

**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 2011 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2011 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 2011 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 2011 Bonds. See "TAX EXEMPTION" herein.*

**\$182,935,000**  
**State of Connecticut**  
**State Revolving Fund General Revenue Bonds**  
**2011 Series A**

**Dated: Date of Delivery**

**Due: January 1, as shown on the inside cover page**

The proceeds of the State Revolving Fund General Revenue Bonds, 2011 Series A (the "2011 Bonds") will be used by the State of Connecticut (the "State") 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 2011 Bonds are payable solely from all moneys in the Revolving Fund, as defined herein, legally available for application to payments due under the Resolution ("Available Moneys"), ratably with any other Bonds issued pursuant to the State Revolving Fund General Revenue Bond Program General Bond Resolution adopted December 17, 2002, as supplemented (the "Resolution"). The 2011 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 2011 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 2011 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 2011 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 2011 Bonds will be payable on January 1 and July 1 of each year, commencing on July 1, 2011. The 2011 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 2011 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 "DESCRIPTION OF THE 2011 BONDS – Book-Entry-Only System."

The 2011 Bonds will be subject to redemption prior to maturity as described herein.

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*See inside front cover page for maturities, amounts, interest rates and yields.*  
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The 2011 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 2011 Bonds by Edwards Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC, Hartford, Connecticut, Underwriters' Counsel. It is expected that the 2011 Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about March 24, 2011.

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

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**Ramirez & Co., Inc.**

**Goldman Sachs**  
**BofA Merrill Lynch**  
**Belle Haven Investments, L.P.**  
**Morgan Keegan**  
**Rice Financial Products Company**  
**Wells Fargo Bank, National Association**

**Citi**  
**Morgan Stanley**  
**Roosevelt & Cross, Inc.**

**Jackson Securities**  
**M. R. Beal & Company**  
**J.P. Morgan**  
**RBC Capital Markets**  
**Siebert Brandford Shank & Co., L.L.C.**  
**William Blair & Company**

**\$182,935,000**  
**State of Connecticut**  
**State Revolving Fund General Revenue Bonds**  
**2011 Series A**

**2011 Series A Maturity Schedule**  
**Base CUSIP Number: 207737**

<u>Maturity</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u>
2012	\$6,000,000	1.000%	0.32 %	HG5
2013	3,000,000	3.500	0.66	HH3
2014	6,000,000	3.000	1.00	HJ9
2015	2,000,000	3.250	1.45	HK6
2015	9,935,000	4.000	1.45	HZ3
2016	4,285,000	3.000	1.76	HL4
2016	10,785,000	4.000	1.76	JA6
2017	14,925,000	4.000	2.09	HM2
2017	7,595,000	5.000	2.09	JB4
2018	7,160,000	3.500	2.40	HN0
2018	4,715,000	4.000	2.40	JG3
2018	8,220,000	5.000	2.40	JC2
2019	7,500,000	4.000	2.65	HP5
2019	8,710,000	5.000	2.65	JD0
2020	2,180,000	3.500	2.88	HQ3
2020	2,730,000	4.250	2.88	JH1
2020	18,915,000	5.000	2.88	JE8
2021	5,750,000	4.000	3.06	HR1
2021	6,690,000	5.000	3.06	JF5
2022	2,885,000	3.300	3.32	HS9
2022	10,905,000	5.000	3.24 c	JJ7
2023	750,000	3.500	3.55	HT7
2023	9,645,000	5.000	3.42 c	JK4
2024	340,000	3.700	3.73	HU4
2024	8,795,000	5.000	3.59 c	JL2
2025	425,000	3.750	3.89	HV2
2026	4,315,000	4.000	4.00	HW0
2027	4,175,000	4.000	4.07	HX8
2028	3,605,000	4.125	4.16	HY6

c Priced to first optional call date of January 1, 2021.

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 2011 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 2011 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 2011 Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the 2011 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 2011 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 OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 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: \$182,935,000 State of Connecticut State Revolving Fund General Revenue Bonds, 2011 Series A (the “2011 Bonds”)
- Dated Date: Date of Issuance
- Interest Date: January 1 and July 1, commencing July 1, 2011
- Principal Due: As detailed on the inside cover page of this Official Statement.
- Redemption: The 2011 Bonds or portions thereof may be called for optional redemption and payment prior to maturity on January 1, 2021, 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 2011 BONDS – Redemption” herein.
- Authorization: The State will issue the 2011 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 the Bonds. See “AUTHORIZATION FOR THE BONDS.”
- Security: The 2011 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 2011 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 Bonds.
- Credit Rating: The Bonds are rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s Investors Service and “AAA” by Fitch, 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 2011 Bonds are being issued to make Loans to Borrowers under the SRF Programs pursuant to the Resolution and to pay costs of issuance of the 2011 Bonds. See "THE BORROWERS" 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 2011 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 2011 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.

**Paying Agent:** U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor, Hartford, CT 06103.

**Book-Entry Form:** The 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 "DESCRIPTION OF THE 2011 BONDS – 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

**\$182,935,000**  
**State of Connecticut**  
**State Revolving Fund General Revenue Bonds**  
**2011 Series A**

### 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 2011 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 \$182,935,000 aggregate principal amount of State Revolving Fund General Revenue Bonds, 2011 Series A (the “**2011 Bonds**”) being issued by the State of Connecticut (the “**State**”). The 2011 Bonds, together with any bonds heretofore or hereafter issued under the General Bond Resolution described below, are collectively referred to herein as the “**Bonds**.”

#### **General Bond Resolution**

The 2011 Bonds represent the tenth 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 account related to any expansion of the SRF Programs (the “**Revolving Fund**”). Debt service on the Bonds, including the 2011 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 Support Fund and the Debt Service 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 2011 Bonds**

The proceeds of the 2011 Bonds will be used 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 to pay costs of issuance of the 2011 Bonds. See “**PLAN OF FINANCE**” herein. Upon the issuance of the 2011 Bonds and the defeasance of \$34,415,000 of 2003 Series A Bonds, Bonds issued under the Resolution will be outstanding in the aggregate principal amount of \$935,025,000.

## **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 2011 Bonds, the Loans and Borrowers whose Loans, including current and anticipated Loan commitments through June 30, 2012, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds, including the 2011 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, 2009, and June 30, 2010. **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 issuance of the 2011 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 2011 Bonds. **Appendix G** contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the 2011 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 Environmental Protection (“**DEP**”), 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 Programs were 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 DEP 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, includes 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 Clean Water Program and \$19.5 million for the Drinking Water Program. The State has committed all of its ARRA funds as required by ARRA.

### **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 program 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 used to fund administrative costs.

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

Federal wastewater capitalization grants for federal fiscal years 1987 through 2010 in the amount of \$452,600,000 have been awarded by the EPA to the State, including 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.

### ***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 program 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 30% of Federal FY 2010 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 subsidy to Borrowers and to secure program bonds. Such amounts are held by the Trustee and pledged to secure such program 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 2010 in the amount of \$130,488,089 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 in the form of taxable State general obligation bonds. The federal drinking water capitalization grants and State Contributions have been used to make Loans, to fund reserves, to make direct loans to private Borrowers, to pay administrative costs and other set-aside activities.

### ***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 DEP 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 ENVIRONMENTAL PROTECTION” and “STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH” herein.

### **Program Bonds Authorized and Issued**

Through Fiscal Year 2011, the State General Assembly has authorized the issuance of \$1,953,400,000 of revenue bonds for State Revolving Fund purposes. The State has issued \$1,287,155,000 of program bonds, including refunding bonds which do not count against the authorization amount. The State’s outstanding program bonds consist only of Bonds issued under the new State Revolving Fund General Revenue Bond Resolution, including the 2011 Bonds. Upon the issuance of the 2011 Bonds and the defeasance of \$34,415,000 of 2003 Series A Bonds, Bonds issued under the Resolution will be outstanding in the aggregate principal amount of \$935,025,000.

#### ***State General Obligation Bonds***

Through Fiscal Year 2011, the State General Assembly has authorized the issuance of \$1,041,025,976 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 2011 Bonds**

Debt service on the Bonds, including the 2011 Bonds, will be paid from Available Moneys and amounts on deposit in the Debt Service Fund, the Bond Proceeds 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 Debt Service Fund, the Bond Proceeds 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, 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 2011 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 2011 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 2011 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 2011 Bonds. See “SECURITY FOR THE BONDS” for additional information relating to the security for the Bonds.

## PLAN OF FINANCE

The 2011 Bonds will be issued to provide additional new money for Loans to Borrowers and to reimburse the State for amounts previously advanced to fund Loans and to pay costs of issuance of the 2011 Bonds. In addition, as part of the SRF Program's ongoing goal of minimizing the overall cost of financing, the State will utilize a portion of Available Moneys to establish an escrow fund to defease \$34,415,000 of the 2003 Series A Bonds. Establishment of the escrow for these Bonds is expected to occur simultaneously with the issuance of the 2011 Bonds.

*Deposit to Support Fund.* Upon issuance of the 2011 Bonds, approximately \$26 million will be deposited into the Support Fund from Available Moneys in the Revolving Fund. See "SOURCES AND USES OF FUNDS" herein. Amounts deposited in the Support Fund in connection with the issuance of the 2011 Bonds are expected to be invested in Investment Obligations. See "SECURITY FOR THE BONDS – Investment of Funds."

### 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 and DEP have entered into a Memorandum of Agreement pertaining to the management of the SRF Programs. The Memorandum of Agreement delegates 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 activities of the Financial Administrator are coordinated with those of DEP 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, DEP, the Treasurer and the Department of Public Utility Control ("DPUC") 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 DPUC has programmatic and fiscal input on Drinking Water Program projects for DPUC regulated privately owned public drinking water utilities. The DPUC has no rate-making authority with respect to municipal Borrowers.

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.

**STATE OF CONNECTICUT  
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

DEP 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 DEP certain statutory responsibilities with respect to the SRF Program (“**DEP Priority List**”). DEP 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.

DEP, as the recipient of the federal 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. DEP prepares and submits an annual report detailing its activities to the EPA.

DEP annually prepares the Priority List of eligible water quality projects identifying wastewater treatment projects that are eligible for assistance from the Wastewater Program. In addition to determining project eligibility, DEP approves disbursement requests for construction costs incurred by Borrowers who receive financial assistance from the Wastewater Program. DEP also inspects projects to monitor compliance with approved plans and specifications therefor. DEP 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. DPH is also 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 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 a biannual 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 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 DEP'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 DEP 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 DEP/DPH and complies with regulatory and statutory requirements; (2) project administration, which determines if the project is eligible 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. DEP 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 DEP 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 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 (a) a legal, valid and binding general obligation for which the full faith and credit of the Borrower is pledged, (b) a legal, valid and binding revenue obligation for which a dedicated source of revenue of that Borrower is pledged and/or (c) 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 this offering, 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 (a) 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 (b) 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, as such Borrowers incur Project costs. Borrowers in addition to the ones listed below, subject to State Bond Commission approval, may receive Loans from Program 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 amount lent thereunder. Borrowers may or may not have credit ratings from one or more nationally recognized rating agencies on their municipal debt.

Table 1 below lists, as of January 31, 2011 (i) Borrowers with outstanding Loans under the SRF Programs and (ii) Borrowers who have undrawn Loan commitments or are expected to receive Loan commitments through June 30, 2012, 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 January 31, 2011,  
and Expected Additional Commitments through June 30, 2012**

**Table 1**

<b>Loan</b>	<b>Total IFO/PLO as of 01/31/11 <sup>(1)</sup></b>	<b>Undrawn Loan Commitments <sup>(2)</sup></b>	<b>Commitments Through 6/30/12 <sup>(3)</sup></b>	<b>Total Commitments <sup>(4)</sup></b>
Ansonia	\$36,727,307.92	\$4,152,962.43	\$ 0.00	\$40,880,270.35
Aquarion Water (BHC)	212,177.94	0.00	0.00	212,177.94
Bethel	1,199,917.24	0.00	500,000.00	1,699,917.24
Bolton Lake RWPCA	2,447,469.14	4,720,213.76	0.00	7,167,682.90
Branford	19,851,999.92	0.00	0.00	19,851,999.92
Bridgeport	45,479,979.98	5,712,496.54	3,880,000.00	55,072,476.52
Bristol	3,472,326.91	0.00	0.00	3,472,326.91
Brookfield	4,661,769.37	315,988.60	0.00	4,977,757.97
Brooklyn	11,958.12	0.00	0.00	11,958.12
Burlington	2,500,665.87	0.00	0.00	2,500,665.87
Canaan F.D.	28,321.56	0.00	0.00	28,321.56
Candlewood Trails Assoc.	0.00	0.00	526,290.00	526,290.00
Canton	1,525,364.09	0.00	0.00	1,525,364.09
Cheshire	6,895,856.60	0.00	0.00	6,895,856.60
Chester	1,055,326.79	0.00	0.00	1,055,326.79
Colchester	2,217,586.66	0.00	0.00	2,217,586.66
Cook Willow	437,421.12	1,072.76	0.00	438,493.88
Coventry	7,710,308.35	0.00	0.00	7,710,308.35
Crystal Lake	228,101.77	0.00	0.00	228,101.77
CTWC Gallup Water Service	99,914.19	8,437.81	0.00	108,352.00
Danbury	8,670,850.06	0.00	0.00	8,670,850.06
Darien	483,637.18	0.00	0.00	483,637.18
Deep River	2,678,448.73	0.00	0.00	2,678,448.73
Derby	1,085,691.00	0.00	0.00	1,085,691.00
East Haddam	451,973.64	0.00	0.00	451,973.64
East Hampton	403,518.71	0.00	2,693,460.00	3,096,978.71

(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 anticipated Loans 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 January 31, 2011, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2012. Total Commitments does not reflect projected amortization through June 30, 2012, of Loans Outstanding.

(5) Totals may not add due to rounding.

<b>Loan</b>	<b>Total IFO/PLO as of 01/31/11 <sup>(1)</sup></b>	<b>Undrawn Loan Commitments <sup>(2)</sup></b>	<b>Commitments Through 6/30/12 <sup>(3)</sup></b>	<b>Total Commitments <sup>(4)</sup></b>
East Lyme	\$ 1,873,124.51	\$45,874.24	\$8,753,258.00	\$10,672,256.75
East Windsor	3,189,485.28	0.00	0.00	3,189,485.28
Essex	8,453.35	0.00	0.00	8,453.35
Fairfield	19,799,114.23	0.00	0.00	19,799,114.23
Farmington	3,489,426.13	0.00	0.00	3,489,426.13
Glastonbury	21,989,582.19	0.00	1,711,961.43	0.00
Gr.New Haven WPCA	29,875,718.85	0.00	11,072,703.10	0.00
Greenwich	11,031,615.08	0.00	0.00	0.00
Groton	11,496,880.83	0.00	1,570,593.88	0.00
Haddam	0.00	0.00	0.00	0.00
Harrybrook Park Condo	126,362.88	0.00	0.00	0.00
Hartford	1,623,244.00	0.00	0.00	0.00
Hebron	1,290,808.59	0.00	0.00	0.00
Hillside Water Corp	102,575.71	0.00	0.00	0.00
Jewett City	5,090,221.03	0.00	0.00	5,090,221.03
Ledyard	3,404,329.05	0.00	0.00	3,404,329.05
Litchfield	3,598,965.66	0.00	0.00	3,598,965.66
Manchester	0.00	290,340.00	0.00	290,340.00
Marlborough	8,764,362.05	0.00	0.00	8,764,362.05
Mattabasset	3,081,119.17	881,895.83	0.00	3,963,015.00
MDC	110,806,124.96	77,810,226.35	58,584,000.00	247,200,351.31
Meriden	35,213,211.10	2,004,839.44	0.00	37,218,050.54
Middlebury	104,628.69	0.00	0.00	104,628.69
Middlefield	1,781,900.36	0.00	0.00	1,781,900.36
Middletown	7,230,415.17	0.00	0.00	7,230,415.17
Milford	42,236,930.29	0.00	0.00	42,236,930.29
Naugatuck	1,112,588.80	0.00	0.00	1,112,588.80
New Britain	26,255,041.28	0.00	0.00	26,255,041.28
New Canaan	5,765,591.59	0.00	0.00	5,765,591.59
New Hartford	0.00	0.00	1,047,018.00	1,047,018.00
New London	3,592,285.65	0.00	0.00	3,592,285.65
New Milford	5,227,115.52	19,744,482.00	0.00	24,971,597.52
Newtown	8,128,155.64	0.00	0.00	8,128,155.64
North Branford	961,940.18	0.00	0.00	961,940.18
North Haven	1,628,737.66	0.00	0.00	1,628,737.66
Norwalk	35,769,199.99	12,538,209.13	42,000,000.00	90,307,409.12
Norwich	4,766,299.57	2,717,172.08	15,626,775.00	23,110,246.65
Plainfield	1,035,154.40	0.00	0.00	1,035,154.40
Plainville	20,230,576.98	0.00	0.00	20,230,576.98
Plymouth	650,635.25	0.00	0.00	650,635.25
Point- o-Woods	8,449,893.48	0.00	0.00	8,449,893.48
Portland	4,043,294.18	260,229.12	1,542,500.00	5,846,023.30
Putnam Water Pollution Control	903,908.90	171,362.10	0.00	1,075,271.00
Redding	387,517.24	0.00	0.00	387,517.24
Ridgefield	1,154,975.03	620,688.00	0.00	1,775,663.03
Second Taxing District- City of Norwalk	22,198,308.47	0.00	0.00	22,198,308.47

(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 anticipated Loans 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 January 31, 2011, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2012. Total Commitments does not reflect projected amortization through June 30, 2012, of Loans Outstanding.

(5) Totals may not add due to rounding.

<b>Loan</b>	<b>Total IFO/PLO as of 01/31/11 <sup>(1)</sup></b>	<b>Undrawn Loan Commitments <sup>(2)</sup></b>	<b>Commitments Through 6/30/12 <sup>(3)</sup></b>	<b>Total Commitments <sup>(4)</sup></b>
Seymour	\$ 1,627,587.02	\$ 0.00	\$ 0.00	\$ 1,627,587.02
Sharon	1,450,204.35	0.00	0.00	1,450,204.35
Shelton	17,102,329.06	0.00	0.00	17,102,329.06
Simsbury	17,919,753.07	0.00	0.00	17,919,753.07
South Windsor	21,293,228.08	9,098,163.46	0.00	30,391,391.54
Southington	14,308,028.52	1,510,417.14	0.00	15,818,445.66
Sprague	21,156.45	0.00	0.00	21,156.45
Stafford	127,111.45	0.00	0.00	127,111.45
Stamford	58,547,555.89	0.00	0.00	58,547,555.89
Stonington	1,127,170.17	0.00	0.00	1,127,170.17
Stratford	45,918,757.25	0.00	0.00	45,918,757.25
Suffield	408,714.43	0.00	0.00	408,714.43
Thomaston	5,391,133.11	0.00	0.00	5,391,133.11
Torrington	\$3,382,985.81	121,064.24	0.00	3,504,050.05
Twin Hills	104,555.31	0.00	0.00	104,555.31
Vernon	9,329,809.06	0.00	0.00	9,329,809.06
Wallingford	1,454,066.12	0.00	0.00	1,454,066.12
Waterbury	57,094,196.30	0.00	484,950.00	57,579,146.30
Watertown Fire District	767,140.54	0.00	0.00	767,140.54
West Haven	23,449,030.45	15,921,241.69	0.00	39,370,272.14
Westport	25,414,548.90	0.00	0.00	25,414,548.90
Winchester	532,893.23	0.00	0.00	532,893.23
Windham	12,954,242.80	3,421,911.66	0.00	16,376,154.46
Windsor Locks	1,045,656.39	0.00	0.00	1,045,656.39
Woodlake Tax District	551,366.61	47,278.01	0.00	598,644.62
Woodstock	430,932.82	0.00	0.00	430,932.82

(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.

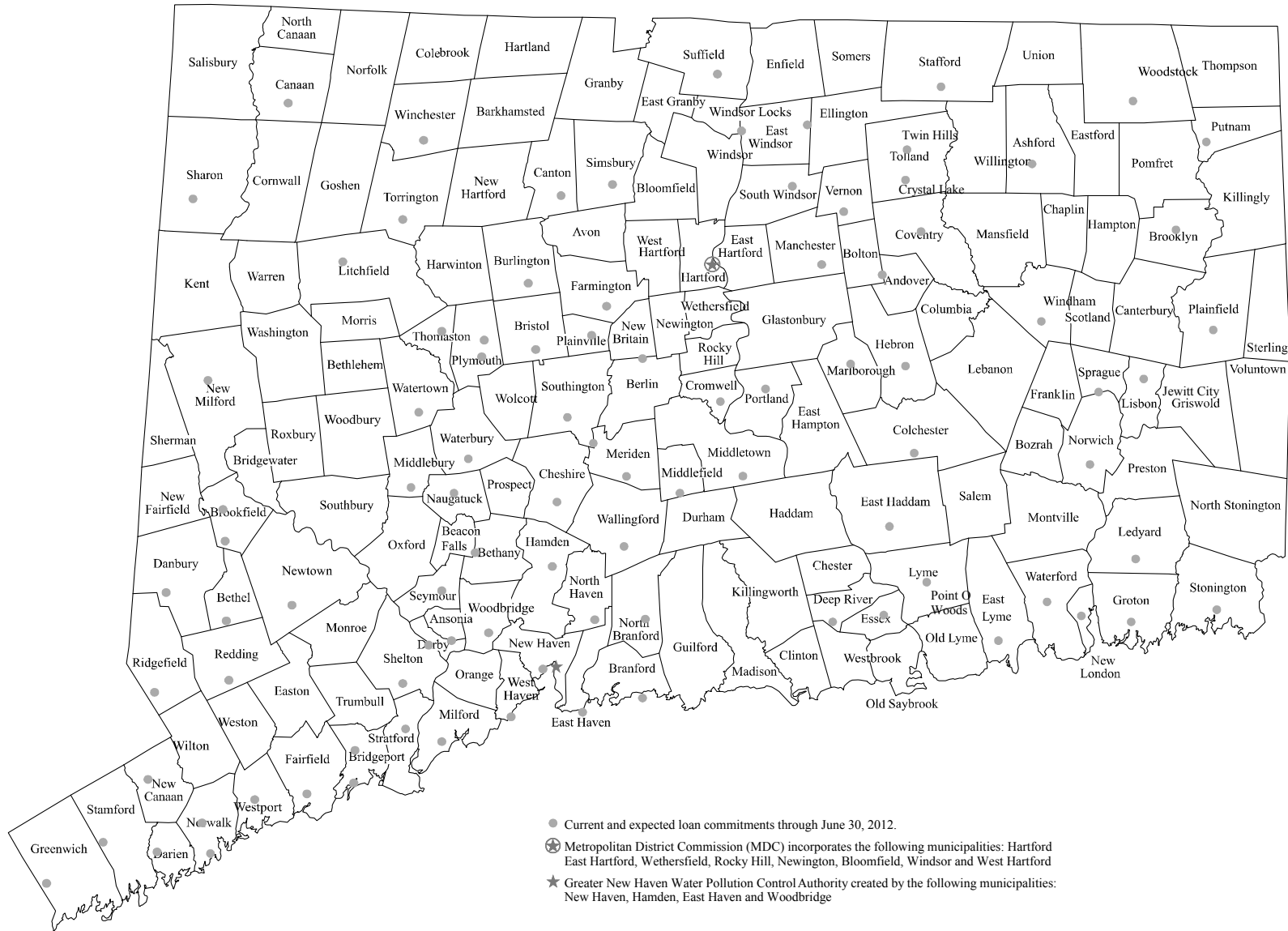
(3) Consists of anticipated Loans for which no Loan Agreement has yet been executed, to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative and State Bond Commission authorization, additional Bond proceeds. Certain of the anticipated Loans also will require State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

(4) Total Commitments is the sum of Loans Outstanding as of January 31, 2011, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2012. Total Commitments does not reflect projected amortization through June 30, 2012, of Loans Outstanding.

(5) Totals may not add due to rounding.

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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 June 30, 2012, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2011 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 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 January 31, 2011. See “STATE OF CONNECTICUT CLEAN WATER FUND” herein.

**Assets and Debt in Revolving Fund<sup>1</sup>**  
**Table 2**

<u>Assets</u>	
Loans <sup>2</sup>	\$ 968,380,253
Cash and Investments <sup>3</sup>	523,599,128 <sup>4</sup>
State General Obligation Bonds	<u>25,333,489</u>
Total Assets	<u>\$1,517,312,870</u>
 <u>Debt</u>	
Bonds Outstanding under the Resolution	<u>\$ 786,505,000</u>
Total Debt	<u>\$ 786,505,000</u>

<sup>1</sup> Assets exclude proceeds of the 2011 Bonds. Debt excludes the 2011 Bonds.

<sup>2</sup> Loans include amounts loaned to Borrowers from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2011 Bonds.

<sup>3</sup> 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.

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

## SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2011 Bonds and SRF Programs Available Moneys will be used as follows:

<b>Sources</b>	
Principal Amount of 2011 Bonds	\$182,935,000
Net Original Issue Premium	18,884,721
Revolving Fund Available Moneys	<u>26,195,279</u>
Total Sources	\$228,015,000
<b>Uses</b>	
Available for Loans <sup>1</sup>	\$200,000,000
Underwriters' Discount and Costs of Issuance	1,819,721
Deposit to Support Fund	<u>26,195,279</u>
Total Uses	\$228,015,000

- (1) Includes Wastewater and Drinking Water Program Loans to Borrowers funded from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2011 Bonds.

## SECURITY FOR THE BONDS

### Special Obligation

Debt service on the 2011 Bonds is expected to be paid from Available Moneys, including pledged amounts in the Support Fund, the Bond Proceeds Fund and the Debt Service 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 (a) a legal, valid and binding general obligation for which the full faith and credit of the Borrower is pledged, (b) a legal, valid and binding revenue obligation for which a dedicated source of revenue of that Borrower is pledged and/or (c) 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 2011 Bonds will be deposited into the Bond Proceeds Fund as specified and determined by the Supplemental Resolution. 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 a 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 2011 Bonds, the State will purchase Investment Obligations for the investment of the net proceeds of the 2011 Bonds and amounts to be deposited in the Support Fund and the Debt Service Fund in connection with the issuance of the 2011 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 other general 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 that are pledged to one or more Series of Bonds 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 2011 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 2011 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 2011 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 2011 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 2011 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 Public Works 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 2011 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 2011 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 2011 BONDS**

### **2011 Bonds**

***Interest and Principal Payment Dates, Places and Payees.*** The 2011 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, 2011, and will mature on January 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 2011 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 2011 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 2011 Bonds. As long as the 2011 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 2011 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 2011 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 2011 Bonds. The 2011 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 2011 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 2011 Bonds of the same series, maturity and rate of any other authorized denominations. For every exchange or transfer of the 2011 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 2011 Bonds.** The 2011 Bonds maturing on or after January 1, 2022, will be subject to redemption in whole or in part at any time, at the option of the State, from any moneys available therefor on and after January 1, 2021, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the redemption date.

**Selection of Bonds to be Redeemed.** If less than all of the 2011 Bonds of a particular maturity are redeemed, the 2011 Bonds of such maturity to be redeemed will be selected by lot by the Trustee. The 2011 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 2011 Bonds are being held by DTC under the book-entry-only system and less than all of such 2011 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 2011 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 2011 Bonds, or portions thereof, so called, but the failure to mail such notice with respect to any particular 2011 Bonds will not affect the validity of such call for redemption of any 2011 Bonds with respect to which no such failure has occurred. All 2011 Bonds called for redemption will cease to bear interest on the specified redemption date, provided that funds sufficient for the redemption of such 2011 Bonds in accordance with the Resolution are on deposit with the Trustee. If such moneys are not available on the redemption date, the 2011 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 2011 Bonds called for redemption at the place or places of payment, such 2011 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 2011 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.

## **Book-Entry-Only System**

The Bonds are available in book-entry only form and beneficial ownership interests therein for the 2011 Bonds may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the State believes to be reliable. However, the State takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 fully registered Bond will be issued for each maturity of each issue of the Bonds, each in the aggregate principal amount of such maturity of the Bonds 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, as amended. 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 Standard & Poor’s highest rating: AAA. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 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 (the “**Beneficial Owner**”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations 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 the 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.

NEITHER THE STATE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 the Bonds and redemption proceeds 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 Trustee on 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 Direct Participant and not of DTC, the Trustee 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 proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, 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 Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The State may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be printed and delivered to DTC.

THE STATE, THE TRUSTEE AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2011 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

The State, the Trustee and the Paying Agent cannot and do not give any assurances that DTC will distribute payments on the 2011 Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

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## SCHEDULE OF DEBT SERVICE ON PROGRAM BONDS AND 2011 BONDS

The following table sets forth debt service on the program Bonds and the 2011 Bonds:

<b>Fiscal Year Ending June 30</b>	<b>Debt Service on Outstanding Bonds<sup>1</sup></b>	<b>2011 Series A Bonds</b>		<b>Total Debt Service<sup>1</sup></b>
		<b>Principal</b>	<b>Interest</b>	
2011	\$ 49,784,564			\$ 49,784,564
2012	100,992,491	\$ 6,000,000	\$ 5,953,887	112,946,378
2013	100,991,464	3,000,000	7,677,904	111,669,368
2014	92,677,731	6,000,000	7,572,904	106,250,635
2015	87,838,176	11,935,000	7,392,904	107,166,080
2016	82,416,558	15,070,000	6,930,504	104,417,062
2017	55,981,480	22,520,000	6,370,554	84,872,034
2018	55,216,228	20,095,000	5,393,804	80,705,031
2019	45,612,841	16,210,000	4,543,604	66,366,445
2020	46,548,150	23,825,000	3,808,104	74,181,254
2021	46,561,665	12,440,000	2,670,029	61,671,694
2022	48,559,328	13,790,000	2,105,529	64,454,857
2023	44,821,653	10,395,000	1,465,074	56,681,727
2024	39,617,395	9,135,000	956,574	49,708,969
2025	37,014,183	425,000	504,244	37,943,426
2026	32,129,608	4,315,000	488,306	36,932,914
2027	16,570,331	4,175,000	315,706	21,061,038
2028	6,321,475	3,605,000	148,706	10,075,181

<sup>1</sup> Excludes debt service on a portion of the 2003 Series A Bonds, which will be defeased simultaneously with the issuance of the 2011 Bonds. An irrevocable escrow account will be established on the date of the closing of the 2011 Bonds to redeem \$34,415,000 aggregate principal amount of the 2003 Series A Bonds.

### ABSENCE OF LITIGATION

Upon delivery of the 2011 Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2011 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 2011 Bonds, or in any way contesting or affecting the validity or enforceability of the 2011 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 2011 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 2011 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 2011 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. The Borrower will further covenant to inform the State of any subsequent, relevant controversy or litigation which arises after the date of their certification.

### **LEGALITY FOR INVESTMENT**

Under the provisions of the State Act, the 2011 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 2011 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 2011 Bonds and with regard to the status of the interest thereon, are subject to the legal opinion of Edwards Angell Palmer & Dodge LLP, Hartford Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, Co-Bond Counsel. Signed copies of the opinion, dated and speaking only as of the date of original delivery of the 2011 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 G** to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC, 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 Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, Co-Bond Counsel, represent certain of the Underwriters in other financings, but are not representing the Underwriters in connection with the issuance of the 2011 Bonds. Pullman & Comley, LLC, 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 Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, 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 2011 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 2011 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 2011 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 2011 Bonds. Failure to comply with these requirements may result in interest on the 2011 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2011 Bonds. The State has covenanted to comply with such requirements to ensure that interest on the 2011 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 2011 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 2011 Bonds. Prospective Bondholders should be aware, however, that the interest on the 2011 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 2011 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 G** hereto.

To the extent the issue price of any maturity of the 2011 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 2011 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 2011 Bonds is the first price at which a substantial amount of such maturity of the 2011 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 2011 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 Bond Resolution, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2011 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 2011 Bonds may adversely affect the value of, or the tax status of interest on, the 2011 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 2011 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 2011 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 2011 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 2011 Bonds for the benefit of the beneficial owners of the 2011 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 2011 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”) also will enter into separate Borrower Continuing Disclosure Agreements with respect to the 2011 Bonds for the benefit of the beneficial owners of the 2011 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, except with respect to certain of the State's financial statements and certain operating data. While the State complied with its disclosure obligations for the Clean Water Fund financial statements, the State failed to make a timely submission to the NRMSIRs by February 28, 2007, of the audit of its financial statements on a GAAP basis for the fiscal year ending June 30, 2006, as required under the State's various continuing disclosure agreements, in connection with certain of its prior bond issues. The State experienced delays in completing its financial statements due to implementation of a new financial management software system, which resulted in delays in completing its audits. On February 28, 2007, the State filed certain operating data, audited budgetary basis financial statements and unaudited GAAP basis financial statements, each for the fiscal year ending June 30, 2006. On May 4, 2007, the State filed its audited financial statements on a GAAP basis for the fiscal year ending June 30, 2006. The State complied with its annual information filing requirements for the fiscal years ended June 30, 2007, June 30, 2008, June 30, 2009, and June 30, 2010.

The Underwriters' obligation to purchase the 2011 Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2011 Bonds, executed copies of the State Continuing Disclosure Agreement and each Borrower Continuing Disclosure Agreement.

## **UNDERWRITING**

The aggregate initial offering price of the 2011 Bonds to the public is \$201,819,720.95, and Samuel A. Ramirez & Co., Inc. as representative of the Underwriters for the 2011 Bonds, has agreed, subject to certain conditions precedent to closing, to purchase the 2011 Bonds from the State at an aggregate purchase price of \$200,801,664.30 (consisting of \$182,935,000 par amount, plus net premium of \$18,884,720.95 less the Underwriters' fee of \$1,018,056.65). The Underwriters will be obligated to purchase all of the 2011 Bonds, if any 2011 Bonds are purchased. The 2011 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 2011 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.

*The following paragraph has been provided by the underwriters named therein. The State takes no responsibility as to the accuracy or completeness thereof.*

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Bonds.

## **RATINGS**

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. have assigned their municipal bond ratings of "Aaa," "AAA" and "AAA," respectively, to the 2011 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 2011 Bonds.

## **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 2011 Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2011 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, 2010, and the reports thereon dated September 15, 2010, and September 16, 2010, 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 2011 Bonds.

STATE OF CONNECTICUT

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

Dated at Hartford, Connecticut  
this 16<sup>th</sup> day of March, 2011

## **APPENDIX A**

### **Borrower Information**

#### **Part I: General Information**

#### **Part II: Specific Borrower Information**

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## **APPENDIX A BORROWER INFORMATION**

### **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. Effective with October 1, 1997 grand lists, Municipalities must revalue all real estate every fifth year. Effective October 1, 2006, a field review of real property must be made at any time up to October 1, 2011, and thereafter no later than 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

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\*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 June 30, 2012, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2011 Bonds.

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.

