nitrogen from the water pollution control facilities. The Project has a 2006 estimated cost of \$2.1 billion and a 15 year implementation requirement. \$800 million, which will cover the costs of Phase I of the Project and is expected to last six years, was authorized by the Member Municipalities at a referendum in November 2006. Approval for \$800 million for Phase II was authorized by the Member Municipalities at a referendum on November 6, 2012. A Special Sewer Service Surcharge, adopted in October 2007 and implemented in January 2008, will be used exclusively for the payment of debt service on bonds and loans issued to finance the Project. The Series B Bonds are eligible to be paid by the District from this surcharge. The District’s goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are supported by the Special Sewer Service Surcharge will not be included in the calculation of overlapping debt of the Member Municipalities.

In 2011, the Clean Water Project received \$60 million, representing pass-through funding under the American Recovery and Reinvestment Act (ARRA) or stimulus funds. These funds were awarded as 50% grant and 50% loan at 2% under the State’s Clean Water Fund program. An additional \$19 million in ARRA funds for a “green infrastructure” will be awarded as 20% grant and 80% loan at 2% also under the State’s Clean Water Fund Program. To date, the District has received commitments for \$303,188,403 under this program and the Drinking Water State Revolving Fund Program.

FUNDING SOURCES FOR FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Funding Source	Budget Contribution	Clean Water		Total
		Funding	Bonding	
Wastewater Programs	\$2,500,000	\$0	\$236,990,000	\$239,490,000
Water Programs	0	0	177,480,000	177,480,000
Combined	0	0	92,600,000	92,600,000
Clean Water Project ^{1,2}	0	675,000,000	925,000,000	1,600,000,000
Total	\$2,500,000	\$675,000,000	\$1,432,070,000	\$2,109,570,000

¹ The District has established a Special Sewer Service Surcharge to fund debt service on loans issued pursuant to the State of Connecticut Clean Water Fund (“CWF”) program and open market debt of the District issued for the Clean Water Project. Monies generated by the Special Sewer Service Surcharge will be set aside and applied towards debt service payments

² Second authorization for \$800 million for Phase II of the Clean Water Project was approved by the voters of the District at referendum November 6, 2012. See Capital Improvement and Future Borrowings herein.

The adopted 2013 Capital Improvement Program (“CIP”) Budget is \$171,870,000. The CIP Budget will be funded with approximately \$171,370,000 of General Obligation Bonds and \$500,000 of Assessable Fund Contributions.

THE METROPOLITAN DISTRICT, HARTFORD COUNTY, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OF OR INTEREST ON ITS BONDS OR NOTES.

IX. LITIGATION

LITIGATION

The District

The Metropolitan District is the defendant in a number of lawsuits. It is the opinion of the counsel to the District that none of the lawsuits will have a material adverse affect on the financial position of the District. However, reference is made to the discussion regarding the CRRA on page A-10 herein.

APPENDIX B

**State Revolving Fund General Revenue Program--State Revolving Fund Financial
Statements Clean Water Fund and Drinking Water Fund**

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

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

June 30, 2012 and 2011

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2012 and 2011**

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SEWARD AND MONDE

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

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Mr. Daniel C. Esty, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

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, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the SRF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 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, 2012 and 2011, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 - SRF as of June 30, 2012 and 2011, and the changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012 on our consideration of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account - SRF'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* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Seward and Monde

September 11, 2012

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2012
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the State of Connecticut Clean Water Fund - Water Pollution Control Federal Revolving Loan Account (State Revolving Fund) provides an introduction to the major activities affecting the operation of the state revolving fund and is a narrative overview of the financial performance for the fiscal year ended June 30, 2012. The information contained in this discussion should be considered in conjunction with the Fund's basic financial statements and the notes thereto.

Financial Highlights

Changes in Net Assets – Net assets under management in the Clean Water Fund at the close of the fiscal year 2012 were \$668,467,315 including assets of \$1,499,247,088 offset by liabilities of \$830,779,773 compared to fiscal year 2011 net assets of \$665,005,363 including assets of \$1,562,865,491 offset by liabilities of \$897,860,128. Fund net assets increased by \$3,461,952 or .52%.

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

Restricted - includes net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - includes all net assets that are not restricted and are available for any program purpose. The majority of the net 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.

The financial statements show restricted fund net assets of \$499,779,204 an increase of \$12,136,377 or 2.49% above the 2011 balance which was adjusted during the year to more closely align with the federal and state restrictions on the Clean Water Fund.

Loans Receivable - Total loans receivable increased by \$3,719,053 from \$878,127,543 to \$881,846,596 due to new loans being issued in excess of principal repayments.

Bonds Outstanding - During the year, no bonds were issued. The Fund's total debt outstanding decreased during the fiscal year by \$70,686,732 to \$768,331,440 as a result of scheduled debt repayments.

Operating Revenues - The Fund's gross operating revenue increased by \$1,683,431 or 10.4% to \$17,878,020.

Statement of Cash Flows - The Statement of Cash Flows shows an increase in cash for the year of \$1,521,472.

Capitalization Grants - During the year, \$4,212,872 was drawn from the U.S. Environmental Protection Agency (US EPA) for projects, compared to \$32,839,539 in 2011. As of June 30, 2012, there was an outstanding draw of \$18,704,884. To date, since inception, the State has drawn \$442,881,034. Cumulative federal wastewater capitalization grant awards totaled \$471,695,448. The State has provided the required 20% match of the capitalization grant of \$100,079,722. The match has been provided by the State and used for program purposes in accordance the State's operating agreement with the US EPA.

Overview of the Financial Statements

The Clean Water Fund financial statements are prepared by the Office of the Treasurer in conjunction with the Department of Energy and Environmental Protection (DEEP). The Treasurer is responsible for the reporting of the detailed financial information in the Clean Water Fund financial statements, which incorporate information, generated and prepared by the DEEP Business Office and DEEP Bureau of Water Protection and Land Reuse.

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 fund net assets, financial position, and cash flows for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Statements of Revenues, Expenses and Changes in Fund Net Assets divide the activities of the Fund into two categories:

Operating Activities, including the Clean Water State Revolving Fund project financing program (the Loan Program); and

Nonoperating Activities, including the revenue bonds issued for the Fund (the Revenue Bond Program) and the investment of the Clean Water State Revolving Fund assets.

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

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

statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future.

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

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

Operating Activities

The Wastewater Loan Program

Loans are made to municipalities for project funding and consist of construction loans or interim funding obligations (IFOs) which accrue interest during construction and long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time without penalty. There are also several state grants available to participants in this program.

Construction loans in progress totaled \$166,146,815 a decrease of \$23,111,670. Payments to municipalities for ongoing projects totaled \$72,513,313. Completed projects which were permanently financed during the year totaled \$95,624,983.

At year-end there are no delinquent loans in the Wastewater loan program. Further details about the loans can be found in the Notes to the Financial Statements.

New construction loan commitments totaled \$162,862,066.

Loan repayment collection services are provided by the Trustee. Repayments on the loans made by DEEP since 1987 are paid to the Clean Water Fund account held at US Bank. These funds provide security for the Bonds and any new Bonds issued thereafter.

Non-Operating Activities

Investment of Funds

The federal capitalization grants and the State provided matching funds are used to provide leveraged financing for eligible projects in the State. Federal capitalization grants and the match are deposited into the State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds and are used as they are deposited for program purposes.

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

The Bond Program

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. Pursuant to the 2002 bond resolution and the State Act, the long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution the latest of three resolutions used for Connecticut Clean Water Fund bonds issued since 1991. Proceeds have been used for program purposes including the funding of loans to Clean Water Fund borrowers. During the year, the state did not issue bonds for new projects. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

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

The program's advisors are:

Bond Counsel - Edwards, Angell, Palmer and Dodge and Hardwick Law Firm, LLC

Financial Advisors - Lamont Financial Services Corporation and First Southwest

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent - AMTEC

Arbitrage Rebate Calculation Services - AMTEC

Auditor - Seward & Monde CPAs

General Counsel - Attorney General of the State of Connecticut

Credit Ratings

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

SELECTED FINANCIAL INFORMATION

	2012	2011	Increase (Decrease)
Loans Outstanding - current and long term portions	\$881,846,596	\$878,127,543	\$ 3,719,053
Change in Net Assets	\$ 3,461,952	\$ 11,429,009	(\$ 7,967,057)
Operating Revenues – Interest on Loans	\$ 17,878,020	\$ 16,194,589	\$ 1,683,431
Operating Expenses - Less grants to recipients	\$ 1,433,366	\$ 722,882	\$ 710,484
Interest on Investments	\$ 14,260,493	\$ 15,415,820	(\$ 1,155,327)
Interest Expense	\$ 42,252,955	\$ 36,004,602	\$ 6,248,353
Federal Capitalization Grants	\$ 22,917,756	\$ 23,838,185	(\$ 920,429)

ECONOMIC CONDITIONS AND OUTLOOK

As the nation continues to experience slow and erratic growth, Connecticut has maintained persistent focus on economic development and job creation. Like other states, Connecticut has dealt with budget deficits with various strategies while continuing to plan and implement programs designed to bring a variety of manufacturing, technology and research companies to the State. Some recovery continued during fiscal year 2012, however volatility in the jobs numbers hampered the State's ability to reduce unemployment and the unemployment rate at June 2012 was 8.1 percent. Some optimism might be warranted however since consumers are spending again, many businesses are flush with cash, and firms have begun to hire new workers. While home prices have not yet recovered ground lost in 2008 and 2009, sales have begun to pick up pace.

Although the State's economic and financial situation continued to slowly improve, there was a modest budget deficit by the end of the fiscal year, and concern continued about Connecticut's debt levels despite several mitigating factors including Connecticut's ranking highest in per capita income, legislative approval of additional funding for the State employee's Retirement Plan, and expectations of job growth over the next year.

With its diversified economy, measures to spur economic growth will mean continued need for transportation and water infrastructure upgrades and energy improvements. The Clean Water Fund has made significant efforts to get necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the Fund to provide timely and innovative financial assistance for critical projects. These constraints might be even greater in 2013 if the ominous threat of the approaching "fiscal cliff" (the end of the "Bush" tax cuts, payroll tax holiday, and extended unemployment benefits end, and the automatic budget cuts) becomes real. All of these factors impact how Connecticut municipalities plan and implement the capital projects funded by the Clean Water Fund.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CONTACTS

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

Clean Water Fund Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3134
www.state.ct.us/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.state.ct.us/dep

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,535,637	\$ 2,014,165
Interest receivable - investments	4,098,098	4,153,958
Interest receivable - loans	4,518,371	4,265,653
Grants receivable	18,704,884	-
Loans receivable	<u>230,173,288</u>	<u>253,810,740</u>
Total current assets	<u>261,030,278</u>	<u>264,244,516</u>
Noncurrent assets:		
Loans receivable	651,673,308	624,316,803
Revolving fund	201,797,758	204,373,876
Deferred losses on early retirement of bonds	10,993,356	16,333,690
Restricted assets:		
Bond proceeds fund	81,379,552	148,006,056
Revolving fund	83,586,320	96,460,471
Debt service fund	104,459,680	92,280,096
Support fund	<u>104,326,836</u>	<u>116,849,983</u>
Total restricted assets	<u>373,752,388</u>	<u>453,596,606</u>
Total noncurrent assets	<u>1,238,216,810</u>	<u>1,298,620,975</u>
 Total assets	 <u>\$1,499,247,088</u>	 <u>\$ 1,562,865,491</u>
LIABILITIES		
Current liabilities:		
Interest payable on revenue and refunding bonds	\$ 10,814,572	\$ 9,127,763
Due to other funds	6,895,963	-
Bonds payable	<u>70,578,437</u>	<u>70,686,732</u>
Total current liabilities	<u>88,288,972</u>	<u>79,814,495</u>
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	44,737,798	49,714,193
Bonds payable	<u>697,753,003</u>	<u>768,331,440</u>
Total noncurrent liabilities	<u>742,490,801</u>	<u>818,045,633</u>
 Total liabilities	 <u>830,779,773</u>	 <u>897,860,128</u>
FUND NET ASSETS		
Restricted for loans	499,779,204	487,642,827
Unrestricted	<u>168,688,111</u>	<u>177,362,536</u>
Total fund net assets	<u>668,467,315</u>	<u>665,005,363</u>
 Total liabilities and fund net assets	 <u>\$1,499,247,088</u>	 <u>\$ 1,562,865,491</u>