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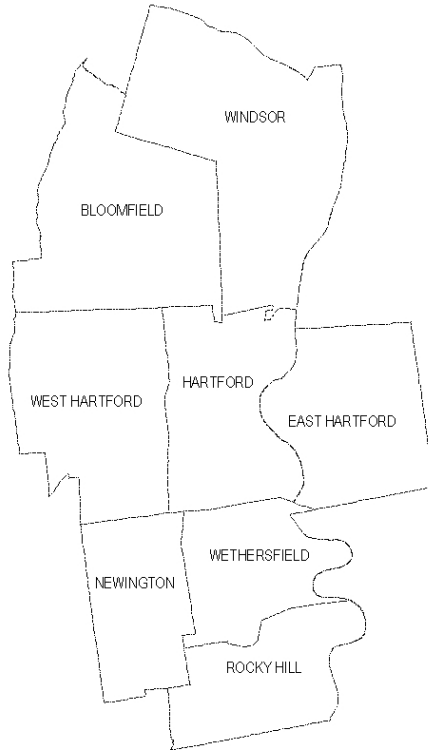
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## I. THE ISSUER

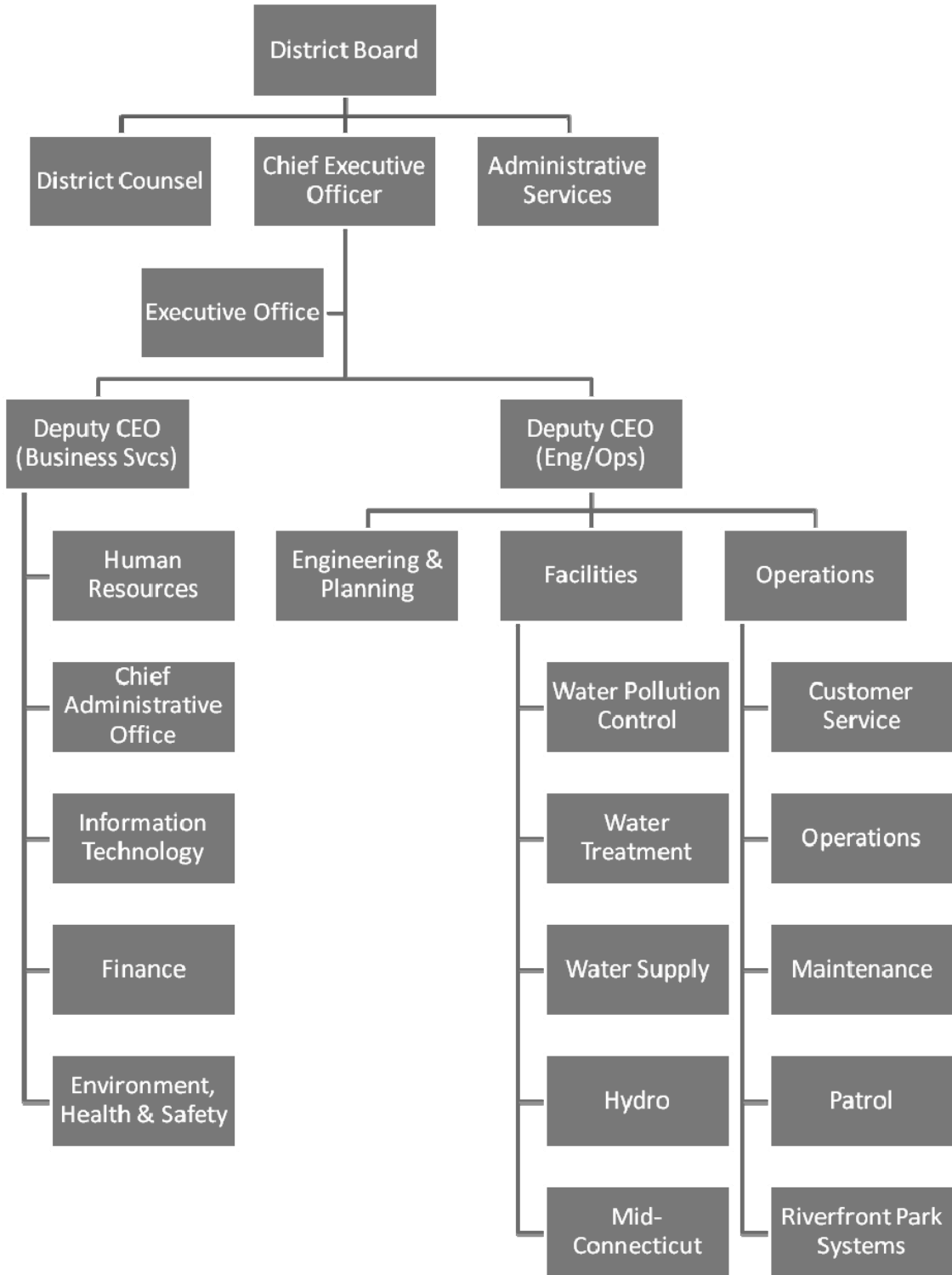
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### DESCRIPTION OF THE DISTRICT

The Metropolitan 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, 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**

	<u>Commissioners</u>	<u>Appointed By:</u>		
		<u>Member Municipality</u>	<u>Governor</u>	<u>Connecticut State Legislature</u>
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
<b>Total.....</b>	<b>29</b>	<b>17</b>	<b>8</b>	<b>4</b>

**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. 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**

<b>Function</b>	<b>Chair</b>	<b>Date Term Ends</b>
District Board.....	William A. DiBella	2014
Water Bureau.....	Timothy Curtis	2010
Bureau of Public Works.....	Richard V. Vicino	2014
Personnel, Pension & Insurance.....	Alvin E. Taylor	2015
Board of Finance.....	Pasquale J. Salemi	2014

<b>Position</b>	<b>District Officials</b>
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
Director of Human Resources.....	Patricia Speicher-Werbner

Source: District Officials.

**DISTRICT EMPLOYEES**

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

<b>Fiscal Year</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Employees.....	655	665	643	636	598

**DISTRICT EMPLOYEES BARGAINING UNITS**

<b>Bargaining Groups</b>	<b>Positions Covered</b>	<b>Contract Expiration Date</b>
Clerks, Technicians and Non-Supervisory Engineers - Local 3713....	148	December 31, 2010 <sup>1</sup>
Supervisors - Local 1026.....	59	December 31, 2010 <sup>1</sup>
Operational - Local 184.....	333	December 31, 2010 <sup>1</sup>
<b>Total Union Employees.....</b>	<b>540</b>	

<sup>1</sup> *In negotiation.*

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.

The Connecticut Resources Recovery Authority (the "CRRA") and the District entered into a contract dated December 31, 1984, which defines 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 CRRA to compensate and indemnify the District for its services.

The term of the initial contract was for twenty seven (27) years and the CRRA had the option to extend the contract for an additional twenty (20) years under the same terms and conditions. The District received notification from the CRRA of its intent to not extend the contract; therefore, the contract will terminate effective December 31, 2011.

Upon receipt of notification of the pending contract termination, the District determined that the contract termination would result in certain costs relating to the District employees that operated the facilities and these termination costs were estimated to be in excess of \$32 million. The District initiated discussions with the CRRA with respect to funding these contract termination liabilities. The principal components of the contract termination liabilities are unfunded pension and OPEB obligations for the District employees who operated the facilities during the term of the expiring contract as well as employment costs associated with the elimination of positions at the Mid-Connecticut Resources Recovery Facility.

Despite attempts to resolve the issues associated with contract termination liability, no resolution was able to be reached; therefore, in accordance with contract terms, in September 2009, the District presented the CRRA with formal notice of the dispute and commenced a Petition for Declaratory Judgment in arbitration.

CRRA, at its Board of Directors' meeting on December 16, 2010, authorized management to negotiate a contract with the NAES Corporation for the operation and maintenance of the Mid-Connecticut Resources Recovery Facility.

District management is pursuing several legal and financial remedies to reduce the overall financial impact to the District's general fund. See "Mid-Connecticut Project Funds Revenues and Expenditures" herein.

## II. WATER POLLUTION CONTROL

### FACILITIES FOR SEWER SERVICE As of December 31

<u>Facilities for Sewer Service</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total General Fixed Assets <sup>1</sup> .....	\$517,323,447	\$485,702,577	\$435,091,398	\$408,506,593	\$371,378,043
Miles of Sewers:					
Sanitary.....	1,075	1,073	1,071	1,068	1,063
Combined.....	160	160	160	160	160
Storm.....	72	71	71	71	70
Estimated Sewer Connections.....	113,711	113,077	112,600	111,988	111,284
<b><u>Estimated Sewered</u></b>					
Population Units:					
Estimated Population.....	368,200	367,500	358,251	361,428	360,841
Estimated Family Units Sewered.....	150,024	149,390	145,630	146,922	146,683
Present Sewage Plant Capacity:					
Design Population.....	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)...	103	105	105	105	105
Average Daily Flow (million gallons).	73	73	73	73	73

<sup>1</sup> 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 Environmental Protection ("DEP").

**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 Metropolitan District approved a \$800,000,000 referendum, "Clean Water Project", to implement components of the previously mentioned consent order and decree.

**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)**

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$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.

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

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$1.40	\$1.05	\$0.70	\$0.35

Source: District Officials.

**CLEAN WATER PROJECT\***

An \$800 million appropriation was approved by the Member Municipalities at referendum in November 2006 for the Clean Water Project. The \$800 million will cover the cost of Phase I of the project which is expected to last six years. The total cost of the Clean Water Project is estimated at approximately \$1.6 billion. A referendum to seek approval for Phase II is planned for November 2012.

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 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 as shown in the table above. The Special Sewer Service Surcharge is expected to increase annually up to an estimated \$4.55 by Fiscal Year 2020.

\*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**

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Shortly after The Metropolitan 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 2009 was 52.50 million gallons per day.

**FACILITIES FOR WATER SERVICE**  
**As of December 31**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Utility Plant.....	\$310,114,400	\$287,468,564	\$270,879,022	\$255,320,534	\$233,484,991
Net Addition to Plant.....	22,645,836	16,589,542	15,558,488	21,835,543	6,939,153
Miles of Water Mains.....	1,539	1,536	1,534	1,530	1,520
Gross Miles Added During Year.....	3	2	4	10	8
Number of Hydrants.....	11,291	11,311	11,362	11,324	11,207
Number of Services.....	101,678	101,124	100,598	99,881	99,764
Number of Meters.....	100,378	100,022	99,600	99,069	97,764
Estimated Population Served.....	401,512	400,088	398,400	396,276	391,056

Source: District Officials.

**NUMBER OF WATER CUSTOMERS**  
**As of December 31**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Domestic.....	94,174	93,068	92,960	92,853	91,657
Commercial.....	5,799	5,797	5,780	5,764	6,030
Industrial.....	595	612	612	613	655
Public & Other...	1,731	1,757	1,767	1,777	1,809
<b>Total.....</b>	<b>102,299</b>	<b>101,234</b>	<b>101,119</b>	<b>101,007</b>	<b>100,151</b>

Source: District Officials.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Domestic.....	28.27	30.19	31.67	31.68	31.02
Commercial.....	8.67	9.14	9.63	9.60	10.06
Industrial.....	1.51	1.69	1.73	1.78	1.78
Municipal & Other.....	3.65	3.62	3.95	3.82	4.03
<b>Total Million Gallons Per Day<sup>1</sup>.....</b>	<b>42.10</b>	<b>44.64</b>	<b>46.98</b>	<b>46.88</b>	<b>46.89</b>
Maximum Day.....	70.87	75.22	78.38	80.49	87.79
Minimum Day.....	41.97	42.69	42.69	40.52	45.31

<sup>1</sup> Represents net consumption billed.

Source: District Officials.

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$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 Department of Public Utility Control 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 102,299 quarterly and monthly customers; 100,549 of these accounts are billed quarterly, and the remaining 1,750 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.

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#### IV. HYDROELECTRIC DEVELOPMENT PROGRAM

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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 <sup>1</sup>	% Increase	Density <sup>2</sup>	Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>
2009	20,696	5.7	791	2009	48,634	(1.9)	2,590
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
1960	13,613	-	520	1960	43,977	-	2,342

City of Hartford				Town of Newington			
Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>	Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>
2009	124,060	(0.4)	6,904	2009	29,818	1.7	2,262
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
1960	162,178	-	9,025	1960	17,664	-	1,340

Town of Rocky Hill				Town of West Hartford			
Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>	Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>
2009	18,827	4.8	1,364	2009	60,852	(4.3)	2,721
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
1960	7,404	-	537	1960	62,382	-	2,790

Town of Wethersfield				Town of Windsor			
Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>	Year	Population <sup>1</sup>	% Increase	Density <sup>2</sup>
2009	25,767	(1.9)	1,965	2009	29,014	2.8	980
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
1960	20,561	-	1,568	1960	19,467	-	658

<sup>1</sup> Connecticut Department of Health Services, Estimate 2009.  
1960-2000 – U.S. Department of Commerce, Bureau of Census.

<sup>2</sup> 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.....	1,012	5.2%	3,223	6.5%	10,116	8.3%
5 - 19.....	3,555	18.2%	9,749	19.7%	31,046	25.5%
20 - 44.....	5,549	28.3%	17,794	35.9%	46,888	38.6%
45 - 64.....	5,213	26.6%	11,076	22.3%	21,940	18.0%
65 - 84.....	3,515	17.9%	6,848	13.8%	9,950	8.2%
85 and over.....	743	3.8%	885	1.8%	1,638	1.4%
Totals.....	19,587	100.0%	49,575	100.0%	121,578	100.0%

Median Age (years)                      43.9                                      37.4                                      29.7

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	1,530	5.2%	917	5.1%	3,621	5.7%
5 - 19.....	5,038	17.2%	2,841	15.8%	12,884	20.2%
20 - 44.....	9,532	32.5%	6,609	36.8%	20,146	31.7%
45 - 64.....	7,696	26.3%	4,641	25.8%	14,559	22.9%
65 - 84.....	4,801	16.4%	2,566	14.3%	9,852	15.5%
85 and over.....	709	2.4%	392	2.2%	2,527	4.0%
Totals.....	29,306	100.0%	17,966	100.0%	63,589	100.0%

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	1,388	5.3%	1,692	6.0%	223,344	6.6%
5 - 19.....	4,270	16.3%	5,838	20.7%	702,358	20.6%
20 - 44.....	7,862	29.9%	9,207	32.6%	1,220,260	35.8%
45 - 64.....	6,586	25.1%	7,410	26.2%	789,420	23.2%
65 - 84.....	5,315	20.2%	3,493	12.4%	405,910	11.9%
85 and over.....	850	3.2%	597	2.1%	64,273	1.9%
Totals.....	26,271	100.0%	28,237	100.0%	3,405,565	100.0%

Median Age (years)                      44.1                                      39.8                                      37.4

Source: U.S. Department of Commerce, Bureau of Census, 2000.

### INCOME DISTRIBUTION

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	128	2.5%	666	5.2%	5,298	19.3%
10,000 - 14,999.....	158	3.1%	516	4.0%	2,689	9.8%
15,000 - 24,999.....	368	7.1%	1,352	10.5%	4,829	17.6%
25,000 - 34,999.....	528	10.2%	1,533	11.9%	3,708	13.5%
35,000 - 49,999.....	721	14.0%	2,303	17.8%	4,204	15.3%
50,000 - 74,999.....	1,134	22.0%	3,014	23.3%	3,952	14.4%
75,000 - 99,999.....	838	16.3%	1,909	14.8%	1,525	5.5%
100,000 - 149,999.....	740	14.4%	1,259	9.7%	765	2.8%
150,000 - 199,999.....	308	6.0%	193	1.5%	211	0.8%
200,000 and over.....	229	4.4%	169	1.3%	272	1.0%
Totals.....	5,152	100.0%	12,914	100.0%	27,453	100.0%

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	137	1.6%	31	0.7%	363	2.3%
10,000 - 14,999.....	107	1.3%	71	1.6%	281	1.7%
15,000 - 24,999.....	468	5.7%	175	3.9%	746	4.7%
25,000 - 34,999.....	633	7.6%	323	7.2%	1,006	6.3%
35,000 - 49,999.....	1,148	13.9%	573	12.7%	1,889	11.8%
50,000 - 74,999.....	2,271	27.5%	1,153	25.6%	3,321	20.7%
75,000 - 99,999.....	1,738	21.0%	846	18.8%	2,847	17.8%
100,000 - 149,999.....	1,307	15.8%	988	21.9%	2,844	17.8%
150,000 - 199,999.....	303	3.7%	189	4.2%	1,179	7.4%
200,000 and over.....	154	1.9%	152	3.4%	1,522	9.5%
Totals.....	8,266	100.0%	4,501	100.0%	15,998	100.0%

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	110	1.5%	125	1.6%	33,423	3.8%
10,000 - 14,999.....	167	2.2%	80	1.0%	23,593	2.7%
15,000 - 24,999.....	369	5.0%	343	4.5%	63,262	7.1%
25,000 - 34,999.....	585	7.9%	488	6.4%	75,413	8.5%
35,000 - 49,999.....	1,125	15.2%	1,063	13.9%	120,134	13.6%
50,000 - 74,999.....	1,889	25.4%	1,901	24.8%	198,924	22.5%
75,000 - 99,999.....	1,380	18.6%	1,580	20.7%	141,981	16.0%
100,000 - 149,999.....	1,221	16.4%	1,438	18.8%	132,177	14.9%
150,000 - 199,999.....	265	3.6%	373	4.9%	42,472	4.8%
200,000 and over.....	309	4.2%	259	3.4%	54,368	6.1%
Totals.....	7,420	100.0%	7,650	100.0%	885,747	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

#### INCOME LEVELS

	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
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, 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 1999.....	5.1%	8.1%	28.2%	2.2%	1.2%

	Town of West Hartford	Town of Wethersfield	Town of Windsor	State of Connecticut
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, 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 1999.....	2.9%	2.4%	2.2%	5.6%

Source: U.S. Department of Commerce, Bureau of Census, 2000, 1990 and 1980.



## EDUCATIONAL ATTAINMENT

### Years of School Completed Age 25 and Over

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	686	4.8%	2,558	7.5%	11,541	16.5%
9th to 12th grade.....	1,575	11.0%	5,109	15.1%	15,821	22.7%
High School graduate.....	3,744	26.1%	13,086	38.5%	21,240	30.4%
Some college, no degree.....	2,962	20.6%	6,286	18.5%	9,931	14.2%
Associate's degree .....	958	6.7%	2,382	7.0%	2,671	3.8%
Bachelor's degree.....	2,538	17.7%	2,984	8.8%	5,030	7.2%
Graduate or professional degree...	1,884	13.1%	1,552	4.6%	3,634	5.2%
Totals.....	14,347	100.0%	33,957	100.0%	69,868	100.0%
Total high school graduate or higher (%).....	84.2%		77.4%		60.8%	
Total bachelor's degree or higher (%).....	30.8%		13.4%		12.4%	

	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	1,158	5.3%	586	4.4%	1,796	4.1%
9th to 12th grade.....	1,988	9.2%	976	7.4%	2,423	5.6%
High School graduate.....	6,652	30.7%	3,434	25.9%	8,138	18.7%
Some college, no degree.....	4,080	18.8%	2,235	16.9%	5,717	13.2%
Associate's degree .....	1,475	6.8%	1,108	8.4%	2,358	5.4%
Bachelor's degree.....	4,023	18.6%	3,277	24.7%	11,634	26.8%
Graduate or professional degree...	2,288	10.6%	1,636	12.3%	11,388	26.2%
Totals.....	21,664	100.0%	13,252	100.0%	43,454	100.0%
Total high school graduate or higher (%).....	85.5%		88.2%		90.3%	
Total bachelor's degree or higher (%).....	29.1%		37.1%		53.0%	

	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	1,467	7.4%	807	4.1%	132,917	5.8%
9th to 12th grade.....	1,783	9.0%	1,597	8.2%	234,739	10.2%
High School graduate.....	5,363	27.2%	5,804	29.7%	653,300	28.5%
Some college, no degree.....	3,327	16.8%	3,904	20.0%	402,741	17.5%
Associate's degree .....	1,248	6.3%	1,377	7.0%	150,926	6.6%
Bachelor's degree.....	3,940	20.0%	3,474	17.8%	416,751	18.1%
Graduate or professional degree...	2,631	13.3%	2,569	13.2%	304,243	13.3%
Totals.....	19,759	100.0%	19,532	100.0%	2,295,617	100.0%
Total high school graduate or higher (%).....	83.6%		87.7%		84.0%	
Total bachelor's degree or higher (%).....	33.3%		30.9%		31.4%	

Source: U.S. Department of Commerce, Bureau of Census, 2000.

**MAJOR EMPLOYERS WITHIN THE DISTRICT**

<b>Employer</b>	<b>Product</b>	<b>Location</b>	<b>Estimated Number of Employees</b>
United Technologies.....	Manufacturer	Hartford	26,400
The Hartford Financial Group.....	Insurance	Hartford	21,300
Pratt and Whitney Aircraft.....	Manufacturer	East Hartford	8,000
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
CT Dept. of Transportation.....	State of CT	Newington	3,100
United Health Care.....	Insurance	Hartford	2,300
Cianbro Corporation.....	Contractor	Bloomfield	2,200
Hartford Life.....	Insurance	Windsor	2,100
MetLife.....	Insurance	Bloomfield	2,000
ING Group.....	Financial Services	Hartford	1,830
University of Hartford.....	University	West Hartford	1,500
ABB, Inc.....	Power Generator	Windsor	1,400
Alstom Power Equipment.....	Power Generation Equipment	Windsor	1,350
Uniprise.....	Insurance, Financial Services	Hartford	1,018
Kaman Corporation.....	Manufacturer	Bloomfield	924
Hebrew Home.....	Health Care	West Hartford	750
Wiremold Product, Inc.....	Manufacturer	West Hartford	720
Data-Mail.....	Mail Services	Newington	651
Bank of America Headquarters....	Financial Services	East Hartford	600
Northeast Utilities.....	Utility	Windsor	600
Homegoods Distribution.....	Wholesale Distribution	Bloomfield	572
Stanadyne.....	Manufacturer	Windsor	550
Coca Cola.....	Bottler	East Hartford	550
American Airlines.....	Airline	Windsor	550
St. Joseph's College.....	University	West Hartford	540
Westinghouse Electric Company..	Manufacturer	Windsor	520
Colt Manufacturing.....	Manufacturer	West Hartford	520
Stop & Shop Store 610.....	Grocery Store	Wethersfield	510
Macy's.....	Retail	West Hartford	500
SYSCO Food Services.....	Food Distributors	Rocky Hill	480
Jacobs Vehicle Systems.....	Manufacturer	Bloomfield	475
United Technologies Research....	Research Lab	East Hartford	467
Konica Minolta.....	Imaging & Print Processor	Windsor	450
Riverside Health.....	Health Care	East Hartford	442
Bank of America.....	Financial Services	Windsor	420
Henkel Corporation.....	Adhesives & Sealants	Rocky Hill	400
Permasteelisa.....	Manufacturer	Windsor	400
St. Mary's Home.....	Health Care	West Hartford	400
Mediplex of Wethersfield.....	Health Care	Wethersfield	400
Seabury.....	Health Care	Bloomfield	400
CIGNA Corp.....	Insurance	Windsor	400
Northeast Utilities.....	Utility	Wethersfield	395
Cedarcrest Regional Hospital.....	Health Care/Hospital	Newington	380

Source: 2010 Audited Financial Statements of Member Municipalities; Official Statements; March 2010, City of Hartford and October 2010 West Hartford.

**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.....	15	0.2%	30	0.1%	227	0.5%
Construction.....	330	3.7%	1,362	5.8%	1,867	4.4%
Manufacturing.....	774	8.7%	3,571	15.1%	4,895	11.5%
Wholesale Trade.....	200	2.3%	868	3.7%	1,096	2.6%
Retail Trade.....	770	8.7%	3,065	13.0%	4,194	9.9%
Transportation and warehousing, and utilities....	333	3.8%	1,226	5.2%	2,113	5.0%
Information .....	336	3.8%	587	2.5%	1,090	2.6%
Finance, insurance, real estate, and rental and leasing.....	1,777	20.1%	2,970	12.6%	4,345	10.2%
Professional, scientific, management, administrative, and waste management svcs...	686	7.7%	1,939	8.2%	4,305	10.2%
Educational, health and social services.....	2,398	27.1%	3,975	16.8%	9,352	22.0%
Arts, entertainment, recreation, accommodation and food services.....	320	3.6%	1,682	7.1%	4,241	10.0%
Other services (except public administration)....	310	3.5%	1,136	4.8%	2,404	5.7%
Public Administration .....	607	6.8%	1,190	5.1%	2,273	5.4%
Total Labor Force, Employed.....	8,856	100.0%	23,601	100.0%	42,402	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.....	19	0.1%	0	0.0%	53	0.2%
Construction.....	803	5.2%	397	4.1%	890	3.1%
Manufacturing.....	1,770	11.5%	1,271	13.1%	2,334	8.1%
Wholesale Trade.....	561	3.6%	199	2.1%	752	2.6%
Retail Trade.....	1,775	11.5%	1,028	10.6%	2,281	7.9%
Transportation and warehousing, and utilities....	611	4.0%	490	5.1%	739	2.6%
Information .....	378	2.4%	280	2.9%	898	3.1%
Finance, insurance, real estate, and rental and leasing.....	2,159	14.0%	1,516	15.7%	4,817	16.8%
Professional, scientific, management, administrative, and waste management svcs...	1,347	8.7%	968	10.0%	3,824	13.3%
Educational, health and social services.....	3,731	24.2%	1,935	20.0%	8,115	28.2%
Arts, entertainment, recreation, accommodation and food services.....	701	4.5%	503	5.2%	1,414	4.9%
Other services (except public administration)....	576	3.7%	414	4.3%	1,222	4.3%
Public Administration .....	1020	6.6%	664	6.9%	1,413	4.9%
Total Labor Force, Employed.....	15,451	100.0%	9,665	100.0%	28,752	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.....	13	0.1%	34	0.2%	7,445	0.5%
Construction.....	637	5.0%	620	4.2%	99,913	6.0%
Manufacturing.....	1,098	8.7%	1,895	12.8%	246,607	14.8%
Wholesale Trade.....	406	3.2%	558	3.8%	53,231	3.2%
Retail Trade.....	1,156	9.2%	1,312	8.8%	185,633	11.2%
Transportation and warehousing, and utilities....	428	3.4%	997	6.7%	64,662	3.9%
Information .....	368	2.9%	348	2.3%	55,202	3.3%
Finance, insurance, real estate, and rental and leasing.....	2,356	18.7%	2,354	15.9%	163,568	9.8%
Professional, scientific, management, administrative, and waste management svcs....	1,219	9.7%	1,287	8.7%	168,334	10.1%
Educational, health and social services.....	2,629	20.9%	3,066	20.7%	366,568	22.0%
Arts, entertainment, recreation, accommodation and food services.....	668	5.3%	783	5.3%	111,424	6.7%
Other services (except public administration)....	617	4.9%	586	3.9%	74,499	4.5%
Public Administration .....	1009	8.0%	994	6.7%	67,354	4.0%
Total Labor Force, Employed.....	12,604	100.0%	14,834	100.0%	1,664,440	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

### EMPLOYMENT DATA

Period <sup>1</sup>	Percentage Unemployed				
	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
November 2010....	9.6%	10.7%	15.4%	7.5%	6.8%
October 2010.....	10.1	10.7	15.2	7.7	6.8
September 2010....	10.1	11.1	15.8	7.9	6.9
August 2010.....	10.6	12.5	16.9	8.0	7.5
July 2010.....	10.8	12.5	16.9	8.1	7.6
<b>Annual Average</b>					
2009.....	8.9%	10.5%	14.2%	7.2%	6.7%
2008.....	6.4	7.1	10.7	4.8	4.7
2007.....	5.2	6.1	9.0	4.1	3.9
2006.....	5.3	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
2001.....	3.6	4.0	6.4	2.6	2.4
2000.....	2.6	2.9	4.7	2.2	1.9

Period <sup>1</sup>	Percentage Unemployed				
	Town of West Hartford	Town of Wethersfield	Town of Windsor	Hartford Labor Market	State of Connecticut
November 2010....	7.4%	7.9%	7.7%	8.5%	8.5%
October 2010.....	7.6	8.3	7.5	8.5	8.5
September 2010....	7.9	8.3	7.8	8.7	8.8
August 2010.....	8.5	9.1	9.0	9.4	9.3
July 2010.....	8.6	9.0	8.7	9.5	9.4
<b>Annual Average</b>					
2009.....	7.2%	7.7%	7.9%	8.3%	8.2%
2008.....	4.9	5.0	5.2	5.7	5.6
2007.....	4.1	4.2	4.2	4.7	4.6
2006.....	3.9	4.3	4.0	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
2001.....	2.6	2.6	2.8	3.2	3.1
2000.....	2.1	2.2	2.0	2.3	2.3

<sup>1</sup> 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.....	607	7.4%	3,640	17.1%	16,373	32.3%
1940 to 1969.....	4,309	52.6%	13,085	61.5%	23,131	45.7%
1970 to 1979.....	1,347	16.4%	2,632	12.4%	5,769	11.4%
1980 to 1989.....	1,359	16.6%	1,610	7.6%	3,355	6.6%
1990 to March, 2000.....	573	7.0%	306	1.4%	2,016	4.0%
Total housing units, 2000...	8,195	100.0%	21,273	100.0%	50,644	100.0%
Percent Owner Occupied, 2000		74.9%		57.5%		24.6%
Year Built	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	1,050	8.6%	621	7.8%	7,114	28.1%
1940 to 1969.....	6,247	50.9%	2,332	29.3%	14,516	57.3%
1970 to 1979.....	2,477	20.2%	2,472	31.1%	1,960	7.7%
1980 to 1989.....	1,570	12.8%	1,505	18.9%	1,253	5.0%
1990 to March, 2000.....	920	7.5%	1,026	12.9%	489	1.9%
Total housing units, 2000...	12,264	100.0%	7,956	100.0%	25,332	100.0%
Percent Owner Occupied, 2000		80.6%		65.5%		71.9%
Year Built	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	1,951	17.0%	1,814	16.7%	308,896	22.3%
1940 to 1969.....	6,115	53.4%	4,386	40.2%	571,218	41.2%
1970 to 1979.....	1,406	12.3%	1,997	18.3%	203,377	14.7%
1980 to 1989.....	1,320	11.5%	1,910	17.5%	183,405	13.2%
1990 to March, 2000.....	659	5.8%	793	7.3%	119,079	8.6%
Total housing units, 2000...	11,451	100.0%	10,900	100.0%	1,385,975	100.0%
Percent Owner Occupied, 2000		77.9%		80.3%		66.8%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

## HOUSING INVENTORY

Type	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	5,577	68.0%	10,960	51.5%	7,553	14.9%
1 unit attached.....	583	7.1%	848	4.0%	2,145	4.3%
2 to 4 units.....	481	5.9%	4,301	20.2%	18,345	36.2%
5 to 9 units.....	406	5.0%	890	4.2%	7,505	14.8%
10 or more units.....	1,139	13.9%	3,767	17.7%	15,046	29.7%
Mobile home, trailer, other	9	0.1%	507	2.4%	50	0.1%
Total Inventory.....	8,195	100.0%	21,273	100.0%	50,644	100.0%

Type	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	8,086	65.9%	3,725	46.8%	17,036	67.2%
1 unit attached.....	1,479	12.1%	941	11.8%	761	3.0%
2 to 4 units.....	895	7.3%	922	11.6%	3,335	13.2%
5 to 9 units.....	662	5.4%	383	4.8%	599	2.4%
10 or more units.....	1,142	9.3%	1,985	25.0%	3,584	14.1%
Mobile home, trailer, other	0	0.0%	0	0.0%	17	0.1%
Total Inventory.....	12,264	100.0%	7,956	100.0%	25,332	100.0%

Type	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1 unit detached.....	8,347	72.9%	8,404	77.1%	816,706	58.9%
1 unit attached.....	589	5.1%	611	5.6%	71,185	5.1%
2 to 4 units.....	1,081	9.4%	1,109	10.2%	246,617	17.8%
5 to 9 units.....	128	1.1%	287	2.6%	76,836	5.6%
10 or more units.....	1,300	11.4%	482	4.4%	162,437	11.7%
Mobile home, trailer, other	6	0.1%	7	0.1%	12,194	0.9%
Total Inventory.....	11,451	100.0%	10,900	100.0%	1,385,975	100.0%

Source: U.S. Department of Commerce, Bureau of Census, 2000.

## 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.....	43	0.8%	87	0.9%	322	4.9%
\$50,000 to \$99,000.....	1,067	20.2%	3,443	34.2%	3,523	54.2%
\$100,000 to \$149,999.....	2,386	45.3%	5,236	52.0%	1,765	27.2%
\$150,000 to \$199,000.....	1,109	21.0%	1,027	10.2%	390	6.0%
\$200,000 to \$299,999.....	458	8.7%	251	2.5%	257	4.0%
\$300,000 to \$499,999.....	156	3.0%	0	0.0%	172	2.6%
\$500,000 to \$999,999.....	45	0.9%	6	0.1%	66	1.0%
\$1,000,000 or more.....	7	0.1%	6	0.1%	5	0.1%
Totals.....	5,271	100.0%	10,056	100.0%	6,500	100.0%

Median Sales Price	\$134,000	\$112,800	\$93,900
Median Sales Price <sup>1</sup>	\$189,900	\$153,000	\$122,338

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.....	27	0.3%	8	0.2%	53	0.3%
\$50,000 to \$99,000.....	1,099	12.8%	313	7.6%	1,031	6.5%
\$100,000 to \$149,999.....	3,698	42.9%	1,145	27.9%	4,305	26.9%
\$150,000 to \$199,000.....	2,659	30.9%	1,489	36.2%	4,532	28.4%
\$200,000 to \$299,999.....	1,016	11.8%	904	22.0%	3,854	24.1%
\$300,000 to \$499,999.....	93	1.1%	243	5.9%	1,669	10.5%
\$500,000 to \$999,999.....	17	0.2%	8	0.2%	500	3.1%
\$1,000,000 or more.....	0	0.0%	0	0.0%	35	0.2%
Totals.....	8,609	100.0%	4,110	100.0%	15,979	100.0%
Median Sales Price		\$144,800		\$165,400		\$176,400
Median Sales Price <sup>1</sup>		\$215,000		\$217,875		\$277,950

Specified Owner-Occupied Units	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	13	0.2%	61	0.7%	5,996	0.8%
\$50,000 to \$99,000.....	678	8.4%	937	11.8%	85,221	11.7%
\$100,000 to \$149,999.....	2,871	35.7%	3,544	44.6%	212,010	29.1%
\$150,000 to \$199,000.....	2,161	26.8%	2,371	29.8%	156,397	21.5%
\$200,000 to \$299,999.....	1,981	24.6%	821	10.3%	137,499	18.9%
\$300,000 to \$499,999.....	307	3.8%	196	2.5%	79,047	10.9%
\$500,000 to \$999,999.....	25	0.3%	9	0.1%	38,168	5.2%
\$1,000,000 or more.....	16	0.2%	12	0.2%	13,906	1.9%
Totals.....	8,052	100.0%	7,951	100.0%	728,244	100.0%
Median Sales Price		\$159,300		\$142,200		\$166,900
Median Sales Price <sup>1</sup>		\$217,000		\$198,000		\$218,900

<sup>1</sup> Median Sales Price, The Warren Group, 2009.

Source: U.S. Department of Commerce, Bureau of Census, 2000.

## 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
2009 <sup>1</sup>	\$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 <sup>2</sup>	2,724,586,547	16.6%
2005	1,717,320,856	3.6%	2005	2,336,874,270	0.2%
2004 <sup>1</sup>	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%
2001	1,120,231,522	-2.7%	2001 <sup>1</sup>	2,292,817,676	9.7%
2000 <sup>1</sup>	1,150,864,990	-21.1%	2000	2,090,960,743	1.0%

<sup>1</sup> Revaluation Year.

<sup>1</sup> Revaluation Year.

<sup>2</sup> Revaluation Year. The Town implemented a two-year phase-in of the revaluation.

**City of Hartford**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$3,576,211,722	3.0%
2008	3,471,479,869	0.6%
2007	3,451,438,441	4.2%
2006 <sup>2</sup>	3,312,624,184	-6.5%
2005	3,543,536,778	2.5%
2004	3,457,982,210	-1.2%
2003	3,501,381,134	-1.6%
2002	3,558,105,263	39.6%
2001	2,548,987,674	-28.9%
2000	3,582,673,807	0.8%

<sup>1</sup> Revaluation Year.

<sup>2</sup> Revaluation Year. The City has implemented a five-year phase-in of the revaluation.

**Town of Newington**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$2,667,951,078	0.9%
2008	2,645,387,187	0.5%
2007	2,633,316,889	1.7%
2006	2,590,253,718	1.0%
2005 <sup>1</sup>	2,565,009,043	45.3%
2004	1,765,120,445	1.1%
2003	1,745,823,063	0.4%
2002	1,738,536,789	0.5%
2001	1,730,621,316	2.3%
2000 <sup>1</sup>	1,692,290,476	0.5%

<sup>1</sup> Revaluation Year.

**Town of Rocky Hill**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$2,200,202,480	-0.1%
2008 <sup>1</sup>	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 <sup>1</sup>	1,533,366,840	24.3%
2002	1,233,515,550	2.8%
2001	1,199,484,300	2.3%
2000	1,172,736,610	2.8%

<sup>1</sup> Revaluation Year

**Town of West Hartford**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$4,999,850,000	0.9%
2008 <sup>1</sup>	4,953,979,658	1.3%
2007	4,889,430,313	8.7%
2006 <sup>2</sup>	4,497,443,813	21.2%
2005	3,710,940,390	1.3%
2004	3,661,731,590	0.9%
2003	3,627,960,740	-0.7%
2002	3,652,787,640	1.1%
2001	3,614,778,748	1.1%
2000	3,575,645,530	0.5%

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

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

**Town of Wethersfield**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$2,315,493,100	0.4%
2008 <sup>1</sup>	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 <sup>1</sup>	1,954,539,220	33.7%
2002	1,462,429,350	0.7%
2001	1,452,892,840	1.0%
2000	1,439,091,830	1.0%

<sup>1</sup> Revaluation year.

**Town of Windsor**

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2009	\$2,724,614,072	-7.2%
2008 <sup>1</sup>	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 <sup>2</sup>	2,243,767,090	18.9%
2002	1,886,474,120	6.7%
2001	1,768,511,335	3.3%
2000	1,712,678,000	3.7%

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

<sup>2</sup> 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**

<b>Grand List of 10/1</b>	<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
2009	2011	\$1,990,439,045	32.72	\$63,592,236	<i>- In Process of Collection -</i>		
2008	2010	1,755,693,878	35.53	62,068,048	97.8%	2.2%	2.2%
2007	2009	1,723,152,319	35.29	60,370,599	98.3%	1.7%	0.9%
2006	2008	1,695,764,929	34.33	57,873,253	98.2%	1.8%	0.3%
2005	2007	1,717,320,856	32.50	53,838,811	97.9%	2.1%	0.2%
2004	2006	1,657,459,741	31.03	50,367,798	97.9%	2.1%	0.1%
2003	2005	1,140,876,711	42.33	48,139,008	97.2%	2.8%	0.1%
2002	2004	1,166,346,561	39.80	45,019,634	97.9%	2.1%	0.0%
2001	2003	1,120,231,522	38.48	43,381,675	98.8%	1.2%	0.0%
2000	2002	1,150,864,990	36.79	41,099,820	98.1%	1.9%	0.0%

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

**PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF EAST HARTFORD**

<b>Grand List of 10/1</b>	<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
2009	2011	\$3,092,179,605	33.82	\$100,315,837	<i>- In Process of Collection -</i>		
2008	2010	3,107,157,886	31.67	97,618,000	97.7%	2.3%	2.3%
2007	2009	3,172,514,025	31.67	99,128,000	97.6%	2.4%	0.8%
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%	0.1%
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%
2001	2003	2,292,817,676	37.90	86,604,000	96.5%	3.5%	0.0%
2000	2002	2,090,960,743	38.41	80,582,000	96.1%	3.9%	0.0%

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

**PROPERTY TAX LEVIES AND COLLECTIONS – CITY OF HARTFORD<sup>1</sup>**

<b>Grand List of 10/1</b>	<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
2009	2011	\$3,576,211,722	72.79	\$265,600,913	<i>- In Process of Collection -</i>		
2008	2010	3,471,479,869	72.79	260,038,000	95.8%	4.2%	4.2%
2007	2009	3,451,438,441	68.34	242,777,000	96.2%	3.8%	2.2%
2006	2008	3,312,624,184	63.39	221,445,000	96.3%	3.7%	1.9%
2005	2007	3,543,536,778	64.82	229,569,000	95.5%	4.5%	1.4%
2004	2006	3,457,982,210	60.82	210,325,000	94.6%	5.4%	1.2%
2003	2005	3,501,381,134	56.32	194,592,000	95.2%	4.8%	0.6%
2002	2004	3,558,105,263	52.92	185,277,000	94.5%	5.5%	0.0%
2001	2003	2,548,987,674	48.00	170,342,000	93.3%	6.7%	0.0%
2000	2002	3,582,673,807	48.00	169,964,000	95.1%	4.9%	0.0%

<sup>1</sup> Unaudited.

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

**PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF NEWINGTON**

<b>Grand List of 10/1</b>	<b>Fiscal Year Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
					<b>Fiscal Year</b>	<b>End of Fiscal Year</b>	<b>6/30/2010</b>
2009	2011	\$2,667,951,078	29.18	\$75,724,675	<i>- In Process of Collection -</i>		
2008	2010	2,645,387,187	28.40	75,091,000	99.1%	0.9%	0.9%
2007	2009	2,633,316,889	27.68	72,940,000	98.9%	1.1%	0.2%
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%
2001	2003	1,730,621,316	30.44	53,019,000	98.9%	1.1%	0.0%
2000	2002	1,692,290,476	28.58	48,680,400	98.9%	1.1%	0.0%

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

**PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF ROCKY HILL**

<b>Grand List of 10/1</b>	<b>Fiscal Year Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
					<b>Fiscal Year</b>	<b>End of Fiscal Year</b>	<b>6/30/2010</b>
2009	2011	\$2,200,202,480	23.80	\$51,516,275	<i>- In Process of Collection -</i>		
2008	2010	2,202,202,012	22.90	50,276,269	99.3%	0.7%	0.7%
2007	2009	1,656,796,387	29.20	48,792,629	99.3%	0.7%	0.3%
2006	2008	1,635,894,255	28.40	46,723,104	99.4%	0.6%	0.1%
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%
2001	2003	1,199,484,300	29.30	35,463,030	98.7%	1.3%	0.0%
2000	2002	1,172,736,610	26.80	31,637,468	98.2%	1.8%	0.0%

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

**PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WEST HARTFORD**

<b>Grand List of 10/1</b>	<b>Fiscal Year Year Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Tax Levy</b>	<b>Percent Annual Levy Collected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected End of Fiscal Year</b>	<b>Percent Annual Levy Uncollected 6/30/2010</b>
					<b>Fiscal Year</b>	<b>End of Fiscal Year</b>	<b>6/30/2010</b>
2009	2011	\$4,999,850,000	38.38	\$188,936,648	<i>- In Process of Collection -</i>		
2008	2010	4,953,979,658	37.54	186,542,000	99.1%	0.9%	0.9%
2007	2009	4,889,430,313	36.97	181,771,000	99.1%	0.9%	0.4%
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	3,661,731,590	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%
2001	2003	3,614,778,748	37.65	136,908,000	99.1%	0.9%	0.0%
2000	2002	3,575,645,530	35.69	128,280,000	99.0%	1.0%	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 6/30/2010
					Fiscal Year	End of Fiscal Year	6/30/2010
2009	2011	\$2,315,493,100	30.66	\$69,968,432	- In Process of Collection -		
2008	2010	2,307,397,010	30.68	70,693,007	99.2%	0.8%	0.8%
2007	2009	2,003,032,473	34.71	69,579,789	99.2%	0.8%	0.5%
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%	0.2%
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%	0.0%
2002	2004	1,462,429,350	34.86	51,145,414	99.2%	0.8%	0.1%
2001	2003	1,452,892,840	33.80	49,340,093	98.8%	1.2%	0.1%
2000	2002	1,439,091,830	32.34	46,753,442	98.6%	1.4%	0.0%

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 6/30/2010
					Fiscal Year	End of Fiscal Year	6/30/2010
2009	2011	\$2,724,614,072	28.38	\$76,106,654	- In Process of Collection -		
2008	2010	2,937,296,936	28.34	74,984,463	98.6%	1.4%	1.4%
2007	2009	2,590,737,631	29.30	76,374,720	98.8%	1.2%	0.4%
2006	2008	2,401,738,783	29.30	70,937,721	98.8%	1.2%	0.1%
2005	2007	2,303,733,056	29.30	68,003,214	98.7%	1.3%	0.1%
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%
2001	2003	1,768,511,335	32.60	58,464,014	98.5%	1.5%	0.0%
2000	2002	1,712,678,000	31.20	53,896,626	98.7%	1.3%	0.0%

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

**TEN LARGEST TAXPAYERS – TOWN OF BLOOMFIELD**

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Connecticut General Life Insurance Co...	Insurance	\$71,537,990	3.59%
Metropolitan Tower Life Insurance Co...	Insurance	47,534,850	2.39%
AMCAP Copaco LLC.....	Real Estate	35,003,750	1.76%
Duncaster Inc.....	Retirement Community	33,187,900	1.67%
Church Home of Hartford Inc.....	Retirement Community	31,678,010	1.59%
Connecticut Light & Power Company.....	Utility	30,554,610	1.54%
Jacobs Vehicle System, Inc.....	Manufacturing	26,970,470	1.36%
Pepperidge Farm Inc.....	Baked Goods	26,010,230	1.31%
Bouwfonds Hawthorne LP.....	Real Estate	25,695,210	1.29%
National Industrial Portfolio Borrower....	Real Estate	14,790,300	0.74%
<b>Total</b> .....		<b>\$342,963,320</b>	<b>17.23%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$1,990,439,045.

Source: Assessor's Office, Town of Bloomfield.

**TEN LARGEST TAXPAYERS – TOWN OF EAST HARTFORD**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
United Technologies Corp.....	Manufacturing	\$352,787,600	11.41%
Cabela's Inc.....	Retail	29,477,540	0.95%
Fremont Riverview LLC.....	Offices	24,293,090	0.79%
Coca-Cola Bottling Co.....	Beverage Mfg./Distributor	24,237,180	0.78%
Ansonia Acquisitions LLC.....	Apartments	23,717,200	0.77%
Connecticut Light and Power Company...	Utility	23,154,040	0.75%
Connecticut Natural Gas Corp.....	Utility	22,423,930	0.73%
Computer Sciences Corp.....	Leasing	19,197,190	0.62%
Merchant 99 111 Founders LLC.....	Offices	16,632,070	0.54%
East Hartford Founders LLC.....	Offices	13,825,100	0.45%
<b>Total.....</b>		<b>\$549,744,940</b>	<b>17.78%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$3,092,179,605.  
Source: Assessor's Office, Town of East Hartford.

**TEN LARGEST TAXPAYERS – CITY OF HARTFORD**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Hartford Fire Insurance & Twin City Ins.	Insurance	\$124,491,630	3.48%
Connecticut Light and Power Company...	Utility	119,949,620	3.35%
Northland Properties.....	Real Estate	113,251,372	3.17%
Travelers Indemnity Co. Affiliate.....	Insurance	109,898,230	3.07%
Aetna Life Insurance Co. & Annuity.....	Insurance	104,406,600	2.92%
Mac-State Square LLC.....	Real Estate	60,624,340	1.70%
CityPlace I LTD Partnership.....	Real Estate	58,119,810	1.63%
Talcott II Gold, LLC.....	Real Estate	53,674,380	1.50%
FGA Trumbull LLC.....	Real Estate	47,663,980	1.33%
Conn Constitution Assoc. LTD Ptnshp....	Real Estate	40,783,960	1.14%
<b>Total.....</b>		<b>\$832,863,922</b>	<b>23.29%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$3,576,211,722.  
Source: Assessor's Office, City of Hartford.

**TEN LARGEST TAXPAYERS – TOWN OF NEWINGTON**

<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	\$30,311,120	1.14%
Newington VF LLC.....	Shopping Center	20,392,470	0.76%
Galileo Turnpike Plaza LLC.....	Shopping Center	19,703,670	0.74%
Newington Gross LLC.....	Shopping Center	18,777,850	0.70%
TLG Newington LLC.....	Shopping Center	18,575,340	0.70%
Newington-Berlin Retail LLC.....	Real Estate	18,250,290	0.68%
Hayes Kaufman Newington Assoc. LLC..	Real Estate	13,355,450	0.50%
Target Stores Corp.....	Department Store	11,533,890	0.43%
Mandell Properties/Data Mail.....	Printing	11,487,200	0.43%
Hartford Hospital.....	Apartments/Lab	11,309,270	0.42%
<b>Total.....</b>		<b>\$173,696,550</b>	<b>6.51%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$2,667,951,078.  
Source: Assessor's Office, Town of Newington.

**TEN LARGEST TAXPAYERS – TOWN OF ROCKY HILL**

<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	\$34,483,960	1.57%
500 Enterprise Drive Trust.....	Real Estate	30,606,310	1.39%
Burris Logistics Inc.....	Real Estate	28,130,850	1.28%
RP Glenbrook LLC.....	Warehouse	24,981,490	1.14%
Henkel Corporation.....	Manufacturer of Adhesives	22,384,250	1.02%
Auxxi Horizon Commons LLC.....	Real Estate	14,020,090	0.64%
Sysco Food Services of CT.....	Distribution Warehouse	13,782,230	0.63%
Acadia Town Line LLC.....	Real Estate	13,300,000	0.60%
New Boston Fifty Five Capital LLC.....	Real Estate	13,230,000	0.60%
New Boston Flex LLC.....	Real Estate	13,035,680	0.59%
<b>Total</b> .....		<b>\$207,954,860</b>	<b>9.45%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$2,200,202,480.  
Source: Assessor's Office, Town of Rocky Hill.

**TEN LARGEST TAXPAYERS – TOWN OF WEST HARTFORD**

<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	\$66,170,000	1.32%
West Farms Associates.....	Shopping Mall	35,000,000	0.70%
Corbins Corner Shopping Center LLC....	Retail, Office	34,558,100	0.69%
Connecticut Light and Power Company...	Utility	28,615,000	0.57%
E & A Northeast LP.....	Retail, Office	27,932,870	0.56%
Town Center West Associates.....	Office	23,053,600	0.46%
Wiremold Company.....	Industrial	17,870,000	0.36%
Sisters of Mercy/McAuley Center.....	Assisted Living	15,962,800	0.32%
Prospect Plaza Improvements, LLC.....	Retail	14,919,000	0.30%
Bishops Albany, LLC.....	Retail	14,350,000	0.29%
<b>Total</b> .....		<b>\$278,431,370</b>	<b>5.57%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$4,999,850,000.  
Source: Assessor's Office, Town of West Hartford.

**TEN LARGEST TAXPAYERS – TOWN OF WETHERSFIELD**

<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	\$22,346,700	0.97%
Cedar-Jordan Lane LLC.....	Shopping Center	15,535,400	0.67%
Crosstone Realty Associates.....	Convalescent Home	12,747,800	0.55%
100 Great Meadow Road.....	Real Estate	12,511,200	0.54%
Executive Square LTD Partnership.....	Apartments	11,011,290	0.48%
Wethersfield Shopping Center LLC.....	Shopping Center	10,791,600	0.47%
Connecticut Light and Power Company...	Utility	8,835,300	0.38%
Connecticut Natural Gas.....	Utility	7,387,600	0.32%
1290 Realty LLC.....	Real Estate	5,925,800	0.26%
Goodwin Gardens LLC.....	Real Estate	5,810,800	0.25%
<b>Total</b> .....		<b>\$112,903,490</b>	<b>4.88%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$2,315,493,100.  
Source: Assessor's Office, Town of Wethersfield.

**TEN LARGEST TAXPAYERS – TOWN OF WINDSOR**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Walgreens.....	Pharmacy	\$73,646,293	2.70%
Griffin Land & Affiliates.....	Real Estate	64,276,747	2.36%
IBM & Affiliates.....	Information Technology	57,317,492	2.10%
CIGNA.....	Insurance	49,672,769	1.82%
Hartford Financial Corporation.....	Finance	46,345,259	1.70%
Northeast Utilities.....	Utility	34,784,543	1.28%
ING.....	Finance	25,706,454	0.94%
Valassis & Affiliates.....	Marketing Services	24,992,626	0.92%
Ferraina & Affiliates.....	Real Estate	23,172,818	0.85%
ABB Combustion.....	Real Estate	21,644,442	0.79%
<b>Total.....</b>		<b>\$421,559,443</b>	<b>15.47%</b>

<sup>1</sup> Based on a 10/1/09 Net Taxable Grand List of \$2,724,614,072.  
Source: Assessor's Office, Town of Windsor.

**EQUALIZED NET GRAND LIST**

<u>Town of Bloomfield</u>			<u>Town of East Hartford</u>		
<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>	<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>
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 <sup>1</sup>	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%
2000	1,708,087,873	-5.18%	2000	3,143,283,796	9.08%
1999	1,801,437,709	1.61%	1999	2,881,528,040	6.94%

<sup>1</sup> Revaluation phased- in.

<u>City of Hartford</u>			<u>Town of Newington</u>		
<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>	<u>Grand List of 10/1</u>	<u>Equalized Net Grand List</u>	<u>% Growth</u>
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 <sup>1</sup>	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%
2000	5,794,370,126	13.63%	2000	2,467,004,166	3.00%
1999	5,099,500,077	1.54%	1999	2,395,229,897	9.56%

<sup>1</sup> Revaluation phased- in.

Town of Rocky Hill		
Grand List of 10/1	Equalized Net Grand List	% Growth
2008	\$3,156,073,966	3.76%
2007	3,041,593,706	2.77%
2006	2,959,539,490	-0.98%
2005	2,988,857,920	9.97%
2004	2,717,981,445	23.36%
2003	2,203,211,200	-6.28%
2002	2,350,776,824	7.32%
2001	2,190,518,862	14.36%
2000	1,915,512,839	16.31%
1999	1,646,900,071	8.38%

Town of West Hartford		
Grand List of 10/1	Equalized Net Grand List	% Growth
2008	\$7,472,184,092	1.90%
2007	7,332,637,978	13.73%
2006	<sup>1</sup> 6,447,326,690	-30.58%
2005	9,287,369,286	4.97%
2004	8,847,511,973	7.97%
2003	8,194,628,368	9.28%
2002	7,498,407,342	11.05%
2001	6,752,286,664	10.75%
2000	6,096,879,495	18.98%
1999	5,124,372,924	5.71%

<sup>1</sup> Revaluation phased- in.

Town of Wethersfield		
Grand List of 10/1	Equalized Net Grand List	% Growth
2008	\$3,299,287,214	-9.29%
2007	3,637,100,135	0.18%
2006	3,630,413,611	-2.64%
2005	3,728,964,091	5.31%
2004	3,541,097,244	26.68%
2003	2,795,283,343	-4.73%
2002	2,934,207,370	12.87%
2001	2,599,590,018	7.42%
2000	2,420,108,052	18.44%
1999	2,043,398,264	-4.16%

Town of Windsor		
Grand List of 10/1	Equalized Net Grand List	% Growth
2008	<sup>1</sup> \$4,295,760,010	-5.23%
2007	4,533,063,159	-0.46%
2006	4,553,843,709	9.66%
2005	4,152,615,879	10.89%
2004	3,744,909,821	14.72%
2003	3,264,253,914	-4.07%
2002	3,402,721,292	9.48%
2001	3,108,204,837	11.09%
2000	2,797,870,646	15.65%
1999	2,419,305,071	0.08%

<sup>1</sup> 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, 2005 through December 31, 2009 and for the Member Municipalities for fiscal years ended June 30, 2006 through June 30, 2010 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. The District has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended December 31, 2003. 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 to be met from the authorization and issuance of general obligation bonds 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 \$800,000,000 appropriation and bond authorization for the District's Clean Water Project approved at a referendum in November, 2006 which is expected to be supported by a Special Sewer Service Surcharge (see "*Clean Water Project*" and "*Authorized but Unissued Debt – The District*" herein), the District has followed a policy of 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 made 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, 2009, 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 projected to be 9.80% of annual covered payroll. The District's recommended contribution for 2009 was \$7,066,074; actual contribution was 108.6% of the recommended amount.

*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 539 retirees for the years ended December 31, 2009 and December 31, 2008 respectively, were \$4,873,081 and \$5,319,344.

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, 2009 was approximately \$160 million. Currently the District follows a pay as you go methodology with respect to funding. However, the District is currently evaluating several options for funding. The District is in the process of establishing a fiduciary fund specifically for annual OPEB contributions.

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%

*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, 2009 were \$3,511,096.

**REVENUES AND APPROPRIATIONS  
BUDGET FOR 2011**

<u><b>Water Revenues</b></u>	<u><b>Budget 2011</b></u>
Sale of Water & Other Operating Revenues.....	\$60,507,200
Non-Operating Revenue.....	2,380,000
<b>Total Revenues and Other Financing Sources - Water...</b>	<b>\$62,887,200</b>
<u><b>Sewer Revenues</b></u>	
Tax on Member Municipalities.....	\$32,360,500
Revenue From Other Governmental Agencies.....	5,733,000
Sewer User Charge Revenue.....	5,717,900
Other Sewer Revenues.....	5,691,700
Revenue Surplus Designated from Prior Year.....	774,300
Contributions From Other Funds.....	10,872,100
<b>Total Revenues and Other Financing Sources - Sewer...</b>	<b>\$61,149,500</b>
<b>Hydroelectric Revenues.....</b>	<b>2,018,100</b>
<b>Mid-Connecticut Project Revenues.....</b>	<b>17,536,600</b>
<b>Total Revenues and Other Financing Sources.....</b>	<b>\$143,591,400</b>

	2011		
	Water	Sewer	Total
<b>Appropriations Water And Sewer Budgets</b>			
District Board.....	\$ 126,000	\$ 121,000	\$ 247,000
Executive Office.....	517,300	497,100	1,014,400
Administrative Services.....	127,200	122,300	249,500
Legal.....	829,700	797,100	1,626,800
Human Resources.....	985,000	946,400	1,931,400
Chief Administrative Office.....	210,100	201,800	411,900
Information Technology.....	2,886,600	1,421,800	4,308,400
Finance.....	1,634,100	1,570,200	3,204,300
Environment, Health, Safety.....	634,400	609,500	1,243,900
Engineering and Planning.....	1,142,700	1,097,900	2,240,600
Customer Service.....	3,004,400	1,571,700	4,576,100
Operations.....	7,227,000	2,408,900	9,635,900
Chief Operating Office.....	253,800	243,800	497,600
Water Pollution Control.....	-	15,891,800	15,891,800
Maintenance.....	4,876,100	4,684,900	9,561,000
Water Treatment, Supply.....	6,662,800	-	6,662,800
Water Supply.....	3,045,800	-	3,045,800
Patrol.....	1,216,800	-	1,216,800
Debt Service.....	10,473,600	19,205,400	29,679,000
Employee Benefits.....	9,559,800	7,821,800	17,381,600
General Insurance.....	1,998,500	856,500	2,855,000
Taxes and Fees.....	2,455,000	-	2,455,000
Special Agreements, Programs.....	1,047,800	521,000	1,568,800
Contingencies.....	895,600	558,600	1,454,200
Riverfront Park Systems.....	1,077,100	-	1,077,100
<b>Total Water and Sewer Budgets.....</b>	<b>\$ 62,887,200</b>	<b>\$ 61,149,500</b>	<b>\$ 124,036,700</b>
<b>Hydroelectric Budget.....</b>			<b>2,018,100</b>
<b>Mid-Connecticut Project Budget.....</b>			<b>17,536,600</b>
<b>Total Appropriations.....</b>	<b>\$ 62,887,200</b>	<b>\$ 61,149,500</b>	<b>\$ 143,591,400</b>

**SOURCES OF FUNDS  
BUDGET FOR 2011**

<u>Sale of Water by User</u>	<u>Budget 2011</u>
Domestic.....	33.12%
Commercial.....	9.00
Industrial.....	1.60
Public Authority.....	1.32
<b>Total</b> .....	<b>45.04%</b>
<u>Sewer Revenues Paid By Member Municipality Tax</u>	
Hartford.....	7.29
West Hartford.....	5.62
East Hartford.....	3.04
Windsor.....	2.33
Newington.....	2.25
Wethersfield.....	2.11
Bloomfield.....	1.93
Rocky Hill.....	1.51
<b>Total</b> .....	<b>26.08%</b>
<u>Other Sources of Funds for Sewer &amp; Water</u>	
Other Sewer & Water Revenues.....	28.88
<b>Total Sources of Funds for Sewer &amp; Water</b> .....	<b>100.00%</b>
<u>Sources of Funds for All Projects</u>	
Water revenues.....	43.80
Sewer Revenues.....	42.60
Hydroelectric Revenues.....	1.40
Mid-Connecticut Revenues.....	12.20
<b>Total</b> .....	<b>100.00%</b>

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

	Budget 2011 <sup>1</sup>	Estimated Unaudited 2010 <sup>1</sup>	Actual 2009	Actual 2008	Actual 2007	Actual 2006	Actual 2005
<b>REVENUES:</b>							
Taxation - Member Towns.....	\$32,360,500	\$30,967,000	\$30,967,000	\$32,670,177	\$30,966,992	\$29,214,143	\$26,991,288
Sewer User Fees.....	5,717,900	5,387,100	5,196,099	5,288,435	4,390,879	4,831,293	4,088,017
Intergovernmental.....	5,733,000	5,995,500	6,953,697	7,048,123	8,955,916	8,213,458	6,569,956
Investment Income.....			97,017	357,252	871,102	1,148,999	241,243
Other Revenues.....	5,691,700	4,475,900	1,535,880	2,311,566	1,283,323	377,682	725,231
Designated for Surplus.....	774,300	2,946,000					
Transfers In.....	10,872,100	5,438,000	4,000,000	3,250,000	3,250,000	3,700,000	20,668,827
<b>Total Revenues and Transfers In.....</b>	<b>\$61,149,500</b>	<b>\$55,209,500</b>	<b>\$48,749,693</b>	<b>\$50,925,554</b>	<b>\$49,718,212</b>	<b>\$47,485,575</b>	<b>\$59,284,562</b>
<b>EXPENDITURES:</b>							
General Government.....	\$6,287,200	\$6,222,752	\$6,351,751	\$4,902,564	\$4,322,023	\$3,777,892	\$4,335,901
Engineering & Planning.....	1,707,400	1,777,900	1,401,698	1,481,110	1,418,756	1,723,568	2,439,357
Operations.....	3,980,600	2,579,500	3,446,176	2,827,880	2,430,307	\$2,359,908	4,997,642
Plants & Maintenance.....	18,544,500	18,619,750	18,243,576	20,922,437	20,269,789	18,600,994	14,210,807
Employee Benefits & Other.....	7,281,800	7,917,100	5,323,916	6,889,633	6,798,102	8,488,057	13,001,065
Miscellaneous Expenses.....	4,142,600	3,924,550					
Transfers Out.....	19,205,400	12,710,500	16,163,137	10,904,477	11,091,640	10,100,121	10,867,449
<b>Total Expenditures and Transfers Out.....</b>	<b>\$61,149,500</b>	<b>\$53,752,052</b>	<b>\$50,930,254</b>	<b>\$47,928,101</b>	<b>\$46,330,617</b>	<b>\$45,050,540</b>	<b>\$49,852,221</b>
<b>Results from Operations.....</b>		<b>\$1,457,448</b>	<b>(\$2,180,561)</b>	<b>\$2,997,452</b>	<b>\$3,387,594</b>	<b>\$2,435,035</b>	<b>\$9,432,341</b>
<b>Fund Balance, January 1.....</b>			<b>\$18,399,984</b>	<b>\$15,402,532</b>	<b>\$12,014,938</b>	<b>\$9,579,903</b>	<b>\$147,562</b>
<b>Fund Balance, December 31.....</b>			<b>\$16,219,423</b>	<b>\$18,399,984</b>	<b>\$15,402,532</b>	<b>\$12,014,938</b>	<b>\$9,579,903</b>

<sup>1</sup> Budgetary Basis.

**ANALYSIS OF GENERAL FUND EQUITY**  
**The District**  
(GAAP BASIS)

	Budget 2011	Estimated Unaudited 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006	Actual 2005
<b>Reserved:</b>							
Inventory.....	N/A	N/A	\$1,439,183	\$1,467,023	\$1,831,908	\$1,766,300	\$1,585,133
Encumbrances.....			2,024,851	1,806,389	1,602,690	1,368,852	1,363,431
CRRA Payments.....							
<b>Unreserved:</b>							
Designated for Infrastructure Improvements.....	N/A	N/A	12,755,389	15,126,572	11,967,934	8,879,786	6,631,339
Designated for CRRA.....							
<b>Total Fund Balance</b>	<b>N/A</b>	<b>N/A</b>	<b>\$16,219,423</b>	<b>\$18,399,984</b>	<b>\$15,402,532</b>	<b>\$12,014,938</b>	<b>\$9,579,903</b>

Source: Audit Reports 2005-2009; Estimates 2010; Budget 2011.

## HISTORY OF MEMBER MUNICIPALITY'S TAXATION <sup>1</sup>

<u>Member Municipality</u>	<u>Budget</u>		<u>Budget</u>		<u>Actual</u>	
	<u>2011</u>	<u>%</u>	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Bloomfield	\$ 2,399,000	7.41	\$ 2,268,900	7.33	\$ 2,276,400	7.35
East Hartford	3,769,700	11.65	3,757,200	12.13	3,880,800	12.53
Hartford	9,046,600	27.96	8,614,800	27.82	8,548,800	27.61
Newington	2,794,700	8.64	2,628,400	8.49	2,628,500	8.49
Rocky Hill	1,869,100	5.78	1,769,500	5.71	1,740,000	5.62
West Hartford	6,968,100	21.53	6,650,900	21.48	6,642,000	21.45
Wethersfield	2,619,900	8.10	2,510,900	8.11	2,493,500	8.05
Windsor	2,893,400	8.93	2,766,400	8.93	2,757,000	8.90
<b>Total</b>	<b>\$ 32,360,500</b>	<b>100.0%</b>	<b>\$ 30,967,000</b>	<b>100.0%</b>	<b>\$ 30,967,000</b>	<b>100.0%</b>

<u>Member Municipality</u>	<u>Actual</u>		<u>Actual</u>		<u>Actual</u>	
	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
Bloomfield	\$ 2,368,588	7.25	\$ 2,226,432	7.19	\$ 2,068,769	7.08
East Hartford	4,279,793	13.10	4,130,459	13.34	3,967,005	13.58
Hartford	8,977,765	27.48	8,382,912	27.07	7,823,781	26.78
Newington	2,734,494	8.37	2,607,841	8.42	2,440,796	8.36
Rocky Hill	1,819,729	5.57	1,702,366	5.50	1,644,302	5.63
West Hartford	7,004,486	21.44	6,678,829	21.57	6,310,936	21.60
Wethersfield	2,577,677	7.89	2,406,436	7.77	2,253,697	7.71
Windsor	2,907,646	8.90	2,831,717	9.14	2,704,857	9.26
<b>Total</b>	<b>\$ 32,670,177</b>	<b>100.0%</b>	<b>\$ 30,966,992</b>	<b>100.0%</b>	<b>\$ 29,214,143</b>	<b>100.0%</b>

<sup>1</sup> 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 2011 <sup>1</sup>	Estimated Unaudited 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006	Actual 2005
<b>Operating Revenues:</b>							
Water Sales.....	\$57,242,100	\$55,315,200	\$51,330,641	\$56,753,810	\$52,679,339	\$48,524,938	\$48,374,331
Other Operating Revenues.....	3,265,100	3,582,900	1,426,721	0	0	0	0
<b>Total Operating Revenue.....</b>	<b>\$60,507,200</b>	<b>\$58,898,100</b>	<b>\$52,757,362</b>	<b>\$56,753,810</b>	<b>\$52,679,339</b>	<b>\$48,524,938</b>	<b>\$48,374,331</b>
<b>Total Operating Expenses.....</b>							
	<b>52,413,600</b>	<b>51,430,168</b>	<b>65,759,309</b>	<b>59,248,467</b>	<b>52,984,997</b>	<b>49,363,037</b>	<b>47,158,863</b>
Operating Income (Loss).....	8,093,600	7,467,932	(13,001,947)	(2,494,657)	(305,658)	(838,099)	1,215,468
<b>Non-operating Revenues.....</b>							
	<b>2,380,000</b>	<b>1,220,400</b>	<b>2,061,891</b>	<b>1,628,902</b>	<b>1,651,843</b>	<b>2,189,254</b>	<b>1,976,233</b>
Income (Loss) Before Interest &							
Fiscal Charges & Operating Transfers.....	10,473,600	8,688,332	(10,940,056)	(865,755)	1,346,185	1,351,155	3,191,701
Interest & Fiscal Charges.....	(10,473,600)	(7,213,500)	(2,754,207)	(2,407,659)	(1,116,179)	(1,048,398)	(1,188,545)
<b>Income Before Operating Transfers.....</b>	<b>\$0</b>	<b>\$1,474,832</b>	<b>(\$13,694,263)</b>	<b>(\$3,273,414)</b>	<b>\$230,006</b>	<b>\$302,757</b>	<b>\$2,003,156</b>
<b>Net Operating Transfers.....</b>	<b>0</b>	<b>0</b>	<b>12,545,151</b>	<b>4,182,548</b>	<b>5,091,177</b>	<b>11,490,401</b>	<b>698,066</b>
<b>Net Income (Loss).....</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,149,112)</b>	<b>\$909,134</b>	<b>\$5,321,183</b>	<b>\$11,793,158</b>	<b>\$2,701,222</b>
<b>Net Assets, January 1.....</b>			<b>\$244,067,500</b>	<b>\$243,158,366</b>	<b>\$237,837,183</b>	<b>\$226,044,025</b>	<b>\$223,342,803</b>
<b>Net Assets, December 31.....</b>			<b>\$242,918,388</b>	<b>\$244,067,500</b>	<b>\$243,158,366</b>	<b>\$237,837,183</b>	<b>\$226,044,025</b>

<sup>1</sup> Budgetary Basis.

Source: Audit Reports 2005-2009; Estimates 2010; Budgets 2011.

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

	Budget 2011 <sup>1</sup>	Budget 2010 <sup>1</sup>	Actual 2009	Actual 2008	Actual 2007	Actual 2006	Actual 2005
<b>Operating Revenues:</b>							
Power Sales.....	\$852,800	\$828,000	\$1,110,802	\$1,127,992	\$669,106	\$1,052,947	\$946,312
Miscellaneous.....	8,000	6,000					
<b>Total Operating Revenue.....</b>	<b>\$860,800</b>	<b>\$834,000</b>	<b>\$1,110,802</b>	<b>\$1,127,992</b>	<b>\$669,106</b>	<b>\$1,052,947</b>	<b>\$946,312</b>
<b>Total Operating Expenses.....</b>							
	<b>\$428,100</b>	<b>\$342,900</b>	<b>\$447,432</b>	<b>\$375,156</b>	<b>\$433,989</b>	<b>\$365,649</b>	<b>\$352,962</b>
Operating Income (Loss).....	\$432,700	\$491,100	\$663,370	\$752,836	\$235,117	\$687,298	\$593,350
<b>Non-operating Revenues (Expenses).....</b>							
	<b>\$1,157,300</b>	<b>\$1,151,500</b>	<b>\$8,618</b>	<b>\$46,805</b>	<b>\$79,539</b>	<b>\$142,563</b>	<b>\$105,936</b>
<b>Income Before Operating Transfers.....</b>	<b>\$1,590,000</b>	<b>\$1,642,600</b>	<b>\$671,988</b>	<b>\$799,641</b>	<b>\$314,656</b>	<b>\$829,861</b>	<b>\$699,286</b>
<b>Net Operating Transfers.....</b>	<b>(1,590,000)</b>	<b>(1,642,600)</b>	<b>(1,550,000)</b>	<b>(1,550,000)</b>	<b>(1,550,000)</b>	<b>(1,550,000)</b>	<b>(1,550,000)</b>
<b>Net Income (Loss).....</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$878,012)</b>	<b>(\$750,359)</b>	<b>(\$1,235,344)</b>	<b>(\$720,139)</b>	<b>(\$850,714)</b>
<b>Net Assets, January 1.....</b>			<b>\$11,981,857</b>	<b>\$12,732,216</b>	<b>\$13,967,560</b>	<b>\$14,687,699</b>	<b>\$15,538,413</b>
<b>Net Assets, December 31.....</b>			<b>\$11,103,845</b>	<b>\$11,981,857</b>	<b>\$12,732,216</b>	<b>\$13,967,560</b>	<b>\$14,687,699</b>

<sup>1</sup> Budgetary Basis.

Source: Audit Reports 2005-2009; Budgets 2010 and 2011.



**MID-CONNECTICUT PROJECT FUND REVENUES AND EXPENDITURES**  
**The District**  
**Summary of Audited Revenues and Expenditures (GAAP BASIS)**

	Budget 2011 <sup>1</sup>	Budget 2010 <sup>1</sup>	Actual 2009	Actual 2008	Actual 2007	Actual 2006	Actual 2005
<b>Total Operating Revenue</b> .....	<b>\$17,536,600</b>	<b>\$17,774,800</b>	<b>\$17,978,766</b>	<b>\$15,726,127</b>	<b>\$18,165,810</b>	<b>\$18,729,932</b>	<b>\$15,936,659</b>
<b>Operating Expenses:</b>							
General Administration.....	1,259,156	2,589,045	3,682,848	3,221,408	3,721,163	3,836,720	2,689,315
Operations.....	7,149,571	1,770,030	1,397,142	1,222,088	1,411,677	1,455,515	1,283,051
Maintenance.....	1,709,749	2,941,690	5,192,978	4,542,327	5,247,004	5,409,945	4,200,634
Capital Outlay.....							
Personnel Services.....	7,418,124	10,474,035	7,705,798	6,740,304	7,785,966	8,027,752	7,763,659
<b>Total Operating Expenses</b> .....	<b>\$17,536,600</b>	<b>\$17,774,800</b>	<b>\$17,978,766</b>	<b>\$15,726,127</b>	<b>\$18,165,810</b>	<b>\$18,729,932</b>	<b>\$15,936,659</b>
<b>Operating Income (Loss)</b> .....			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> Budgetary Basis.