The notes to the 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 FUND NET ASSETS
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 17,878,020</u>	<u>\$ 16,194,589</u>
OPERATING EXPENSES		
Salaries	698,721	425,666
Employee benefits	437,245	265,300
Other	297,400	31,916
Project grants	9,644,633	8,745,156
Total operating expenses	<u>11,077,999</u>	<u>9,468,038</u>
Operating income	<u>6,800,021</u>	<u>6,726,551</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	14,260,493	15,415,820
Amortization of bond premium	4,976,395	4,264,738
Interest expense	<u>(42,252,955)</u>	<u>(36,004,602)</u>
Total nonoperating revenues (expenses)	<u>(23,016,067)</u>	<u>(16,324,044)</u>
Loss before federal capitalization grants and transfers	<u>(16,216,046)</u>	<u>(9,597,493)</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	12,136,377	14,370,147
Project funds - grants	9,644,633	8,745,156
Administrative set-asides	1,136,746	722,882
Total federal capitalization grants	<u>22,917,756</u>	<u>23,838,185</u>
OPERATING TRANSFERS	<u>(3,239,758)</u>	<u>(2,811,683)</u>
Change in fund net assets	3,461,952	11,429,009
FUND NET ASSETS, beginning	<u>665,005,363</u>	<u>653,576,354</u>
FUND NET ASSETS, ending	<u>\$ 668,467,315</u>	<u>\$ 665,005,363</u>

The notes to the 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, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 17,625,302	\$ 19,231,675
Loan originations	(72,513,313)	(111,099,247)
Principal paid on loans receivable	68,794,260	62,638,321
Payments to employees for salaries and benefits	(1,135,966)	(690,966)
Payments on project grants	(9,644,633)	(8,745,156)
Other payments	(297,400)	(31,916)
Net cash provided (used) by operating activities	2,828,250	(38,697,289)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	4,212,872	32,839,539
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(70,686,732)	(67,309,595)
Proceeds from bonds payable	-	166,470,850
Premium received on bonds payable	-	16,330,815
Payment to refunded revenue bond escrow agent	-	(31,553,641)
Interest paid on bonds payable	(35,225,812)	(32,724,264)
Operating transfers	3,656,205	(2,811,683)
Net cash provided (used) by noncapital financing activities	(102,256,339)	48,402,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	14,316,353	15,715,877
Decrease (increase) in bond proceeds fund	66,626,504	(80,463,123)
Decrease in revolving fund	2,576,118	19,166,252
Decrease in restricted assets	13,217,714	629,514
Net cash provided (used) by investing activities	96,736,689	(44,951,480)
Net change in cash and cash equivalents	1,521,472	(2,406,748)
CASH AND CASH EQUIVALENTS, beginning	2,014,165	4,420,913
CASH AND CASH EQUIVALENTS, ending	\$ 3,535,637	\$ 2,014,165
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 6,800,021	\$ 6,726,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable - loans	(252,718)	3,037,086
Increase in loans receivable	(3,719,053)	(48,460,926)
Net cash provided (used) by operating activities	\$ 2,828,250	(\$ 38,697,289)

The notes to the 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, 2012 and 2011

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 government enterprises. The following is a summary of the SRF's significant accounting policies:

Measurement Focus and Basis of Accounting

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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 grants, 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 expenditures are made.

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, 2012 and 2011.

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) Tax Exempt Proceeds Fund of the State, c) 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 d) 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.

Fund Net Assets

Fund net assets are classified in the following categories:

- a. Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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 Net Assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets - All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Subsequent Events

The SRF has evaluated subsequent events for the period after June 30, 2012 through September 11, 2012, the date the financial statements were available to be issued.

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment with a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the SRF's deposits may not be recovered.

Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the SRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Cash and cash equivalents

Cash and cash equivalents of the SRF include funds held by the Connecticut State Comptroller and US Bank (Trustee).

As of June 30, 2012 and 2011 funds held by the State Comptroller were \$3,535,381 and \$2,013,909, 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, 2012 the Trustee held principal cash in the amount of \$4,195,835, which is included in the debt service fund.

As of June 30, 2012 funds held by STIF were \$265,583,578, of which \$81,379,552 is included in the bond proceeds fund, \$183,658,355 is included in the revolving fund, \$545,415 is included in the debt service fund and \$256 is included in cash on the Balance Sheet. As of June 30, 2011 funds held by STIF were \$337,813,931, of which \$148,006,056 is included in the bond proceeds fund, \$182,817,596 is included in the revolving fund, \$6,990,023 is included in the debt service fund and \$256 is included in cash on the Balance Sheet. STIF is a money market investment pool, rated AAAM as of June 30, 2012 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, 2012 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$7,835,860, all of which is included in the debt service fund on the balance sheet. As of June 30, 2011 funds held in FIGMM were \$5,485,983, of which \$5,480,983 is included in the debt service fund, and \$5,000 is included in the revolving fund on the Balance Sheet. 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, 2012, 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	\$ 69,056,203	\$ 15,145,412	\$ 45,100,733	\$ 6,795,985	\$ 2,014,073	Unrated
Guaranteed Investment Contracts	18,628,069	-	-	6,117,506	12,510,563	AA+
Guaranteed Investment Contracts	41,012,230	-	19,545,313	21,466,917	-	A
Guaranteed Investment Contracts	97,137,640	4,930,000	24,612,388	15,879,420	51,715,832	A-
Guaranteed Investment Contracts	52,302,528	-	-	52,302,528	-	A2
Connecticut General Obligation Bonds	19,798,459	1,659,056	-	18,139,403	-	AA
	<u>\$ 297,935,129</u>	<u>\$ 21,734,468</u>	<u>\$ 89,258,434</u>	<u>\$ 120,701,759</u>	<u>\$ 66,240,468</u>	

As of June 30, 2011, 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	\$ 73,505,651	\$ 4,449,448	\$ 60,246,145	\$ 6,162,333	\$ 2,647,725	Unrated
Guaranteed Investment Contracts	55,806,437	-	-	39,488,024	16,318,413	Aaa
Guaranteed Investment Contracts	19,356,124	-	-	-	19,356,124	AA+
Guaranteed Investment Contracts	51,060,529	-	-	-	51,060,529	A
Guaranteed Investment Contracts	44,582,002	-	-	44,582,002	-	A+
Guaranteed Investment Contracts	46,892,245	6,685,470	31,830,163	8,376,612	-	A-
Connecticut General Obligation Bonds	23,467,836	1,672,029	1,916,556	9,095,811	10,783,440	AA
	<u>\$ 314,670,824</u>	<u>\$ 12,806,947</u>	<u>\$ 93,992,864</u>	<u>\$ 107,704,782</u>	<u>\$ 100,166,231</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 70.2% and 69.2%, at June 30, 2012 and 2011, respectively, in long-term investment agreements with AIG Matched Fund Corp., Natixis Funding Corp., Societe Generale, Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

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

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

	<u>2012</u>	<u>2011</u>
Construction in process	\$ 166,146,815	\$ 189,258,485
Completed projects	<u>715,699,781</u>	<u>688,869,058</u>
	<u>\$ 881,846,596</u>	<u>\$ 878,127,543</u>

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

<u>Year ending June 30</u>	
2013	\$ 64,026,473
2014	58,060,478
2015	55,494,809
2016	54,572,431
2017	51,634,623
Thereafter	<u>431,910,967</u>
	<u>\$ 715,699,781</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>2012</u>	<u>2011</u>
Awarded	\$ 423,685,148	\$ 380,724,148
Drawn	<u>398,130,028</u>	<u>380,634,148</u>
Available federal letter of credit	<u>\$ 25,555,120</u>	<u>\$ 90,000</u>

As part of the State grant agreements with EPA and in accordance with State and Federal statutes, the State is required to provide a 20% match on all federal grant drawdowns. As of June 30, 2012 and 2011, the required State match was \$79,626,006 and \$76,126,830, respectively. As of June 30, 2012 and 2011, the State match provided was \$100,079,722.

The following represents a summary of the cumulative amount of funds awarded and drawn under the American Recovery and Reinvestment Act of 2009 (ARRA) award as of June 30:

	<u>2012</u>	<u>2011</u>
Awarded	\$ 48,010,300	\$ 48,010,300
Drawn	<u>44,751,006</u>	<u>39,329,130</u>
Available federal letter of credit	<u>\$ 3,259,294</u>	<u>\$ 8,681,170</u>

6 - RESTRICTED ASSETS

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

	<u>2012</u>	<u>2011</u>
Cash	\$ 4,195,835	\$ -
Cash equivalents:		
Money market investment pool	89,760,827	160,477,062
Investments:		
U.S. Treasury State & Local Governments	69,056,203	73,505,651
Guaranteed Investment Contracts	209,080,467	217,697,337
Connecticut General Obligation Bonds	<u>1,659,056</u>	<u>1,916,556</u>
	<u>\$ 373,752,388</u>	<u>\$ 453,596,606</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, 2012 and 2011, the basic rates were 62.58% and 62.33%, respectively, of the SRF wages and the amounts charged aggregated \$437,245 and \$265,300, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Issued	Principal Defeasance	Principal Paydowns	Balance June 30, 2012
Revenue bonds	\$ 631,887,602	\$ -	\$ -	\$ 47,986,876	\$ 583,900,726
Refunding bonds	207,130,570	-	-	22,699,856	184,430,714
	<u>\$ 839,018,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,686,732</u>	<u>\$ 768,331,440</u>

A summary of changes in bonds payable during the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Issued	Principal Defeasance	Principal Paydowns	Balance June 30, 2011
Revenue bonds	\$ 530,441,588	\$ 166,470,850	\$ 27,961,164	\$ 37,063,672	\$ 631,887,602
Refunding bonds	237,376,493	-	-	30,245,923	207,130,570
	<u>\$ 767,818,081</u>	<u>\$ 166,470,850</u>	<u>\$ 27,961,164</u>	<u>\$ 67,309,595</u>	<u>\$ 839,018,172</u>

Revenue Bonds

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

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

Issue Date	Issue Name	Original Par Amount	Balance Outstanding June 30, 2012
01/01/1991	Clean Water Fund Revenue Bonds, 1991 Series	\$ 100,000,000	\$ -
01/01/1992	Clean Water Fund Revenue Bonds, 1992 Series	105,000,000	-
01/01/1993	Clean Water Fund Revenue Bonds, 1993 Series	50,000,000	-
06/01/1994	Clean Water Fund Revenue Bonds, 1994 Series	75,000,000	-
03/01/1996	Clean Water Fund Revenue Bonds, 1996 Series	80,000,000	-
03/15/1996	Clean Water Fund Subordinate Revenue Refunding Bonds, 1996 Series	48,445,000	-
09/01/1997	Clean Water Fund Revenue Bonds, 1997 Series	110,000,000	-
04/15/1999	Clean Water Fund Revenue Bonds, 1999 Series	125,000,000	-
05/01/1999	Clean Water Fund Subordinate Revenue Refunding Bonds, 1999 Series	78,995,000	-
06/01/2001	Clean Water Fund Revenue Bonds, 2001 Series	100,000,000	-
07/10/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	118,085,000	42,666,876
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	115,785,000	66,440,714
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-1	55,000,000	-
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-2	66,375,000	-
07/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	150,000,000	114,753,000
07/27/2006	State Revolving Fund Refunding General Revenue Bonds, 2006 Series B	30,070,000	340,000
08/06/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	196,195,000	83,720,000
06/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	199,440,000	181,750,000
06/25/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series B	44,560,000	16,900,000
07/09/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series C	115,835,000	100,750,000
03/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	182,935,000	161,010,850
Total		<u>\$ 2,146,720,000</u>	<u>\$ 768,331,440</u>

Debt service on these bonds has been paid and is to be paid from a combination of pledged receipts, earnings on investments held in the debt service reserve funds, maturing principal and interest on investments, amounts held in the interest subsidy funds and amounts held in the support funds. "Pledged receipts" means payments of principal and interest on municipal obligations, including both timely and delinquent payments with late charges, if any, and includes any fees and charges, fines and penalties collected or held by the State.

Pledged receipts include the repayments of loans made by the Obligated Group, including all loans previously funded as well as future loans. Although amounts attributable to the Obligated Group are tracked separately for federal reporting purposes, all pledged receipts will secure all bonds of the revenue bond program. The Act and the General Bond Resolution adopted December 7, 1990 permit the pledging of assets of both the SRF and the Drinking Water Fund SRF to secure all bonds.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2003 Series A dated July 10, 2003 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 Series Bonds between the SRF and the Drinking Water Fund with \$85,021,200 allocated to the SRF and \$33,063,800 allocated to the Drinking Water Fund. The Drinking Water Fund (an enterprise fund of the State of Connecticut) was also established pursuant to Connecticut General Statutes Section 22a-475 to 22a-483 and provides assistance to municipalities of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Fund Act. Debt service on the

2003 Series Bonds is paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution. After a review of the total expenditures from both programs since 2003, as of July 1, 2006, the State transferred \$10,210,105 in 2003 bond proceeds from the Drinking Water Fund to the Clean Water Fund. An equal principal amount of 2003 Series Bonds will now be designated Clean Water bonds and will be payable from Clean Water revenues for their remaining term. The 2003 Support Fund balances for each program are similarly impacted by the reassignment. Available money equal to \$1,734,740 in the Clean Water Fund's General Revenue Revolving Fund has been deposited in the Clean Water Fund's 2003 Support Fund and \$1,734,740 in the Drinking Water 2003 Support Fund has become available money in the Drinking Water Fund's General Revenue Revolving Fund. Other related accounts were affected and adjusted to reflect the transfer.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2006 Series A dated July 27, 2006 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2006 Series Plan of Finance, the State allocated the proceeds of 2006 Bond Series between the SRF and the Drinking Water Fund with \$145,000,000 allocated to the SRF and \$5,000,000 allocated to the Drinking Water Fund. Debt service on the 2006 Series Bonds is to be paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2008 Series A dated August 6, 2008 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2008 Series Plan of Finance, the State allocated the proceeds of 2008 Series Bonds between the SRF and the Drinking Water Fund with \$171,195,000 allocated to the SRF and \$25,000,000 allocated to the Drinking Water Fund. Debt service on the 2008 Series Bonds is to be paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2009 Series A dated June 25, 2009 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2009 Series Plan of Finance, the State allocated the proceeds of 2009 Series Bonds between the SRF and the Drinking Water Fund with \$194,765,000 allocated to the SRF and \$4,675,000 allocated to the Drinking Water Fund. Debt service on the 2009 Series Bonds is to be paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2011 Series A dated March 24, 2011 pursuant to the General Bond Resolution adopted December 17, 2002. 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. Debt service on the 2009 Series Bonds is to be paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

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

	<u>2012</u>	<u>2011</u>
Serial bonds, with interest rates from 1.00% to 5.00%, maturing from 2012 through 2028	<u>\$ 583,900,726</u>	<u>\$ 631,887,602</u>

Refunding Bonds - 2003 Series

On July 10, 2003 the State issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds 2003, Series B with interest rates of 2.0% to 5.9% and \$121,375,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series C (2003 Series B and C Refunding Bonds) as auction rate bonds to advance refund Clean Water Fund 1997, 1999 and 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$272,805,000 and interest rates of 4.3% to 7.0%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the Drinking Water Fund. The Refunded Bonds had redemption dates through October 1, 2011.