Source: Audit Reports 2005-2009; Budgets 2010 and 2011.

**GENERAL FUND REVENUES AND EXPENDITURES**  
**Town of Bloomfield**  
**Summary of Audited Revenues and Expenditures (GAAP BASIS)**

	Budget 2010-11 <sup>1</sup>	Actual 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06
<b>REVENUES:</b>						
Taxes and Assessments.....	\$63,865,939	\$62,139,854	\$60,941,705	\$57,743,856	\$54,031,566	\$51,126,615
State and Federal Grants.....	7,356,088	10,277,496	11,248,024	16,966,207	9,118,469	9,076,926
Charges for Services.....	1,266,720	1,575,137	1,681,133	2,673,546	2,348,018	1,628,906
Investment Income.....	250,000	247,948	622,892	1,270,773	1,494,700	1,138,042
Licenses and Permits.....	275,500	0	0	0	981,858	550,593
Other.....	180,593	86,940	65,560	740,363	70,895	256,701
Transfers In.....	0	0	0	72,513	0	0
<b>Total Revenues and Transfers In</b> .....	<b>\$73,194,840</b>	<b>\$74,327,375</b>	<b>\$74,559,314</b>	<b>\$79,467,258</b>	<b>\$68,045,506</b>	<b>\$63,777,783</b>
<b>EXPENDITURES:</b>						
General Government.....	\$3,889,691	\$3,559,984	\$3,739,756	\$3,397,447	\$3,237,031	\$2,939,550
Public Safety.....	6,941,074	6,750,622	6,767,994	6,570,161	6,122,016	5,882,201
Public Works.....	2,523,210	2,616,066	2,505,502	2,335,729	1,980,319	2,173,395
Leisure Services.....	693,914	637,660	616,925	650,214	603,882	581,036
Public Libraries.....	1,400,408	1,328,969	1,334,575	1,299,620	1,281,751	1,200,951
Human Services.....	1,450,962	1,331,051	1,265,602	1,219,285	1,170,929	1,118,468
Facilities.....	1,911,057	1,813,899	1,733,268	1,477,987	1,535,303	1,508,706
Fixed Charges.....	12,021,888	11,066,954	10,450,261	10,409,040	9,339,966	8,623,998
Miscellaneous.....	501,000	285,904	202,415	258,069	1,385,738	167,909
Education.....	37,783,237	40,445,920	40,453,351	45,243,647	36,494,139	35,502,258
Debt Service.....	3,203,399	3,275,364	2,539,866	1,818,007	1,855,545	1,614,732
Transfers Out.....	875,000	270,000	1,650,000	2,274,135	1,764,135	1,875,000
<b>Total Expenditures and Transfers Out</b> .....	<b>\$73,194,840</b>	<b>\$73,382,393</b>	<b>\$73,259,515</b>	<b>\$76,953,341</b>	<b>\$66,770,754</b>	<b>\$63,188,204</b>
<b>Results from Operations</b> .....		<b>\$944,982</b>	<b>\$1,299,799</b>	<b>\$2,513,917</b>	<b>\$1,274,752</b>	<b>\$589,579</b>
<b>Fund Balance, July 1</b> .....		<b>\$9,082,647</b>	<b>\$7,782,848</b>	<b>\$5,268,931</b>	<b>\$3,994,179</b>	<b>\$3,404,600</b>
<b>Fund Balance, June 30</b> .....		<b>\$10,027,629</b>	<b>\$9,082,647</b>	<b>\$7,782,848</b>	<b>\$5,268,931</b>	<b>\$3,994,179</b>

<sup>1</sup> Budgetary Basis.

**ANALYSIS OF GENERAL FUND EQUITY**  
**Town of Bloomfield**  
**(GAAP BASIS)**

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
Reserved for Encumbrances.....	N/A	\$720,057	\$998,384	\$467,300	\$163,136	\$69,297
Unreserved:						
Designated for Projects.....						
Unreserved/Undesignated.....	N/A	<u>9,307,572</u>	<u>8,084,263</u>	<u>7,315,548</u>	<u>5,105,795</u>	<u>3,924,882</u>
<b>Total Fund Balance</b>	<b>N/A</b>	<b>\$10,027,629</b>	<b>\$9,082,647</b>	<b>\$7,782,848</b>	<b>\$5,268,931</b>	<b>\$3,994,179</b>
<b>Undesignated Fund Balance</b>						
<b>As % of Total Expenditures</b>	<b>N/A</b>	<b>12.68%</b>	<b>11.04%</b>	<sup>1</sup>	<b>7.65%</b>	<b>6.21%</b>

<sup>1</sup> Revenues and transfers in should total \$70,788,855 and expenditures and transfers out should total \$68,274,938 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the Town of Bloomfield's teachers, is reflected as a revenue item and an expenditure item in the Town's general operating fund. The contribution in Fiscal Year 2008 totaled \$8,678,403 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$7,315,548 represents 10.71% of the adjusted total expenditures and transfers out of \$68,274,938.

Source: Audit Reports 2006-2010; Budget 2011.

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

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>2010-11<sup>1</sup></b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
<b>REVENUES:</b>						
Property Taxes.....	\$103,465,837	\$98,458,000	\$100,745,000	\$97,595,000	\$103,853,000	\$97,463,000
Intergovernmental.....	44,052,375	51,585,000	57,601,000	79,733,000	48,844,000	48,209,000
Other local revenues.....	3,325,160	7,012,000	6,891,000	8,749,000	6,702,000	5,269,000
Transfers In.....	0	399,000	520,000	655,000	298,000	1,501,000
<b>Total Revenues</b>						
<b>and Transfers In.....</b>	<b>\$150,843,372</b>	<b>\$157,454,000</b>	<b>\$165,757,000</b>	<b>\$186,732,000</b>	<b>\$159,697,000</b>	<b>\$152,442,000</b>
<b>EXPENDITURES:</b>						
General Government.....	\$25,430,815	\$26,943,000	\$27,155,000	\$24,033,000	\$26,098,000	\$24,815,000
Public Safety.....	23,817,313	24,261,000	23,817,000	23,878,000	22,873,000	22,204,000
Inspection/Permits.....	661,999	682,000	849,000	744,000	672,000	678,000
Public Works.....	12,250,311	8,742,000	9,424,000	8,978,000	8,609,000	8,161,000
Parks and Recreation.....	2,685,179	2,427,000	2,683,000	2,671,000	2,527,000	2,484,000
Health and Social Services.....	1,321,621	1,257,000	1,246,000	1,237,000	1,278,000	1,234,000
Debt Service.....	8,127,897	9,539,000	9,592,000	8,760,000	9,035,000	8,820,000
Education.....	76,548,237	84,284,000 <sup>2</sup>	92,242,000 <sup>2</sup>	114,773,000	84,427,000	82,195,000
Transfers Out.....	0	17,000	316,000	2,234,000	165,000	1,438,000
<b>Total Expenditures and</b>						
<b>Transfers Out.....</b>	<b>\$150,843,372</b>	<b>\$158,152,000</b>	<b>\$167,324,000</b>	<b>\$187,308,000</b>	<b>\$155,684,000</b>	<b>\$152,029,000</b>
<b>Results from Operations.....</b>		<b>(\$698,000)</b>	<b>(\$1,567,000)</b>	<b>(\$576,000)</b>	<b>\$4,013,000</b>	<b>\$413,000</b>
<b>Fund Balance, July 1.....</b>		<b>\$13,642,000</b>	<b>\$15,209,000</b>	<b>\$15,785,000</b>	<b>\$11,772,000</b>	<b>\$11,359,000</b>
<b>Fund Balance, June 30.....</b>		<b>\$12,944,000</b>	<b>\$13,642,000</b>	<b>\$15,209,000</b>	<b>\$15,785,000</b>	<b>\$11,772,000</b>

<sup>1</sup> Budgetary Basis.

<sup>2</sup> 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.

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

	<b>Budget 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
Reserved for Encumbrances.....	N/A	\$906,000	\$943,000	\$867,000	\$968,000	\$344,000
Unreserved:						
Designated.....	N/A	0	0	0	0	0
Undesignated.....		<u>12,038,000</u>	<u>12,699,000</u>	<u>14,342,000</u>	<u>14,817,000</u>	<u>11,428,000</u>
<b>Total Fund Balance</b>	N/A	<b>\$12,944,000</b>	<b>\$13,642,000</b>	<b>\$15,209,000</b>	<b>\$15,785,000</b>	<b>\$11,772,000</b>
<b>Undesignated Fund Balance</b>						
<b>As % of Total Expenditures</b>	N/A	<b><u>7.61%</u></b>	<b><u>7.59%</u></b>	1	<b><u>9.52%</u></b>	<b><u>7.52%</u></b>

<sup>1</sup> Revenues and transfers in should total \$154,432,000 and expenditures and transfers out should total \$155,008,000 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the Town of East Hartford's teachers, is reflected as a revenue item and an expenditure item in the Town's general operating fund. The contribution in Fiscal Year 2008 totaled \$32,300,000 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$14,342,000 represents 9.25% of the adjusted total expenditures and transfers out of \$155,008,000.

Source: Audit Reports 2006-2010; Budget 2011.

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

	Budget 2010-11 <sup>1</sup>	Estimated Unaudited 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06
<b>REVENUES:</b>						
Property Taxes.....	\$269,532,516	\$266,990,000	\$250,668,000	\$232,955,000	\$231,638,000	\$208,241,000
Licenses and Permits.....	6,782,780	5,608,000	8,155,000	9,850,000	8,594,000	10,058,000
Investment Income.....	6,007,658	1,027,000	201,000	1,714,000	3,510,000	4,085,000
Intergovernmental.....	251,313,987	267,840,000	270,021,000	341,042,000	250,108,000	242,112,000
Charges for Services.....	2,668,472	2,175,000	1,961,000	2,194,000	2,599,000	2,628,000
Reimbursements.....	3,371,142	0	0	0	0	2,661,000
Other Revenues.....	1,280,050	7,396,000	9,952,000	11,211,000	8,479,000	8,276,000 <sup>4</sup>
Transfers In.....	3,485,550	2,884,000	8,035,000	14,715,000	9,952,000	7,039,000
<b>Total Revenues and Transfers In.....</b>	<b>\$544,442,155</b>	<b>\$553,920,000</b>	<b>\$548,993,000</b>	<b>\$613,681,000</b>	<b>\$514,880,000</b>	<b>\$485,100,000</b>
<b>EXPENDITURES:</b>						
General Government.....	\$19,887,473	\$19,831,000	\$20,929,000	\$21,890,000	\$17,699,000	\$15,517,000
Public Safety.....	75,810,089	70,756,000	72,998,000	74,402,000	71,506,000	67,575,000
Public Works.....	13,096,926	12,522,000	13,629,000	11,825,000	14,158,000	13,873,000
Development and Community.....	4,263,495	4,342,000	2,241,000	2,541,000	2,194,000	1,917,000
Human Services.....	7,183,016	7,237,000	7,565,000	7,303,000	7,740,000	7,529,000
Library <sup>2</sup> .....	7,915,000	0	0	0	0	6,374,000
Education.....	285,804,001	305,210,000	305,432,000	374,467,000	279,086,000	270,874,000
Benefits and Insurance.....	62,793,072	55,791,000	57,985,000	57,012,000	54,754,000	47,348,000 <sup>3</sup>
Other.....	33,313,083	31,042,000	31,335,000	28,122,000	28,755,000	20,335,000
Transfers Out.....	34,376,000	44,854,000	48,466,000	42,686,000	37,736,000	31,462,000
<b>Total Expenditures and Transfers Out.....</b>	<b>\$544,442,155</b>	<b>\$551,585,000</b>	<b>\$560,580,000</b>	<b>\$620,248,000</b>	<b>\$513,628,000</b>	<b>\$482,804,000</b>
<b>Results from Operations.....</b>		<b>\$2,335,000</b>	<b>(\$11,587,000)</b>	<b>(\$6,567,000)</b>	<b>\$1,252,000</b>	<b>\$2,296,000<sup>4</sup></b>
<b>Fund Balance, July 1.....</b>		<b>\$16,313,000</b>	<b>\$27,900,000</b>	<b>\$34,467,000</b>	<b>\$33,215,000</b>	<b>\$30,919,000</b>
<b>Fund Balance, June 30.....</b>		<b>\$18,648,000</b>	<b>\$16,313,000</b>	<b>\$27,900,000</b>	<b>\$34,467,000</b>	<b>\$33,215,000</b>

<sup>1</sup> Budgetary Basis.

<sup>2</sup> Library expenses were reclassified in budgetary presentations in Fiscal Years 2005 and 2006.

<sup>3</sup> Employee benefits and insurance for education and library were moved to those respective departments.

<sup>4</sup> Includes \$2,000,000 in bond premium.

**ANALYSIS OF GENERAL FUND EQUITY**  
**City of Hartford**  
 (GAAP BASIS)

	Budget 2010-11	Estimated Unaudited 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06
Reserved for Encumbrances.....	N/A	\$148,000	\$95,000			\$246,000
Designated.....	N/A					
Unreserved.....	N/A	18,500,000	16,218,000	27,900,000	34,467,000	32,969,000
<b>Total Fund Balance</b>	<b>N/A</b>	<b>\$18,648,000</b>	<b>\$16,313,000</b>	<b>\$27,900,000</b>	<b>\$34,467,000</b>	<b>\$33,215,000</b>
<b>Undesignated Fund Balance</b>						
<b>As % of Total Expenditures</b>	<b>N/A</b>	<b>3.35%</b>	<b>2.89%</b>	<b>1</b>	<b>6.71%</b>	<b>6.83%</b>

<sup>1</sup> Revenues and transfers in should total \$510,881,000 and expenditures and transfers out should total \$517,448,000 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the City of Hartford's teachers, is reflected as a revenue item and an expenditure item in the City's general operating fund. The contribution in Fiscal Year 2008 totaled \$102,800,000 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$27,900,000 represents 5.39% of the adjusted total expenditures and transfers out of \$517,448,000.

Source: Audit Reports 2006-2009; Estimates 2010; Budget 2011.

**GENERAL FUND REVENUES AND EXPENDITURES**  
**Town of Newington**  
Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2010-11 <sup>1</sup>	Actual 2009-10	Actual 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06
<b>REVENUES:</b>						
Property Taxes.....	\$76,899,675	\$75,594,000	\$73,276,000	\$70,359,000	\$66,863,000	\$64,813,000
Payment in Lieu of Taxes.....	3,153,676	3,050,000	2,936,000	2,481,000	2,339,000	2,526,000
Licenses, Fees and Permits.....	195,700	300,000	409,000	724,000	749,000	509,000
Intergovernmental.....	13,932,400	19,882,000	18,967,000	32,993,000	15,453,000	14,505,000
Rental.....	129,600	130,000	139,000	86,000	83,000	127,000
Income on Investments.....	200,000	172,000	509,000	1,426,000	1,825,000	1,512,000
Fines.....	40,000	64,000	96,000	41,000	64,000	51,000
Charges for Services.....	370,350	605,000	597,000	868,000	885,000	808,000
Refunds and Reimbursements.....	35,000	0	23,000	23,000	185,000	14,000
Other.....	17,900	51,000	74,000	929,000	12,000	21,000
Transfers In <sup>2</sup> .....	2,127,803	3,739,000 <sup>3</sup>	284,000	94,000	82,000	95,000
<b>Total Revenues and Transfers In.....</b>	<b>\$97,102,104</b>	<b>\$103,587,000</b>	<b>\$97,310,000</b>	<b>\$110,024,000</b>	<b>\$88,540,000</b>	<b>\$84,981,000</b>
<b>EXPENDITURES:</b>						
General Government.....	\$4,240,885	\$3,823,000	\$3,957,000	\$3,254,000	\$2,520,000	\$2,345,000
Public Safety.....	7,301,442	7,054,000	6,850,000	6,818,000	6,485,000	6,212,000
Public Works.....	4,809,354	4,532,000	4,722,000	4,563,000	4,906,000	4,666,000
Community Planning & Develop.....	428,965	479,000	513,000	503,000	520,000	466,000
Health and Human Services.....	1,100,446	1,117,000	1,108,000	1,149,000	1,119,000	1,190,000
Library.....	1,656,090	1,646,000	1,634,000	1,750,000	1,701,000	1,702,000
Parks and Recreation.....	1,559,063	1,429,000	1,447,000	1,575,000	1,487,000	1,414,000
Education.....	59,244,755	63,212,000	60,397,000	73,635,000	53,590,000	50,265,000
Miscellaneous.....	14,598,743	8,928,000	8,741,000	8,829,000	8,634,000	8,288,000
Debt Service.....	2,162,361	2,523,000	2,524,000	2,592,000	3,147,000	3,498,000
Transfers Out.....	0	7,892,000 <sup>4</sup>	4,370,000	4,418,000	3,133,000	3,287,000
<b>Total Expenditures and Transfers Out.....</b>	<b>\$97,102,104</b>	<b>\$102,635,000</b>	<b>\$96,263,000</b>	<b>\$109,086,000</b>	<b>\$87,242,000</b>	<b>\$83,333,000</b>
<b>Results from Operations.....</b>		<b>\$952,000</b>	<b>\$1,047,000</b>	<b>\$938,000</b>	<b>\$1,298,000</b>	<b>\$1,648,000</b>
<b>Fund Balance, July 1.....</b>		<b>\$16,691,000</b>	<b>\$15,644,000</b>	<b>\$14,706,000</b>	<b>\$13,408,000</b>	<b>\$11,760,000</b>
<b>Fund Balance, June 30.....</b>		<b>\$17,643,000</b>	<b>\$16,691,000</b>	<b>\$15,644,000</b>	<b>\$14,706,000</b>	<b>\$13,408,000</b>

<sup>1</sup> Budgetary Basis.

<sup>2</sup> Includes \$2,000,000 appropriated from prior years' surplus in Fiscal Year 2011.

<sup>3</sup> Includes \$3,640,000 refunding bonds issued.

<sup>4</sup> Includes \$3,571,000 payment to refunded bond escrow agent.

**ANALYSIS OF GENERAL FUND EQUITY**

**Town of Newington  
(GAAP BASIS)**

	<b>Budget 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
Reserved for Encumbrances.....	N/A	\$1,745,000	\$1,947,000	\$1,572,000	\$1,763,000	\$1,721,000
Unreserved:						
Designated for Sub. Year.....	N/A	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Undesignated.....	N/A	13,898,000	12,744,000	12,072,000	10,943,000	9,687,000
<b>Total Fund Balance</b>	<b>N/A</b>	<b>\$17,643,000</b>	<b>\$16,691,000</b>	<b>\$15,644,000</b>	<b>\$14,706,000</b>	<b>\$13,408,000</b>
<b>Undesignated Fund Balance As % of Total Expenditures</b>	<b>N/A</b>	<b>13.54%</b>	<b>13.24%</b>	<sup>1</sup>	<b>12.54%</b>	<b>11.62%</b>

<sup>1</sup> Revenues and transfers in should total \$90,845,000 and expenditures and transfers out should total \$89,907,000 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the Town of Newington's teachers, is reflected as a revenue item and an expenditure item in the Town's general operating fund. The contribution in Fiscal Year 2008 totaled \$19,179,000 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$12,072,000 represents 13.42% of the adjusted total expenditures and transfers out of \$89,907,000.

Source: Audit Reports 2006-2010; Budget 2011.

**GENERAL FUND REVENUES AND EXPENDITURES**

**Town of Rocky Hill**

Summary of Audited Revenues and Expenditures  
(GAAP BASIS)

	<b>Budget 2010-11<sup>1</sup></b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
<b>REVENUES:</b>						
Taxes and Assessments.....	\$52,363,275	\$50,445,629	\$48,912,057	\$46,816,288	\$45,423,613	\$41,265,045
Intergovernmental.....	4,791,912	7,203,662	7,917,555	16,123,098	6,229,295	5,885,839
Charges for Services.....	542,325	792,346	865,279	1,527,511	1,353,740	1,613,334
Income on Investments.....	41,000	39,737	145,626	485,174	706,382	531,380
Miscellaneous.....	1,022,550	656,980	905,675	661,167	699,919	585,973
Transfers In <sup>2</sup> .....	281,148	7,420,000 <sup>3</sup>	0	0	0	0
<b>Total Revenues and Transfers In.....</b>	<b>\$59,042,210</b>	<b>\$66,558,354</b>	<b>\$58,746,192</b>	<b>\$65,613,238</b>	<b>\$54,412,949</b>	<b>\$49,881,571</b>
<b>EXPENDITURES:</b>						
General Government.....	\$2,123,575	\$2,313,302	\$2,065,990	\$1,942,303	\$1,924,012	\$1,793,001
Public Safety.....	5,400,074	5,341,066	5,260,900	5,153,545	4,954,404	4,820,461
Public Works.....	5,100,045	4,973,582	5,123,227	4,970,210	4,795,218	4,544,185
Health and Human Services.....	521,437	501,487	500,418	487,942	455,415	444,189
Parks, Recreation and Facilities.....	5,453,703	5,253,636	5,133,980	5,646,646	5,212,992	4,946,674
Library Services.....	895,268	875,847	859,124	887,210	848,991	812,280
Education.....	28,521,588	30,266,724	29,424,694	36,640,268	26,080,002	24,761,249
Miscellaneous.....	7,062,099	6,162,034	6,316,464	6,191,227	5,643,154	4,837,020
Capital Outlays.....	1,600,954	523,784	978,410	1,082,172	758,058	331,494
Debt Service.....	2,363,467	2,895,090	2,866,997	2,827,933	2,807,051	2,659,288
Transfers Out.....	0	7,646,494 <sup>4</sup>	199,641	380,381	296,739	90,550
<b>Total Expenditures and Transfers Out.....</b>	<b>\$59,042,210</b>	<b>\$66,753,046</b>	<b>\$58,729,845</b>	<b>\$66,209,837</b>	<b>\$53,776,036</b>	<b>\$50,040,391</b>
<b>Results from Operations.....</b>		<b>(\$194,692)</b>	<b>\$16,347</b>	<b>(\$596,599)</b>	<b>\$636,913</b>	<b>(\$158,820)</b>
<b>Fund Balance, July 1.....</b>		<b>\$4,212,494</b>	<b>\$4,196,147</b>	<b>\$4,792,746</b>	<b>\$4,155,833</b>	<b>\$4,314,653</b>
<b>Fund Balance, June 30.....</b>		<b>\$4,017,802</b>	<b>\$4,212,494</b>	<b>\$4,196,147</b>	<b>\$4,792,746</b>	<b>\$4,155,833</b>

<sup>1</sup> Budgetary Basis

<sup>2</sup> Appropriated from prior years' surplus.

<sup>3</sup> Includes \$7,420,000 refunding bonds issued.

<sup>4</sup> Includes \$7,316,494 payment to refunded bond escrow agent.

**ANALYSIS OF GENERAL FUND EQUITY**  
**Town of Rocky Hill**  
**(GAAP BASIS)**

	<b>Budget 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
Reserved.....	N/A	\$209,884	\$249,965	\$201,398	\$313,096	\$158,148
Designated for subsequent year.....		281,148	389,306	550,967	1,079,256	306,013
Undesignated.....		<u>3,526,770</u>	<u>3,573,223</u>	<u>3,443,782</u>	<u>3,400,394</u>	<u>3,691,672</u>
<b>Total Fund Balance</b>	<b>N/A</b>	<b><u>\$4,017,802</u></b>	<b><u>\$4,212,494</u></b>	<b><u>\$4,196,147</u></b>	<b><u>\$4,792,746</u></b>	<b><u>\$4,155,833</u></b>
<b>Undesignated Fund Balance</b>						
<b>As % of Total Expenditures</b>	<b>N/A</b>	<b><u>5.28%</u></b>	<b><u>6.08%</u></b>	<sup>1</sup>	<b><u>6.32%</u></b>	<b><u>7.38%</u></b>

<sup>1</sup> Revenues and transfers in should total \$54,722,741 and expenditures and transfers out should total \$55,319,340 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the Town of Rocky Hill's teachers, is reflected as a revenue item and an expenditure item in the Town's general operating fund. The contribution in Fiscal Year 2008 totaled \$10,890,497 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$3,443,782 represents 6.23% of the adjusted total expenditures and transfers out of \$55,319,340.

Source: Audit Reports 2006-2010; Budget 2011.

**GENERAL FUND REVENUES AND EXPENDITURES**

**Town of West Hartford**

Summary of Audited Revenues and Expenditures

(BUDGETARY BASIS)<sup>1</sup>

	<b>Budget 2011</b>	<b>Actual 2010<sup>5</sup></b>	<b>Actual 2009</b>	<b>Actual 2008<sup>3</sup></b>	<b>Actual 2007<sup>2</sup></b>	<b>Actual 2006</b>
<b>REVENUES:</b>						
Property Taxes.....	\$191,876,648	\$186,107,000	\$181,795,303	\$173,317,428	\$172,564,726	\$162,738,800
Intergovernmental.....	18,240,784	18,187,000	21,763,308	20,475,283	16,726,200	16,622,863
Charges for Services.....	4,218,674	5,023,000	3,842,699	4,196,926	4,559,892	4,710,239
Income on Investments.....	1,000,000	1,045,000	1,939,717	2,535,631	3,342,393	2,933,603
Miscellaneous.....	497,250	841,000	1,263,195	951,782	471,008	549,244
<b>Total Revenues.....</b>	<b>\$215,833,356</b>	<b>\$211,203,000</b>	<b>\$210,604,222</b>	<b>\$201,477,050</b>	<b>\$197,664,219</b>	<b>\$187,554,749</b>
<b>EXPENDITURES:</b>						
General Government:						
Town Council/Town Clerk.....	\$657,019	\$638,000	\$712,456	\$756,674	\$757,263	\$739,136
Town Manager.....	253,521	257,000	397,791	322,634	322,831	330,590
Coproaction Counsel.....	439,454	421,000	712,733	567,625	535,911	499,120
Registrar of Voters.....	259,662	261,000	276,822	351,579	287,331	203,112
Financial Services.....	2,479,040	2,394,000	3,011,436	3,159,025	5,389,414	1,685,217
Assessors.....	556,339	503,000	732,077	761,934	883,092	747,717
Administrative Services.....						3,346,149
Employees Services.....	373,440	315,000	496,497	526,885	469,054	522,381
Public Safety:						
Fire Services.....	9,382,978	9,413,000	12,002,732	12,395,580	11,839,029	11,667,067
Police Services.....	13,445,231	12,935,000	17,599,765	17,886,581	17,068,931	16,414,596
Community Maintenance:						
Community Services.....	2,668,450	2,566,000	3,637,517	4,016,611	3,970,810	3,672,283
Public Works.....	10,820,628	10,213,000	12,602,305	12,134,801	11,251,738	16,943,086
Facilities Services.....	1,805,952	2,560,000	2,399,337	2,265,984		
Human & Cultural Resources:						
Human & Leisure Services.....	2,526,770	2,522,000	2,999,008	1,249,192	1,080,442	0
Library Services.....	2,977,535	2,933,000	3,611,701	3,684,505	3,604,688	3,460,628
Human Services.....						1,191,876
Debt and Sundry.....	40,238,968	39,953,000	27,431,392	22,611,372	22,048,763	15,863,913
<b>Sub-Total Town.....</b>	<b>88,884,987</b>	<b>87,884,000</b>	<b>88,623,569</b>	<b>82,690,982</b>	<b>79,509,297</b>	<b>77,286,871</b>
Board of Education.....	126,672,618	121,089,000	122,632,074	116,903,853	113,232,423	106,267,279
<b>Total Expenditures.....</b>	<b>\$215,557,605</b>	<b>\$208,973,000</b>	<b>\$211,255,643</b>	<b>\$199,594,835</b>	<b>\$192,741,720</b>	<b>\$183,554,150</b>
Excess of Revenues Over						
(Under) Expenditures.....	\$275,751	\$2,230,000	(\$651,421)	\$1,882,215	\$4,922,499	\$4,000,599
Other Financing Sources (Uses):						
Transfers In.....	870,667	1,069,000	1,853,065	1,238,896	920,090	1,540,052
Transfers Out.....	(1,146,418)	(2,484,000)	(1,657,731)	(2,480,693)	(4,115,527)	(4,232,801)
<b>Total Other Financing Sources</b>						
(Uses).....	(\$275,751)	(\$1,415,000)	\$195,334	(\$1,241,797)	(\$3,195,437)	(\$2,692,749)
<b>Excess of Rev&amp; Other Sources</b>						
<b>Over Exp and Other Uses.....</b>	<b>\$0</b>	<b>\$815,000</b>	<b>(\$456,087)</b>	<b>\$640,418</b>	<b>\$1,727,062</b>	<b>\$1,307,850</b>
<b>Fund Balance, July 1.....</b>						
Designated Fund Balance Yr End.....		0	0	781,185	781,185	0
<b>Fund Balance, June 30.....</b>		<b>\$16,377,649</b>	<b>\$16,833,736<sup>4</sup></b>	<b>\$16,193,318<sup>4</sup></b>	<b>\$14,466,259</b>	<b>\$13,158,409</b>
		<b>\$17,192,649</b>	<b>\$16,377,649</b>	<b>\$16,052,551</b>	<b>\$15,412,136</b>	<b>\$14,466,259</b>

<sup>1</sup>On 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 of 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.

<sup>2</sup>In 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.

<sup>3</sup>In the fiscal year 2008 the Facilities Services Department was separated from the Financial Service Department.

<sup>4</sup>Restated.

<sup>5</sup>In 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, October 2010 Final Official Statement; Audit Report 2010; Budget 2011.



**GENERAL FUND REVENUES AND EXPENDITURES**

**Town of Wethersfield**

Summary of Audited Revenues and Expenditures

(GAAP BASIS)

	<b>Budget 2010-11<sup>1</sup></b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
<b>REVENUES:</b>						
Property Taxes.....	\$70,983,432	\$71,117,614	\$69,563,000	\$65,964,160	\$64,617,241	\$59,857,695
Intergovernmental.....	9,151,234	14,093,177	14,000,914	26,025,271	10,009,012	9,732,623
Other Local Revenues.....	2,341,621	2,709,868	2,465,628	3,499,256	3,418,816	3,447,702
Transfers In <sup>2</sup> .....	700,000	13,332,220 <sup>3</sup>	0	0	0	0
<b>Total Revenues and Transfers In.....</b>	<b>\$83,176,287</b>	<b>\$101,252,879</b>	<b>\$86,029,542</b>	<b>\$95,488,687</b>	<b>\$78,045,069</b>	<b>\$73,038,020</b>
<b>EXPENDITURES:</b>						
Public Safety.....	\$9,015,124	\$8,132,620	\$8,223,044	\$7,719,496	\$7,718,911	\$6,819,986
Public Works.....	7,690,506	7,395,776	8,008,600	7,527,745	7,129,457	6,900,723
Recreation and Parks.....	1,482,751	1,442,808	1,679,063	1,497,924	1,442,244	1,325,718
Social Services.....	924,748	897,535	1,172,956	1,042,139	1,009,128	982,402
Library.....	1,666,674	1,620,882	1,670,957	1,560,342	1,422,872	1,378,996
General Government.....	8,774,903	7,936,072	6,319,344	6,747,319	6,154,978	6,042,277
Education.....	49,503,063	54,093,101	51,564,577	61,482,749	45,250,664	42,346,604
Debt Service.....	3,778,518	4,044,856	3,952,959	4,020,885	4,147,019	3,438,934
Contingency.....	340,000	0	0	0	0	0
Transfers Out.....	0	15,734,384 <sup>4</sup>	2,944,918	3,304,321	2,735,706	2,388,038
<b>Total Expenditures and Transfers Out.....</b>	<b>\$83,176,287</b>	<b>\$101,298,034</b>	<b>\$85,536,418</b>	<b>\$94,902,920</b>	<b>\$77,010,979</b>	<b>\$71,623,678</b>
<b>Results from Operations.....</b>		<b>(\$45,155)</b>	<b>\$493,124</b>	<b>\$585,767</b>	<b>\$1,034,090</b>	<b>\$1,414,342</b>
<b>Fund Balance, July 1.....</b>		<b>\$8,904,357 <sup>5</sup></b>	<b>\$8,852,600</b>	<b>\$8,266,833</b>	<b>\$7,232,743</b>	<b>\$5,818,401</b>
<b>Fund Balance, June 30.....</b>		<b>\$8,859,202</b>	<b>\$9,345,724</b>	<b>\$8,852,600</b>	<b>\$8,266,833</b>	<b>\$7,232,743</b>

<sup>1</sup> Budgetary Basis.

<sup>2</sup> Includes \$700,000 appropriated from prior years' surplus in Fiscal Year 2011.

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

<sup>4</sup> Includes \$13,161,148 payment to refunded bond escrow agent.

<sup>5</sup> Restated.

**ANALYSIS OF GENERAL FUND EQUITY**

**Town of Wethersfield**

(GAAP BASIS)

	<b>Budget 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
Reserved:	N/A					
Encumbrances.....		\$813,143	\$1,434,292	\$311,496	\$291,495	\$334,672
Unreserved:	N/A					
Designated.....		700,000	700,000	1,281,000	700,000	700,000
General Fund.....		7,346,059	7,211,432	7,260,104	7,275,338	6,198,071
<b>Total Fund Balance</b>	<b>N/A</b>	<b>8,859,202</b>	<b>9,345,724</b>	<b>8,852,600</b>	<b>8,266,833</b>	<b>7,232,743</b>
<b>Undesignated Fund Balance As % of Total Expenditures</b>	<b>N/A</b>	<b>7.25%</b>	<b>8.43%</b>	<sup>1</sup>	<b>9.45%</b>	<b>8.65%</b>

<sup>1</sup> Revenues and transfers in should total \$78,788,687 and expenditures and transfers out should total \$78,202,920 for Fiscal Year ended June 30, 2008. Under the GAAP basis of accounting, the State of Connecticut's on-behalf contribution to the Connecticut State Teachers' Retirement Fund, prorated to reflect the Town of Wethersfield's teachers, is reflected as a revenue item and an expenditure item in the Town's general operating fund. The contribution in Fiscal Year 2008 totaled \$16,700,000 which was significantly higher than in prior years due to the State issuing pension obligation bonds to partially fund the plan. At June 30, 2008, the Town's undesignated fund balance of \$7,260,104 represents 9.28% of the adjusted total expenditures and transfers out of \$78,202,920.

Source: Audit Reports 2006-2010; Budget 2011.

**GENERAL FUND REVENUES AND EXPENDITURES**

**Town of Windsor**

Summary of Audited Revenues and Expenditures

(GAAP BASIS)

	<b>Budget 2010-11<sup>1</sup></b>	<b>Actual 2009-10<sup>1</sup></b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
<b>REVENUES:</b>						
Property Taxes.....	\$77,543,754	\$75,182,401	\$76,562,176	\$71,336,266	\$68,138,291	\$66,518,496
State & Federal Governments.....	15,968,426	19,483,098	21,033,244	19,912,200	17,014,499	15,976,226
Charges for Services.....	1,646,350	2,327,254	2,105,689	3,037,786	4,914,403	3,162,515
Investment Income.....	255,000	215,245	801,980	1,753,149	2,380,276	1,853,283
Other.....	0	0	0	0	0	0
Transfers In <sup>2</sup> .....	900,000	112,590	539,456	0	0	0
<b>Total Revenues and Transfers In.....</b>	<b>\$96,313,530</b>	<b>\$97,320,588</b>	<b>\$101,042,545</b>	<b>\$96,039,401</b>	<b>\$92,447,469</b>	<b>\$87,510,520</b>
<b>EXPENDITURES:</b>						
Education.....	\$65,005,330	\$63,097,716	\$63,321,537	\$61,406,479	\$57,431,966	\$55,393,395
General Government.....	15,459,790	9,845,335	9,932,944	9,850,885	9,527,818	9,067,545
Culture & Recreation.....	1,308,310	2,423,677	2,448,050	2,243,064	2,075,378	1,879,482
Human Services.....	726,040	1,223,405	1,210,215	1,182,827	1,114,448	1,253,026
Public Safety.....	8,641,680	8,173,386	8,361,647	7,900,906	7,453,284	7,366,144
Public Works.....	5,172,380	5,551,103	5,600,080	5,245,661	5,115,106	4,726,344
Capital Outlays.....	0	0	0	0	0	0
Transfers Out.....	0	6,716,700	8,770,185	7,949,387	7,142,489	6,325,757
<b>Total Expenditures and Transfers Out.....</b>	<b>\$96,313,530</b>	<b>\$97,031,322</b>	<b>\$99,644,658</b>	<b>\$95,779,209</b>	<b>\$89,860,489</b>	<b>\$86,011,693</b>
<b>Results from Operations.....</b>		<b>\$289,266</b>	<b>\$1,397,887</b>	<b>\$260,192</b>	<b>\$2,586,980</b>	<b>\$1,498,827</b>
<b>Fund Balance, July 1.....</b>		<b>\$15,268,657</b>	<b>\$13,870,770</b>	<b>\$13,610,578</b>	<b>\$11,023,598</b>	<b>\$9,524,771</b>
<b>Fund Balance, June 30.....</b>		<b>\$15,557,923</b>	<b>\$15,268,657</b>	<b>\$13,870,770</b>	<b>\$13,610,578</b>	<b>\$11,023,598</b>

<sup>1</sup> Budgetary Basis.