The net proceeds of the 2003 Series B and C Refunding Bonds of \$291,594,387 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$254,971,000 were removed from the SRF's balance sheet. As of June 30, 2012 and 2011, the outstanding principal balance of the Refunded Bonds was \$-0-, and \$42,386,000 respectively.

The difference of \$37,699,081 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2016. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$1,805,699 and \$1,896,035, respectively.

These bonds were defeased on July 30, 2009. See Refunding bonds - 2009 Series C.

Refunding Bonds - 2006 Series

On July 27, 2006 the State issued \$30,070,000 of State Revolving Fund Refunding General Revenue Bonds 2006, Series B (2006 Series B Refunding Bonds) with interest rates of 3.75% to 5.0% to advance refund Clean Water Fund 1996 Series Revenue and Refunding Bonds (Refunded Bonds) with principal balances totaling \$34,065,000 and interest rates of 4.6% to 5.6%. The Refunded Bonds were to mature at various dates through May 1, 2018 but were called on September 8, 2006.

The net proceeds of the 2006 Series B Refunding Bonds of \$34,422,009 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$34,065,000 were removed from the SRF's balance sheet.

The difference of \$357,009 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2013. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$2,647 and \$22,540, respectively.

Cash Defeasance - 2008

On June 30, 2008 the SRF paid \$109,472,658 to advance refund Clean Water Fund 1993, 1997, 1999 and 2001 Series Revenue and Refunding Bonds (Refunded Bonds) with principal balances totaling \$105,025,734 and interest rates of 4.0% to 6.0%. The Refunded Bonds will mature on various dates through October 1, 2012.

The \$109,472,658 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on various dates through October 1, 2012. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$105,025,734 were removed from the SRF's balance sheet. As of June 30, 2012 and 2011 the outstanding principal balances of the Refunded Bonds were \$466,649 and \$7,488,661, respectively.

The difference of \$5,107,760 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2013. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$1,986,351 and \$567,528, respectively.

Refunding Bonds - 2009 Series B

On June 25, 2009 the State issued \$44,560,000 of State Revolving Fund Refunding General Revenue Bonds 2009, Series B (2009 Series B Refunding Bonds) with interest rates of 2.0% to 5.0% to refund on a current basis Clean Water Fund Subordinate Revenue Refunding Bonds, Series 1999, maturing after July 15, 2009, which were previously cash defeased on June 30, 2008. The Bonds were called on July 15, 2009.

The net proceeds of the 2009 Series B Refunding Bonds of \$46,616,550 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds were paid on July 15, 2009.

Refunding Bonds - 2009 Series C

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

The net proceeds of the 2009 Series C Refunding Bonds of \$121,375,000 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds were paid on July 31 and August 3, 2009. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$121,375,000 were removed from the SRF's balance sheet.

The difference of \$6,728,739 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2023. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$843,003 and \$877,833, respectively.

Cash Defeasance - 2011

On March 24, 2011 the SRF paid \$31,553,641 to advance refund Clean Water Fund 2003 Series A Revenue (Refunded Bonds) with principal balances totaling \$27,961,164 and an interest rate of 5.0%. The Refunded Bonds were scheduled to mature at various dates through October 1, 2019, but have a redemption date of October 1, 2013.

The \$31,553,641 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on October 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$27,961,164 were removed from the SRF's balance sheet. The outstanding principal balances of the Refunded Bonds for the years ended June 30, 2012 and 2011 were \$27,961,164.

The difference of \$2,258,466 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and will be recognized as an adjustment of interest expense through June 30, 2014. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$702,634 and \$150,564, respectively.

Bond Maturities

Requirements at June 30, 2012 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 70,578,437	\$ 33,804,022
2014	67,603,431	30,781,763
2015	71,467,846	27,871,090
2016	72,032,466	24,679,150
2017	56,045,320	21,948,684
2018-2022	251,738,473	74,463,513
2023-2027	169,620,584	21,339,971
2028	9,244,883	281,749
	<u>\$ 768,331,440</u>	<u>\$ 235,169,942</u>

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, is not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 2003, 2006, 2008, 2009 and 2011 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, 2012 and 2011.

10 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2010	\$188,320,783	\$465,255,571	\$ 653,576,354
Change in fund net assets	<u>(10,958,247)</u>	<u>22,387,256</u>	<u>11,429,009</u>
Balance at June 30, 2011	177,362,536	487,642,827	665,005,363
Change in fund net assets	<u>(8,674,425)</u>	<u>12,136,377</u>	<u>3,461,952</u>
Balance at June 30, 2012	<u>\$168,688,111</u>	<u>\$499,779,204</u>	<u>\$ 668,467,315</u>

The fund net assets 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>2012</u>	<u>2011</u>
State funded loan repayments	\$ 711,239	\$ 1,576,871
Reallocation of funds to DWF	(5,000,000)	-
Interfund transfer to DWF for projects	-	(7,000,000)
Operating expenses transfer	1,136,746	693,452
Operating expenses reimbursement	(1,136,746)	(1,204,855)
State funded loan and grant reclassifications	429,939	3,814,739
Transfer related to cost of issuance of bond offerings	-	(801,664)
Transfer related to DWF debt service	<u>619,064</u>	<u>109,774</u>
	<u>(\$ 3,239,758)</u>	<u>(\$ 2,811,683)</u>

12 - LOAN FUNDING COMMITMENTS

The SRF has entered into various loan agreements with municipalities to fund the planning, design and construction of water quality projects. The following represents a summary of loan commitments at June 30:

	<u>2012</u>	<u>2011</u>
Total funds committed to municipalities	\$ 1,537,310,674	\$ 1,214,457,962
Loan amount outstanding to municipalities	<u>881,846,596</u>	<u>878,127,543</u>
Loan commitments outstanding	<u>\$ 655,464,078</u>	<u>\$ 336,330,419</u>

In addition, the SRF has ARRA project grant commitments of \$3,124,323 and \$6,815,747 as of June 30, 2012 and 2011, respectively.

13 - RISK MANAGEMENT

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

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

Ms. Denise L. Nappier, Treasurer

Mr. Daniel C. Esty, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

We have audited 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, 2012, and have issued our report thereon dated September 11, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the SRF is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the SRF's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of the management of the SRF and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Seward and Monde

September 11, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ms. Denise L. Nappier, Treasurer

Mr. Daniel C. Esty, Commissioner,
Department of Energy and Environmental Protection,
State of Connecticut

COMPLIANCE

We have audited the compliance 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) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SRF's major federal programs for the year ended June 30, 2012. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of SRF's management. Our responsibility is to express an opinion on the SRF's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the SRF's compliance with those requirements.

In our opinion, the SRF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of SRF and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Seward and Monde

September 11, 2012

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, 2012

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.458	\$ 17,495,880
Capitalization Grants for State Revolving Fund	ARRA - 66.458	<u>5,421,876</u>
		<u>\$ 22,917,756</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2012

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

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

B - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2012 totaled \$12,136,377, of which \$189,661 were from ARRA grants. Grants disbursed to subrecipients during year ended June 30, 2012 totaled \$9,644,633, of which \$4,651,630 were from ARRA grants.

C - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$881,846,596 as of June 30, 2012.

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, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

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

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

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for State Revolving Fund
ARRA 66.458	Capitalization Grants for State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs \$ 687,533

Auditee qualified as low risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

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

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

June 30, 2012 and 2011

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2012 and 2011**

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INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

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

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the SRF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Clean Water Fund - Drinking Water Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2012 and 2011, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account - SRF as of June 30, 2012 and 2011, and the changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2012 on our consideration of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account - SRF'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* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Seward and Monde

September 18, 2012

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2012
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Fund provides an introduction to the major activities affecting the operation of the state revolving fund and is a narrative overview of the financial performance for the fiscal year ended June 30, 2012. The information contained in this discussion should be considered in conjunction with the Fund's basic financial statements and the notes thereto.

Financial Highlights

Changes in Net Assets - Net assets under management in the Drinking Water Fund at the close of the fiscal year 2012 were \$132,401,515 including assets of \$191,605,650 offset by liabilities of \$59,204,135 compared to fiscal year 2011 were \$125,142,069 including assets of \$189,568,047 offset by liabilities of \$64,425,978. Fund net assets increased by \$7,259,446 or 5.8%.

Net Assets of the Drinking Water Fund are categorized as follows:

Restricted - includes net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - includes all net assets that are not restricted and are available for any program purpose. The majority of the net 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.

The financial statements show restricted fund net assets of \$119,176,974 an increase of \$7,948,499 or 7.15% above the 2011 balance which was adjusted during the year to more closely align with the federal and state restrictions on the Drinking Water Fund.

Loans Receivable - Total loans receivable decreased by \$3,593,806 from \$71,058,367 to \$67,464,561 due to the net of new loans (\$1,698,100) and principal repayments (\$5,291,906).

Bonds Outstanding - During the year, no bonds were issued. The Fund's total debt outstanding decreased by \$4,643,268 to \$55,443,559 as a result of scheduled debt repayments.

Operating Revenues - The Fund's gross operating revenue decreased \$58,208 or 3.5% to \$1,594,996.

Statement of Cash Flows - The Statement of Cash Flows shows a decrease in cash for the year of \$585,461.

Capitalization Grants - During the year, \$5,918,106 was drawn from the U.S. Environmental Protection Agency (US EPA) for projects, compared to \$15,764,103 in 2011. To date, since inception, the State has drawn \$124,793,412. Cumulative federal drinking water capitalization grant awards totaled \$149,917,900. The State has provided the required 20% match of the capitalization grant of \$40,677,637. The match has been provided by the State and used for program purposes in accordance the State's operating agreement with the US EPA.

Overview of the Financial Statements

The Drinking Water Fund financial statements are prepared by the Office of the Treasurer in conjunction with the Department of Public Health (DPH). The Treasurer is responsible for reporting the detailed financial information in the Drinking Water Fund financial statements, which incorporates information, generated and prepared by the DPH Business Office and DPH Drinking Water Section.

The Drinking Water Fund is a part of the Clean Water Fund which is classified as an enterprise fund within the Proprietary Funds of the State of Connecticut. Proprietary Funds focus on the determination of the change in fund net assets, financial position, and cash flow for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Statements of Revenues, Expenses and Changes in Fund Net Assets divide the activities of the Fund into two categories:

Operating Activities, including the Drinking Water State Revolving Fund project financing program (the Loan Program); and

Nonoperating Activities, including the revenue bonds issued for the Fund (the Revenue Bond Program) and the investment of the Drinking Water State Revolving Fund assets.

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

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

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

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

Operating Activities

The Drinking Water Loan Program

Loans are made to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time without penalty. Although there are no state grants available to participants in this program, portions of the federal capitalization grant and the 2009 ARRA funding are used to subsidize the projects.

Construction loans in progress totaled \$39,737 a decrease of \$5,185,034. Payments to public water systems for ongoing projects totaled \$1,698,100. Completed projects which were permanently financed during the year totaled \$6,640,936. There were 5 loan originations during the year.

At year-end there are no delinquent loans in the Drinking Water loan program. Further details about the loans can be found in the Notes to the Financial Statements.

New construction loan commitments totaled \$20,956,159.

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

Non-Operating Activities

Investment of Funds

The federal capitalization grants and state provided matching funds are used to provide leveraged financing for eligible projects in the state Federal capitalization grants and the match are deposited into the State Revolving Fund accounts held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds and are used as they are deposited for program purposes.

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

The Bond Program

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. Pursuant to the 2002 bond resolution and the State Act, the long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund. Currently, bonds are outstanding under the 2002 General Revenue Bond Resolution the latest of three resolutions used for Connecticut Clean Water Fund bonds issues since 1991. Proceeds have been used for program purposes including the funding of loans to Drinking Water Fund borrowers. During the year, the state did not issue bonds for new projects. Further information about outstanding bonds can be found in the Notes to the Financial Statements.

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

The program's advisors are:

Bond Counsel - Edwards, Angell, Palmer and Dodge and Hardwick Law Firm, LLC

Financial Advisors - Lamont Financial Services Corporation and First Southwest

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent - AMTEC

Arbitrage Rebate Calculation Services - AMTEC

Auditor - Seward & Monde CPAs

General Counsel - Attorney General of the State of Connecticut

Credit Ratings

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

SELECTED FINANCIAL INFORMATION

	2012	2011	Increase (Decrease)
Loans Outstanding - current and long term portions	\$67,464,561	\$71,058,367	(\$3,593,806)
Change in Net Assets	\$7,259,446	\$15,413,175	(\$8,153,729)
Operating Revenues – Interest on Loans	\$ 1,594,996	\$ 1,653,204	(\$ 58,208)
Operating Expenses - Less grants to recipients	\$ 4,126,245	\$ 4,176,175	(\$49,930)
Interest on Investments	\$ 1,123,590	\$ 1,220,142	(\$ 96,552)
Interest Expense	\$3,058,622	\$ 2,438,374	\$ 620,248
Federal Capitalization Grants	\$ 6,703,602	\$ 14,845,660	(\$8,142,058)

ECONOMIC CONDITIONS AND OUTLOOK

As the nation continues to experience slow and erratic growth, Connecticut has maintained persistent focus on economic development and job creation. Like other states, Connecticut has dealt with budget deficits with various strategies while continuing to plan and implement programs designed to bring a variety of manufacturing, technology and research companies to the State. Some recovery continued during fiscal year 2012, however volatility in the jobs numbers hampered the State's ability to reduce unemployment and the unemployment rate at June 2012 was 8.1 percent. Some optimism might be warranted however since consumers are spending again, many businesses are flush with cash, and firms have begun to hire new workers. While home prices have not yet recovered ground lost in 2008 and 2009, sales have begun to pick up pace.

Although the State's economic and financial situation continued to slowly improve, there was a modest budget deficit by the end of the fiscal year, and concern continued about Connecticut's debt levels despite several mitigating factors including Connecticut's ranking highest in per capita income, legislative approval of additional funding for the State employee's Retirement Plan, and expectations of job growth over the next year.

With its diversified economy, measures to spur economic growth will mean continued need for transportation and water infrastructure upgrades and energy improvements. The Drinking Water Fund has made significant efforts to get necessary funding to as many communities as possible. Local, state and federal budget constraints will continue to mean greater pressure on the Fund to provide timely and innovative financial assistance for critical projects. These constraints might be even greater in 2013 if ominous threat of the approaching "fiscal cliff" (the end of the "Bush" tax cuts, payroll tax holiday, and extended unemployment benefits end, and automatic budget cuts) becomes real. All of these factors impact how Connecticut public water systems plan and implement the capital projects funded by the Drinking Water Fund.

The major focus for the Drinking Water Fund continues to be setting priorities and providing financing for critical work, especially for small water systems. The Connecticut Department of Public Health and the Office of the Treasurer, working together, will continue to assist state legislators and public water systems in determining the most cost effective and efficient way to meet their water quality needs.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CONTACTS

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

Drinking Water Fund Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3134
www.state.ct.us/ott

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

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,623,939	\$ 8,209,400
Interest receivable - investments	233,923	252,452
Interest receivable - loans	8,380	117,327
Grant receivable	309,108	-
Loans receivable	4,895,759	9,800,511
Total current assets	13,071,109	18,379,690
Noncurrent assets:		
Loans receivable	62,568,802	61,257,856
Revolving fund	47,396,919	40,338,420
Deferred loss on early retirement of bonds	917,851	1,404,148
Restricted assets:		
Bond proceeds fund	11,361,131	12,953,961
Revolving fund	15,364,574	16,498,805
Debt service fund	31,348,099	28,539,381
Support fund	9,577,165	10,195,786
Total restricted assets	67,650,969	68,187,933
Total noncurrent assets	178,534,541	171,188,357
Total assets	\$ 191,605,650	\$ 189,568,047
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	\$ 882,649	\$ 700,891
Deferred grant revenue	-	476,388
Bonds payable	4,951,563	4,643,268
Total current liabilities	5,834,212	5,820,547
Noncurrent liabilities:		
Premium on revenue and refunding bonds	2,877,927	3,161,872
Bonds payable	50,491,996	55,443,559
Total noncurrent liabilities	53,369,923	58,605,431
Total liabilities	59,204,135	64,425,978
FUND NET ASSETS		
Unrestricted	13,224,541	13,913,594
Restricted for loans	119,176,974	111,228,475
Total fund net assets	132,401,515	125,142,069
Total liabilities and fund net assets	\$ 191,605,650	\$ 189,568,047

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2012 and 2011**

	2012	2011
OPERATING REVENUES		
Interest on loans	\$ 1,594,996	\$ 1,653,204
OPERATING EXPENSES		
Salaries	1,747,222	1,978,007
Employee benefits	1,161,445	1,308,890
Other	1,217,578	889,278
Project grants	906,252	4,626,212
Total operating expenses	5,032,497	8,802,387
Operating loss	(3,437,501)	(7,149,183)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	1,123,590	1,220,142
Amortization of bond premium	283,945	217,017
Interest expense	(3,058,622)	(2,438,374)
Total nonoperating revenues (expenses)	(1,651,087)	(1,001,215)
Loss before federal capitalization grants and transfers	(5,088,588)	(8,150,398)
FEDERAL CAPITALIZATION GRANTS		
Project funds - loans	1,698,100	6,050,344
Project funds - grants	906,252	4,626,212
Set-aside activities	4,099,250	4,169,104
Total federal capitalization grants	6,703,602	14,845,660
OPERATING TRANSFERS	5,644,432	8,717,913
Change in fund net assets	7,259,446	15,413,175
FUND NET ASSETS, beginning	125,142,069	109,728,894
FUND NET ASSETS, ending	\$ 132,401,515	\$ 125,142,069

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 1,703,943	\$ 1,583,089
Loan originations	(1,698,100)	(6,026,395)
Principal paid on loans receivable	5,291,906	4,453,482
Payments to employees for salaries and benefits	(2,908,667)	(3,286,897)
Payments on project grants	(906,252)	(4,626,212)
Other payments	(1,217,578)	(889,278)
Net cash provided (used) by operating activities	265,252	(8,792,211)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	5,918,106	15,764,103
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(4,643,268)	(4,055,406)
Proceeds from bonds payable	-	16,464,150
Premium on bonds payable	-	1,535,850
Payment to refunded revenue bond escrow agent	-	(7,281,610)
Interest paid on bonds payable	(2,390,567)	(2,140,858)
Operating transfers	5,644,432	8,717,913
Net cash provided (used) by noncapital financing activities	(1,389,403)	13,240,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,142,119	1,234,165
Decrease (increase) in revolving fund	(7,058,499)	2,809,528
Decrease (increase) in restricted assets	536,964	(16,460,560)
Net cash used by investing activities	(5,379,416)	(12,416,867)
Net change in cash and cash equivalents	(585,461)	7,795,064
CASH AND CASH EQUIVALENTS, beginning	8,209,400	414,336
CASH AND CASH EQUIVALENTS, ending	\$ 7,623,939	\$ 8,209,400
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	(\$ 3,437,501)	(\$ 7,149,183)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable - loans	108,947	(70,115)
Decrease (increase) in loans receivable	3,593,806	(1,572,913)
Net cash provided (used) by operating activities	\$ 265,252	(\$ 8,792,211)

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

STATE of CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2012 and 2011

1 - NATURE OF ORGANIZATION

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Nonoperating Revenues and Expenses

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Investments

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

There were no material investment gains or losses for the years ended June 30, 2012 and 2011.

Loans, Allowance for Loan Losses and Credit Risk

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

Restricted Assets

Restricted assets consist of investments, which are segregated into funds and accounts in accordance with the Resolution as previously described, plus amounts determined to be prudent by management including amortizing long-term investments. The Resolution restricts investments to: a) the State Treasurer's Short-Term Investment Fund, b) Tax Exempt Proceeds Fund of the State, c) 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 d) Investment Obligations as defined in the Resolution.

Bond Premiums/Deferred Loss

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

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

Revenue Bonds

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

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

Fund Net Assets

Fund net assets are classified in the following categories:

- a. Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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 Net Assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets - All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Subsequent Events

The SRF has evaluated subsequent events for the period after June 30, 2012 through September 18, 2012, the date the financial statements were available to be issued.

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment with a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the SRF's deposits may not be recovered.

Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the SRF will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Cash and cash equivalents

Cash and cash equivalents of the SRF include funds held by the Connecticut State Comptroller and US Bank (Trustee).

As of June 30, 2012 and 2011 funds held by the State Comptroller were \$7,736,627 and \$7,773,047, 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, 2012 and 2011, the Trustee held cash included in restricted assets in the amount of \$267,742 and \$12,000, respectively.

As of June 30, 2012 funds held in Connecticut Short Term Investment Funds (STIF) were \$89,582,862, of which \$11,361,131 is included in the bond proceeds fund, \$47,396,919 is included in the revolving fund and \$30,824,812 is included in the debt service fund on the Balance Sheet. As of June 30, 2011 funds held in STIF were \$81,243,827, of which \$12,953,961 is included in the bond proceeds fund, \$40,338,420 is included in the revolving fund and \$27,951,446 is included in the debt service fund on the Balance Sheet. STIF is a money market investment pool, rated AAAM as of June 30, 2012 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, 2012 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$255,545 which is included in the debt service fund on the Balance Sheet. As of June 30, 2011 funds held in FIGMM were \$575,935 which is included in the debt service fund on the Balance Sheet. 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, 2012, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 6,529,125	\$ -	\$ -	\$ 6,529,125	\$ -	Aaa
Guaranteed Investment Contracts	5,718,877	-	-	2,573,368	3,145,509	AA+
Guaranteed Investment Contracts	547,988	-	-	-	547,988	A-
U.S. Treasury State & Local Governments	5,883,668	1,246,585	4,567,704	-	69,379	A2
Connecticut General Obligation Bonds	6,262,081	-	-	6,262,081	-	AA
	<u>\$ 24,941,739</u>	<u>\$ 1,246,585</u>	<u>\$ 4,567,704</u>	<u>\$ 15,364,574</u>	<u>\$ 3,762,876</u>	

As of June 30, 2011, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Guaranteed Investment Contracts	\$ 7,163,698	\$ -	\$ -	\$ 7,163,698	\$ -	Aaa
Guaranteed Investment Contracts	5,902,096	-	-	-	5,902,096	AA+
Guaranteed Investment Contracts	724,848	-	-	-	724,848	A
U.S. Treasury State & Local Governments	6,142,209	258,542	5,526,159	288,129	69,379	Unrated
Connecticut General Obligation Bonds	6,761,740	-	-	-	6,761,740	AA
	<u>\$ 26,694,591</u>	<u>\$ 258,542</u>	<u>\$ 5,526,159</u>	<u>\$ 7,451,827</u>	<u>\$ 13,458,063</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 51% and 52%, at June 30, 2012 and 2011, respectively, in long-term investment agreements with Natixis Funding Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

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

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

	<u>2012</u>	<u>2011</u>
Construction in process	\$ 39,737	\$ 5,224,771
Completed projects	<u>67,424,824</u>	<u>65,833,596</u>
	<u>\$ 67,464,561</u>	<u>\$ 71,058,367</u>

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

<u>Year ending June 30</u>	
2013	\$ 4,856,022
2014	4,906,803
2015	4,958,802
2016	5,012,050
2017	5,053,441
Thereafter	<u>42,637,706</u>
	<u>\$ 67,424,824</u>

5 - FEDERAL LETTER OF CREDIT

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

	<u>2012</u>	<u>2011</u>
Awarded	\$ 130,417,900	\$ 130,417,900
Drawn	<u>105,920,909</u>	<u>102,415,716</u>
Available federal letter of credit	<u>\$ 24,496,991</u>	<u>\$ 28,002,184</u>

As part of the State grant agreements with EPA and in accordance with State and Federal statutes, the State is required to provide a 20% match on all federal grant drawdowns. As of June 30, 2012 and 2011, the required State match was \$33,143,713 and \$31,361,627, respectively. As of June 30, 2012 and 2011, the State match provided was \$40,677,637 and \$34,427,239, respectively.