<sup>2</sup> Represents appropriation from prior years' surplus.

**ANALYSIS OF GENERAL FUND EQUITY**

**Town of Windsor**

(GAAP BASIS)

	<b>Budget 2010-11</b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>	<b>Actual 2005-06</b>
Reserved for:						
Encumberances.....	N/A	\$334,036	\$522,844	\$160,497	\$688,169	\$726,819
Inventories.....		44,044	35,989	40,758	40,713	29,913
Loans.....						
Prepays.....			19,731			
Unreserved/Designated for:						
Future Appropriations.....	N/A	900,000	1,075,000	500,000	612,700	
Loans.....						150,000
Retro Pay.....			74,905			
Unreserved/Undesignated for:						
General Fund.....	N/A	14,279,843	13,540,188	13,169,515	12,268,996	10,116,866
<b>Total Fund Balance</b>	<b>N/A</b>	<b>\$15,557,923</b>	<b>\$15,268,657</b>	<b>\$13,870,770</b>	<b>\$13,610,578</b>	<b>\$11,023,598</b>
<b>Undesignated Fund Balance</b>						
<b>As % of Total Expenditures</b>	<b>N/A</b>	<b>14.72%</b>	<b>13.59%</b>	<b>13.75%</b>	<b>13.65%</b>	<b>11.76%</b>

Source: Audit Reports 2006-2010; Budget 2011.

## VIII. DEBT SUMMARY

### PRINCIPAL AMOUNT OF INDEBTEDNESS – THE DISTRICT

As of February 15, 2011  
(Pro Forma)

<u>Long-Term Debt</u>				Debt	Date of
Date	Purpose	Rate %	Original Issue	Outstanding As of 2/15/11	Fiscal Year Maturity
11/15/91	General Purpose, Issue of 1991.....	6.20-6.25	4,950,000	225,000	2011
12/01/92	CWF (105P).....	2.00	369,903	26,202	2012
12/01/93	General Purpose, Issue of 1993.....	5.20-6.13	12,000,000	1,800,000	2013
09/30/94	CWF (285D).....	2.00	875,983	116,797	2013
10/31/96	CWF (274C, 285C).....	2.00	24,237,340	5,756,368	2015
12/30/97	CWF (270C).....	2.00	6,690,902	1,979,392	2016
06/30/99	CWF (319C).....	2.00	1,691,005	669,356	2018
12/30/99	CWF (383C).....	2.00	4,241,333	1,604,830	2019
06/30/00	CWF (361C).....	2.00	2,635,079	1,174,805	2019
08/31/01	Drinking Water (SRF 9709C).....	2.60	206,898	99,139	2020
12/31/01	Drinking Water (SRF 9704C).....	2.60	860,842	426,834	2020
04/01/02	General Purpose, Issue of 2002.....	4.40-5.50	2,610,000	2,610,000	2012
06/30/02	Drinking Water (SRF 9710C).....	2.50	861,978	448,948	2021
06/30/02	CWF (405C).....	2.00	8,163,200	4,455,746	2021
03/30/03	CWF (267C).....	2.00	5,213,046	2,902,124	2022
06/30/03	CWF (494C).....	2.00	2,029,367	1,209,165	2022
11/01/03	General Purpose, Issue of 2003.....	2.40-4.52	4,900,000	3,185,000	2023
12/31/03	Drinking Water (DWSRF9709CD1)	2.10	956,990	550,270	2020
12/31/03	Drinking Water (9704DCD1).....	2.10	2,225,346	1,298,119	2020
12/31/03	Drinking Water (200105C).....	2.10	2,343,735	1,464,835	2023
11/01/04	General Purpose, Issue of 2004.....	3.00-4.75	36,200,000	22,480,000	2024
12/31/04	CWF (451C).....	2.00	3,987,009	2,669,715	2024
06/01/08	General Purpose, Issue of 2008.....	3.625-4.125	80,000,000	72,000,000	2028
09/30/09	CWF (521C).....	2.00	4,240,340	3,639,625	2028
10/31/08	CWF (508C).....	2.00	1,232,078	1,031,866	2027
12/30/08	CWF (160C).....	2.00	1,888,557	1,550,191	2027
12/31/08	CWF (578C).....	2.00	2,042,741	1,722,068	2029
02/28/09	CSL (142).....	2.00	6,200,000	5,295,833	2029
09/30/09	CWF (520C).....	2.00	4,547,580	4,017,029	2028
09/30/09	CSL (149).....	2.00	12,710,000	11,227,167	2028
06/01/10	Refunding Bonds.....	2.56	12,845,000	12,845,000	2022
07/15/10	General Purpose, Series A 2010.....	3.65	91,900,000	91,900,000	2035
07/15/10	General Purpose, Series B 2010.....	4.21	46,200,000	46,200,000	2040
<b>Total Long-Term Debt.....</b>			<b>\$392,056,252</b>	<b>\$308,581,424</b>	

#### Short-Term Debt:

The District will issue \$40,000,000 in General Obligation Bond Anticipation Notes on February 15, 2011 to temporarily finance various sewer, water and public improvement projects of the District. The Notes will mature on October 5, 2011.

The District currently has \$134,322,210 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 \$44,638,060. See "Clean Water Fund Program" and "Drinking Water State Revolving Fund Program" herein for further details of the programs.

#### Other Long-Term Commitments:

*None*

Source: Audited Financial Statements; District Officials.

## **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 denitrofication 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.

Loans are made pursuant to a Project Loan 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 DISTRICT<sup>1</sup>**  
As of February 15, 2011  
(Pro Forma)

<b>Fiscal Year Ending 12/31</b>	<b>Outstanding Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Cumulative Percent Retired</b>
2011	17,224,527	8,372,207	25,596,734	5.58
2012	17,434,765	10,801,719	28,236,484	11.23
2013	17,789,566	10,252,121	28,041,687	17.00
2014	17,136,719	9,629,682	26,766,401	22.55
2015	17,469,739	9,076,723	26,546,462	28.21
2016	16,249,852	8,519,651	24,769,503	33.48
2017	16,095,306	7,899,131	23,994,437	38.69
2018	16,045,306	7,264,564	23,309,870	43.89
2019	16,135,419	6,639,273	22,774,692	49.12
2020	15,625,741	6,010,104	21,635,845	54.19
2021	14,730,070	5,409,002	20,139,072	58.96
2022	14,226,380	4,877,849	19,104,229	63.57
2023	12,824,413	4,370,192	17,194,605	67.73
2024	12,449,253	3,889,045	16,338,298	71.76
2025	11,575,825	3,437,337	15,013,162	75.51
2026	11,630,825	3,007,221	14,638,046	79.28
2027	11,450,895	2,572,828	14,023,723	82.99
2028	10,601,830	2,145,835	12,747,665	86.43
2029	5,914,999	1,823,636	7,738,635	88.34
2030	5,924,999	1,587,036	7,512,035	90.26
2031	3,524,999	1,344,761	4,869,760	91.41
2032	3,469,999	1,199,386	4,669,385	92.53
2033	3,549,999	1,051,911	4,601,910	93.68
2034	3,644,999	886,599	4,531,598	94.86
2035	3,699,999	716,536	4,416,535	96.06
2036	2,225,000	541,413	2,766,413	96.78
2037	2,320,000	446,850	2,766,850	97.53
2038	2,425,000	342,450	2,767,450	98.32
2039	2,535,000	233,325	2,768,325	99.14
2040	2,650,000	119,250	2,769,250	100.00
<b>Totals</b>	<b>\$308,581,424</b>	<b>\$124,467,637</b>	<b>\$433,049,061</b>	

<sup>1</sup> Excludes principal payments made in Fiscal Year 2011.  
Source: Audited Financial Statements, District Officials.

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

As of February 15, 2011  
(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:

<b>Member Municipalities</b>	<b>Share of Net District Debt<sup>1</sup></b>	<b>Net Direct District Debt Applicable to Member Municipalities as of 2/15/11<sup>2</sup></b>	<b>Net Direct Debt of Member Municipalities</b>	<b>Underlying Debt Issued Since 6/30/2010</b>	<b>Underlying Net Debt Applicable to District</b>
Bloomfield.....	7.33	\$11,667,510	\$48,135,535	\$5,000,000	\$53,135,535
East Hartford.....	12.13	19,307,898	47,400,000	0	47,400,000
Hartford.....	27.82	44,282,418	346,509,470	0	346,509,470
Newington.....	8.49	13,513,937	15,145,000	0	15,145,000
Rocky Hill.....	5.71	9,088,879	18,059,109	0	18,059,109
West Hartford.....	21.48	34,190,738	149,389,711	8,000,000	157,389,711
Wethersfield.....	8.11	12,909,073	31,611,420	0	31,611,420
Windsor.....	8.93	14,214,306	37,818,952	0	37,818,952
<b>Totals.....</b>	<b>100.00%</b>	<b>\$159,174,759</b>	<b>\$694,069,197</b>	<b>\$13,000,000</b>	<b>\$707,069,197</b>

<sup>1</sup> 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 2009-10.

<sup>2</sup> Excludes \$46,200,000 Bonds, \$26,670,000 Notes of this issue, and \$134,322,210 Interim Funding Obligations (IFO's) issued pursuant to an \$800 million authorization 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.

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 15, 2011  
(Pro Forma)

<b>LONG TERM DEBT</b>	
Water (Self-Supporting).....	\$91,166,184
Sewer.....	144,076,539
Combined Funded CIP Projects <sup>3</sup> .....	27,138,700
Clean Water Project <sup>3</sup> .....	46,200,000
<b>TOTAL LONG TERM DEBT</b> .....	<b>\$308,581,424</b>
<b>SHORT TERM DEBT</b>	
Notes of this Issue.....	40,000,000
CWF/DWSRF - IFO's <sup>4</sup> .....	134,322,210
<b>TOTAL DIRECT DEBT</b> <sup>5</sup> .....	<b>\$482,903,634</b>
Less:	
Debt Not Subject to Debt Limitation <sup>1</sup> .....	116,536,665
<b>TOTAL DIRECT NET DEBT</b> .....	<b>\$366,366,969</b>
<b>NET UNDERLYING DEBT - Member Municipalities</b> <sup>2</sup> .....	<b>707,069,197</b>
<b>DIRECT NET DEBT PLUS NET UNDERLYING</b> .....	<b>\$1,073,436,166</b>

<sup>1</sup> Represents debt issued for water purposes, supply of electricity and self-supporting clean water projects.

<sup>2</sup> Represents net direct debt of each Member Municipality.

<sup>3</sup> Represents bonds funded by water and sewer sources.

<sup>4</sup> Interim Funding Obligations ("IFO's") issued under the Clean Water Fund and Drinking Water State Revolving Fund programs total \$134,322,210; funds drawn to date total \$44,638,060.

<sup>5</sup> It is expected that \$207,192,210 of Bonds, Notes and Interim Funding Obligations issued pursuant to an \$800 million authorization 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 17 and 70 herein for further details.

Note: Does not include authorized but unissued debt.

**CURRENT DEBT RATIOS – THE DISTRICT**

As of February 15, 2011  
(Pro Forma)

Population <sup>1</sup>	357,668
Net Taxable Grand List - 10/1/09 @ 70% of full value <sup>2</sup>	\$23,566,941,102
Estimated Full Value <sup>3</sup>	\$33,667,058,717
Equalized Net Taxable Grand List - 2008 <sup>4</sup>	\$37,020,149,383

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$482,903,634</b>	<b>\$366,366,969</b>	<b>\$1,073,436,166</b>
Per Capita.....	\$1,350.14	\$1,024.32	\$3,001.21
Ratio to Net Taxable Grand List.....	2.05%	1.55%	4.55%
Ratio to Estimated Full Value.....	1.43%	1.09%	3.19%
Ratio to Equalized Grand List.....	1.30%	0.99%	2.90%

<sup>1</sup> Connecticut Department of Health Services, 2009, for Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

<sup>2</sup> Represents 2009 Net Taxable Grand Lists for the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

<sup>3</sup> Represents estimated full values of 2009 Net Taxable Grand Lists of the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

<sup>4</sup> Office of Policy and Management, State of Connecticut.

**DEBT STATEMENT – TOWN OF BLOOMFIELD**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$28,135,535
<b>SHORT TERM DEBT</b> .....	20,000,000
<b>TOTAL DIRECT DEBT</b> .....	<b>\$48,135,535</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	0
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$48,135,535</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	11,667,510
<b>NET UNDERLYING DEBT - Fire Districts 10/20/10</b> .....	660,281
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$60,463,326</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	20,696
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$1,990,439,045
Estimated Full Value	\$2,843,484,350
Equalized Net Taxable Grand List - 2007 <sup>2</sup>	\$3,141,560,761
Money Income per Capita - 2000 <sup>3</sup>	\$28,843

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$48,135,535</b>	<b>\$48,135,535</b>	<b>\$60,463,326</b>
Per Capita.....	\$2,325.84	\$2,325.84	\$2,921.50
Ratio to Net Taxable Grand List.....	2.42%	2.42%	3.04%
Ratio to Estimated Full Value.....	1.69%	1.69%	2.13%
Ratio to Equalized Grand List.....	1.53%	1.53%	1.92%
Debt per Capita to Money Income per Capita...	8.06%	8.06%	10.13%

<sup>1</sup> Connecticut Department of Health Services, 2009 for Town of Bloomfield.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of Bloomfield.

**DEBT STATEMENT – TOWN OF EAST HARTFORD**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$47,400,000
<b>SHORT TERM DEBT</b> .....	<u>0</u>
<b>TOTAL DIRECT DEBT</b> .....	<b>\$47,400,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	<u>0</u>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$47,400,000</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	<u>19,307,898</u>
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$66,707,898</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	48,634
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$3,092,179,605
Estimated Full Value	\$4,417,399,436
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$4,390,028,134
Money Income per Capita - 2000 <sup>3</sup>	\$21,763

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$47,400,000</b>	<b>\$47,400,000</b>	<b>\$66,707,898</b>
Per Capita.....	\$974.63	\$974.63	\$1,371.63
Ratio to Net Taxable Grand List.....	1.53%	1.53%	2.16%
Ratio to Estimated Full Value.....	1.53%	1.53%	1.51%
Ratio to Equalized Grand List.....	1.08%	1.08%	1.52%
Debt per Capita to Money Income per Capita...	4.48%	4.48%	6.30%

<sup>1</sup> Connecticut Department of Health Services, 2009 for Town of East Hartford.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of East Hartford.

**DEBT STATEMENT – CITY OF HARTFORD**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$319,425,000
<b>CWF - PLO</b> .....	1,665,000
<b>SHORT TERM DEBT</b> .....	<u>40,000,000</u>
<b>TOTAL DIRECT DEBT</b> .....	<b>\$361,090,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	<u>14,580,530</u>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$346,509,470</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	<u>44,282,418</u>
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$390,791,888</b>

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



### CURRENT DEBT RATIOS – CITY OF HARTFORD

As of June 30, 2010  
(Pro Forma)

Population <sup>1</sup>	124,060
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$3,576,211,722
Estimated Full Value	\$5,108,873,889
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$7,309,947,142
Money Income per Capita - 2000 <sup>3</sup>	\$13,428

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$361,090,000</b>	<b>\$346,509,470</b>	<b>\$390,791,888</b>
Per Capita.....	\$2,910.61	\$2,793.08	\$3,150.02
Ratio to Net Taxable Grand List.....	10.10%	9.69%	10.93%
Ratio to Estimated Full Value.....	7.07%	6.78%	7.65%
Ratio to Equalized Grand List.....	4.94%	4.74%	5.35%
Debt per Capita to Money Income per Capita...	21.68%	20.80%	23.46%

<sup>1</sup> Connecticut Department of Health Services, 2009 for City of Hartford.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for City of Hartford.

### DEBT STATEMENT – TOWN OF NEWINGTON

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$15,145,000
<b>SHORT TERM DEBT</b> .....	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$15,145,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	0
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$15,145,000</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	13,513,937
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$28,658,937</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	29,818
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$2,667,951,078
Estimated Full Value	\$3,811,358,683
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$3,955,308,064
Money Income per Capita - 2000 <sup>3</sup>	\$26,881

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$15,145,000</b>	<b>\$15,145,000</b>	<b>\$28,658,937</b>
Per Capita.....	\$507.91	\$507.91	\$961.13
Ratio to Net Taxable Grand List.....	0.57%	0.57%	1.07%
Ratio to Estimated Full Value.....	0.40%	0.40%	0.75%
Ratio to Equalized Grand List.....	0.38%	0.38%	0.72%
Debt per Capita to Money Income per Capita...	1.89%	1.89%	3.58%

<sup>1</sup> Connecticut Department of Health Services, 2009 for Town of Newington.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of Newington.

**DEBT STATEMENT – TOWN OF ROCKY HILL**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$18,250,000
<b>SHORT TERM DEBT</b> .....	<u>0</u>
<b>TOTAL DIRECT DEBT</b> .....	<b>\$18,250,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	<u>190,891</u>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$18,059,109</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	<u>9,088,879</u>
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$27,147,988</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	18,827
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$2,200,202,480
Estimated Full Value	\$3,143,146,400
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$3,156,073,966
Money Income per Capita - 2000 <sup>3</sup>	\$29,701

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$18,250,000</b>	<b>\$18,059,109</b>	<b>\$27,147,988</b>
Per Capita.....	\$969.35	\$959.21	\$1,441.97
Ratio to Net Taxable Grand List.....	0.83%	0.82%	1.23%
Ratio to Estimated Full Value.....	0.58%	0.57%	0.86%
Ratio to Equalized Grand List.....	0.58%	0.57%	0.86%
Debt per Capita to Money Income per Capita...	3.26%	3.23%	4.85%

<sup>1</sup> Connecticut Department of Health Services, 2009, for Town of Rocky Hill.  
<sup>2</sup> Office of Policy and Management, State of Connecticut.  
<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of Rocky Hill.

**DEBT STATEMENT – TOWN OF WEST HARTFORD**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$151,225,000
<b>SHORT TERM DEBT</b> .....	<u>0</u>
<b>TOTAL DIRECT DEBT</b> .....	<b>\$151,225,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	<u>1,835,289</u>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$149,389,711</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	<u>34,190,738</u>
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$183,580,449</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	60,852
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$4,999,850,000
Estimated Full Value	\$7,142,642,857
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$7,472,184,092
Money Income per Capita - 2000 <sup>3</sup>	\$33,468

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$151,225,000</b>	<b>\$149,389,711</b>	<b>\$183,580,449</b>
Per Capita.....	\$2,485.13	\$2,454.97	\$3,016.84
Ratio to Net Taxable Grand List.....	3.02%	2.99%	3.67%
Ratio to Estimated Full Value.....	2.12%	2.09%	2.57%
Ratio to Equalized Grand List.....	2.02%	2.00%	2.46%
Debt per Capita to Money Income per Capita...	7.43%	7.34%	9.01%

<sup>1</sup> Connecticut Department of Health Services, 2009, for Town of West Hartford.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of West Hartford.

**DEBT STATEMENT – TOWN OF WETHERSFIELD**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$32,080,000
<b>SHORT TERM DEBT</b> .....	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$32,080,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	468,580
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$31,611,420</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	12,909,073
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$44,520,493</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	25,767
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$2,315,493,100
Estimated Full Value	\$3,307,847,286
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$3,299,287,214
Money Income per Capita - 2000 <sup>3</sup>	\$28,930

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$32,080,000</b>	<b>\$31,611,420</b>	<b>\$44,520,493</b>
Per Capita.....	\$1,245.00	\$1,226.82	\$1,727.81
Ratio to Net Taxable Grand List.....	1.39%	1.37%	1.92%
Ratio to Estimated Full Value.....	0.97%	0.96%	1.35%
Ratio to Equalized Grand List.....	0.97%	0.96%	1.35%
Debt per Capita to Money Income per Capita...	4.30%	4.24%	5.97%

<sup>1</sup> Connecticut Department of Health Services, 2009, for Town of Wethersfield.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, for Town of Wethersfield.

**DEBT STATEMENT – TOWN OF WINDSOR**

As of June 30, 2010  
(Pro Forma)

<b>LONG TERM DEBT</b> .....	\$38,730,000
<b>SHORT TERM DEBT</b> .....	<u>0</u>
<b>TOTAL DIRECT DEBT</b> .....	<b>\$38,730,000</b>
Less:	
School Construction Grants - State of Conn. <sup>1</sup> .....	<u>911,048</u>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$37,818,952</b>
<b>NET OVERLAPPING DEBT - MDC 2/15/11</b> .....	<u>14,214,306</u>
<b>TOTAL OVERALL DIRECT NET DEBT</b> .....	<b>\$52,033,258</b>

<sup>1</sup> 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, 2010  
(Pro Forma)

Population <sup>1</sup>	29,014
Net Taxable Grand List - 10/1/09 @ 70% of full value	\$2,724,614,072
Estimated Full Value	\$3,892,305,817
Equalized Net Taxable Grand List - 2008 <sup>2</sup>	\$4,295,760,010
Money Income per Capita - 2000 <sup>3</sup>	\$27,633

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b>\$38,730,000</b>	<b>\$37,818,952</b>	<b>\$52,033,258</b>
Per Capita.....	\$1,334.87	\$1,303.47	\$1,793.38
Ratio to Net Taxable Grand List.....	1.42%	1.39%	1.91%
Ratio to Estimated Full Value.....	1.00%	0.97%	1.34%
Ratio to Equalized Grand List.....	0.90%	0.88%	1.21%
Debt per Capita to Money Income per Capita...	4.83%	4.72%	6.49%

<sup>1</sup> Connecticut Department of Health Services, 2009 for Town of Windsor.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, 2000, 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 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 sewage 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.

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 15, 2011  
(Pro Forma)

<b>COMBINED 2009 NET TAXABLE GRAND LISTS OF MEMBER MUNICIPALITIES</b> .....	<b>\$23,566,941,102</b>
<b>DEBT LIMIT - 5% of combined Grand Lists</b> <sup>1</sup> .....	<b><u>\$1,178,347,055</u></b>
<b>INDEBTEDNESS:</b>	
Water Bonds.....	\$91,166,184
Sewer Bonds.....	144,076,539
Clean Water Project Bonds <sup>2</sup> .....	46,200,000
Headquarters Bonds.....	5,307,736
Maxim Road Facility Bonds.....	1,340,166
Information System Bonds.....	8,240,000
Vehicle Maintenance Facility Bonds.....	693,798
Pump Station Assessment Bonds.....	180,000
Long Term Strategic Initiative Bonds.....	1,267,000
Emergency Generator Replacement Bonds.....	295,000
Capital Replacement Bonds.....	1,265,000
Vehicle/Equipment Replacement.....	1,867,000
Facility Renovations.....	3,858,000
General Purpose Bonds.....	<u>2,825,000</u>
<b>TOTAL DIRECT LONG-TERM INDEBTEDNESS</b> .....	<b>\$308,581,424</b>
Notes of this Issue.....	40,000,000
CWF/DWSRF Interim Funding Obligations <sup>2</sup> .....	<u>134,322,210</u>
<b>TOTAL DIRECT SHORT-TERM INDEBTEDNESS</b> .....	<b>\$174,322,210</b>
<b>TOTAL DIRECT INDEBTEDNESS</b> .....	<b>\$482,903,634</b>
Less Outstanding Debt Not Subject to Debt Limitation <sup>3</sup>	
Water Bonds.....	\$91,166,184
Water's Share of Headquarters Bonds.....	2,494,636
Water's Share of Maxim Road Facility Bonds.....	897,911
Water's Share of Information System Bonds.....	5,520,800
Water's Share of Vehicle Maintenance Facility Bonds.....	298,333
Water's Share of Pump Station Assessment Bonds.....	93,600
Water's Share of Long Term Strategic Initiative Bonds.....	658,840
Water's Share of Emergency Generator Replacement Bonds.....	153,400
Water's Share of Capital Equipment Replacement Bonds.....	657,800
Water's Share of Vehicle/Equipment Replacement.....	970,840
Water's Share of Facility Renovations.....	1,967,580
Water's Share of General Purpose Bonds.....	1,555,250
Water's Share of DWSRF.....	3,351,491
Water Notes of This Issue.....	<u>6,750,000</u>
<b>TOTAL DEBT NOT SUBJECT TO DEBT LIMITATION</b> .....	<b>\$116,536,665</b>
<b>TOTAL NET DIRECT INDEBTEDNESS</b> .....	<b>\$366,366,969</b>
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS</b> .....	<b><u>\$811,980,086</u></b>

<sup>1</sup> 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.

<sup>2</sup> It is expected that these obligations issued pursuant to an \$800 million authorization 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 17 and 70 herein for further details.

<sup>3</sup> 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.

**AUTHORIZED BUT UNISSUED DEBT - THE DISTRICT <sup>1</sup>**

As of February 15, 2011  
(Pro Forma)

Project	Authorized	Previously Bonded	Debt Authorized but Unissued			
			General Purpose	Water	Sewers	Total
Water Capital Improvements.....	\$279,243,550	\$67,863,383		\$211,380,167		\$211,380,167 <sup>2</sup>
Sewer Capital Improvements.....	1,047,906,946	192,587,166			855,319,780	855,319,780 <sup>1,2</sup>
Combined Funding Capital Improvements...	53,027,000	17,297,000	35,730,000			35,730,000
<b>Total.....</b>	<b>\$1,380,177,496</b>	<b>\$277,747,549</b>	<b>\$35,730,000</b>	<b>\$211,380,167</b>	<b>\$855,319,780</b>	<b>\$1,102,429,947 <sup>3</sup></b>

<sup>1</sup> Includes an authorization of \$800 million approved by the Member Municipalities in November 2006 for the District's Clean Water Project. The \$800 million will cover the cost of Phase I of the Project; the overall cost is estimated at approximately \$1.6 billion. Approval for Phase II is planned for 2012. 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 15, 2011 the District has issued \$203,824,094 as IFO's under the State's Clean Water Fund Program and Drinking Water State Revolving Fund and has drawn funds in the amount of \$72,077,870.

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

<sup>3</sup> The District is pursuing an option of creating a sinking fund for the District's debt associated with \$800.0 million referendum project. The District's Charter allows for the exclusion of debt supported by a sinking fund to be excluded from the District's debt limitation. The creation of a sinking fund does not preclude the District from seeking an increase to its debt limitation from the general assembly of the State of Connecticut in conjunction with obtaining approval from voters for Phase II of the Clean Water Project in 2012.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – THE DISTRICT<sup>1</sup>**

Long-Term Debt	2010 Est.	2009	2008	2007	2006	2005
Bonds.....	\$309,000,925	\$185,193,756	\$118,534,750	\$113,365,009	\$112,443,121	\$117,844,753
<b>Short-Term Debt</b>						
Bond Anticipation Notes.....	0	112,980,843	39,268,891	63,825,000	50,800,000	0
<b>Total.....</b>	<b>\$309,000,925</b>	<b>\$298,174,599</b>	<b>\$157,803,641</b>	<b>\$177,190,009</b>	<b>\$163,243,121</b>	<b>\$117,844,753</b>

<sup>1</sup> Does not include underlying debt and capital lease obligations.

Source: Annual Audited Financial Statements 2005-2009; Estimate 2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF BLOOMFIELD<sup>1</sup>**

Long-Term Debt	2010	2009	2008	2007	2006
Bonds.....	\$28,135,535	\$29,845,000	\$30,955,000	\$17,065,000	\$18,175,000
<b>Short-Term Debt</b>					
BANs/State DECD Note	20,000,000	205,510	222,396	237,397	251,811
<b>Total.....</b>	<b>\$48,135,535</b>	<b>\$30,050,510</b>	<b>\$31,177,396</b>	<b>\$17,302,397</b>	<b>\$18,426,811</b>

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

Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF EAST HARTFORD<sup>1</sup>**

Long-Term Debt	2010	2009	2008	2007	2006
Bonds.....	\$47,400,000	\$45,150,000	\$51,170,000	\$43,000,000	\$48,895,000
<b>Short-Term Debt</b>					
Bond Anticipation Notes.....	0	0	0	0	0
<b>Total.....</b>	<b>\$47,400,000</b>	<b>\$45,150,000</b>	<b>\$51,170,000</b>	<b>\$43,000,000</b>	<b>\$48,895,000</b>

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

Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – CITY OF HARTFORD<sup>1</sup>**

<u>Long-Term Debt</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bonds/CWF.....	\$321,090,000	\$297,590,000	\$308,105,000	\$327,050,000	\$273,550,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	40,000,000	10,000,000	0	0	0
<b>Total</b> .....	<b>\$361,090,000</b>	<b>\$307,590,000</b>	<b>\$308,105,000</b>	<b>\$327,050,000</b>	<b>\$273,550,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF NEWINGTON<sup>1</sup>**

<u>Long-Term Debt</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bonds.....	\$15,145,000	\$16,855,000	\$18,605,000	\$20,355,000	\$22,560,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
<b>Total</b> .....	<b>\$15,145,000</b>	<b>\$16,855,000</b>	<b>\$18,605,000</b>	<b>\$20,355,000</b>	<b>\$22,560,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF ROCKY HILL<sup>1</sup>**

<u>Long-Term Debt</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bonds.....	\$18,250,000	\$20,515,000	\$22,510,000	\$24,525,000	\$26,320,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
<b>Total</b> .....	<b>\$18,250,000</b>	<b>\$20,515,000</b>	<b>\$22,510,000</b>	<b>\$24,525,000</b>	<b>\$26,320,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WEST HARTFORD<sup>1</sup>**

<u>Long-Term Debt</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bonds.....	\$151,225,000	\$148,150,000	\$160,995,000	\$156,055,000	\$151,115,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
<b>Total</b> .....	<b>\$151,225,000</b>	<b>\$148,150,000</b>	<b>\$160,995,000</b>	<b>\$156,055,000</b>	<b>\$151,115,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.

**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WETHERSFIELD<sup>1</sup>**

<u>Long-Term Debt</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bonds.....	\$32,080,000	\$35,230,000	\$31,105,000	\$33,840,000	\$36,580,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
<b>Total</b> .....	<b>\$32,080,000</b>	<b>\$35,230,000</b>	<b>\$31,105,000</b>	<b>\$33,840,000</b>	<b>\$36,580,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.



**PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WINDSOR<sup>1</sup>**

<b>Long-Term Debt</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Bonds.....	\$38,730,000	\$39,265,000	\$43,743,000	\$44,225,000	\$46,475,000
<b>Short-Term Debt</b>					
Bond Anticipation Notes.....	0	3,535,000	2,345,000	1,950,000	0
<b>Total</b> .....	<b>\$38,730,000</b>	<b>\$42,800,000</b>	<b>\$46,088,000</b>	<b>\$46,175,000</b>	<b>\$46,475,000</b>

<sup>1</sup> Does not include overlapping debt, capital lease obligations and other long-term commitments.  
Source: Annual Audited Financial Statements 2006-2010.

**RATIO OF DIRECT DEBT TO VALUATION AND POPULATION - THE DISTRICT**

<b>Fiscal Year Ended 12/31</b>	<b>Net Assessed Value<sup>1</sup></b>	<b>Estimated Full Value<sup>2</sup></b>	<b>Direct Debt<sup>3</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>4</sup></b>	<b>Direct Debt per Capita</b>
2010 Est.	\$23,380,594,436	\$33,400,849,194	\$309,000,925	1.32%	0.93%	357,668	\$863.93
2009	22,120,418,478	31,600,597,826	298,174,599	1.35%	0.94%	357,668	833.66
2008	20,849,624,059	29,785,177,227	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
2006	18,739,887,973	26,771,268,533	163,243,121	0.87%	0.61%	358,251	455.67

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

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Direct Debt<sup>1</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>2</sup></b>	<b>Direct Debt per Capita</b>	<b>Ratio of Direct Debt per Capita to Per Capita Income (%)<sup>3</sup></b>
2010	\$1,755,693,878	\$2,508,134,111	\$48,135,535	2.74%	1.92%	20,696	\$2,325.84	8.06%
2009	1,723,152,319	2,461,646,170	30,050,510	1.74%	1.22%	20,696	1,452.00	5.03%
2008	1,695,764,929	2,422,521,327	31,177,396	1.84%	1.29%	20,727	1,504.19	5.22%
2007	1,717,320,856	2,453,315,509	17,302,397	1.01%	0.71%	20,693	836.15	2.90%
2006	1,657,459,741	2,367,799,630	18,426,811	1.11%	0.78%	20,643	892.64	3.09%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.  
<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.  
<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Direct Debt<sup>1</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>2</sup></b>	<b>Direct Debt per Capita</b>	<b>Ratio of Direct Debt per Capita to Per Capita Income (%)<sup>3</sup></b>
2010	\$3,107,157,886	\$4,438,796,980	\$47,400,000	1.53%	1.07%	48,634	\$974.63	4.48%
2009	3,172,514,025	4,532,162,893	45,150,000	1.42%	1.00%	48,634	928.36	4.27%
2008	2,724,586,547	3,892,266,496	51,170,000	1.88%	1.31%	48,571	1,053.51	4.84%
2007	2,336,874,270	3,338,391,814	43,000,000	1.84%	1.29%	48,697	883.01	4.06%
2006	2,332,474,885	3,332,106,979	48,895,000	2.10%	1.47%	48,934	999.20	4.59%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.  
<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.  
<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Direct Debt<sup>1</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>2</sup></b>	<b>Direct Debt per Capita</b>	<b>Ratio of Direct Debt per Capita to Per Capita Income (%)<sup>3</sup></b>
2010	\$3,471,479,869	\$4,959,256,956	\$361,090,000	10.40%	7.28%	124,060	\$2,910.61	21.68%
2009	3,451,438,441	4,930,626,344	307,590,000	8.91%	6.24%	124,060	2,479.36	18.46%
2008	3,312,624,184	4,732,320,263	308,105,000	9.30%	6.51%	124,062	2,483.48	18.49%
2007	3,543,536,778	5,062,195,397	327,050,000	9.23%	6.46%	124,563	2,625.58	19.55%
2006	3,457,982,210	4,939,974,586	273,550,000	7.91%	5.54%	124,699	2,193.68	16.34%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Direct Debt<sup>1</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>2</sup></b>	<b>Direct Debt per Capita</b>	<b>Ratio of Direct Debt per Capita to Per Capita Income (%)<sup>3</sup></b>
2010	\$2,645,387,187	\$3,779,124,553	\$15,145,000	0.57%	0.40%	29,818	\$507.91	1.89%
2009	2,633,316,889	3,761,881,270	16,855,000	0.64%	0.45%	29,818	565.26	2.10%
2008	2,590,253,718	3,700,362,454	18,605,000	0.72%	0.50%	29,699	626.45	2.33%
2007	2,565,009,043	3,664,298,633	20,355,000	0.79%	0.56%	29,619	687.23	2.56%
2006	1,765,120,445	2,521,600,636	22,560,000	1.28%	0.89%	29,586	762.52	2.84%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Direct Debt<sup>1</sup></b>	<b>Ratio of Direct Debt to Assessed Value (%)</b>	<b>Ratio of Direct Debt to Estimated Full Value (%)</b>	<b>Population<sup>2</sup></b>	<b>Direct Debt per Capita</b>	<b>Ratio of Direct Debt per Capita to Per Capita Income (%)<sup>3</sup></b>
2010	\$2,202,202,012	\$3,146,002,874	\$18,250,000	0.83%	0.58%	18,827	\$969.35	3.26%
2009	1,656,796,387	2,366,851,981	20,515,000	1.24%	0.87%	18,827	1,089.66	3.67%
2008	1,635,894,255	2,336,991,793	22,510,000	1.38%	0.96%	18,852	1,194.04	4.02%
2007	1,607,190,572	2,295,986,531	24,525,000	1.53%	1.07%	18,808	1,303.97	4.39%
2006	1,607,187,710	2,295,982,443	26,320,000	1.64%	1.15%	18,835	1,397.40	4.70%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

**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 Debt <sup>1</sup>	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population <sup>2</sup>	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%) <sup>3</sup>
2010	\$4,953,979,658	\$7,077,113,797	\$151,225,000	3.05%	2.14%	60,852	\$2,485.13	7.43%
2009	4,889,430,313	6,984,900,447	148,150,000	3.03%	2.12%	60,852	2,434.60	7.27%
2008	4,497,443,813	6,424,919,733	160,995,000	3.58%	2.51%	60,495	2,661.29	7.95%
2007	3,710,940,390	5,301,343,414	156,055,000	4.21%	2.94%	60,486	2,580.02	7.71%
2006	3,661,731,590	5,231,045,129	151,115,000	4.13%	2.89%	60,794	2,485.69	7.43%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt <sup>1</sup>	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population <sup>2</sup>	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%) <sup>3</sup>
2010	\$2,307,397,010	\$3,296,281,443	\$32,080,000	1.39%	0.97%	25,767	\$1,245.00	4.30%
2009	2,003,032,473	2,861,474,961	35,230,000	1.76%	1.23%	25,767	1,367.25	4.73%
2008	1,991,317,830	2,844,739,757	31,105,000	1.56%	1.09%	25,719	1,209.42	4.18%
2007	1,991,573,140	2,845,104,486	33,840,000	1.70%	1.19%	25,781	1,312.59	4.54%
2006	1,974,466,840	2,820,666,914	36,580,000	1.85%	1.30%	26,057	1,403.85	4.85%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt <sup>1</sup>	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population <sup>2</sup>	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%) <sup>3</sup>
2010	\$2,937,296,936	\$4,196,138,480	\$38,730,000	1.32%	0.92%	29,014	\$1,334.87	4.83%
2009	2,590,737,631	3,701,053,759	42,800,000	1.65%	1.16%	29,014	1,475.15	5.34%
2008	2,401,738,783	3,431,055,404	46,088,000	1.92%	1.34%	28,851	1,597.45	5.78%
2007	2,303,733,056	3,291,047,223	46,175,000	2.00%	1.40%	28,754	1,605.86	5.81%
2006	2,283,464,552	3,262,092,217	46,475,000	2.04%	1.42%	28,703	1,619.17	5.86%

<sup>1</sup> Does not include overlapping debt and capital lease obligations.