The following represents a summary of the cumulative amount of funds awarded and drawn under the American Recovery and Reinvestment Act of 2009 (ARRA) award as of June 30:

	<u>2012</u>	<u>2011</u>
Awarded	\$ 19,500,000	\$ 19,500,000
Drawn	<u>18,872,503</u>	<u>16,413,654</u>
Available federal letter of credit	<u>\$ 627,497</u>	<u>\$ 3,086,346</u>

6 - RESTRICTED ASSETS

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents:		
Money market funds	\$ 42,441,488	\$ 41,481,342
Cash	267,742	12,000
Investments:		
Guaranteed Investment Contracts	12,795,990	13,790,642
U.S. Treasury State and Local Governments	5,883,668	6,142,209
Connecticut General Obligation Bonds	<u>6,262,081</u>	<u>6,761,740</u>
	<u>\$ 67,650,969</u>	<u>\$ 68,187,933</u>

7 - RELATED PARTY TRANSACTIONS

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

Investments

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

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2012 and 2011, the actual rates were 66.47% and 66.17%, respectively, of the SRF wages and the amounts charged aggregated \$1,161,445 and \$1,308,890, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Issued	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2012
Revenue bonds payable	\$ 55,152,397	\$ -	\$ -	\$ 4,358,124	\$ 50,794,273
Refunding bonds payable	4,934,430	-	-	285,144	4,649,286
	<u>\$ 60,086,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643,268</u>	<u>\$ 55,443,559</u>

A summary of changes in bonds payable during the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Issued	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2011
Revenue bonds payable	\$ 48,788,412	\$ 16,464,150	\$ 6,453,836	\$ 3,646,329	\$ 55,152,397
Refunding bonds payable	5,343,507	-	-	409,077	\$ 4,934,430
	<u>\$ 54,131,919</u>	<u>\$ 16,464,150</u>	<u>\$ -</u>	<u>\$ 4,055,406</u>	<u>\$ 60,086,827</u>

Revenue Bonds

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

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

Issue Date	Issue Name	Original Allocated Par Amount	Balance Outstanding June 30, 2012
6/1/2001	Clean Water Fund Revenue Bonds, 2001 Series	\$ 29,614,747	\$ -
7/10/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	33,063,800	9,848,123
7/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	7,572,339	4,649,286
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	3,957,000
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	16,695,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	4,370,000
3/24/2011	State Revolving Fund General Revenue Bonds, 2011 Series A	16,464,150	15,924,150
		<u>\$ 121,390,036</u>	<u>\$ 55,443,559</u>

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2003 Series dated July 10, 2003 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 Series Bonds between the SRF and the Clean Water Fund with \$33,063,800 allocated to the SRF and \$85,021,200 allocated to the Clean Water Fund. Debt service on the 2003 Series Bonds is paid from any available monies in the SRF and the Clean Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution. After a review of the total expenditures from both programs since 2003, as of July 1, 2006, the State transferred \$10,210,105 in 2003 bond proceeds from the Drinking Water Fund to the Clean Water Fund. An equal principal amount of 2003 bonds will now be designated Clean Water bonds and will be payable from Clean Water revenues for their remaining term. Other related accounts were affected and adjusted to reflect the transfer.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2006 Series dated July 27, 2006 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2006 Series Plan of Finance, the State allocated the proceeds of 2006 Series Bonds between the Clean Water Fund and the SRF with \$145,000,000 allocated to the Clean Water Fund and \$5,000,000 allocated to the SRF. Debt service on the 2006 Series Bonds is to be paid from any available monies in the Clean Water Fund and the SRF. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2008 Series dated August 6, 2008 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2008 Series Plan of Finance, the State allocated the proceeds of 2008 Series Bonds between the Clean Water Fund and the SRF with \$171,195,000 allocated to the Clean Water Fund and \$25,000,000 allocated to the SRF. Debt service on the 2008 Series Bonds is to be paid from any available monies in the Clean Water Fund and the SRF. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2009 Series dated June 25, 2009 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2009 Series Plan of Finance, the State allocated the proceeds of 2009 Series Bonds between the Clean Water Fund and the SRF with \$194,765,000 allocated to the Clean Water Fund and \$4,675,000 allocated to the SRF. Debt service on the 2009 Series Bonds is to be paid from any available monies in the Clean Water Fund and the SRF. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2011 Series dated March 24, 2011 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2011 Series Plan of Finance, the State allocated the proceeds of 2011 Series Bonds between the Clean Water Fund and the SRF with \$166,470,850 allocated to the Clean Water Fund and \$16,464,150 allocated to the SRF. Debt service on the 2011 Series Bonds is to be paid from any available monies in the Clean Water Fund and the SRF. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution.

The SRF's revenue bonds payable are serial bonds, of which \$50,794,273 and \$55,152,397 was outstanding as of June 30, 2012 and 2011, respectively. The serial bonds mature through June 1, 2027 and have interest rates ranging from 1.0% to 5.0%.

Refunding Bonds - 2003 Series

On July 10, 2003 the State issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series B with interest rates of 2.0% to 5.9% to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with a principal balance totaling \$17,834,000 and interest rates of 4.0% to 5.5%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the SRF. The Refunded Bonds had redemption dates through October 1, 2011.

The net proceeds of the 2003 Series B Refunding Bonds of \$18,879,694 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance defeasance and, accordingly, the Refunded Bonds with a principal balance of \$17,834,000 were removed from the SRF's balance sheet. As of June 30, 2012 and 2011, the outstanding principal balance of the Refunded Bonds was \$-0- and \$17,834,000, respectively.

The difference of \$1,045,694 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2016. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$321,205 and \$293,129, respectively.

Cash Defeasance - 2008

On June 30, 2008 the SRF paid \$5,622,931 to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$5,514,266 and interest rates of 4.0% to 6.0%. The Refunded Bonds will mature at various dates through October 1, 2012.

The \$5,622,931 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on various dates through October 1, 2012. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$5,514,266 were removed from the SRF's balance sheet. As of June 30, 2012 and 2011, the outstanding principal balance of the Refunded Bonds was \$1,393,351 and \$2,816,339, respectively.

The difference of \$7,572 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2013. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$2,944 and \$841, respectively.

Cash Defeasance - 2011

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

The \$7,281,610 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on October 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$6,453,836 were removed from the SRF's balance sheet. As of June 30, 2012 and 2011, the outstanding principal balance of the Refunded Bonds was \$6,453,836.

The difference of \$521,185 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense through June 30, 2014. Amortization of the deferred loss for the years ended June 30, 2012 and 2011 totaled \$162,146 and \$34,746, respectively.

Bond Maturities

Requirements at June 30, 2012 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,951,563	\$ 2,335,346
2014	5,726,569	2,138,872
2015	5,917,154	1,909,990
2016	6,017,534	1,687,912
2017	5,394,680	1,483,349
2018-2022	16,671,527	4,505,767
2023-2027	10,234,416	1,133,101
2028	530,116	18,433
	<u>\$ 55,443,559</u>	<u>\$ 15,212,770</u>

9 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2010	\$ 13,377,515	\$ 96,351,379	\$ 109,728,894
Change in fund net assets	<u>536,079</u>	<u>14,877,096</u>	<u>15,413,175</u>
Balance at June 30, 2011	13,913,594	111,228,475	125,142,069
Change in fund net assets	<u>(689,053)</u>	<u>7,948,499</u>	<u>7,259,446</u>
Balance at June 30, 2012	<u>\$ 13,224,541</u>	<u>\$ 119,176,974</u>	<u>\$ 132,401,515</u>

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

10 - OPERATING TRANSFERS

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

	<u>2012</u>	<u>2011</u>
Transfers related to CWF debt service	(\$ 605,966)	(\$ 109,774)
State match	1,250,398	1,827,687
Reallocation of funds from CWF	5,000,000	
Interfund transfer from CWF for projects	<u>-</u>	<u>7,000,000</u>
	<u>\$ 5,644,432</u>	<u>\$ 8,717,913</u>

11 - LOAN FUNDING COMMITMENTS

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

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

	<u>2012</u>	<u>2011</u>
Total funds committed to public water systems	\$ 91,495,470	\$ 90,658,642
Loan amount outstanding to public water systems	<u>67,464,561</u>	<u>71,058,367</u>
Loan commitments outstanding	<u>\$ 24,030,909</u>	<u>\$ 19,600,275</u>

In addition, the SRF has ARRA project grant commitments of \$251,026 and \$1,168,705 as of June 30, 2012 and 2011, respectively.

12 - RISK MANAGEMENT

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

SEWARD AND MONDE

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

Ms. Denise L. Nappier, Treasurer

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

We have audited the financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 18, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the SRF is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the SRF's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of the management of the SRF and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Seward and Monde

September 18, 2012

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ms. Denise L. Nappier, Treasurer

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

COMPLIANCE

We have audited the compliance of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the SRF's major federal programs for the year ended June 30, 2012. The SRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of SRF's management. Our responsibility is to express an opinion on SRF's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the SRF's compliance with those requirements.

In our opinion, the SRF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the SRF and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Seward and Monde

September 18, 2012

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2012

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.468	\$ 4,211,409
Capitalization Grants for State Revolving Fund	ARRA - 66.468	2,492,193
		\$ 6,703,602

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2012

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

B - SUBRECIPIENTS

Loans disbursed to subrecipients during year ended June 30, 2012 totaled \$1,698,100, of which \$689,844 were from ARRA grants. Grants disbursed to subrecipients during year ended June 30, 2012 totaled \$906,252, of which \$896,005 were from ARRA grants.

C - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$67,464,561 as of June 30, 2012.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
 FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

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

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

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

Identification of Major Programs:

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

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

APPENDIX C

Summary of Certain Provisions of the General Bond Resolution

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APPENDIX C
SUMMARY OF CERTAIN OF THE PROVISIONS OF THE
GENERAL BOND RESOLUTION

The General Bond Resolution (as used in this Appendix C, the “Resolution”) contains various covenants and security provisions certain of which are summarized below. Various words or terms used in the following summary are defined in the Resolution and reference thereto is made for full understanding of their import. See also Appendix E for definitions of certain terms.

Resolution to Constitute Contract [Section 2.02]

The provisions of the Resolution shall constitute a contract among the State, the Trustee and the Holders from time to time of the Bonds, and the provisions, covenants and agreements to be performed on behalf of the State shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds.

Application of Bond Proceeds [Section 4.01]

All proceeds of Bonds of any Series, upon their issuance, sale and delivery, shall be deposited in certain funds and accounts in accordance with the provisions of the Supplemental Resolution authorizing the issuance of the Bonds of such Series and shall be applied solely for the purposes for which amounts in such funds and accounts may be applied in accordance with the provisions of the Resolution.

Available Moneys [Section 5.01]

Pursuant to the Resolution, the State is obligated to pay from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution, the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and any Other Financial Assistance and any Related Program Obligations, subject only to the provisions of the Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Pledge [Section 5.02]

With respect to all Bonds and any Other Financial Assistance and any Related Program Obligations, the Pledged Fund, 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 thereof in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. In addition, the Pledged Borrower Obligations, if any, shall be pledged to the extent provided in one or more Supplemental Resolutions. This pledge shall be valid and binding from and after the date of adoption of the Resolution, and the Pledged Borrower Obligations, if any, and all other moneys and securities in the funds and accounts established by the Resolution and pledged thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a just lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Revolving Fund [Section 5.03]

(A) The State shall maintain the Revolving Fund in accordance with the requirements of the Acts. The State may apply Available Moneys for any purposes allowed under the Acts, including, without limitation, to make loans to Borrowers and payment of debt service on Outstanding Obligations.

(B) Not later than one Business Day prior to any Payment Date, the State shall transfer to the Debt Service Fund any amounts necessary, together with any amounts on deposit therein, sufficient to pay the amounts coming due on such Payment Date consisting of: (1) principal of, redemption, if any, and interest on Bonds and (2) any other amounts payable from the Debt Service Fund related to Other Financial Assistance and Related Program Obligations.

Establishment of Funds and Accounts [Section 5.04]

The State by the Resolution has established the following Funds and Accounts:

- (1) Pledged Fund, which shall be held within the Revolving Fund;
- (2) Bond Proceeds Fund, which shall be held within the Revolving Fund;
- (3) Debt Service Fund, which shall be held within the Revolving Fund;
- (4) Support Fund, which shall be held within the Revolving Fund; and
- (5) Rebate Fund.

Pledged Fund [Section 5.05]

If so provided in a Supplemental Resolution, the Trustee shall establish within the Pledged Fund a Series Pledged Account, and such Supplemental Resolution shall identify the Borrower Obligations which shall constitute the “Pledged Borrower Obligations” with respect to such Supplemental Resolution, and shall provide for the application of the Pledged Receipts and any Earnings thereon.

At the end of each Fiscal Year the State shall determine the amount of Earnings on the Pledged Fund required to be rebated to the United States for such Fiscal Year and shall direct the Trustee in a certificate of an Authorized Officer to deposit such amounts to the Rebate Fund from any available funds on deposit in the Pledged Fund.

Bond Proceeds Fund [Section 5.06]

There shall be deposited into the Bond Proceeds Fund the amount of the proceeds of the Bonds of any Series required to be deposited by the Supplemental Resolution authorizing such Series. Moneys in the Bond Proceeds Fund shall be expended only for the Program, subject to the provisions and restrictions of the Resolution. Except as may be limited by the purposes for which a Series of Bonds is issued as set forth in a Supplemental Resolution authorizing such Series of Bonds, amounts in the Bond Proceeds Fund shall be expended and applied by the State from time to time to payments: (1) for financing Loans to Borrowers under the Program; (2) for paying costs related to Other Financial Assistance; (3) to the extent that other moneys are not available, payments due to be made from the Debt Service Fund, when due, and thereafter; and (4) to redeem Bonds, at the direction of the State.

Debt Service Fund [Section 5.07]

The Trustee or the State, as applicable, shall promptly deposit, or cause to be deposited, the following amounts in the Debt Service Fund (unless provided otherwise in the applicable Supplemental Resolution): (1) any accrued interest received as proceeds of a Series of Bonds; (2) any capitalized interest received by the State with respect to a Series of Bonds; (3) any amounts required to be transferred to the Debt Service Fund, from the Support Fund, as set forth in the applicable Supplemental Resolution; (4) all amounts required to be transferred to the Debt Service Fund from the Bond Proceeds Fund; and (5) all amounts required to be transferred to the Debt Service Fund from the Revolving Fund.

The Trustee shall pay out of the Debt Service Fund to the Paying Agents for any of such Bonds, (i) on each Payment Date, the amount required for the payment of principal of, Sinking Installments for and interest on such Bonds due on such Payment Date, (ii) on each Payment Date, the amount required for the payment of amounts due on Other Financial Assistance and Related Program Obligations, and (iii) on any redemption date, the amount required for the payment of accrued interest on such Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment.

The amount, if any, accumulated in the Debt Service Fund for each sinking fund redemption may be applied, at the direction of the State, (together with amounts accumulated for the interest with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the forty-fifth (45th) day preceding the sinking fund redemption date to:

(1) the purchase of Bonds of the Series and maturity as such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, such purchases to be made by the Trustee as directed by the State in writing by an Authorized Officer, or

(2) the redemption (pursuant to Article VI of the Resolution), of such Bonds if then redeemable by their terms, at the Redemption Price referred to in paragraph (1) above.

Upon any purchase or redemption of Bonds of any Series and maturity, under this subsection, for which Sinking Fund Installments shall have been established, an amount equal to the applicable Redemption Prices thereof shall be credited toward any one or more of such Sinking Fund Installments, as directed by the State in an Authorized Officer's certificate, or, failing such direction by November 1, of each year, toward such Sinking Fund Installments in inverse order of their due dates. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of principal due on a future date.

As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed (pursuant to Article VI of the Resolution) to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount, specified for such sinking fund redemption. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof and to pay interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

Any interest earned or gains realized by the investments of moneys held in the Debt Service Fund shall be retained therein and applied on the next Payment Date to payments due.

Support Fund [Section 5.08]

(A) The Support Fund, and the accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution, which amounts may be amended from time to time by direction of an Authorized Officer by the filing of a written certificate with the Trustee reflecting such amendment.

(B) Moneys in the Support Fund shall be transferred to the Debt Service Fund and applied 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, which schedule may be amended from time to time by direction of an Authorized Officer by the filing of a written certificate with the Trustee reflecting such amendment.

Rebate Fund [Section 5.09]

(A) The State shall transfer to the Trustee for deposit in the Rebate Fund the amount calculated by the State to be owing to the United States pursuant to the Tax Regulatory Agreement.

(B) The Trustee, upon receipt of written instructions from an Authorized Officer, shall pay to the United States out of amounts in the Rebate Fund such amounts as are required pursuant to the Tax Regulatory Agreement.

(C) Any moneys remaining in the Rebate Fund after payment to the United States shall be transferred to the Revolving Fund.

Privilege of Redemption and Redemption Price [Section 6.01]

Bonds subject to redemption prior to maturity pursuant to the provisions of a Supplemental Resolution shall be redeemable, upon notice as provided in the Resolution, at such times, at such Redemption Prices and upon such terms (in addition to and consistent with the terms contained in the Resolution) as may be specified in the Supplemental Resolution authorizing such Series.

Redemption at the Election or Direction of the State [Section 6.02]

In the case of any redemption of Bonds, the State shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the State in its sole discretion, subject to any limitations with respect thereto contained in the State Act or the Resolution and any Supplemental Resolution) and

of the moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given by the Trustee as provided in the Resolution, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise the State, shall, at least one day prior to the redemption date, pay to the Trustee and the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee and such Paying Agent or Paying Agents, will be sufficient to pay, on the redemption date at the Redemption Price thereof, together with interest accrued to the redemption date, all of the Bonds to be redeemed. The State shall promptly notify the Trustee in writing of all such payments made by the State to a Paying Agent.

Conditional Redemption [Section 6.05]

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the escrow agent not later than the redemption date. Such notice will be of no effect and the redemption price for such optional redemption will not be due and payable unless such moneys are so deposited.

Payment of Bonds [Section 9.01]

The State shall apply any Available Moneys to the payment, when due, of the principal or Redemption Price, if any, Sinking Fund Installment of every Bond and the interest thereon and payments due under any Other Financial Assistance or any Related Program Obligations. The State shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, or Sinking Fund Installment of every Bond and the interest thereon, but only from Available Moneys and Pledged Borrower Obligations, if any, and other revenues or receipts, funds or moneys pledged therefor as provided in the State Act and the Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof.

Power to Issue Bonds and Make Pledges [Section 9.03]

The State is duly authorized pursuant to law to authorize and issue the Bonds, to adopt the Resolution, to contract to apply Available Moneys, to pledge the Pledged Borrower Obligations, if any, and to pledge other moneys, securities, funds and property purported to be pledged by the Resolution, all in the manner and to the extent provided in the Resolution. The Pledged Borrower Obligations, if any, and other moneys, securities, funds and property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all action on the part of the State to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the Resolution. The State shall at all times, to the extent permitted by law, defend, preserve and protect the obligation to apply Available Moneys, to pledge the Pledged Borrower Obligations, if any, and to pledge other moneys, securities, funds and property pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Accounts and Reports [Section 9.05]

(A) The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Pledged Borrower Obligations, Pledged Receipts and all funds and accounts established by the Resolution.

(B) The State shall annually, on or before the last day of December in each year, file with the Trustee a copy of an annual report for the preceding Fiscal Year with respect to the Program, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (1) its operations and accomplishments; (2) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (3) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Borrower Obligations, Pledged Borrower Obligations, Pledged Receipts, a list of Borrowers in default status and the status of reserve, special or other funds and the funds and accounts established by the Resolution; and (4) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year.

Pledge of Pledged Borrower Obligations [Section 9.08]

To secure the payment of the principal or Redemption Price of, interest on and Sinking Fund Installments for one or more Series of Bonds or the payments due under any Other Financial Assistance or any Related Program Obligations, the State may pledge and assign to the Trustee for the benefit of the Holders of such Bonds, pursuant to a Supplemental Resolution, certain Borrower Obligations, which shall then constitute Pledged Borrower Obligations and payments due thereunder shall constitute Pledged Receipts, and such other security as may be pledged pursuant to any Supplemental Resolution, subject only to the provisions of this Resolution.

Federal Tax Covenants [Section 9.09]

The State shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

At no time shall any of the proceeds of the Bonds or other funds of the State be used, directly or indirectly, to acquire any security, asset or obligation or other investment-type property the acquisition or holding of which would cause any Bond or Note to be an "arbitrage bond" for the purposes of Section 148 of the Code, and in furtherance thereof, to comply with the Tax Regulatory Agreement. If and to the extent required by the Code, the State shall periodically, at such times as may be required to comply with the Code, pay the amount, if any, required by the Code to be rebated or paid as a related penalty.

The covenants set forth in this section shall survive payment or defeasance of the Bonds.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from Federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this section shall not apply to such Bonds.

State Tax Covenant [Section 9.10]

The State covenants with the purchasers and all subsequent Holders and transferees of any Bonds, in consideration of the acceptance and payment for the Bonds, that the Bonds shall be at all times free from taxes levied by any Borrower or political subdivision or special district having taxing powers of the State and the principal of and interest on any Bonds issued under the State Act, their transfer and the income therefrom, including revenues deemed from the sale thereof, shall at all times be free from taxation of every kind by the State or under its authority except for estate or succession taxes.*

* Under statutory and judicial authority, this covenant does not grant an exemption from the Connecticut corporation business tax for interest on the Bonds. See "TAX EXEMPTION."

Agreement of the State [Section 9.11]

The State pledges to and agrees with the Bondholders and any holders of Other Financial Assistance or Related Program Obligations that the State will not limit or alter the rights vested by the State Act in the State to fulfill the terms of any agreement made with Bondholders or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders, are fully met and discharged, provided nothing contained in the Resolution shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Bondholders.

Payment of Bonds [Section 9.12]

In order to provide sufficient moneys with which to pay the principal and interest when due and payable on its Bonds and any payments on Other Financial Assistance or Related Program Obligations when due, the State shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Acts as interpreted in regulations adopted by the United States Environmental Protection Agency and the State Department of Environmental Protection and in effect, or other applicable regulations, and with the provisions of the Resolution, use and apply the proceeds of the Bonds to finance Loans and to provide Other Financial Assistance pursuant to the Acts and the Resolution, to generate Available Moneys and Pledged Borrower Obligations at least equal to the sum of the principal and interest on the Bonds and the payments due on any Other Financial Assistance or Related Program Obligations, and take all steps, actions and proceedings for the enforcement of all terms, covenants and conditions of the Loans.

Bond Anticipation Notes [Section 2.07]

Whenever the State shall authorize the issuance of a Series of Bonds, the State Treasurer shall be authorized to issue Notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. Unless otherwise provided in a Supplemental Resolution, Notes shall not be secured by the Support Fund or any fund or account established under the Resolution.

Ability to Issue Other Obligations [Section 2.08]

The State expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue notes and any other obligations so long as the same do not have an equal or prior charge or lien on the Pledged Borrower Obligations, if any or on any Funds pledged under the Resolution.

Other Financial Assistance [Section 2.09]

In connection with the issuance of any Series of Bonds under the Resolution, the State may provide or cause to be provided, Other Financial Assistance with respect to payment of obligations due under the Resolution, all as shall be provided for in the applicable Supplemental Resolution. The repayment of any Other Financial Assistance may be paid from the Debt Service Fund and shall be paid on a parity or subordinate basis with the payment of the Bonds, all as set forth in the applicable Supplemental Resolution.

Related Program Obligations [Section 2.10]

In connection with the furtherance of the Program, the State has entered into and may, in the future, enter into Related Program Obligations. The repayment of any Related Program Obligations may be paid from the Debt Service Fund and shall be paid on a parity or subordinate basis with the payment of the Bonds, all as set forth in the applicable Supplemental Resolution.

Events of Default [Section 12.01]

Each of the following events is declared and shall constitute an “event of default”:

- (a) If the State shall default in the payment of the principal or Redemption Price or Sinking Fund Installment for any Bond when and as the same shall become due, whether at maturity or upon call for redemption;
- (b) If the State shall default in the payment of any installment of interest on any Bonds; or
- (c) If the State shall fail or refuse to comply with the provisions of the State Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the Holders of not less than 25% in principal amount of Bonds Outstanding.

Remedies [Section 12.02 and 12.06]

Upon the happening and continuance of any event of default specified in paragraphs (a) or b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c) above, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the State to receive and collect Pledged Receipts, and other properties and to require the State to carry out any other covenant or agreement with Bondholders and to perform its duties under the State Act;
- (b) by bringing suit upon the Bonds;
- (c) by action or suit in equity, require the State to account as if it were the trustee of an express trust for the Holders of the Bonds; or
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

No Holder of any Bond shall have any right to institute any suit unless the Holders of 25% in principal amount of the Bonds then Outstanding shall have made written request to, and offered to indemnify, the Trustee and the Trustee shall not have complied with such request within a reasonable time.

Compensation of Trustee [Section 805]

The Trustee shall be entitled to reasonable fees and reimbursement by the State for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under the Resolution. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the State for all expenses and charges reasonably incurred by it in the performance of its duties under the Resolution.

Resignation of Trustee [Section 8.07]

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the State, specifying the date when such resignation shall take effect. Such resignation shall take effect immediately upon the appointment of a successor Trustee pursuant to the Resolution.

Removal of Trustee [Section 8.08]

The Trustee shall be removed by the State if at any time such removal is so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the State, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the State. The State may remove the Trustee with or without cause, at any time. Removal of the Trustee shall take effect upon the appointment of a successor Trustee in accordance with the Resolution.

Defeasance [Section 14.01]

If the State shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal or Redemption Price, if any, and interest to become due thereon, and the payments on Other Financial Assistance or Related Program Obligations, all at the times and in the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of the State to the Bondholders shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys or securities shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption on such Bonds on said date as provided in the Resolution and (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date

thereof, as the case may be. Neither Defeasance Securities or moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on such Bonds.