<sup>2</sup> State of Connecticut, Department of Health Services Estimates 2006-2009.

<sup>3</sup> Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2006-2010.

**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 %
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%
2007	1,855,545	66,770,754	2.78%
2006	1,614,732	63,188,204	2.56%

Source: Annual Audited Financial Statements 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures %</b>
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%
2007	9,035,000	155,684,000	5.80%
2006	8,820,000	152,029,000	5.80%

Source: Annual Audited Financial Statements 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures %</b>
2010	33,003,000	551,585,000	5.98%
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%
2006	25,899,000	482,804,000	5.36%

Source: Annual Audited Financial Statements 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures %</b>
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%
2007	3,147,000	87,242,000	3.61%
2006	3,498,000	83,333,000	4.20%

Source: Annual Audited Financial Statements 2006-2010.

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

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures %</b>
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%
2007	2,807,051	53,776,036	5.22%
2006	2,659,288	50,040,391	5.31%

Source: Annual Audited Financial Statements 2006-2010.

**RATIO OF ANNUAL BONDED DEBT SERVICE  
TO TOTAL GOVERNMENTAL EXPENDITURES - TOWN OF WEST HARTFORD<sup>1</sup>**

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total Governmental Funds Expenditures</b>	<b>Ratio of Debt Service to Governmental Funds Expenditures %</b>
2010	\$19,183,000	\$248,295,000	7.73%
2009	19,689,000	241,768,000	8.14%
2008	14,542,000	273,346,000	5.32%
2007	16,803,000	219,827,000	7.64%
2006	15,810,000	207,270,000	7.63%

<sup>1</sup> Includes All Governmental Funds, excluding capital outlay. Data is reflected on a modified accrual basis.  
Source: Town of West Hartford, October 2010 Official Statement; Audit 2010

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

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures %</b>
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%
2007	4,147,019	77,010,979	5.38%
2006	3,438,934	71,623,678	4.80%

Source: Annual Audited Financial Statements 2006-2010.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
TO TOTAL GOVERNMENTAL EXPENDITURES - TOWN OF WINDSOR<sup>1</sup>**

<b>Fiscal Year Ended 6/30</b>	<b>Annual Debt Service</b>	<b>Total Governmental Funds Expenditures</b>	<b>Ratio of Debt Service to Governmental Funds Expenditures %</b>
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%
2007	5,652,399	91,190,424	6.20%
2006	5,603,336	87,179,138	6.43%

<sup>1</sup> Includes all Governmental Funds, excluding Capital Expenditures.  
Source: Annual Audited Financial Statements 2006-2010.

**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 2011, 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 (“CWP”) CIP. The CWP combines the elimination of Sanitary Sewer Overflows (“SSO”), the design and construction of the Combined Sewer Overflow Long-Term Plan (“LTCP”) and the treatment and reduction of nitrogen from the water pollution control facilities. The CWP has a 2006 estimated cost of \$1.6 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 Phase II is planned for 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 CWP. 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 2010, the CWP 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 \$203,824,094 under this program and the Drinking Water State Revolving Fund Program. The total owed as of February 15, 2011 in the form of Interim Funding Obligations is \$72,077,870.

**FUNDING SOURCES FOR FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM**

<u>Funding Source</u>	<u>Budget Contribution</u>	<u>Clean Water</u>		<u>Total</u>
		<u>Funding</u>	<u>Bonding</u>	
Wastewater Programs...	\$7,000,000	\$0	\$99,600,000	\$106,600,000
Water Programs.....	9,500,000	0	246,520,000	256,020,000
Combined.....	0	0	54,850,000	54,850,000
Clean Water Project <sup>1</sup> .....	0	600,000,000	200,000,000	800,000,000
<b>Total.....</b>	<b>\$16,500,000</b>	<b>\$600,000,000</b>	<b>\$600,970,000</b>	<b>\$1,217,470,000</b>

<sup>1</sup> 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 accumulated in a designated sinking fund to be applied towards debt service on these financings.

The adopted 2011 Capital Improvement Program (“CIP”) Budget is \$91,420,000. The CIP Budget will be funded with approximately \$88,620,000 of General Obligation Bonds and \$2,800,000 of Sewer and Water Assessable 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 District Counsel that none of the lawsuits will have a material adverse affect on the financial position of the District.

**THE METROPOLITAN DISTRICT  
OF HARTFORD COUNTY, CONNECTICUT**

# CITY OF NORWALK, CONNECTICUT

## SECTION I - THE ISSUER

### Description of the City

Norwalk, first settled in 1640, is Connecticut's sixth largest city by population. In 1913 the former City of Norwalk, the City of South Norwalk, and the East Norwalk Fire District consolidated and incorporated as the City of Norwalk. Rowayton and Silvermine are also sections of the City. Norwalk covers an area of 26.6 square miles located on Long Island Sound between Bridgeport and Stamford. It is bound on the west by Darien and New Canaan, north by Wilton, and east by Westport.

The City is about one hour from New York City by rail or highway transportation. It is on the main line of Metro North Commuter Railroad, Amtrak and Conrail, which provide daily passenger and freight service. It is served by interstate, intrastate, and local bus lines. The Connecticut Turnpike, Interstate 95; the Boston Post Road, U.S. Route 1; U.S. Route 7; and the Merritt Parkway, State Route 15 traverse the City.

Norwalk is a diversified research, development and industrial center with over three hundred manufacturing establishments. It is also an important residential suburb as well as a shopping and service community located in one of the highest per capita income areas of the United States. The U.S. Bureau of Census 2000 Census Report lists Norwalk's per capita income as \$31,781 and the median family income as \$68,219. Both figures are well above the corresponding state and national figures. A large portion of the City's work force is employed in local industrial, commercial and retail establishments.

### Form of Government

The City of Norwalk operates under a Charter adopted in 1913 which was most recently revised November 2005. The most recent charter revision changed the schedule for the adoption of the City's Operating Budget, increasing the time-frame of the process to 15 weeks from 14 weeks. The final budget is now due by the first Monday in May. The Common Council is allowed to establish a cap on expenditures that the Board of Estimate and Taxation may not exceed when setting the budget and the electors to petition for a single binding referendum to reduce the budget.

The chief executive officer of the City is the Mayor, elected for a two-year term of office. The legislative function is performed by an elected fifteen-member Common Council. A Board of Estimate and Taxation, appointed by the Mayor and confirmed by the Common Council, is responsible for fiscal matters. The Director of Finance is appointed by the Mayor. Under the direction of the Mayor, the Director of Finance has supervision over the Department of Finance and is responsible for the administration of the financial affairs of the City.

### Municipal Officials

The following provides information about the City's principal officials:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection &amp; Term</u>	<u>Length of Service</u>
Mayor	Richard A. Moccia	Elected - 2 years	4 years
Director of Finance	Thomas S. Hamilton	Appointed - Indefinite	6 years
Superintendent of Schools	Dr. Susan Marks	Appointed - Indefinite	Less than 1 year

### Biographies of Municipal Officials

**Mayor:** Richard A. Moccia was elected Mayor in November 2005 to his first term of office. Prior to his election, Mayor Moccia served one term on the Norwalk Common Council and also served on various Commissions/Committees for the City of Norwalk.

Mayor Moccia has lived in Norwalk since 1972 and was elected as Constable and City Sheriff and served these positions for many years.

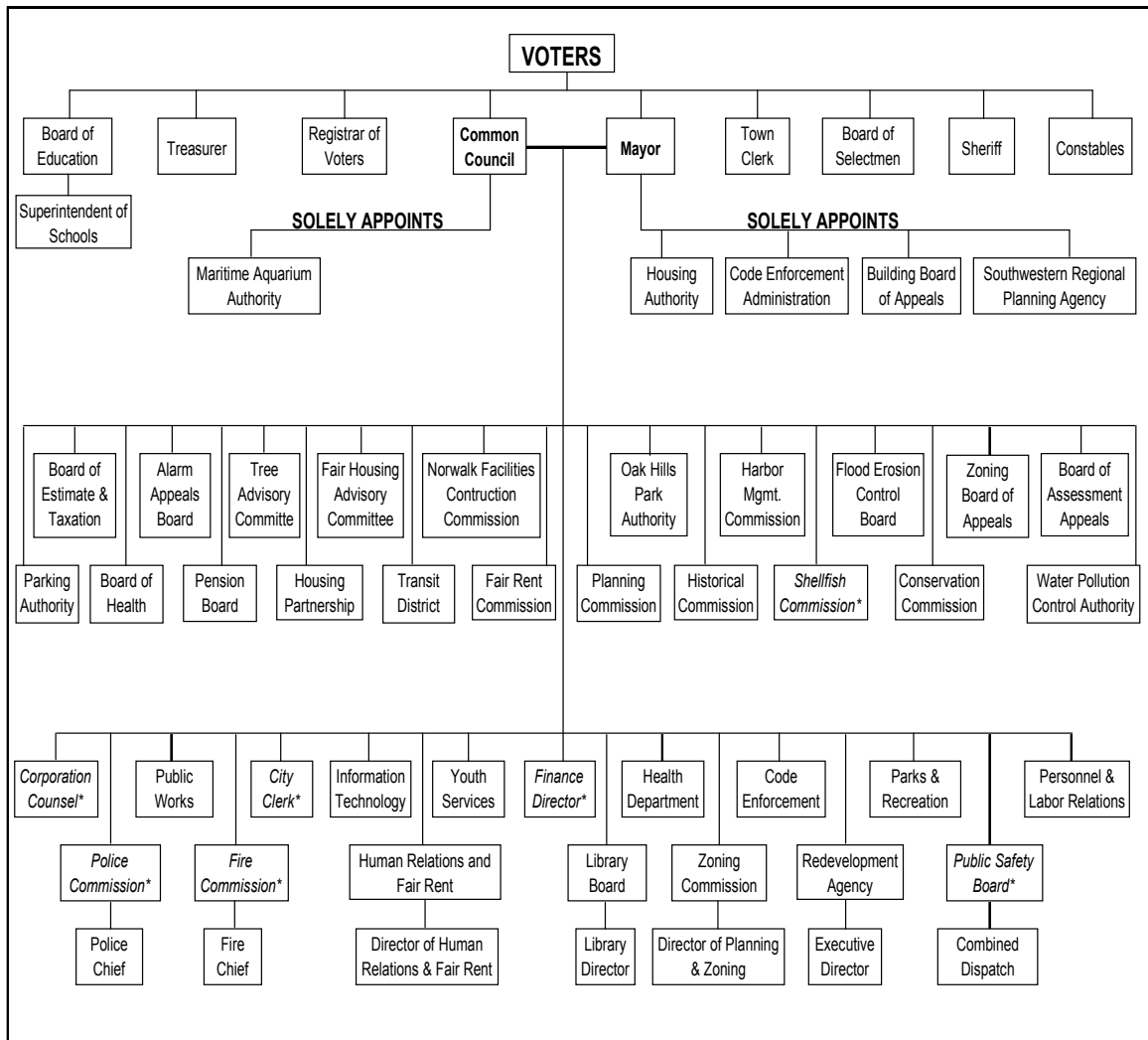
**Director of Finance:** Thomas Hamilton was appointed Director of Finance on September 3, 2003. Mr. Hamilton earned a B.A. in Public Management from the University of Maine and a Master's in Government Administration from the University of Pennsylvania.

Mr. Hamilton has 24 years experience in municipal administration. Prior to becoming Director of Finance for the City of Norwalk, Mr. Hamilton served as the chief financial officer for the City of Stamford, Connecticut from 1996 until 2003, and served as Finance Director in West Haven, Connecticut between 1992 and 1996. Mr. Hamilton also served as Norwalk's Budget Director from 1987 to 1992. Mr. Hamilton is a member of the Government Finance Officers Association of the United States and Canada, and is a past president of the Government Finance Officers Association of Connecticut.

**Superintendent of Schools:** Dr. Susan F. Marks was appointed Norwalk's Superintendent of Schools as of July 1, 2010. Dr. Marks was awarded a Ed.D. in Educational Leadership from the University of Maryland in 2009. She also holds a Post-M.A. in Language and Cognitive Development from the University of Wisconsin, a M.A. in Speech and Language Pathology from the University of Connecticut and a B.S. in Education and Speech Pathology from Kent State University.

Dr. Marks has over 38 years in the field of education. She has held positions as Community Superintendent, Associate Superintendent, Executive Assistant, Acting Chief Information Officer, Director of Team Services, Principal, Assistant Principal, Speech Pathologist and Teacher.

**City Organization**



*All Boards, Commissions and Department Heads are chosen by the Mayor and require Common Council approval unless otherwise noted*

*\* These Department Heads, Boards and Commissions are solely appointed by the Mayor*



### Municipal Employees

<u>Fiscal Year Ending</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government	596	596	596	626	616
Board of Education (full-time)	<u>1,336</u>	<u>1,349</u>	<u>1,394</u>	<u>1,388</u>	<u>1,377</u>
Total	<u>1,932</u>	<u>1,945</u>	<u>1,945</u>	<u>2,014</u>	<u>1,993</u>

### Municipal Employees by Category

The following is a breakdown by category of full-time, General Fund supported employees as of November 2, 2010:

<u>Department</u>	<u>Employees</u>
<u>General Government</u>	
General Government	74
Health & Welfare	17
Police	186
Fire	139
Other Protection	41
Public Works	91
Recreation, Arts & Culture	<u>48</u>
Total General Government	596
<u>Board of Education</u>	
Administration and Principals	67
Teachers	837
Other	<u>432</u>
Total Board of Education	1,336
Total City Employees	<u>1,932</u>

Source: City Officials

## Municipal Employee Collective Bargaining Representation

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<b>General Government</b>			
Police	Local 1727, Council #15 AFSCME, AFL-CIO	172	June 30, 2010 (1)
Fire	Local 830, IAFF	135	June 30, 2010 (1)
Engineers, Labor & Maintenance	Local 2405, Council #4 AFSCME, AFL-CIO	107	June 30, 2009 (2)
Clerical & Technical	Norwalk Municipal Employees Association	112	June 30, 2012
Public Health Nurses	Council #4 AFSCME, AFL-CIO	1	June 30, 2009 (1)
Assistants & Supervisors	Norwalk Assistants & Supervisors Association	48	June 30, 2012
Non-Bargaining Management		<u>21</u>	
	Subtotal	596	
<b>Board of Education</b>			
Teachers	Norwalk Federation of Teachers Local 1723, AFT, AFL-CIO	837	August 31, 2013
Principals, Assistant Principals and Supervisors	Norwalk Association of School Administrators	51	June 30, 2012
School Nurses	CHCA, District 1199	21	August 31, 2011
Custodians-Maintenance and Monitors	Local 1042, Council #4 AFSCME, AFL-CIO	116	June 30, 2011
Secretaries, Clerks & Teachers Aides	Norwalk Federation of Educational Personnel Local 3793, CSFT, AFL-CIO	286	June 30, 2013
Technicians	Local 72, Support, AFSA AFL-CIO	8	June 30, 2009 (1)
Executive Support Staff	Executive Support Group	12	June 30, 2012
Cabinet	Non-union	<u>5</u>	N/A
	Subtotal	<u>1,336</u>	
	Grand Total – General Fund Supported Positions	1,932	
Cafeteria Workers	Local 1748, Council #4 AFSCME, AFL-CIO	<u>16</u> (3)	June 30, 2009 (1)
	Grand Total – All Positions	<u>1,948</u>	

- (1) In negotiations.
- (2) In arbitration.
- (3) Cafeteria Workers are not funded by the General Fund, but supported from a self-supporting special enterprise fund. Therefore, Cafeteria Workers are not included in General Fund supported totals.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee's 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. For binding arbitration of teacher's contracts, in assessing the financial capability of a municipality, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of any item subject to arbitration. In light of the

employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Source: City of Norwalk.

### **Educational Facilities**

Norwalk has a nine (9) member Board of Education, with the Mayor serving as an ex-officio member. The Board members are elected to four-year terms, four and five, respectively, every two years. The officers of the Board include a Chairman, a Vice-Chairman and a Secretary. They are elected by the Board members at the organizational meeting held every year in January.

The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget request submissions, policies ensuring that funds for education as appropriated by the City are properly expended, implementation of both state and federal laws, and planning for facilities needed by the system, including construction and renovation.

The City has two high schools, one alternative high school, four middle schools and twelve elementary schools, one of which is a nationally recognized magnet school. The Board has 1,349 employees to fulfill its instructional objective. They comprise two groups: 897 certified personnel and 452 non-certified personnel including secretaries, clerks, nurses, cafeteria workers, custodians, maintenance personnel and teachers' aides.

### **Public School Enrollment (1)**

<u>Fiscal Year</u>	<u>Elementary School K – 5</u>	<u>Middle School 6 – 8</u>	<u>High School 9 – 12</u>	<u>Special Education</u>	<u>Total</u>
2001-2002	5,391	2,501	3,081	190	11,163
2002-2003	5,294	2,570	3,122	207	11,193
2003-2004	5,313	2,596	3,210	N/A	11,119
2004-2005	5,264	2,578	3,238	N/A	11,080
2005-2006	5,112	2,505	3,306	N/A	10,923
2006-2007	5,041	2,392	3,349	N/A	10,782
2007-2008	5,028	2,268	3,320	N/A	10,616
2008-2009	5,077	2,337	3,334	N/A	10,748
2009-2010	5,240	2,339	3,304	N/A	10,883
2010-2011	5,382	2,370	3,313	N/A	11,065
<b>Projections</b>					
2011-2012	5,515	2,334	3,370	N/A	11,219
2012-2013	5,600	2,340	3,358	N/A	11,298
2013-2014	5,626	2,402	3,441	N/A	11,469

(1) As of October 1.

Source: City of Norwalk Board of Education.

### **Colleges**

Norwalk Community College, the first public two-year liberal arts college in Connecticut, was founded in 1961. It became a part of the State of Connecticut Community College system in 1966. Norwalk Community College provides a broad range of credit and non-credit liberal arts, science, career, and technical programs which offer accessible and affordable learning opportunities to diverse populations. The current enrollment is approximately 6,000.

## Norwalk Transit District

The Norwalk Transit District (the "District") provides public transportation services in the communities from Greenwich to Westport. The District's core service is the WHEELS Public Bus System which operates 23 buses, 17 during peak periods on 12 routes throughout Norwalk and Wilton. Service is provided between the hours of 6:00 a.m. and 7:15 p.m. Monday through Friday and 7:00 a.m. to 6:40 p.m. on Saturdays. Evening shuttle service operates from 7 p.m. to 10 p.m. Monday through Fridays and from 6:30 a.m. to 9:30 p.m. on Saturday. Service is within a 5-minute walk of 80% of Norwalk's residents. The District also partners with the Greater Bridgeport and Milford Transit Districts in operating the Coastal Link, a bus service operating 7 days a week between Norwalk and Milford, and Housatonic Area Regional Transit for service between Norwalk and Danbury.

During fiscal year 2009, the Norwalk Transit District's services carried over 2,000,000 passengers.

For fiscal year 2009, the City contributed \$462,187 to the Transit District. The Norwalk Transit District is not a component unit of government of the City under the criteria established by the GASB.

## Housing Authority

The Housing Authority of the City of Norwalk consists of five (5) Commissioners appointed by the Mayor. The Commissioners elect housing officials including a Chairman, Vice Chairman, and Treasurer. The Housing Authority also employs an Executive Director, who also acts as the Secretary. The Executive Director hires the staff, which consists of 30 administrative, 22 maintenance and 40 part-time employees.

The Housing Authority owns and manages both federal and state subsidized housing for low income families of Norwalk. The inventory of housing consists of 1,131 apartments of which 823 units are federal low-income public housing and 308 units are state moderate, affordable or elderly rental units. Elderly state housing units are subsidized under the State Rental Assistance Program.

Various Section 8 funded programs provide subsidy for 909 additional families under the following sections:

New Construction	45 Units
Section 8 Voucher	680 Units
Moderate Rehabilitation	166 Units
Single Room Occupancy	8 Units
Shelter Plus Care	10 Units

The Authority provides assistance to 2,043 families or seniors.

The following summary recaps capital improvement funds the City has received from HUD since 2000:

<u>Fiscal Year</u>	<u>Amount</u>
2000	\$1,518,439
2001	1,549,355
2002	1,470,154
2003	1,382,466
2004	1,400,869
2005	1,398,905
2006	1,290,574
2007	1,310,423
2008	1,337,635
2009	1,327,502
2009 ARRA(1)	3,750,681

(1) Represents grants received under the American Recovery and Redevelopment Act of 2009 ("ARRA")

## **Maritime Center Authority**

The Maritime Center Authority (the "Authority") is an agency established by state statute and the City code to oversee the development and operations of the Maritime Center (the "Center"). The ordinance creating the Authority provided that the City would be the sole participating municipality, and that the Authority would have a term of existence until the later of (i) the City's abolition of the Authority by subsequent ordinance of the Common Council or (ii) the extinguishment of all obligations of the Authority, including, without limitation, the retirement of all outstanding debt of the Authority. In addition, the ordinance provides that the powers of the Authority shall be exercised by a commission of nine (9) members consisting of the Mayor, two (2) members of the Common Council, two (2) current or former members of the Common Council and four (4) additional members. The Mayor and the current and former members of the Common Council serve for two-year terms coterminous with the term of the office of the Mayor and the Common Council. Four additional members serve for staggered five-year terms from the date of their appointments. Appointments to the Authority (except for the position held by the Mayor) are made by a majority vote of the membership of the Common Council. Vacancies for any reason during the term of office are filled in the same manner as regular appointments. The operations of the Authority are accounted for as a special revenue fund of the City.

The City as lessor, and the Authority as lessee, have entered into a lease of the property in South Norwalk, Connecticut on which the Center was constructed. The Authority has entered into a sublease with The Maritime Center at Norwalk, Inc., a nonprofit organization that operates the site (the "Operator"), pursuant to which the Operator is obligated to develop and operate the Center. Construction was completed and the Center commenced operations in July, 1988.

The Director of Finance of the City is required to submit to the Authority a recommended annual budget for the Authority on or before March 1 in each year. The Authority then adopts its annual budget for the ensuing fiscal year on or before April 1 in each year. The fiscal year of the Authority commences July 1. In October 1985, the City agreed to lend its full faith and credit backing to the development of the Center and guaranteed payment on the bonds and notes issued to finance the Center and is obligated to cover any deficiency in net revenues from the Center's operations to pay debt service. Beginning in fiscal year 1990-91 the City has included in its annual budget the debt service payments for the Maritime Center debt. Because revenue projections for the Center did not materialize as projected, the City deemed it prudent to include the guaranteed debt payments within its budget until the Center generates adequate revenues to cover operations and debt service. The Maritime Center debt payments are still included in the City's annually approved budget.

## **Norwalk Redevelopment Agency**

The Norwalk Redevelopment Agency consists of five (5) commissioners appointed by the Mayor and approved by the Common Council. The Commissioners elect a Chairman, a Vice Chairman, a Secretary and a Treasurer and employ an Executive Director and staff.

The Agency has responsibility for the development and coordination of programs for the growth of Norwalk's seven urban renewal/redevelopment areas: Wall Street/Main Street in Norwalk Center; South Norwalk including the Webster Street/Martin Luther King Boulevard area; Washington Street/South Main area; the Wood Burbank area; the Reed Putnam area; the South Main Corridor; and Norwalk's most recent, the West Avenue Corridor.

These renewal projects, the earliest of which dates from 1959, have been reviewed regularly and amended as necessary to recognize changing development trends and to be responsive to changing market conditions. The seven area programs continue to serve as catalysts for increasing numbers of private development projects. Most recently, in June 2006, the West Avenue Corridor Redevelopment Plan was approved to provide the stimulus to revitalize the City's urban spine. The Plan centers on a retail and housing development to create a restored downtown for the whole Norwalk community. The City has approved conceptual plans to undertake new development which intends to bring under-performing land parcels back to the tax base at a level typical of healthy commercial centers nation-wide. The project anticipates approximate 350 housing units, 567,350 s.f. new and existing retail and 149,000 s.f. of new and existing office to establish a critical mass that will be the link between Wall Street to the north and Reed Putnam/SoNo to the south. Although site plan approvals have been delayed by the market downturn, the developer continues to seek project recapitalization to complete site assembly.

The initiative to redevelop Norwalk's Wall Street area has resulted in an approved development agreement with the City's designated developer-partner for Redevelopment Parcel 2A. Negotiations continue on the development program for Parcel 3. Consistent with the revitalization strategy of the area's master and redevelopment plans, each Redevelopment Parcel will focus on residential development with ancillary retail and associated parking.

Redevelopment Parcel 2A will consist of 378 residential units (half rental, half ownership), 788 parking spaces, and 75,000 s.f. of commercial and retail space scheduled to break ground within 2010. Redevelopment Parcel 3 will consist of 176 residential units (36 rental, and 140 ownership), 359 parking spaces, and 21,000 s.f. of commercial and retail space.

In addition, the Avalon Bay \$90 million project to build 312 residential rental units and 7,700 s.f. retail in the Wall Street area is nearing construction completion and began leasing in May 2010.

The Reed Putnam Plan was originally approved in 1983, and was substantially amended in 1998 to create six waterfront redevelopment parcels and a preservation area. In its amended form the Plan provided for a total of one million square feet of Class A office space, a hotel site, residential as well as retail development. The project also included a 775 car public parking garage for use by new tenants as well as visitors to The Maritime Aquarium. Development on three of the six development parcels has been completed. The first of these, the Lock Art and Technology Center, a 100,000 s.f. \$17.5 million, renovated historic factory building, was completed in 2000, and is now fully leased. Construction of the \$14.3 million public parking garage on North Water Street was completed in 2004, and in addition to 774 parking spaces, the project also includes 10 residential units (which are fully occupied), 2,880 s.f. of office space and 3,750 s.f. of retail. The development of structured parking enabled 4 acres of waterfront property (previously used for Maritime Aquarium parking) to be released for the construction of 197 residential units. Construction of Maritime Yards, the \$65 million residential project, including 61 ownership units and 136 rental units (of which 10% have been set aside as affordable) was completed in 2007. The project also includes 38,400 s.f. of commercial space, of which 15,000 square feet is now occupied by the North American headquarters of Virgin Atlantic Airways and 15,000 s.f. occupied by Kayak.Com, a travel site search engine.

The remaining 3 development parcels, totaling approximately 12 acres, were assembled for the proposed Reed Putnam office development site adjacent to I-95 between 2002 and 2004. This site was transferred in 2005 from the original developer to 95/7 Ventures LLC, which was approved by the City as the developer for a mixed-use project on the site. The revised development program includes 240 residential units, 125,000 s.f. retail and 600,000 s.f. Class A office and a 145 room hotel.

This project has now received all local land use approvals. Design of the associated infrastructure is complete and contracts have been awarded for the construction of significant segments of the infrastructure. The Reed Street Railroad Underpass is complete and improvements to access highways, Interstate on/off ramps and underground utilities, are all under construction. These are partially funded by a \$20 million grant from the State of Connecticut Department of Economic & Community Development. Site work and environmental remediation commenced in late 2007. Design review was completed in 2008 and construction of the initial Phase I improvements have been delayed due to the market downturn although site preparation and marketing continue.

Indicative of the latent strength of the South Norwalk real estate market, is the recent application and approval granted to TR SoNo Partners, an affiliate entity of F.D. Rich of Stamford, for a new 121 room "select service" hotel in SoNo. This facility, to be located on South Main Street, is designed to take advantage of proximity to the SoNo Historic District restaurants, arts and entertainment as well as being within walking distance of the South Norwalk railroad station. The hotel will be an iconic structure in SoNo. In addition construction has been completed on a small mixed-use (residential/office) project at 1 West Avenue in SoNo.

Also within the Reed Putnam area, the State Heritage Park, which includes the 13-acre Oyster Shell Park, extends a pedestrian/bike path connection along the Norwalk River between the Maritime Aquarium and Mathews Park. The City has completed a Master Plan design for walkways, lighting and landscape improvements to Oyster Shell Park and is preparing to go out for bid on construction of Phase I in the fourth quarter of 2010 utilizing State grant funds from the Department of Economic & Community Development and the Department of Environmental Protection.

Stepping Stones Museum for Children, in their tenth year of operation, enjoys an annual attendance of over 200,000 and has a new exhibit educating young children on health and environmental issues that affect them. The Museum will complete construction of a 33,000 s.f. (\$17 million) expansion and substantial renovation of the existing Museum space in November 2010.

The South Norwalk urban renewal areas include the successfully revitalized Washington Street Historic District, within which the Agency has a stewardship role to ensure that additional development reinforces the historic integrity of the District and that building renovation and new construction of adjacent neighborhoods is consistent in quality and design. Recognizing the market value of the Historic District and neighboring properties, new private investment continues to occur with a major new housing, office and retail project under design for the corner of Washington Street and North Main Street utilizing the 19th century façade of the former Avrick building as its architectural theme. Other new projects proposed in the area include the completion of a study of the potential for an inter-modal transit center at the South Norwalk railroad station site and the initiation of a master plan for transit-oriented development at adjacent parcels in the South Norwalk neighborhood.

In anticipation of increasing traffic and infrastructure demands in urban centers of Norwalk as a result of development projects along the West Avenue Corridor and Wall Street, the City has completed a comprehensive analysis which reviews the potential impact on existing infrastructure and recommends mitigating improvements. Public funding for these infrastructure improvements is being pursued at the State and Federal level and has resulted in \$5 million and \$2.3 million of grants, respectively, to begin this work. In addition, the City is providing local funding for a plan for the connectivity of all of these development projects utilizing alternative circulation options including bicycle, pedestrian and public transit. In support of the connectivity plan, the Redevelopment Agency completed a feasibility study of circulator link along West Avenue between the South Norwalk Railroad Station and Wall Street.

Overlaying parts of the South Norwalk Urban Renewal areas is Norwalk's Enterprise Zone, established in 1982 and one of the nation's first. To date for 2010, 17 projects representing a total public and private investment of \$1,486,483 were undertaken within the Zone. In addition, for program year 2010, three companies are scheduled to become certified for State Enterprise Zone/Urban Jobs Benefits creating and/or retaining 46 jobs.

In addition to these economic development programs, the Redevelopment Agency collaborates with other City departments to aggressively promote the City of Norwalk as a business location. In the last year, the City attracted such major corporations as Wüsthof-Trident which located its North American Headquarters in Norwalk. Sanford LP, part of the consumer products giant Newell Rubbermaid, located their office in Norwalk. Two new specialty food product companies, Ola! Foods and Yumnuts, opened production facilities in Norwalk. Technology Marketing Company, an Internet communications systems company, expanded their facilities in Norwalk as did Ventus Networks, a design telecommunications company. The Norwalk Community College broke ground on their new 55,000 s.f. science and health center. The Norwalk Community Health Center expanded into a new facility on Connecticut Avenue. 770 Connecticut Avenue completed construction of a new 42,500 s.f. office/retail building. REI started construction on their new Norwalk facility expecting to be open by the 2010 holiday season. Stew Leonard's completed a total in-store renovation of their flagship Norwalk store.

Planning for its future, 401 Merritt 7 became the first existing building in the state to achieve LEED EB certification.

A number of residential projects made significant gains this year. Summerview Development Group has begun construction on a 63 unit residential project on West Main Street. The first phases of "597 Westport" 235 unit development on Westport Avenue were occupied as of May 2010.

In 2006, the Norwalk Redevelopment Agency was the recipient of a \$400,000 grant award from the U.S. Environmental Protection Agency to capitalize and implement the Norwalk Brownfields Initiative. The Norwalk Brownfields Initiative (Initiative) is a formal coordinated effort to characterize the extent of environmental impacts generated by potential Brownfields sites in the City of Norwalk's urban core areas. This Initiative has relied extensively on community input in order to identify properties for assessment and reuse plans for these sites. The goal of the Initiative is to integrate assessment activities into a comprehensive strategy for revitalization of Norwalk's urban core neighborhoods.

To date the Initiative has resulted in the completion of a comprehensive inventory of 261 documented, or potential, Brownfields sites. The Agency, in partnership with its Brownfields consultant Vanasse Hangen Brustlin, Inc. (VHB) of Middletown, CT, completed Phase I Environmental Site Assessments (ESAs) on nine (9) properties, Phase II ESAs on five (5) properties and completed a Remedial Action Plan for the property at 30 Monroe Street (i.e. the surface parking lot at the eastbound side of the South Norwalk Train Station). The Agency has focused its efforts on City-held properties located in close proximity to the South Norwalk Train Station. The Agency has chosen this strategy because it recognizes environmental assessment is a vital pre-development activity necessary to foster Transit-Oriented Development (TOD) at Norwalk's primary transportation node.

Additionally, the activities of the Initiative have served to leverage the initial infusion of U.S. EPA funds. In the Fall 2008 the City of Norwalk and Agency received an award of \$300,000 from the State of Connecticut's Brownfields Municipal Pilot Program to complete the remediation of the surface parking lot serving the eastside of the South Norwalk Train Station to support the TOD. The Agency has been able to match the State grant with a grant of services from the USEPA that is valued at approximately \$75,000.

The Agency is now preparing applications to secure additional Assessment Grant funding and to capitalize a Brownfields Revolving Loan Fund that will assist in completing remedial activities on those Brownfields sites located in proximity to the South Norwalk Train Station.

In order to increase the availability of information regarding sites assessed with U.S. EPA funds and to ensure public input into the redevelopment of these sites, the Agency has worked with VHB to create a Web-based viewer that will allow members of the public to access maps, photos and environmental information regarding those sites assessed with U.S. EPA funds. Agency staff will make this Web-viewer available on its newly created website.

The Norwalk Redevelopment Agency administers a number of programs which provide assistance to area homeowners and encourage improvements to existing housing stock. These programs include residential rehabilitation, technical assistance and financial loans. The Agency has partnered with the Family and Children's Agency for a program to install accessible ramps to households with mobility issues. This pilot program is funded through the Residential Rehabilitation Program in the form of grants and currently has completed three ramps.

The Agency's Homeownership Program has closed 20 loans totaling \$900,000 since June 2008. These loans have leveraged over \$3,400,000 in private funds. This program offers first time homebuyers loans up to \$50,000 at 0%. The loans are forgiven over a 10-15 year period. There remains \$100,000 available for new loans. The State of Connecticut Department of Economic and Community Development has re-funded this program with an additional \$500,000 allowing at least 10 more first time homebuyers to become homeowners. The funds are expected to be available in mid October 2010.

The Agency's loan portfolio as of August 2010 includes 162 loans totaling over \$6,000,000 of which 553 loans (\$4,235,000) originated with the Residential Rehabilitation Program. Through funding from the Community Development Block Grant Program, the Agency also provides predevelopment funding to area for-profit and non-profit groups to facilitate the development of affordable housing. This equity portfolio includes \$150,000 invested in a project generating 5 affordable units.



To further the development of affordable housing in Norwalk, the Agency recently made a \$915,000 construction loan to a private developer. This project involves 8 new affordable condominium units and was recently completed in May of 2010. As part of the Agency's affordable housing strategy, the Agency anticipates it will make construction loans of up to \$1,000,000 for-profit and not-for-profit developers each year for the development of affordable units.

### **Parking Authority**

The City enacted an ordinance establishing a Parking Authority as an enterprise fund of the City which was effective July 1, 2002. The Parking Authority is responsible for the acquisition of land for and the construction of new parking facilities as well as the improvement of the existing parking facilities within the City (except for three facilities located along the Metro-North Railroad). The Parking Authority is also responsible for the payment of debt service on bonds used to finance the acquisition, construction and improvements on both the existing and new parking facilities. Revenues from the parking facilities will be used to pay the debt service on any outstanding existing bonds. The City backs the debt with its full faith and credit for these existing bonds.

### **Solid Waste - Solid Waste Disposal**

The City of Norwalk had previously been under contract (Master Service Agreement) with the Connecticut Resources Recovery Authority (CRRA) for the disposal of municipal solid waste (MSW). From July 1, 2008 through December 31, 2008, Norwalk was assessed by CRRA a fixed charge of \$18.50 per ton for its Minimum Tonnage Guarantee (67,000 tons per year), and \$80.00 per ton of MSW actually delivered to the Bridgeport Resource Recovery Facility. The City's contract with CRRA expired on December 31, 2008, at which time all obligations to CRRA or any of its contractors ceased.

In 2007, the City issued a Request for Proposals (RFP) seeking vendors to operate the Norwalk Transfer Station and to provide transportation and disposal of its MSW for a multi-year period. As a result of this procurement, the City entered into a five-year contract with City Carting, Inc. of Stamford, CT for the transport and disposal of its MSW and the operation of the Norwalk transfer station. For calendar year 2009, the City is charged \$74.88 per ton (the tipping fee) for transport and disposal of MSW. Under the contract, the tipping fee increases by four percent (4%) each year. The new contract has also provided for enhancements at the Norwalk Transfer Station, such as improved appearance and cleanliness, the addition of electronics recycling, the expansion of plastics recycling, the addition of managed disposal of oils and batteries, and generally more efficient operation.

Through the fiscal year ending June 30, 2009, the City was under contract with the Southwest Connecticut Environmental Recycling Operating Committee (SWEROC) for disposal of recyclable materials at its Intermediate Processing Center in Stratford, CT. SWEROC contracted the recycling operations to CRRA. Under the CRRA program, only plastics numbered 1 and 2 could be collected, there were limitations on mixed paper and the City did not share in any recycling revenue. On July 1, 2009, the City left SWEROC and implemented a change order with City Carting & Recycling, its curbside recycling collection contractor. The change order reduced the contract costs for curbside collection, expanded eligible plastics to numbers 1 through 7 and provides for revenue sharing on the sale of the recyclable materials. The City now earns \$17.50 for every ton of recyclable materials and avoids a solid waste disposal cost (roughly \$75) for each of the same tons. Mixed paper has also been expanded to include magazines, junk mail, newspaper, office paper, telephone books, etc. Rigid plastics (those numbered above 7) are now separated at the transfer station and the City anticipates future revenue sharing for these materials; it is also looking to future revenue sharing for recycled electronics components. The City is working diligently to expand recycling separation, thus tonnage, by both residents and the school system.

## **Water Pollution Control Authority**

The City has enacted an ordinance to create a Water Pollution Control Authority and establish it as an enterprise fund of the City. The Water Pollution Control Authority is responsible for constructing, operating and maintaining the sewerage system for the City. The Authority is also responsible for establishing rates and charges sufficient to pay debt service on all bonds of the City issued to finance the acquisition, construction and improvements of both the existing and new sewerage system. Revenues from sewer charges will be used to pay debt service on the bonds. The bonds are secured by the full faith and credit of the City.

## **Wastewater Treatment Plant**

On April 17, 2000, the City entered into a 20-year contract with Operations Management International, Inc., for the operation and maintenance of the City's wastewater treatment facility, its wastewater collection system, and its 22 pumping stations. The City continues to exercise system management and control over its rate setting authority and the City retains full legal title and ownership of the facility. The contract contains additional performance standards which are more stringent than those required by the City's current NPDES operating permit.

Norwalk's wastewater treatment plant is permitted to treat up to 18 MGD in dry weather and 30 MGD in wet weather. When current plant flows exceed 30 MGD, up to 75 MGD of wastewater receives rudimentary treatment through an aged screening system and is disinfected before discharge into the Norwalk River. A planned combined sewer overflow project will maximize flows through the treatment plant up to 90 MGD through screening, grit removal, and disinfection. Additionally, a planned low level nitrogen removal project will reduce the amount of nitrogen discharged into Long Island Sound to reduce the occurrence of hypoxia.

These projects have an enormous impact on the quality of life of Norwalk residents and surrounding communities that rely on Long Island Sound for recreation, tourism, and education. In addition to a positive environmental impact, the projects will favorably impact the regional economy as they support the shell fishing industry, commercial fishing, construction, and redevelopment opportunities. The low level nitrogen removal project will likely increase revenue from the sale of nitrogen trading credits.

The total cost of these projects approaches \$140 million. Norwalk has currently secured \$60 million in Clean Water loans and grants and intends to seek Clean Water Funds for the balance of the projects.

## **Economic Factors**

As the national economy begins to show signs of recovery, a variety of projects are underway in the City of Norwalk, providing opportunities in all sectors.

Norwalk has several large projects currently underway and nearing completion. Leasing at 597 Westport, a newly constructed 235 unit luxury housing development, has already begun. This complex replaced the former Pepperidge Farm manufacturing facility on U. S. Rte 1 at the Westport town line and is located adjacent to Pepperidge Farm's 100,000 s.f. corporate headquarters, retaining a valuable employer in the City. AvalonBay Communities has completed its mixed-use development with 311 units of multifamily housing and 15,000 s.f. of new retail space in Norwalk Center, referred to as Avalon Norwalk. This development is located along the Norwalk River and will bring new life to the existing Riverview Plaza shopping center on Belden Avenue, adding new residents and round-the clock activity to downtown Norwalk.

Further south on East Avenue, occupants have moved in at Marquis on the River, a new 36 unit multifamily development with waterfront public access along the Norwalk Harbor. These two new buildings have 5,400 s.f. of ground floor office space located across the street from City Hall, attracting office tenant Keller Williams Realty. In addition to the above, the ongoing development of i-Park, the former Perkin Elmer site on Main Avenue by National RE/Sources, continued in 2009. Along with the new 48,000 s.f. LA Fitness health club, the existing facility was rehabilitated with Class A medical office space, repositioning this office and warehouse complex into a new mixed use complex with state-of-the-art medical offices. In each instance, the City has expedited permitting while ensuring that the infrastructure improvements needed to accommodate new development and mitigate any adverse impacts are provided.

Calendar year 2010 promises to be an exciting year in Norwalk as several large-scale mixed-use developments will be moving forward. Site improvements are continuing for the District 95/7 project as the extension of Reed Street under the Danbury Line Railroad, connecting North Water Street and the Maritime Aquarium with West Avenue was completed in October 2009. This represents an important first step in implementing the approved plans for District 95/7, a 1.1 million square foot mixed use development with office, retail and restaurant space along the west side of the Norwalk Harbor just south of Interstate 95. Construction is also underway at Summerview Square, a 63 unit multifamily development located at Jefferson and West Main Streets and the first units were available this summer.

Wall Street Place owned by POKO-IWSR Partners; will redesign the Isaacs Street municipal parking lot into a new mixed-use development with 101 residential units and the City's first automated parking garage. This development was delayed due to an appeal by an adjacent property owner; however the Commission's action was upheld by the court, enabling the project to move forward. Further south on West Avenue, The Berkeley, a new six-story, 150,000 s.f. mixed use development, approved for 60 new residential units, ground floor retail and state of the art medical office space, is also advancing. Combined, these projects will bring more than 200 new housing units to downtown Norwalk. The Waypointe project, another mixed-use development by Seligson Properties, continues to move forward with recapitalization plans for the 350 new multifamily units and over 500,000 s.f. of retail, office and restaurants.

As the economy continues to improve, the use and occupancy of major parcels continues to change to reflect new economic realities. The City works hard to accommodate the repositioning of commercial property to permit new uses. In November 2009, the Zoning Commission approved a zoning amendment to permit multifamily development as a new use in the Restricted Industrial Zone. The amendment was accompanied by an application to construct a new 240 unit development at 8 Norden Place, the rear parcel at Norden Park. In 2010, this newly approved multifamily development and a new 155,000 s.f. office building at 10 Norden Place are poised to move forward; converting an underutilized manufacturing facility into new uses to ensure the future viability of this important parcel. On the other side of town, P.C. Richards replaced Circuit City at 444 Connecticut Avenue demonstrating the strength of Norwalk's retail market in 2009. In 2010, REI Sports will occupy the former Linen's N'Things property at 189 Connecticut Avenue.

The SoNo Hotel development was approved in 2009. This new 121 room hotel, located on South Main Street just north of the Police Station and South Norwalk Railroad Station, will replace a vacant retail building and parking lot. The SoNo Hotel, a project of TR SoNo Partners, will also include 7,764 s.f. office, a first floor breakfast room and an eighth floor bar with views of Norwalk Harbor; all of which will bring a new vibrancy to South Main Street.

Other projects completed in 2009 include the SoNo Field House, a project by Q Properties, which opened its new 51,000 s.f. indoor recreation facility, replacing the former GuardAll chemical site on Ely Avenue, and O'Neill's Restaurant at 93 North Main Street. Wüsthof-Trident of America, Inc, a German knife manufacturer, relocated from Briarcliff, New York to Norwalk earlier this year to occupy a new 45,000 s.f. warehouse located at 355 Wilson Avenue. In addition, a new health club and office space recently completed construction on Connecticut Avenue, across from Costco, to establish new uses for this former manufacturing facility. In 2010, the former Norwalk Company property in historic SoNo is scheduled to be transformed into a new mixed-use development reusing manufacturing space for 128 residential units and ground floor retail.

Merritt 7 Corporate Park continues to provide corporate tenants with Class A office space and is home to some of the nation's largest corporations including FactSet Research Systems, Emcor Group, Arch Chemicals and the Financial Accounting Foundation. The adjacent Towers at Merritt with three Class A office buildings totaling 650,000 s.f., has become home to a number of corporate tenants. Xerox Corporation relocated its corporate headquarters from Stamford to 45 Glover Avenue, where it shares space with Hewitt Associates. Building 801 is fully occupied by the world headquarters of Diageo PLC and Building 901 is home to General Electric Commercial Finance, occupying 87,000 s.f. on the top two floors. In 2010, a new office building is planned to replace an existing parking lot located south of Glover Avenue adjacent to the Merritt Parkway, adding another 82,700 s.f. of prime office space to the property.

The Planning Commission continues to spearhead implementation of the City's newly-adopted Plan of Conservation and Development for Norwalk, which was adopted by the Common Council and signed by the Mayor in 2008. The Plan envisions new transit-oriented green development with active street level uses and upper floor housing located near existing MetroNorth transportation facilities. The plan also recommends the creation of new Village Districts to preserve Norwalk's historic character while permitting compatible new development. The Zoning Commission approved a new

Silvermine Tavern Village District in 2008 to ensure that the historic Silvermine Tavern will continue as a historic landmark into the future and at a January 2010 public hearing the new Golden Hill Village District, the City's fourth village district was approved. Planning is underway to prepare a new Bikeway and Pedestrian Transportation Plan in 2010 to implement the Plan's objective to reduce traffic, to create a more walkable community and to provide a connected system of bikeways and walkways throughout the City.

Continued, steady growth is expected in 2010. Although the number of zoning permits issued has slowed slightly over the past two years, development is expected to increase slightly over last year's pace.

## SECTION II - ECONOMIC AND DEMOGRAPHIC DATA

### Population Trends

<u>Year</u>	<u>City of Norwalk</u>	<u>Fairfield County</u>	<u>State of Connecticut</u>
1960	67,776	653,589	2,535,234
1970	79,113	792,814	3,032,217
1980	77,767	807,143	3,107,576
1990	78,331	827,542	3,287,116
2000	82,951	882,567	3,405,565
2009	83,802	901,208	3,518,288

Source: U.S. Department of Commerce, Bureau of Census;

### Age Characteristics of Population

	<u>City of Norwalk</u>		<u>State of Connecticut</u>	
	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>
Under 5 years of age	5,689	6.8	223,344	6.5
5 to 9 years of age	5,373	6.5	244,144	7.2
10 to 14 years of age	4,724	5.7	241,587	7.1
15 to 19 years of age	4,028	4.9	216,627	6.4
20 to 24 years of age	4,332	5.2	187,571	5.5
24 to 34 years of age	14,644	17.7	451,640	13.2
35 to 44 years of age	14,809	17.8	581,049	17.2
45 to 54 years of age	11,007	13.3	480,807	14.1
55 to 59 years of age	4,354	5.2	176,961	5.2
60 to 64 years of age	3,390	4.1	131,652	3.9
65 to 74 years of age	5,704	6.9	231,565	6.8
75 to 84 years of age	3,632	4.4	174,345	5.1
Over 85 years of age	<u>1,265</u>	<u>1.5</u>	<u>470,183</u>	<u>1.9</u>
Total	82,951	100.0	3,405,565	100.0

Source: U.S. Department of Commerce, Bureau of Census, Census 2000.

## Educational Attainment

	City of Norwalk		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade	3,533	6.0	132,917	5.8
9th to 12th grade	6,617	11.2	234,739	10.2
High School graduate	14,768	25.1	653,300	28.4
Some college - no degree	9,901	16.8	402,741	17.5
Associate degree	3,922	6.7	150,926	6.6
Bachelor's degree	12,402	21.1	416,751	18.2
Graduate or professional degree	<u>7,742</u>	<u>13.1</u>	<u>304,243</u>	<u>13.3</u>
Total	58,885	100.0	2,295,617	100.0

Total high school graduate or higher

82.8%

84.0%

Total bachelor's degree or higher

34.2%

31.4%

Source: U. S. Department of Commerce, Bureau of Census, 2000 Census.

## Selected Wealth and Income Indicators

	Median Family Income		Per Capita Income	
	(1990)	(2000)	(1990)	(2000)
City of Norwalk	\$55,269	\$68,219	\$23,075	\$31,781
Fairfield County	57,990	77,690	26,161	38,350
Connecticut	49,199	65,521	20,189	28,766
United States	35,353	49,600	14,617	21,690

Source: U.S. Department of Commerce, Bureau of Census, 1990 and 2000 Census.

## Income Distribution

	City of Norwalk		State of Connecticut	
	Families	Percent	Families	Percent
\$ -0- to 9,999	641	3.0	33,423	3.8
10,000 to 14,999	442	2.1	23,593	2.7
15,000 to 24,999	1,517	7.2	63,262	7.1
25,000 to 34,999	1,936	9.2	75,413	8.5
35,000 to 49,999	2,546	12.1	120,134	13.6
50,000 to 74,999	4,552	21.6	198,924	22.5
75,000 to 99,999	3,279	15.5	141,981	16.0
100,000 to 149,999	3,302	15.6	132,177	14.9
150,000 to 199,999	1,386	6.6	42,472	4.8
200,000 or more	<u>1,514</u>	<u>7.2</u>	<u>54,368</u>	<u>6.1</u>
	<u>21,115</u>	<u>100.0</u>	<u>885,747</u>	<u>100.0</u>

Source: U. S. Department of Commerce, Bureau of the Census, Census 2000

## Per Capita Personal Income - by Metropolitan Area, 2006-2008

<u>Metro-Area Name</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Rank in 2008</u>
Bridgeport-Stamford-Norwalk, CT	\$76,511	\$79,576	\$79,108	1
San Francisco-Oakland-Fremont, CA	59,440	62,634	62,598	2
Naples-Marco Island, FL	61,381	64,251	62,559	3
San Jose-Sunnyvale-Santa Clara, CA	55,827	59,365	58,531	4
Sebastian-Vero Beach, FL	56,323	58,074	57,107	5
Washington-Arlington-Alexandria, DC-VA-MD-WV	53,401	55,737	56,824	6
Boston-Cambridge-Quincy, MA-NH	51,493	54,117	55,187	7
Trenton-Ewing, NJ	50,471	53,156	55,170	8
New York-Northern New Jersey-Long Island, NY-NJ-PA	50,084	53,864	54,914	9
Midland, TX	49,173	49,590	53,968	10
State of Connecticut	52,744	55,629	56,245	
United States	37,698	39,392	40,166	

Source: "Survey of Current Business," U.S. Bureau of Economic Analysis, May 2010.

## Employment by Industry

<u>Industry</u>	<u>City of Norwalk</u>		<u>Fairfield County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fisheries	61	0.1	1,024	0.2	7,445	0.5
Construction	3,555	7.9	27,627	6.5	99,913	6.0
Manufacturing	5,390	12.0	56,520	13.3	246,607	14.8
Wholesale	1,555	3.5	14,052	3.3	53,231	3.2
Retail trade	5,482	12.3	46,957	11.0	185,633	11.2
Transportation, warehousing, utilities	1,418	3.2	13,636	3.2	64,662	3.9
Information	2,191	4.9	19,367	4.5	55,202	3.3
Finance, insurance, real estate	4,392	9.8	50,701	11.9	163,568	9.8
Professional, scientific, management, administrative	6,978	15.6	61,695	14.5	168,334	10.1
Educational, health, social services	7,535	16.8	78,620	18.4	366,568	22.0
Arts, entertainment, recreation		0.0				
accommodation, food	2,737	6.1	24,357	5.7	111,424	6.7
Other professional services	2,471	5.5	21,097	4.9	74,499	4.5
Public Administration	966	2.2	10,985	2.6	67,354	4.0
Total	<u>44,731</u>	<u>100.0</u>	<u>426,638</u>	<u>100.0</u>	<u>1,664,440</u>	<u>100.0</u>

Source: U. S. Department of Commerce, Bureau of the Census, 2000.

**Unemployment Rate Statistics**  
(Not Seasonally Adjusted)

<u>Yearly Average</u>	<u>City of Norwalk</u>	<u>Bridgeport/Stamford Labor Market (1)</u>	<u>State of Connecticut</u>	<u>United States</u>
2002	3.3%	2.8%	3.9%	5.8%
2003	4.1	3.3	5.0	6.0
2004	4.3	2.9	4.7	5.5
2005	4.2	4.7	5.1	5.1
2006	3.6	3.9	4.3	4.6
2007	3.7	4.1	4.5	4.6
2008	4.8	5.3	5.8	5.8
2009	7.2	7.6	8.0	9.3
		<u>2010 Monthly</u>		
January	8.7	9.0	9.8	10.6
February	8.7	9.0	9.8	10.4
March	8.2	8.5	9.3	10.2
April	7.2	7.9	8.5	9.5
May	7.3	8.1	8.8	9.3
June	7.2	8.2	8.9	9.6
July	7.7	8.7	9.4	9.7
August	7.5	8.6	9.3	9.5

(1) Beginning in January 2005, the State of Connecticut Department of Labor combined the Stamford and Bridgeport Labor Market Areas.

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## Major Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Employees</u>
Norwalk Health Services Corporation	Hospital/Health Services	1,900
Stew Leonard's	Retail Dairy Store/Grocery	800
MBI	Direct Mail Marketing	800
Diageo	Premium Beverage Manufacturer	700
Hewitt Associates	Management Consultants	600
Covidien	Automatic Suture Instruments	500
Northrup Grumman Norden Systems	Electronic & Radar Systems	500
Beiersdorf, Inc. (1)	Personal Care Products	450
Reed Exhibition Company	Trade Show/Publisher	450
FactSet Research	Research Systems	356
Act Media, Inc.	In-Store Advertising	350
Xerox	Office equipment	320
Modem Media	Internet Advertising	300
Priceline.com	Internet Marketing	300
Vertrue	Internet Marketing	300
G.E. Capital Corporation	Financial Services	250
G.E. Commercial Finance	Financial Services	250
Information Resources	Consumer Products Manufacturing	250
Virgin Atlantic Airways	Airline & Leisure Company	250
Combustion Engineering	Engineering Services	200
Cablevision of Connecticut	TV/DSL Cable Line Installation	200
R.T. Vanderbilt	Chemical Manufacturing	175
Carlson Marketing Group	Marketing Consultant	175
Tauck World Discovery	Travel Services	175
King Industries, Inc.	Chemical Manufacturing	170
Klaff's	Lighting & Plumbing Supplies	150
Kodak Polychrome Graphics	Graphic Arts Supply	125
Marsh USA Inc	Insurance	120
Webloyalty.com	Membership Services	120
Callanen International	Watches	105
Integrated Marketing Services	Marketing Consultant	100
Muelstein International Ltd.	Plastic Resins Distribution	100

- (1) On December 9, 2009 Beiersdorf announced plans to close the Norwalk facility sometime in 2010. At that time, Beiersdorf stated its intention to transfer approximately 50 jobs to its corporate headquarters in Wilton, CT.

Source: City of Norwalk Redevelopment Authority.



## Norwalk Area Corporate/Regional Headquarters

The following companies located in the City are either regional or corporate headquarters.

<u>Company</u>	<u>Business</u>
Act Media, Inc.	In-store Promotional Advertising
Arch Chemical, Inc.	Chemical Manufacturing
Beiersdorf (1)	Personal Care Products
Bolt Technology Corporation	Oil & Gas Exploration Technologies
Cablevision of Connecticut	Cable/DSL System Operator
Carlson Marketing Group	Marketing Consultants
Cartesis	Financial & Management Software
Charkit Chemicals	Chemical Manufacturing
Combustion Engineering	Engineering Services
Diageo	Premium Beverage Manufacturing
Dooney & Burke	Leather Good Manufacturing
Emcor	Mechanical Contractor
FactSet Research	Research Systems
Financial Accounting Standards Board	Accounting Standards Regulation
Fitlinxx	Computerized System for Fitness Equipment
HEI Hospitality	Hotel/Hospitality Management
Hewitt Associates	Management Consulting
Hitachi Credit America	Financial Credit
IMS Health Inc	Market Data for Pharmaceutical Industry
Information Resources	Consumer Research
King Industries	Chemical Manufacturing
Kodak Polychrome	Graphic Arts Supplier
MBI, Inc.	Direct Mail Marketing/Collectibles
Modem Media	Internet Advertising
mPhase Technologies, Inc	Telecommunications Technologies
Muehlstein International, Inc.	Plastic Resin Distributor
Northrup Grumman Norden Systems	Electronic & Radar Systems
Pepperidge Farm, Inc.	Baked Goods
Priceline, Inc.	Internet Marketing/Shopping
Reed Exhibition Companies	Trade Show Management
Stew Leonard's	Retail Dairy & Grocery
Stolt-Nielson	Shipping
Tauk World Discovery	Travel Services
R.T Vanderbilt Company, Inc.	Industrial Minerals & Chemicals
Virgin Atlantic Airways	Airline/Leisure Travel
Webloyalty.com	Customer Rewards Programs
Wusthof	Cutlery Manufacturer
Xerox Corporation	Documentation Management

(1) On December 9, 2009 Beiersdorf announced plans to close the Norwalk facility sometime in 2010. At that time, Beiersdorf stated its intention to transfer approximately 50 jobs to its corporate headquarters in Wilton, CT.

Source: City of Norwalk Redevelopment Authority.

## Value of Building Permits

Fiscal Year Ended 6/30	Building	Miscellaneous	Total
2011 (1)	\$ 37,634,827	\$ 14,630,992	\$ 52,265,819
2010	87,024,280	30,194,755	117,219,035
2009	116,019,539	32,150,652	148,170,191
2008	122,167,830	41,837,356	164,005,186
2007	168,993,472	53,186,067	222,179,539
2006	173,785,844	17,841,057	191,626,901
2005	154,889,408	21,528,397	176,417,805
2004	226,461,685	20,401,098	246,862,783
2003	122,793,362	9,204,130	131,997,492
2002	88,316,351	7,490,071	95,806,422
2001	168,863,786	15,718,061	184,581,847

(1) As of January 2011.

Source: City of Norwalk, Building Department.

## Number of Dwelling Units

<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>% Increase 1990-2000</u>	<u>% Increase 1980-1990</u>
33,753	32,224	28,309	4.7%	13.8%

Source: U.S. Department of Commerce, Bureau of the Census.

## Characteristics of Housing Units

Value of Owner Occupied Units	City of Norwalk		Fairfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
\$ 0 to \$ 50,000	62	0.4	1,435	0.8	5,996	0.8
50,000 to 99,999	253	1.6	6,193	3.4	85,221	11.7
100,000 to 149,999	891	5.7	17,969	9.7	212,010	29.1
150,000 to 199,999	2,335	14.8	26,310	14.3	156,397	21.5
200,000 to 299,999	6,024	38.3	44,679	24.3	137,499	18.9
300,000 to 499,999	4,606	29.3	44,583	24.2	79,047	10.9
500,000 to 999,999	1,359	8.6	30,388	16.5	38,168	5.2
1,000,000 and over	<u>206</u>	<u>1.3</u>	<u>12,635</u>	<u>6.8</u>	<u>13,906</u>	<u>1.9</u>
Total	<u>15,736</u>	<u>100.0</u>	<u>184,192</u>	<u>100.0</u>	<u>728,244</u>	<u>100.0</u>
Median Value	270,100	-	288,900	-	166,900	-

Source: U. S. Department of Commerce, Bureau of the Census, 2000.

## Age Distribution of Housing

Year Structure Built	City of Norwalk		Fairfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
1939 or earlier	7,136	21.1	71,784	21.1	15,993	1.2
1940 to 1959	10,607	31.4	98,706	29.1	47,028	3.4
1960 to 1969	5,317	15.8	55,332	16.3	56,058	4.0
1970 to 1979	4,522	13.4	47,414	14.0	183,405	13.2
1980 to 1989	4,032	11.9	39,334	11.6	203,377	14.7
1990 to 1994	1,069	3.2	11,303	3.3	212,176	15.3
1995 to 1998	869	2.6	11,587	3.4	359,042	25.9
1999 to March 2000	<u>201</u>	<u>0.6</u>	<u>4,006</u>	<u>1.2</u>	<u>308,896</u>	<u>22.3</u>
Total housing units, 2000	<u>33,753</u>	<u>100.0</u>	<u>339,466</u>	<u>100.0</u>	<u>1,385,975</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census, Census 2000.

### SECTION III - INDEBTEDNESS

#### Computation of Statutory Debt Limit

As of February 15, 2011 (Pro Forma)

Total Fiscal Year 2010 tax collections (including interest and lien fees)	247,716,968
State Reimbursement for Revenue Loss on:	
Tax Relief for the Elderly	<u>28,166</u>
Base for Establishing Debt Limit	<u>\$247,745,134</u>

Debt Limit	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Past Pension	Total Debt
(2.25 times base)	\$557,426,552					
(4.50 times base)		\$1,114,853,103				
(3.75 times base)			\$929,044,253			
(3.25 times base)				\$805,171,686		
(3.00 times base)					\$743,235,403	
(7.00 times base)						\$1,734,215,938
<b>Indebtedness (Including the Bonds and Maritime Center Debt)</b>						
Bonds Payable	\$ 79,582,165 (1)	\$ 113,169,637	\$ -	\$ 14,258,927	\$ -	\$ 207,010,728
Parking Authority (2)	11,245,049	-	-	-	-	11,245,049
Water Pollution Control Authority (WPCA)	-	-	56,089,247 (3)	-	-	56,089,247
Authorized but Unissued Debt	10,711,000	4,530,330	30,358,219	6,050,000	-	51,649,549
Overlapping Indebtedness	<u>23,143,132 (4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,143,132</u>
Total Bonded Indebtedness	124,681,346	117,699,967	86,447,466	20,308,927	-	349,137,705
School Grants Receivable (5)	<u>-</u>	<u>33,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,307</u>
Net Bonded Indebtedness	124,681,346	117,733,274	86,447,466	20,308,927	-	349,171,012
Excess of Limit Over Outstanding and Authorized Debt	<u>\$432,745,206</u>	<u>\$997,119,829</u>	<u>\$842,596,787</u>	<u>\$784,862,759</u>	<u>\$749,235,403</u>	<u>\$1,385,044,926</u>

- (1) Includes \$852,071 Maritime Center Authority bonds guaranteed by the full faith and credit of the City. (See "Maritime Center Authority" herein)
- (2) All Parking Authority bonds are guaranteed by the full faith and credit of the City but will be repaid from parking revenues. (See "Parking Authority" herein).
- (3) Includes \$8,836,294 of general obligation bonds and \$24,953,334 of State of Connecticut Clean Water Fund ("CWF") Program Project Loan Obligations and a \$21,376,781 CWF Interim Funding Obligation. (See "Water Pollution Control Authority" and "Clean Water Fund" herein).
- (4) The Second Taxing District currently has \$600,000 in bonds outstanding which qualify as overlapping indebtedness of the City. Additionally, on April 30, 2009 the Second Taxing District issued a PLO through the State of Connecticut's Drinking Water Loan program in the amount of \$24,715,165, of which \$22,543,132 is outstanding as of October 2, 2010. Any loans undertaken will be supported by the full faith and credit of the Second Taxing District and not the City. (See "Overlapping and Underlying Indebtedness" and "Tax Districts" herein).
- (5) Includes outstanding State of Connecticut school building grants receivable on the eligible principal portion of outstanding school bonds. (See "School Projects" herein).

## Calculation of Net Direct Debt

As of February 15, 2011(Pro Forma)

<b>Indebtedness (1)</b>	
<b>Bonded Debt</b>	
General Purpose (2)	79,582,165
Schools	113,169,637
Urban Renewal	14,258,927
Parking Authority (3)	11,245,049
Water Pollution Control Authority (4)	<u>34,712,466</u>
<b>Total Bonded Indebtedness</b>	252,968,243*
<b>Short Term Debt</b>	
Water Pollution Control Authority CWF IFO	<u>21,376,781</u>
<b>Total Direct Debt</b>	274,345,024*
<b>Exclusions (School Construction Grants) (5)</b>	
	<u>(33,307)</u>
<b>Net Direct Debt</b>	274,311,717*
<b>Overlapping Debt (6)</b>	<u>23,143,132</u>
<b>Net Direct and Overlapping Debt</b>	<u>\$297,454,849</u>

(1) Does not include authorized but unissued debt of \$68,772,361.

(2) Includes \$852,071 Maritime Center Authority bonds guaranteed by the full faith and credit of the City. (See "Maritime Center Authority" herein)

(3) All Parking Authority bonds are guaranteed by the full faith and credit of the City but will be repaid from parking revenues. (See "Parking Authority" herein).

(4) Includes \$8,836,294 of general obligation bonds and \$24,953,334 of State of Connecticut Clean Water Fund ("CWF") Program Project Loan Obligations and a \$21,376,781 CWF Interim Funding Obligation. (See "Water Pollution Control Authority" and "Clean Water Fund" herein).

(5) Includes outstanding State of Connecticut school building grants receivable on the eligible principal portion of outstanding school bonds. (See "School Projects" herein).

(6) The Second Taxing District currently has \$600,000 in bonds outstanding which qualify as overlapping indebtedness of the City. Additionally, on April 30, 2009 the Second Taxing District issued a PLO through the State of Connecticut's Drinking Water Loan program in the amount of \$24,715,165, of which \$22,143,132 is outstanding as of October 2, 2010. will be supported by the full faith and credit of the Second Taxing District and not the City. (See "Overlapping and Underlying Indebtedness" and "Tax Districts" herein).

\* Preliminary, subject to change.

## Current Debt Ratios

As of February 15, 2011 (Pro Forma)

Total Direct Debt (1)	\$274,345,024*
Net Direct Debt (1)	\$274,311,717*
Net Direct and Overlapping Debt (1)	\$297,454,849*
Population (2)	83,456
Net Taxable Grand List (10/1/09)	\$12,646,134,104
Estimated Full Value	\$18,065,905,863
Equalized Net Taxable Grand List (2008) (3)	\$18,035,743,033
Per Capita Income (1999) (4)	38,783

	<u>Total Direct Debt</u>	<u>Net Direct Debt</u>	<u>Net Direct and Overlapping Debt</u>
Per Capita	\$3,287.00 *	\$3,287.00 *	\$3,564.00*
To Net Taxable Grand List	2.17%*	2.17%*	2.35%*
To Estimated Full Value	1.52%*	1.52%*	1.65%*
To Equalized Net Taxable Grand List	1.52%*	1.52%*	1.65%*
Per Capita to Per Capita Income	8.48%*	8.48%*	9.19%*

- (1) Includes the Bonds, excludes the Refunded Bonds.
- (2) State of Connecticut, Department of Public Health estimate.
- (3) Office of Policy and Management, State of Connecticut
- (4) U.S. Department of Commerce, Bureau of Census, Census 2000.

\* Preliminary, subject to change

## Historical Debt Statement

	<u>2009-10</u> (1)	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Population (1)	83,185	83,185	83,456	83,564	83,636
Net taxable grand list	\$12,639,374,669	\$10,673,889,000	\$10,527,527,000	\$9,468,305,000	\$8,268,992,000
Estimated full value	\$18,056,249,527	\$15,248,412,857	\$15,039,324,286	\$13,526,150,000	\$11,812,845,714
Equalized net taxable grand list (2)	\$18,035,743,033	\$20,990,084,209	\$20,898,752,371	\$18,873,044,733	\$15,734,794,000
Per capita income (3)	\$31,781	\$31,781	\$31,781	\$31,781	\$31,781
Short-term debt	\$ 21,376,781	\$ -	\$ -	\$ -	\$ -
Long-term debt	<u>252,398,359</u>	<u>257,410,475</u>	<u>237,743,423</u>	<u>\$236,743,268</u>	<u>\$218,567,149</u>
Total Direct debt	\$273,775,140	\$257,410,475	\$237,743,423	\$236,743,268	\$218,567,149
Net Direct debt	\$273,682,862	\$257,410,475	\$237,513,351	\$236,066,324	\$217,390,745
Net Direct and Overlapping debt	\$297,338,858	\$283,025,640	\$238,943,423	\$238,243,268	\$219,190,745

- (1) State of Connecticut, Department of Public Health estimates.
- (2) Office off Policy and Management, State of Connecticut
- (3) U.S. Department of Commerce, Bureau of Census, Census 2000.