Modification and Amendment Without Consent [Section 10.01]

The State may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

- (1) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to specify and determine such matters and things referred to in Article II of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued paid or redeemed;
- (2) To add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;
- (3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the State which are not contrary to or inconsistent with the limitation and restrictions thereon theretofore in effect;
- (4) To surrender any right, power or privilege reserved to or conferred upon the State by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;
- (5) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Pledged Borrower Obligations and Pledged Receipts or of any other moneys, securities or funds;
- (6) To permit the issuance of Bonds in bearer form if authorized under the Resolution, including such provisions relating to payment, notices, selection of Bonds for redemption, and similar matters relating to bearer bonds in general;
- (7) To establish such additional funds and/or accounts or consolidate one or more funds and/or accounts, all as may be deemed necessary and proper to further the purposes of the Clean Water Fund program;
- (8) To modify or amend any of the provisions of the Resolution to conform with any changes required or permitted by the Acts, provided that such modifications or amendments do not materially adversely affect the Holders of Outstanding Bonds;
- (9) To modify any of the provisions of the Resolution to or any previously adopted Supplemental Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of

adoption of such Supplemental Resolution cease to be Outstanding, and all Bonds issued under such resolutions must contain a specific reference to the modifications contained in such subsequent resolutions; or

(10) To cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect.

Amendments [Section 11.01]

Other than modifications or amendments permitted as described immediately above, any modification or amendment of the Resolution and of the rights and obligations of the State and of the Holders of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of:

- (1) the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or
- (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given;

provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1101.

No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or Sinking Fund Installment therefor, or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or may reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

The terms and provisions of the Resolution and the rights and obligations of the State and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the State of a copy of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication will be required; provided, however, that no such modification or amendment will change or modify any of the rights or obligations of the Trustee or Paying Agents without the filing with the Trustee of his written assent thereto in addition to the consent of Bondholders.

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APPENDIX D

Summary of Certain Provisions of each Project Loan and Project Grant Agreement

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SUMMARY OF CERTAIN PROVISIONS OF EACH PROJECT LOAN AND PROJECT GRANT AGREEMENT

The Loan Agreement

Each Project Loan and Project Grant Agreement (hereinafter a “Loan Agreement”) is an entirely separate agreement but contains substantially the same terms and provisions as the other Loan Agreements. The following is a summary of certain terms of each Loan Agreement, and is qualified in its entirety by reference to the detailed provisions of each Loan Agreement. In the following summary of each Loan Agreement, references to “Municipality” and “Recipient” have the same meaning as the term “Borrower” under the Resolution and in the Official Statement. References to the Municipality or Recipient, as the case may be, and the Project refer to the Municipality or Recipient, as the case may be, and the Project relating to such Loan Agreement.

Loan Provisions

Loan Clauses. Subject to the conditions and in accordance with the terms of the Loan Agreement the State agrees to make the Project Loan and the Municipality or Recipient, as the case may be, agrees to accept the Project Loan from the State.

To the extent permitted by law the Municipality or Recipient, as the case may be, agrees to establish a dedicated source for repayment of the Project Loan satisfactory to the State and not inconsistent with the Federal Act. The Municipality or Recipient, as the case may be, shall issue a note in satisfaction of the above-stated requirement.

[Section 4.1]

The Municipality or Recipient, as the case may be, will issue and deliver one or more Project Loan Obligations to evidence its obligation to repay the Project Loan. The Project Loan Obligation shall bear interest at the rate of 2% per annum and shall be payable as to principal and interest (a), in equal monthly installments commencing one month after the Scheduled Completion Date, or (b) in a single annual installment representing 1/20 of total principal not later than one year from the Scheduled Completion Date and monthly installments thereafter and shall mature no later than twenty years from the Scheduled Completion Date.

[Section 4.3 and 4.5]

Prepayment by Municipality or Recipient, as the case may be. The Municipality or Recipient, as the case may be, may at any time prepay any Interim Funding Obligation or Project Loan Obligation in whole or in part together with accrued interest to the date of such prepayment on the principal amount prepaid. Prepayments of Interim Funding Obligations shall be applied against Project Loan Advances that have been outstanding the longest. Prepayments of Project Loan Obligations shall be applied to the principal of the Project Loan Obligation in inverse order of maturity of the installments of principal due thereon or in such other order as may be acceptable to the Municipality or Recipient, as the case may be, and the State. Prepayments of Project Loan Obligations shall be in whole multiples of \$5,000 only, provided that any installment less than \$5,000 shall be paid in such amount.

[Section 4.6]

Disbursement of Loan Proceeds. Prior to any disbursements, the Municipality or Recipient, as the case may be, must establish an Account with the State Tax Exempt Bond Fund. The Account is the sole

instrument by which the Municipality or Recipient, as the case may be, will receive its Project Grant and Project Loan proceeds from the State. Proceeds of the Project Loan and Project Grant shall be disbursed as an Advance and wired by the State to the Account upon the written request thereof from the Municipality or Recipient, as the case may be, to the State accompanied by evidence that such amounts have been incurred by or on behalf of the Municipality or Recipient, as the case may be, for the payment of Total Project Costs. Each such request from the Municipality or Recipient, as the case may be, shall indicate (a) the total amount of the costs incurred for the Project which have not been included in any prior Advance request, (b) the total amount of such costs which are Eligible Project Costs, (c) the total amount of such costs which are Grant Eligible Costs and the amount of Grant Eligible Costs related to nitrogen removal, (d) the amount of the Project Grant Advance, and (e) the amount of the Project Loan Advance.

The Municipality or Recipient, as the case may be, has covenanted to use the proceeds of the Project Loan solely to pay or reimburse itself for paying Eligible Project Costs. The Municipality or Recipient, as the case may be, shall promptly disburse, as applicable, the proceeds of such Project Loan after it receives notice that such proceeds have been deposited in its Account with the Tax Exempt Bond Fund.

[Sections 4.4 and 7.6]

Reimbursement of the State. If any Audit required by the Loan Agreement reveals that the actual Eligible Project Costs are less than the amount specified in such Loan Agreement, the Municipality or Recipient, as the case may be, shall, as soon as practicable, but not more than 90 days after the State notifies such Municipality or Recipient, as the case may be, in writing of the results of the Audit, repay the difference between the Project Loan received and the Project Loan it would have received if the Audited Eligible Project Costs figure had been used to calculate the Project Loan.

[Section 4.5]

Remedies. If an Event of Default, as defined in the Loan Agreement, shall occur and be continuing, then the State may declare by notice to the Municipality or Recipient, as the case may be, that the principal of and interest accrued on any outstanding Interim Funding Obligation and Project Loan Obligation is immediately due and payable, whereupon the same shall be due and payable immediately, without further notice or demand of any kind.

[Section 9.2]

The Project

Maintenance of Project. The Municipality or Recipient, as the case may be, will operate and maintain the Project properly after completion of construction, will own such Project and will comply with all existing statutes, rules and regulations applicable to the operation of the Project for the design life of the Project.

[Section 7.17]

Compliance with Law

The Municipality or Recipient, as the case may be, shall at all times comply with all applicable federal and State laws and regulations pertaining to the Project.

[Section 6.7]

Tax Compliance

The Municipality or Recipient, as the case may be, agrees and covenants that it shall take no action and permit no action to be taken that would adversely affect, and shall not fail to take any action

necessary to be taken in order to maintain, (1) the exclusion from gross income for federal income tax purposes of interest payable on the Bonds, or (2) the qualification of interest payable on the Bonds as not an item of tax preference under the Code for purposes of the alternative minimum tax imposed on individuals and corporations.

[Section 7.7]

Continuing Disclosure; Official Statement

The Municipality or Recipient, as the case may be, shall provide or cause to be provided to the State and/or directly to information repositories such annual financial information, operating data regarding the Project, audited financial statements and any other financial information as may be required by the State, in its sole judgment, to comply with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission in connection with issuance of Bonds. The obligation of the Municipality or Recipient, as the case may be, shall include the execution of a Continuing Disclosure Agreement and/or other certifications related to the Loan Agreement, in each case when requested by the State based on applicable requirements and materiality standards under the Rule.

Further, the Municipality or Recipient, as the case may be, agrees to provide to the State such information with respect to the Municipality or Recipient, as the case may be, as may be requested by the State for inclusion in an appendix to the State’s official statement or other offering documents relating to the offering and sale of Bonds.

[Section 7.17]

Amendments

Formal written amendment of the Loan Agreement is required for extensions to the final date of the Loan Agreement and to the terms and conditions specifically stated in the original Loan Agreement and prior Amendments including but not limited to: (1) revisions to the maximum allowable Eligible Project Costs, (2) revisions to the Project Budget in aggregate, or (3) any other revisions determined material by the State.

[Section 10.10]

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APPENDIX E

Definitions of Certain Terms

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The following definitions apply to summaries of the Loan Agreements and the Resolution and to the terms not otherwise defined in the Official Statement.

Accountant's Certificate--shall mean a certificate signed by a certified public accountant of a firm of independent certified public accountants of recognized standing selected by the State.

Acts --shall mean, collectively, the Federal Act and the State Act.

Audit--shall mean an accounting and certification of all Eligible Project Costs incurred in accordance with the approved plans and specifications pursuant to a Loan Agreement.

Authorized Officer--shall mean the Treasurer, any Deputy Treasurer of the State and any other person designated to the Trustee by such persons as an Authorized Officer.

Bond Counsel--shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State.

Bondholders or Holder of Bonds or Holder--(when used with reference to Bonds) or any terms of similar import, shall mean the Person who owns a Bond, provided that, the Person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

Bond Proceeds Fund shall mean the Bond Proceeds Fund established pursuant to the Resolution.

Debt Service Fund--shall mean the Debt Service Fund established pursuant to the Resolution.

Defeasance Security--shall mean

- (i) a Government Obligation, excluding obligations described in clause (iii) of this definition, but including the interest component of REFCORP bonds for which the separation of principal and interest is made by request of the Federal Reserve Bank of New York in book-entry form, that is not subject to redemption prior to maturity other than at the option of the holder thereof or that has been irrevocably called for redemption on a stated future date;
- (ii) if so provided by the State statutes, an Exempt Obligation (a) that is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (i) and (ii) above,

which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, and (c) that is rated in the highest rating category of a nationally recognized rating service;

- (iii) a bond, debenture, note, participation certificate or other obligation, is issued by federal land banks, the Federal National Mortgage Association, the federal home loan bank system, the federal intermediate credit banks, the Tennessee Valley Authority, public housing authorities and fully secured by payment of both principal and interest by a pledge of annual contributions under contracts with the United States of America, the United States Postal Service, banks for cooperatives and the Farmers Home Administration, or any other instrumentality of the United States of America that is permitted under the Act; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund; or
- (iv) if so provided by the State statutes, money markets secured by Government Obligations.

Earnings--shall mean all income or gain on moneys deposited in any of the Funds established by the Resolution, except for the Rebate Fund, including the amortization of premiums on each Interest Payment Date and the recognition of discounts at maturity.

Eligible Project Costs--shall mean the Total Project Costs determined by the Commissioner to be necessary and reasonable, minus Funds From Other Sources and the Local Share. The Eligible Project Costs may include the costs of all labor, materials, machinery and equipment, lands, property rights and easements, interest on Interim Funding Obligations, Project Loan Obligations and bond anticipation notes, including the costs of issuance thereof approved by the Commissioner, the costs of engineering reports/studies, plans and specifications, surveys or estimates of costs and revenues, engineering and legal services, auditing and administrative expenses, and all other expenses approved by the Commissioner, which are incident to all or part of the eligible Total Project Costs.

Exempt Obligation--shall mean pre-refunded municipal obligations.

Federal Act--shall mean the Federal Water Quality Act of 1987.

Fiduciary or Fiduciaries--shall mean the Trustee, and Paying Agent or any or all of them, as may be appropriate.

Fiscal Year--shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending the last day of the following June.

Funds from Other Sources--shall mean amounts contributed by the Borrower from any source whatsoever other than the Clean Water Fund for the purpose of paying the Municipality's share of Total Project Costs.

Government Obligation--shall mean (a) a direct obligation of, or an obligation the timely payment of the principal of and interest on which is guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage

Association or the Federal Farm Credit System, or in certificates of deposit or time deposits secured by such obligations, and (b) an obligation described in subsection (a) which has been stripped by the United States Department of the Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS”).

Interim Funding Obligation--shall mean any note issued by a Borrower in anticipation of a Project Loan Obligation.

Investment Obligations--shall mean:

- (i) bonds or obligations of, or guaranteed by, the State or the United States, or agencies or instrumentalities of the United States;
- (ii) certificates of deposit, commercial paper, savings accounts and bank acceptances in the obligations of any state of the United States or any political subdivision thereof or the obligations of any instrumentality, authority or agency of any state or political subdivision thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking, and applicable to such obligations;
- (iii) the obligations of any regional school district in the State, of any municipality in the State or any metropolitan district in the State, provided that at the time of investment such obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking, and applicable to such obligations;
- (iv) any fund in which a trustee may invest pursuant to Section 36a-353 of the Connecticut General Statutes;
- (v) investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking or whose short-term obligations are rated within the top rating category of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking;
- (vi) investment agreements rated within the top rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking;
- (vii) investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States;
- (viii) to the extent permitted by State statutes, (a) the Short Term Investment Fund of the State (“STIF”), (b) the Tax Exempt Bond Fund of the State (“TEPF”) or (c) interest-bearing time deposits, or other similar banking arrangements, the Trustee has established with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the

Federal Deposit Insurance Corporation; provided, that no moneys in such funds or accounts shall be so deposited as provided in (a), (b) or (c) above if such deposit would result in a decrease in the rating on the Bonds according to Standard & Poor's and Moody's Investors Service; provided further, that each such STIF deposit, TEPF deposit, interest-bearing time deposit or other similar banking arrangement shall permit the moneys so placed to be available for use at the times provided with respect to the investment or reinvestment of such moneys; and provided further, that all moneys in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or by the State, of a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.

- (ix) other investments permissible pursuant to Section 3-20 of the General Statutes of the State as such Section may be amended from time to time.

Memorandum of Agreement--shall mean the document which creates a cooperative relationship between the Treasurer and the DEP and delegates to the Treasurer certain responsibilities with respect to the implementation and management of the Program.

Notes--shall mean any bond anticipation notes issued by the State pursuant to the State Act for purposes of the State Revolving Fund General Revenue Bond Program.

Other Financial Assistance--shall mean any guaranty, credit support, credit enhancement, interest rate hedge agreement, interest rate lock agreement, interest rate exchange agreement, bond insurance or investment agreement entered into by the State with respect to one or more Series of Bonds.

Outstanding--when used with reference to Bonds, other than Bonds owned or held by or for the account of the State, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (a) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (b) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Bond Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (c) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Bond Resolution, and (iv) Bonds deemed to have been defeased as provided in the General Bond Resolution.

Outstanding Obligations--shall mean any outstanding obligations of the State that were issued pursuant to any authorization in furtherance of any of the purposes of the Program.

Payment Date--shall mean such date or dates as may be forth in a Supplemental Resolution.

Person or person--means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Borrower Obligations--shall mean any Borrower Obligations that are pledged to one or more Series of Bonds pursuant to applicable Supplemental Resolutions.

Pledged Fund--shall mean the Pledged Fund established pursuant to the Resolution.

Pledged Receipts--shall mean, the payments from Pledged Borrower Obligations.

Program--shall mean all of the State's revolving fund programs operated under the Federal Act, which consists of providing assistance in furtherance of the purposes set forth in the Acts, as each may from time to time be modified, amended or supplemented.

Project--shall mean the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of any project that may be eligible for financing by the State in furtherance of the Program.

Project Loan Obligation--shall mean a note or other obligation delivered by the Borrower to the State, to evidence the Borrower's obligation to repay the permanent financing of the Project Loan, made payable to the State for the benefit of the Clean Water Fund and containing such terms and conditions and being in such form as may be approved by the Commissioner.

Rebate Fund--shall mean the Rebate Fund established pursuant to the Resolution.

Record Date--shall mean, unless otherwise determined by a Supplemental Resolution for a Series of Bonds, the close of business on the fifteenth day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day.

Redemption Price--shall mean, with respect to any Bonds, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Supplemental Resolution pursuant to which such Bond was issued.

Related Program Obligations--shall mean any financial obligation entered into by the State in furtherance of the Program that may be legally payable from the Revolving Fund, and designated in a Supplemental Resolution to be paid from the Debt Service Fund.

Revolving Fund--shall mean collectively, (a) the State water pollution control revolving loan account within the Clean Water Fund established in accordance with Title VI of the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), as it may be amended from time to time, (b) the State drinking water federal revolving loan account within the Clean Water Fund established in accordance with the federal Safe Drinking Water Act (42 U.S.C. Section 300f et seq.,), as it may be amended from time to time, and (c) a similar account related to any expansion of the Program as a result of changes to the definition of Federal Act as described in the definition thereof.

Series or Bonds of a Series or words similar meaning--shall mean the series of Bonds authorized by a Supplemental Resolution and issued under the Resolution.

Sinking Fund Installment--shall mean, as of any particular date of calculation, (i) the amount required by the General Bond Resolution and the Supplemental Resolution to be deposited by the State for the retirement of bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Bond Resolution and the Supplemental Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

State Act--shall mean the Clean Water Fund Act, being Sections 22a – 475 to 22a – 483, inclusive, of the General Statutes of the State, as amended from time to time, together with any future State acts that may establish programs funded with federal grants or other federal funding, the programs which may be cross-collateralized with the Program and which the State has determined to so cross-collateralize.

Support Fund--shall mean the Support Fund established pursuant to the Resolution.

Support Requirement--shall mean, with respect to one or more Series of Bonds, the amount established from time to time by the State, as described in the applicable Supplemental Resolution.

Tax Exempt Bond Fund--shall mean the Tax Exempt Proceeds Fund Inc., created pursuant to Connecticut General Statutes Section 3-24a, as amended.

APPENDIX F

Form of Continuing Disclosure Agreements of the State and Municipalities

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FORM OF STATE CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State will agree, pursuant to a Continuing Disclosure Agreement for the 2013 Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the 2013 Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the 2013 Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (“Agreement”) is made as of the ____ day of February, 2013 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$124,935,000 State Revolving Fund General Revenue Bonds, 2013 Series A and \$37,235,000 State Revolving Fund Refunding General Revenue Bonds, 2013 Series B (collectively, the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the State dated February 6, 2013 prepared in connection with the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Obligated Person” means any borrower identified by the State pursuant to Section 2(a)(2)(iii) of this Agreement.

“Repository” means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2013) as follows:

(1) Financial statements of the State’s Clean Water Fund – State Revolving Fund and the Drinking Water Fund – State Revolving Fund, which statements shall be prepared in accordance with

generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State prepares the financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(2) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports: a list of Clean Water Fund and Drinking Water Fund borrowers indicating (i) amounts of loans outstanding and undrawn commitments (as of the end of the most recent fiscal years of the Clean Water Fund and Drinking Water Fund), (ii) expected additional loan commitments through the end of the next succeeding fiscal years of the Clean Water Fund and Drinking Water Fund, and (iii) any such borrower whose total Clean Water Fund and Drinking Water Fund loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State's State Revolving Fund General Revenue Bonds issued under the State's SRF Program to fund the State's Clean Water Fund and Drinking Water Fund Programs then outstanding.

(b) The State shall require borrowers entering into Clean Water Fund and Drinking Water Fund Project Loan and Project Grant Agreements to agree to enter into Continuing Disclosure Agreements in the event they become Obligated Persons. If the State receives notice that an Obligated Person has failed to provide annual financial information or operating data, the State shall use its best efforts to otherwise provide the continuing disclosure for such Obligated Person.

(c) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Clean Water Fund and Drinking Water Fund fiscal year currently ends on June 30.

(d) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(e) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The State agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;

- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the State;
- (m) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(c) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By: _____
Denise L. Nappier
Treasurer

FORM OF MUNICIPAL CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, each Borrower included in Appendix A of the Final Official Statement will agree, pursuant to a Municipal Continuing Disclosure Agreement for the 2013 Bonds to be executed by the Borrower substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, and (ii) timely notice of a failure of the Borrower to provide the required annual financial information on or before the date specified in the Municipal Continuing Disclosure Agreement for the 2013 Bonds.

Municipal Continuing Disclosure Agreement

This Municipal Continuing Disclosure Agreement (the “Agreement”) is made as of the ____ day of February, 2013 by the _____ (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$124,935,000 State of Connecticut (the “State”) State Revolving Fund General Revenue Bonds, 2013 Series A and \$37,235,000 State Revolving Fund Refunding General Revenue Bonds, 2013 Series B, dated February ____, 2013 (collectively, the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the State dated February 6, 2013 prepared in connection with the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Objective Criteria” means any Borrower whose total loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State’s State Revolving Fund Revenue Bonds issued under the State’s SRF Program to fund the State’s Clean Water Fund and Drinking Water Fund Programs then outstanding.

“Repository” means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending [June 30, 2013] [December 31, 2012]) as follows:

(i) Financial statements of the Borrower's general fund, special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and general fixed assets and general long-term obligations account groups, for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Borrower prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data relating to the Borrower contained in Appendix A of the Final Official Statement.

(b) The financial statements and other financial information and operating data described above will be provided on or before the eight months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on [June 30] [December 31].

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the Borrower.

(d) The Borrower reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the Borrower agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

(Not applicable to Borrower)

Section 4. Notice of Failure to Provide Annual Financial Information.

The Borrower agrees to provide or cause to be provided, in a timely manner, to each Repository and the State, notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

Section 6. Termination.

The obligations of the Borrower under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State determines that (A) the Borrower ceases to be an obligated person meeting the Objective Criteria with

respect to the Bonds within the meaning of the Rule and the State's Continuing Disclosure Agreement with respect to the Bonds and (B) all borrowers meeting the Objective Criteria have entered into Municipal Continuing Disclosure Agreements with respect to the Bonds.

Section 7. Enforcement.

The Borrower acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Borrower shall fail to perform its duties hereunder, the Borrower shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertaking set forth in Section 4 of this Agreement) from the time the Borrower's Comptroller/Treasurer/Authorized Official, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Borrower is _____

In the event the Borrower does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The Borrower expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Borrower may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Borrower, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

BORROWER

By _____
Authorized Officer

APPENDIX G

Book-Entry-Only System

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Book-Entry-Only System

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered Bond certificates will be issued for each maturity and interest rate of a given series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in

beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The State and the Underwriters take no responsibility for the accuracy thereof.

APPENDIX H

Proposed Form of Co-Bond Counsel Opinion

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PROPOSED FORM OF CO-BOND COUNSEL OPINION

Upon the issuance of the 2013 Bonds, Edwards Wildman Palmer LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Hartford, Connecticut, as Co-Bond Counsel, will deliver their Co-Bond Counsel Opinion in substantially the same form as set forth in this Appendix H.

[Date of Delivery]

Honorable Denise L. Nappier
Treasurer, State of Connecticut
Hartford, Connecticut

We have acted as co-bond counsel to the State of Connecticut (the "State") in connection with the issuance by the State of its \$124,935,000 State Revolving Fund General Revenue Bonds, 2013 Series A (the "2013A Bonds") and \$37,235,000 State Revolving Fund Refunding General Revenue Bonds, 2013 Series B (the "2013B Bonds" and, together with the 2013A Bonds, the "2013 Bonds"), dated the date hereof. In such capacity, we have examined the law, a certified copy of proceedings and other papers as we have deemed necessary to render this opinion.

The 2013 Bonds are authorized to be issued under and pursuant to the Constitution and laws of the State, particularly Sections 22a-475 to 22a-483, inclusive, as amended, of the General Statutes of Connecticut (the "Act") and by a resolution entitled "State Revolving Fund General Revenue Bond Program General Bond Resolution" adopted by the State Bond Commission on December 17, 2002, as supplemented (the "General Resolution"), a resolution adopted by the State Bond Commission on December 10, 2012, entitled "A Supplemental Resolution Authorizing the Issuance of \$150,000,000 State Revolving Fund General Revenue Bonds, 2013 Series A" (the "2013 Series A Supplemental Resolution") and a resolution adopted by the State Bond Commission on December 10, 2012 entitled "A Refunding Supplemental Resolution Authorizing the Issuance of \$100,000,000 State Revolving Fund Refunding General Revenue Bonds, 2013 Series B" (the "2013 Series B Supplemental Resolution" and, together with the 2013 Series A Supplemental Resolution and the General Resolution, the "Resolutions"). Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolutions.

As to questions of fact material to our opinion, we have relied upon representations and covenants of the State contained in the Resolutions and in the certified proceedings, and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Resolutions have been duly adopted by the State, are in full force and effect and are valid and binding against the State in accordance with their terms and no other authorizations for the Resolutions are required. The Resolutions create the valid pledge of and the valid lien upon the revenues or receipts, securities, funds or moneys held or set aside or to be set aside in the funds created by or pursuant to the Resolutions for the security of the 2013 Bonds, subject only to the provisions of the Resolutions permitting the application of amounts held

thereunder for the purposes and on the terms and conditions set forth in the Resolutions. Such lien is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

2. The 2013 Bonds have been duly authorized, executed and delivered by the State and constitute valid and binding special revenue obligations of the State, payable solely from Available Moneys in the Revolving Fund and the other sources provided therefor in the Resolutions.

3. The 2013 Bonds do not constitute a debt or liability of the State or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut, as amended, or a pledge of its full faith and credit or of its taxing power and are payable from the Available Moneys and funds provided therefor pursuant to the Resolutions and the Act.

4. Interest on the 2013 Bonds is excluded from the gross income of the owners of the 2013 Bonds for federal income tax purposes. Interest on the 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the 2013 Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to take all lawful action necessary under the Code to ensure that interest on the 2013 Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the 2013 Bonds to become included in such gross income. Failure by the State to comply with certain of such requirements may cause interest on the 2013 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the 2013 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the 2013 Bonds.

5. Interest on the 2013 Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2013 Bonds is included in gross income for purposes of the Connecticut corporation business tax. We express no opinion regarding any other Connecticut tax consequences arising with respect to the 2013 Bonds or any tax consequences arising with respect to the 2013 Bonds under the laws of any state other than Connecticut.

This opinion is expressed as of the date hereof and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the owners of the 2013 Bonds and the enforceability of the 2013 Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