## Historical Debt Ratios

	<u>2009-10</u> (1)	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<b>Total Direct debt:</b>					
Per capita	\$3,291.00	\$3,094	\$2,849	\$2,833	\$2,613
To net taxable grand list	2.17%	2.41%	2.26%	2.50%	2.64%
To estimated full value	2.56%	2.45%	2.51%	1.75%	1.85%
To equalized net taxable grand list	1.52%	1.23%	1.14%	1.25%	1.39%
Debt per capita to per capita income	10.36%	9.74%	8.96%	8.91%	8.22%
<b>Net direct debt:</b>					
Per capita	\$3,290.00	\$3,094	\$2,846	\$2,825	\$2,599
To net taxable grand list	2.17%	2.41%	2.26%	2.49%	2.63%
To estimated full value	2.56%	2.45%	2.51%	1.75%	1.84%
To equalized net taxable grand list	1.52%	1.23%	1.14%	1.25%	1.38%
Debt per capita to per capita income	10.35%	9.74%	8.95%	8.89%	8.18%
<b>Net direct and overlapping debt:</b>					
Per capita	\$3,574.00	\$3,402	\$2,863	\$2,851	\$2,621
To net taxable grand list	2.35%	2.65%	2.27%	2.52%	2.65%
To estimated full value	2.79%	2.69%	2.52%	1.76%	1.86%
To equalized net taxable grand list	1.65%	1.35%	1.14%	1.26%	1.39%
Debt per capita to per capita income	11.25%	10.71%	9.01%	8.97%	8.25%

(1) Unaudited estimate

## Clean Water Fund Program

The City has financed the renovations to its Sewer Treatment Plant through the State of Connecticut Clean Water Fund Program (General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs, with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and de-nitrification projects which are financed with a 30% grant and a 70% loan. Loans to participating municipalities are made pursuant to a Project Grant and Project Loan Agreement. Participating municipalities are obligated to repay only that amount which it draws down for the payment of project costs. Participating municipalities must permanently finance draws under the Interim Funding Obligations ("IFO") through the issuance of a Project Loan Obligation ("PLO"). Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the PLO, or the actual project completion date. The final maturity of each loan is twenty years from the earlier of the project completion date specified in the PLO, or the actual completion date. Principal and payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing, 1/20 of total principal not later than one year from the project completion date specified in the PLO, the first years' date, and thereafter in monthly installments. Municipalities may prepay their loans at any time prior to maturity without penalty. The loans are secured by the full faith and credit, and/or a dedicated source of revenue of the participating municipalities. Although the loans are issued with the guarantee of the full faith and credit of the City, the loans are to be repaid by the Water Pollution Control Authority through user charges. (See "Water Pollution Control Authority" herein).

The City has the following Clean Water Fund loans outstanding:

<u>Loan Number</u>	<u>Date of Issue</u>	<u>Original 2% Loan Amount</u>	<u>Amounts Outstanding As of February 15, 2011</u>
CWF 190	7/1/1996	\$ 4,550,161	\$1,155,869
CWF 301-C	12/30/1997	1,934,212	648,592
CWF 397-C	1/31/2000	673,270	298,905
CWF 190-DC	9/29/2000	41,294,122	19,746,366
CWF 190-L1	12/21/2001	4,930,815	2,786,389
CWF 190-CD1	12/30/2004	1,830,187	1,140,052
CWF IFO 612-C	1/11/2010	<u>21,376,781</u>	<u>21,376,781</u>
Total		<u>\$76,589,548</u>	<u>\$47,860,179</u>

### **Temporary Financing**

When general obligation bonds have been authorized by a municipality, temporary notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of any bonds issued is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except sewer notes issued in anticipation of State and/or Federal grants. If written commitments exist, the municipality may renew the sewer 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 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15<sup>th</sup> of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 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).

### **Legal Requirements for Approval of Borrowing**

The City 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 statutory debt limitations and the requirements of the City Charter for the authorization of indebtedness.

### **Overlapping and Underlying Indebtedness**

The Second Taxing District (the "District") of the City currently has \$600,000 in bonds outstanding. The bonds were originally issued on March 15, 1997 in the amount of \$4,600,000 to finance the acquisition of the New Canaan Reservoir and the installation and extension of transmission lines from the New Canaan Reservoir to the District's City Lake Reservoir. Although the security of the bonds is the full faith and credit of the District, the debt constitutes overlapping indebtedness of the City. (See "Tax Districts" herein).

On May 16, 2006, the Board of District Commissioners of the District adopted a resolution appropriating and authorizing bonds in the amount of \$24,715,165 for the design and construction of improvements to and the expansion of the Water Filtration Plan of the District, which resolution was approved at a Special Meeting of the District in June, 2006. The District is financing the project through the State of Connecticut Drinking Water Loan Program (General Statute 22a-475

et seq.) which provides financial assistance through loans bearing interest at a rate of 2% per annum. On April 30, 2009 the Second Taxing District issued a PLO in the amount of \$24,715,165 of which \$22,543,132 is outstanding as of October 2, 2010.

**School Construction Projects**

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. State grants will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs. The projects listed below will be reimbursed through progress payments:

<u>Project</u>	<u>Total</u>	<u>Outstanding Bond Reimbursement</u>		<u>Total</u>
		<u>Authorization</u>	<u>Rate for</u>	
		<u>Prior</u>	<u>Eligible Costs</u>	<u>Grant</u>
		<u>To This Issue</u>		<u>(1)</u>
Board of Education Construction Projects (2)	<u>\$102,944,076</u>	<u>\$4,959,361</u>	33.00%	<u>\$32,944,076</u>

- (1) Estimated, eligible costs to be determined at completion of the project.
- (2) The total appropriation for the Board of Education Construction Projects is \$102,944,076 of which, approximately \$32,944,076 is expected to be reimbursed by the State of Connecticut. As such, the City’s net share of project costs is expected to be \$70,000,000.

Debt service reimbursement will continue under the old reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the municipality for principal and interest costs for eligible school construction expenses over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the project.

**Capital Improvement Program**

The City annually approves a Five Year Capital Improvement Plan (the “Plan”). The Plan for the five year period beginning fiscal year 2010-11 includes total spending of approximately \$157,297,731,000 for redevelopment, public works, public safety, education, recreation and other City improvement projects. Funding is proposed from a variety of sources including state and federal grants, user fees and up to \$137,798,000 of bonded debt. A copy of the Plan is available from the Director of Finance.

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**Combined Schedule of Long Term Debt through Maturity**

As of February 15, 2011 (Pro Forma)

Existing Debt (1)					
Fiscal Year	City Principal (2,3)	Maritime Center Principal Payments	City Interest (2,3)	Maritime Center Interest Payments	Total Debt Service
2010-11	\$ 19,995,484	\$304,328	\$ 9,052,523	\$1,380,672	\$ 30,733,007
2011-12	19,207,615	283,552	9,701,370	1,401,448	30,593,985
2012-13	19,890,899	264,191	8,652,477	1,420,809	30,228,376
2013-14	22,215,362	-	7,996,828	-	30,212,190
2014-15	20,851,023	-	7,286,724	-	28,137,747
2015-16	19,654,959	-	6,577,509	-	26,232,468
2016-17	17,906,355	-	5,838,431	-	23,744,786
2017-18	16,304,917	-	5,153,064	-	21,457,981
2018-19	17,200,523	-	4,520,428	-	21,720,951
2019-20	13,616,610	-	3,937,567	-	17,554,177
2020-21	12,012,870	-	3,415,840	-	15,428,710
2021-22	11,579,671	-	2,909,055	-	14,488,726
2022-23	11,590,000	-	2,422,933	-	14,012,933
2023-24	11,625,000	-	1,935,920	-	13,560,920
2024-25	9,775,000	-	1,467,751	-	11,242,751
2025-26	8,265,000	-	1,091,136	-	9,356,136
2026-27	7,325,000	-	758,115	-	8,083,115
2027-28	4,705,000	-	462,778	-	5,167,778
2028-29	4,000,000	-	249,334	-	4,249,334
2029-30	2,100,000	-	108,734	-	2,208,734
2030-31	<u>1,145,000</u>	<u>-</u>	<u>29,770</u>	<u>-</u>	<u>1,174,770</u>
Total	<u>\$270,966,288</u>	<u>\$ 852,071</u>	<u>\$83,568,287</u>	<u>\$4,202,929</u>	<u>\$359,589,575</u>

(1) Includes principal payments of \$30,095,165 made as of February 15, 2010.

(2) Includes Maritime Center debt. Beginning in fiscal year 1990-91 the City included in its budget the debt service payments for the Maritime Center debt. Prior to fiscal year 1990-91 such debt was not included in the City's budget, but guaranteed by full faith and credit of the City. Because revenue projections for the Center did not materialize as projected, the City deemed it prudent to include the guaranteed debt payments within its budget until the Center generates adequate revenues to cover operations and debt service. The Maritime Center debt payments are still included in the City's annually approved budget. (See "Maritime Center Authority" herein).

(3) Includes obligations of the Water Pollution Control Authority and the Parking Authority which will be paid from sewer charges and parking revenues. These obligations are also backed by the full faith and credit of the City of Norwalk. (See "Parking Authority" and "Water Pollution Control Authority" herein).

Source: City of Norwalk

**Combined Schedule of City Bonded Debt**  
As of February 15, 2011 (Pro Forma) (1, 2)

<u>Fiscal Year</u>	General Principal <u>Payments (3)</u>	General Interest <u>Payments (3)</u>	School Principal <u>Payments</u>	School Interest <u>Payments</u>
2010-11 (4)	\$ 7,383,323	\$ 4,052,398	\$ 8,201,428	\$ 4,558,926
2011-12	6,171,595	4,773,729	8,663,691	4,496,977
2012-13	6,221,961	4,302,374	8,976,826	4,150,340
2013-14	6,540,642	2,685,779	9,995,658	3,838,111
2014-15	5,847,083	2,458,426	9,383,017	3,495,703
2015-16	5,515,493	2,237,403	8,839,428	3,147,998
2016-17	5,032,675	2,009,793	8,170,436	2,770,829
2017-18	4,211,566	1,818,162	7,511,811	2,397,231
2018-19	4,241,781	1,647,064	7,572,999	2,057,401
2019-20	4,509,210	1,474,826	6,225,720	1,762,411
2020-21	3,956,630	1,274,627	5,888,300	1,515,217
2021-22	3,911,073	1,089,451	5,747,900	1,253,315
2022-23	3,910,069	930,293	5,758,700	1,005,814
2023-24	3,546,083	776,047	6,090,400	755,008
2024-25	3,303,683	628,923	4,631,000	517,260
2025-26	2,614,848	504,013	3,886,800	342,499
2026-27	2,626,748	390,587	2,919,300	201,986
2027-28	2,400,195	275,058	1,952,300	88,186
2028-29	2,191,133	169,932	922,800	23,928
2029-30	1,450,133	83,143	29,800	2,330
2030-31	<u>1,006,569</u>	<u>23,556</u>	<u>2,751</u>	<u>785</u>
Total	<u>\$86,661,160</u>	<u>\$33,605,580</u>	<u>\$121,371,065</u>	<u>\$38,382,256</u>

- (1) Does not include this issue.
- (2) Excludes obligations of the Water Pollution Control Authority which were issued with the guarantee of the full faith and credit of the City but will be paid from sewer charges. Excludes obligations of the Parking Authority which were issued with the guaranty of the full faith and credit of the City but will be paid from parking revenues. (See "Water Pollution Control Authority" and "Parking Authority" herein).
- (3) Includes obligations of the Maritime Center Authority. (See "Maritime Center Authority" herein).
- (4) Includes principal payments of \$26,978,946 made as of February 15, 2011.

Source: City of Norwalk

Urban Renewal Principal Payments	Urban Renewal Interest Payments	Total Debt Service
\$ 453,473	\$ 477,354	\$ 25,126,902
609,503	595,179	25,310,674
740,399	514,417	24,906,316
1,156,954	486,102	24,703,247
1,111,555	452,213	22,747,997
926,928	419,434	21,086,684
683,338	390,694	19,057,765
631,271	366,961	16,937,002
633,129	344,110	16,496,484
850,850	316,631	15,139,647
793,300	277,693	13,705,768
789,700	246,237	13,037,676
789,100	214,935	12,608,911
752,750	183,956	12,104,244
715,150	153,601	9,949,617
667,750	125,621	8,141,531
667,250	97,101	6,902,972
642,250	67,318	5,425,307
598,750	39,424	3,945,966
332,750	18,146	1,914,802
<u>166,250</u>	<u>5,230</u>	<u>1,205,141</u>
<u>\$14,712,400</u>	<u>\$5,792,357</u>	<u>\$300,524,818</u>

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**Combined Schedule of Bonded Debt for Parking Authority and Water Pollution Control Authority**  
As of February 15, 2011 (Pro Forma) (1)

<u>Fiscal Year</u>	<u>Parking Authority Principal Payments (2)</u>	<u>Parking Authority Interest Payments (2)</u>	<u>Parking Authority Total Debt Service (2)</u>	<u>WPCA Principal Payments (3)</u>	<u>WPCA Interest Payments (3)</u>	<u>WPCA Total Debt Service (3)</u>
2010-11 (4)	\$ 608,265	\$ 376,856	\$ 985,121	\$ 3,653,322	\$ 967,660	\$ 4,620,983
2011-12	523,111	437,524	960,635	3,523,267	799,400	4,322,667
2012-13	566,343	400,436	966,779	3,649,562	705,721	4,355,282
2013-14	759,896	383,790	1,143,686	3,762,212	603,045	4,365,257
2014-15	763,651	365,305	1,128,956	3,745,717	515,080	4,260,797
2015-16	728,457	346,297	1,074,754	3,642,653	426,376	4,069,029
2016-17	619,857	326,681	946,538	3,400,049	340,435	3,740,484
2017-18	629,858	306,236	936,094	3,320,411	264,474	3,584,885
2018-19	644,858	283,009	927,867	3,362,756	188,843	3,551,599
2019-20	611,758	258,214	869,972	1,419,072	125,486	1,544,558
2020-21	626,758	233,858	860,616	747,882	114,445	862,327
2021-22	641,758	208,790	850,548	489,240	111,263	600,503
2022-23	666,758	180,495	847,253	465,373	91,395	556,768
2023-24	693,923	148,892	842,815	541,844	72,017	613,861
2024-25	713,923	115,624	829,547	411,244	52,344	463,588
2025-26	744,302	81,512	825,814	351,300	37,491	388,791
2026-27	769,308	44,657	813,965	342,394	23,785	366,179
2027-28	201,153	21,387	222,540	254,102	10,829	264,931
2028-29	188,017	12,624	200,641	69,010	1,209	70,219
2029-30	121,350	5,549	126,899	69,010	604	69,614
2030-31	30,010	1,374	31,384	-	-	-
<b>Total</b>	<b><u>\$11,853,314</u></b>	<b><u>\$4,539,110</u></b>	<b><u>\$16,392,424</u></b>	<b><u>\$37,220,420</u></b>	<b><u>\$5,451,904</u></b>	<b><u>\$42,672,323</u></b>

(1) Does not include this issue.

(2) Debt of the Parking Authority is guaranteed by the full faith and credit of the City but is self-supporting from parking revenues. (See "Parking Authority" herein).

(3) WPCA debt is guaranteed by the full faith and credit of the City but is self-supporting from sewer user fees. (See "Water Pollution Control Authority" herein).

(4) Includes principal payments of \$3,116,219 made as of February 15, 2011.

Source: City of Norwalk

## SECTION IV - FINANCIAL DATA

### Accounting Policies

The City's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to General Purpose Financial Statements. (Attached as Appendix A)

### Basis of Accounting

See Note 1 of "Notes to General Purpose Financial Statements". (Attached as Appendix A).

### Audit

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the City of Norwalk Charter, the City is obligated to undergo an annual examination by an independent certified public accountant. The City's current auditors, McGladrey & Pullen LLP, were appointed by the Common Council and are required to

conduct their examination under the guidelines issued by the State of Connecticut, Office of Policy & Management, who receive a copy of said Audit Report when completed.

The most recent audited report covers the fiscal year ended June 30, 2009, included in this Official Statement and made a part hereof as Appendix "A" are the "Financial Statements of the City of Norwalk, Connecticut," as of June 30, 2009, together with the opinion thereon rendered by McGladrey & Pullen, LLP, independent certified public accountants.

**Certificate of Achievement for Excellence in Financial Reporting:** The City of Norwalk has received a Certificate of Achievement for Excellence in Financial Reporting for the Government Finance Officers Association ("GFOA") of the United States and Canada for its comprehensive annual financial report for fiscal years ending June 30, 1991 through June 30, 2008. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program.

**Budgetary Procedures**

The City of Norwalk conforms to the following budgetary sequences and time schedules:	<u>By</u>
Each Board, Commission, Committee, Officer and Department of the City shall submit to the Director of Finance a copy of its proposed annual operating budget.	January 15
Capital Budget requests must be submitted to the Planning and Zoning Commission and Director of Finance.	December 31
Finance Director shall submit to the Board of Estimate and Taxation and to the Common Council the proposed annual operating budget for the city by the 2nd Monday and the 2nd Tuesday, respectively.	February
Common Council adopts cap on total appropriations for the operating budget by the 4th Tuesday.	
Finance Director shall submit to the Board of Estimate & Taxation, the Common Council and the Planning Commission the proposed capital budget along with his comments.	February 1
The Planning & Zoning Commission shall hold hearings on the proposed capital budget.	February 15
Proposed capital budget transmitted to the Mayor for his review and recommendation.	March 5
Mayor's proposed capital budget transmitted to the Board of Estimate and Taxation.	March 15
Board of Estimate and Taxation considers all operating budget requests and recommendations and submits a proposed budget and tax levy to the Common Council – 2 <sup>nd</sup> Monday February to 1st Monday in April	April
Common Council may amend the cap on the operating budget not later than the 3rd Tuesday.	April
Board of Estimate adjusts operating budget if a new cap is set not later than the 4th Monday.	April
Board of Estimate and Taxation forwards Mayor's proposed capital budget to Common Council.	
Board may transfer those capital items that it believes should have been included in the operating budget for the ensuing year	April 1
Common Council may approve, reject, reinstate, or reduce any capital budget item by a majority vote of its members present and voting.	April 15
Board of Estimate and Taxation must set final budget and tax levy, 1st Monday.	May

**Tax Districts**

The City of Norwalk is divided into a number of districts for taxing purposes. Four of these districts originated with the former independent municipal areas and retain a degree of autonomous government. These districts own certain properties and supply various services to households within, and in some instances, outside the district. By contrast, other taxing districts are essentially taxing units designed to calculate and collect taxes for specific services; they have no autonomous government and they own no properties. The Districts are described below in "Autonomous Districts" and "Service Districts", respectively.

## **The Autonomous Districts**

The First and Second Districts are the former independent cities of Norwalk and South Norwalk, respectively; the Third District is the former East Norwalk Fire District. The districts were consolidated into the City of Norwalk under the Charter of 1913. The Charter created a federation rather than a union form of government, whereby each district retained certain assets. To administer the assets, each District retains a degree of self-government. The Town of Rowayton was incorporated into the City of Norwalk in 1921 and thus became the Sixth Taxing District, and it, too, retained some of its own autonomous features. The four Districts are self-governing within the areas of their responsibilities but the City of Norwalk, as provided by the Charter, is required to levy and collect taxes for each District from the District residents.

The First District owns and operates a water department, maintains streetlights and a number of small parks.

The Second District owns and operates a water department, an electric plant and distribution system, maintains streetlights and numerous small public land areas.

The Third District owns an electric distribution system, a library building, a graveyard, a firehouse, and as with other Districts, various parcels of land.

The Sixth District of Rowayton has its own library, a beach, and two parks for District residents, maintains the street lights, operates a volunteer fire department and collects garbage for those residing within the Sixth District.

## **The Service Districts**

The creation of the City in 1913 included not only the City of Norwalk, South Norwalk and East Norwalk, but also the peripheral territory. As the population increased into this area, the City was obligated to provide residents with essential municipal services. To defray the cost, some taxing system had to be devised and thus, the Fourth District was created, enabling the existing Districts to maintain their distinctive identities. As the City grew and the demand for municipal services increased, an umbrella agency, the Fifth Taxing District, encompassing the entire City of Norwalk, was created. The Fourth District was relegated to those areas of Norwalk with sewers and concomitant garbage collection. This District expands periodically as sewers are extended. However, the incursion of sewers into parts of Rowayton, the Sixth District, in recent years created the need for yet another taxing arrangement inasmuch as the Fourth Taxing District would charge the sewerd Sixth District for garbage collections which they already receive. As a result, the Seventh Taxing District was created.

In addition to the aforementioned Taxing Districts, there are separate tax levies for specific services. In 1970 the amended City Charter extended the jurisdiction of the Norwalk Fire Department to the entire City, excluding Rowayton which still has its own firehouse and volunteer fire company. Accordingly, a separate mill rate is computed and applied to all other districts.

Streetlights also receive special revenues. The First, Second, Third and Sixth Districts have a special street-lighting tax imposed.

In 1981 two new districts were established. The Eighth District is that part of the Third District that is un-sewered and receives no sewer service. The Ninth District is one street in the First District comprising five homes that do not receive sewer service. For Fiscal Year 2003-2004, the Seventh, Eight and Ninth District were removed. These Districts were used for sewerd residential and commercial within a non-sewerd district. These districts are not needed because sewer charges will be billed directly by the Water Pollution Control Authority.

In 1987 the Common Council adopted an ordinance establishing a uniform automobile tax rate.

## Tax Rates (Mills)

<u>Grand List</u> <u>Date</u>	<u>Fiscal</u> <u>Year</u>	<u>Dist.</u> <u>1</u>	<u>Dist.</u> <u>2</u>	<u>Dist.</u> <u>3</u>	<u>Dist.</u> <u>4</u>	<u>Dist.</u> <u>5</u>	<u>Dist.</u> <u>6</u>	<u>Dist.</u> <u>7</u>	<u>Dist.</u> <u>8</u>	<u>Dist.</u> <u>9</u>	<u>Motor</u> <u>Vehicle</u> <u>Rate</u>
October 1, 2009	2010-11	20.52	20.52	20.52	20.58	20.08	18.85	(1)	(1)	(1)	25.17
October 1, 2008	2009-10	19.78	19.78	19.78	19.84	19.37	18.23	(1)	(1)	(1)	24.36
October 1, 2007	2008-09	22.48	22.48	22.48	22.55	21.98	21.06	(1)	(1)	(1)	23.57
October 1, 2006	2007-08	21.66	21.66	21.66	21.72	21.15	20.20	(1)	(1)	(1)	23.28
October 1, 2005	2006-07	23.16	23.16	23.16	23.24	22.63	21.45	(1)	(1)	(1)	23.24
October 1, 2004	2005-06	25.10	25.10	25.10	25.21	24.56	23.47	(1)	(1)	(1)	25.21
October 1, 2003	2004-05	27.12	27.12	27.12	27.23	26.51	25.41	(1)	(1)	(1)	27.23
October 1, 2002	2003-04	28.97	28.97	28.97	29.08	28.33	27.10	(1)	(1)	(1)	25.00
October 1, 2001	2002-03	31.87	31.87	31.87	31.98	31.14	29.63	29.63	31.87	31.87	20.00
October 1, 2000	2001-02	36.53	36.53	36.53	36.67	33.36	32.00	34.38	34.15	34.15	20.00
October 1, 1999	2000-01	42.75	42.75	42.75	42.91	38.97	37.18	40.03	39.90	39.90	20.00

(1) These Districts were established for sewer residential and commercial within a non-sewered district. These districts are no longer required as of the October 1, 2002 Grand List because sewer charges are billed directly by the Water Pollution Control Authority.

## Employee Pension Systems

The City's pension plans cover all employees of the City, except teachers who are covered by the State Teachers Retirement Fund. There are four separate plans: Municipal Employees Pension Plan, Police Benefit Plan, Firemen's Benefit Plan and Food Services Plan. As of the July 1, 2009 actuarial valuation, pension obligations exceed pension assets by \$264,144 for the Municipal Employees' Pension Fund; \$14,931,391 for the Police Benefit Fund; \$(1,105,523) for the Firemen's Benefit Fund and \$382,779 for the Food Service Fund or \$14,472,791 for all the funds.

The following is a schedule of contributions by the City to the pension funds:

<u>Fiscal Year</u>	<b>City's Contribution</b>					<u>Total</u>
	<u>Municipal</u> <u>Employees'</u> <u>Pension</u> <u>Fund</u>	<u>Police</u> <u>Benefit</u> <u>Fund</u>	<u>Firemen's</u> <u>Benefit</u> <u>Fund</u>	<u>Food Service</u> <u>Employee'</u> <u>Pension</u> <u>Fund</u>		
2010-11 (1)	\$1,686,367	\$1,925,038	\$335,135	\$89,530		\$4,026,866
2009-10	889,592	1,097,327	-	89,102		2,076,021
2008-09	863,067	1,267,867	62,744	74,182		2,267,860
2007-08	1,506,611	1,605,475	391,779	67,085		3,570,950
2006-07	1,339,608	1,599,000	307,920	88,755		2,135,013
2005-06	689,596	1,240,090	-	203,189 (3)		2,135,013
2004-05	911,816	868,054	-	-		1,779,870
2003-04	1,066,428	896,104	-	130,655		2,093,187
2002-03 (3)	-	-	-	130,611		130,611
2001-02	-	-	-	65,194		65,194
2000-01	-	-	-	63,886		63,886
1999-00	1,124,042	405,000	40,000	44,153		1,613,195

(1) Budgeted in General Fund.

(2) Includes Fiscal Year 2004-05 and 2005-06 required contributions.

(3) During Fiscal Year 2002-03, the City's actuary at the time, The Segal Company, completed the actuarial valuation of the City's pension plans well after the Fiscal Year 2002-2003 Budget was approved. The City contributed the actuarially recommended contribution of \$1,962,532 for Fiscal Year 2002-2003 to the pension funds in Fiscal Year 2003-2004. The City is over funded in two of its four pension funds and will continue to fund the recommended amount in the future. City policy requires updated valuations every year.

## Other Post Employment Benefits

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation, end of year</u>
2007-08	\$15,573,000	\$11,467,370	73.6%	\$4,105,630
2008-09	15,378,023	12,945,139	84.2	6,538,514
2009-10 (1)	16,405,254	14,050,004	85.7	8,893,764
2010-11 (1)	18,558,740	14,050,004	75.7	13,817,673

(1) Estimate.

The City's actuarial consultant, Milliman, performed a valuation of the City's Other Post Employment Benefits ("OPEB") as required under Government Accounting Standards Board Statement (GASB) Statement #45 at July 1, 2007. The valuation included the City and Board of Education employees. As part of that valuation, Milliman determined an implicit rate subsidy where applicable, and employed an 8.25% discount rate. Based upon the valuation by Milliman, the City's accrued liability is \$187.9 million. The City has created an Internal Revenue Code 115 trust effective July 1, 2007 to pay for these benefits and as of August 2010 the market value of assets held in trust was \$14.7 million. The OPEB valuation determined for the fiscal year ending June 30, 2011 that the normal and past service cost would be \$17.8 million, assuming a 30 year amortization of the unfunded liability. The City's administration has notified its various boards that implementation of GASB Statement #45 will affect how much the City budgets for post employment benefits and how information is presented in the Financial Statements. The City has elected to annually review its contribution until it reaches the actuarial required contribution level. The phase-in of the actuarial required contribution began in fiscal year 2007-2008 and is ongoing.

## Self-Insurance Program

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for property losses in excess of \$50,000 and third party liability insurance up to \$12 million per occurrence for claims above the City's \$1,000,000 self-insured retention limit. The City, including the Board of Education, is self-insured for its medical, dental, workers' compensation and heart and hypertension exposures.

As of June 30, 2010 the City's, including the Board of Education, maximum loss potential was approximately \$12,563,713, including accounts payable accruals for claims incurred but not reported and estimates of the costs of settlement for other losses. The City had accumulated total assets of \$12,219,354 in the Internal Service Fund. Thus, on an accrual basis, in accordance with GASB Statement 10, the Internal Service Fund has retained earnings of \$(344,359). The Internal Service Fund is adequately funded to meet the City's immediate requirements and reviews its funding annually.

## Investment Policies and Practices

The City Charter and Connecticut General Statutes Sections 7-400, 7-401 and 7-402 govern the investments the City is permitted to acquire. Generally, the City may invest in certificates of deposit, repurchase agreements, municipal notes and bonds, 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, certain mutual funds and money market mutual funds.

The City's investment practices have been to invest only in certificates of deposit, repurchase agreements, the State of Connecticut Short-Term Investment Fund (STIF), United States Federal Agency Paper, MBIA Class Investment Fund, the State of Connecticut Tax-Exempt Proceeds Fund and United States Treasury Bills. The City has followed these investment practices and the City's operating funds, capital funds, and enterprise funds are currently invested in Federal Agency Paper having an average maturity of approximately 3.7 years and in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) STIF; (3) the State of Connecticut Tax-Exempt Proceeds fund; (4) United States Treasury Bills; (5) Obligations of agencies of the United States Government and (6) MBIA Class



(an investment fund managed by MBIA Municipal Bond Investors Service Corporation, which, according to MBIA Class, invests only in (i) high-grade short-term federal securities and variable rate obligations backed by federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the Program's custodial bank to be held for the benefit of the Plan's participants).

### **Assessment Practices**

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total of assessed value for all taxable real and personal property located within the City on October 1, in accordance with Section 12-62a of the Connecticut General Statutes. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at 70 percent of the estimated market value at the time of the last general revaluation.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the revaluation. The property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the Office of Policy and Management.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually with manufacturers and businesses completing and returning to the Assessor's Office standard worksheets for computing value. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70 percent of present market value.

Connecticut General Statutes Section 12-62 requires each municipality to revalue real property at least every five years by statistical methods and every ten years by physical inspection. The figures shown herein for the 2008 Grand List (Fiscal Year 2009-10) are the result of the City's most recent revaluation.

The City completed a real property revaluation with a full inspection on October 1, 2008.

### **Real Property Tax Collection Procedure**

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, one half on July 1 and one half on January 1. Payments not received by August 1 and February 1 become delinquent.

According to the provisions of Public Act No. 82-141, effective July 1, 1982, and applicable to property taxes due on or after said date, delinquent property taxes were subject to interest at the rate of 1.5% per month.

### **Real Property Tax Levies**

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. At the discretion of the City and for the convenience of the taxpayer, tax bills are payable in installments - July 1 and January 1. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least three times a year, with interest charged at the rate of one and one-half percent per month in accordance with Connecticut General Statutes, with a minimum charge of \$2. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Real estate accounts and other accounts are transferred to suspense 15 years after the due date in accordance with state statutes.

### Tax Collections

Fiscal Year Ended 6/30	Taxable Grand List	Total Tax Rate ( Mills)	Adjusted Tax Levy	Uncollected Taxes			
				End of Fiscal Year(1)	%	As of 08/31/10	%
2011 (3)	\$12,646,134,000	20.58	\$258,062,887	N/A	N/A	\$127,119,166	49.3
2010 (2,3)	12,639,375,000	19.84	241,641,899	\$3,216,157	1.3	2,359,241	1.0
2009	10,673,889,000	22.55	236,583,751	4,352,629	1.8	757,129	0.3
2008	10,527,527,000	21.72	226,597,402	3,431,799	1.5	314,442	0.1
2007	9,468,305,000	22.63	216,241,703	3,603,142	1.7	(298,072)	(0.1)
2006	8,268,992,000	24.56	208,336,045	3,089,519	1.5	(315,641)	(0.2)
2005	7,380,516,000	26.51	198,474,780	2,597,162	1.3	(288,797)	(0.1)
2004	6,526,297,000	28.33	186,498,884	2,805,264	1.5	(214,298)	(0.1)
2003	5,794,438,000	31.14	176,659,067	2,861,564	1.6	(217,626)	(0.1)
2002	4,961,132,000	33.36	170,449,270	3,290,354	1.9	(173,726)	(0.1)

- (1) The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are laid on the Grand List of October 1, and are due and payable in two installments, one-half July 1 and one-half January 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent. Effective July 1, 1982 (P.A. 82-141 of the 1982 Connecticut General Assembly), if the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1 ½% per month (18% per annum) is charged from the due date on the tax. Real Estate is liened for delinquent taxes within one year after the due date.
- (2) Adopted budget.
- (3) The City's most recent revaluation was completed on October 1, 2008. Please see "Assessment Practices" herein for more information.

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

### Taxable Grand List

The following table sets forth the City's taxable grand lists by component:

Grand List As of 10/1	(\$ in Thousands)					
	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2009	\$11,510,668	\$728,378	\$534,482	\$12,773,529	\$127,395	\$12,646,134
2008 (1)	11,489,791	754,470	537,966	12,782,228	142,853	12,639,375
2007	9,707,999	555,366	560,547	10,823,912	150,023	10,673,889
2006	9,601,705	552,823	542,373	10,696,901	169,374	10,527,527
2005	8,587,523	516,510	539,399	9,643,432	175,127	9,468,305
2004	7,434,325	408,120	521,445	8,363,890	94,897	8,268,992
2003	6,590,135	410,122	481,571	7,481,828	101,312	7,380,516
2002	5,703,118	421,287	503,046	6,627,451	101,154	6,526,297
2001	4,968,198	417,185	481,815	5,867,198	72,760	5,794,438
2000	5,537,973	432,201	466,691	6,436,865	1,475,733 (2)	4,961,132

- (1) The City's most recent revaluation was completed on October 1, 2008. Please see "Assessment Practices" herein for more information.
- (2) Included in exemptions are the phased in values from revaluation effective October 1, 1999.

The following table sets forth the Real Property portion of the City's taxable grand lists by component:

Grand List <u>As of 10/1</u>	(\$ in Thousands)			Total Real <u>Property</u>
	Residential Real <u>Property</u>	Commercial & Industrial Real <u>Property</u>	Vacant <u>Land</u>	
2009	\$8,627,768	\$2,756,925	\$125,976	\$11,510,668
2008	8,646,066	2,684,598	130,830	11,489,791
2007	7,305,104	2,310,099	92,796	9,707,999
2006	7,225,029	2,289,632	87,044	9,601,705
2005	6,455,428	2,038,024	94,071	8,587,523
2004	5,634,018	1,711,745	88,562	7,434,325
2003	4,845,240	1,684,477	60,418	6,590,135
2002	4,161,708	1,495,689	45,721	5,703,118
2001	4,125,244	1,502,898	50,144	5,678,286
2000	4,092,740	1,399,316	45,917	5,537,973

### Largest Taxpayers

The following table sets forth the twenty-five largest taxpayers in the City per the Grand List dated October 1, 2009:

<u>Business-Name</u>	<u>Nature Of Business</u>	Total Estimated <u>Gross Assessment</u>
Connecticut Light & Power	Electrical Distribution	\$ 287,787,429
Merritt 7 Venture LLC	6 Office Bldg Complex	217,662,760
River Park Property Owner LLC	Office Buildings	67,826,074
Thirty Five Glover Partners LLC	Office Buildings	53,339,297
Twenty Fiver Glover Partners LLC	Office Buildings	50,372,560
45 Glover Partners LLC	Office Buildings	48,055,420
Norwalk Center LLC	Office, Ind. Complex	47,107,480
399 Main Ave. Apartments Investors LLC	Office Complex	35,233,310
Fairfield Merrittview	Office Buildings	34,325,760
Merritt River Partners LLC	Office Buildings	33,481,980
Fairfield Norwalk Limited Partnership	Apartment Complex	32,838,960
Yankee Gas Co.	Utility Lines	30,286,782
Beiersdorf	Manufacturer	29,736,314
Transwestern 535 Connecticut LLC	Office Buildings	29,122,730
Norwalk Power LLC	Power Plant	29,045,590
Townsend Norwalk LLC	Office, R&D complex	26,915,770
HD-Main Avenue LP	Retail Stores	25,168,150
I Park Norwalk LLC	Office, Ind. Complex	21,278,840
One Ninety Seven Conn.	Retail Stores	23,282,210
Graham Capital Management	Financial Services	24,871,377
Home Depot USA	Big Box Retail	22,580,180
COSTCO Wholesale Corporation	Big Box Retail	22,504,580
Passero Rudolph A Jr	Shopping Center	21,770,280
Factset Research System, Inc.	Data Research	20,181,844
Graham Realty LLC	Office Buildings	20,160,770
<b>Total</b>		<b><u>\$1,254,936,447</u> (1)</b>

(1) Represents 9.92% of the net taxable grand list of \$12,646,134,000 dated October 1, 2009.

Source: City of Norwalk, Assessor's Office.

## Revenues

The City derives its revenues from a direct tax levy on property, state and federal aid, various fees and charges, and other miscellaneous sources. City revenues are summarized for fiscal years ended 2006-2010 in "Statements of General Fund Revenues, Expenditures and Changes in Fund Balance-General Fund" herein.

### Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Property Tax Revenues</u>	Property Tax Revenues as a Percentage of <u>General Fund Revenues</u>
2010-11 (1)	\$280,660,289	\$250,767,755	89.3%
2009-10	285,935,540	246,960,127	86.4
2008-09	278,839,115	236,316,680	84.8
2007-08	274,289,005	229,072,804	83.5
2006-07	263,386,839	215,669,320	81.9
2005-06	251,641,490	206,567,186	82.1
2004-05	238,741,612	200,532,788	84.0
2003-04	218,675,179	185,043,538	84.6
2002-03	207,814,103	178,735,767	86.0
2001-02	201,888,028	167,997,983	83.2

(1) Adopted Budget

Source: Annual audited financial statements (GAAP) and fiscal year 2010-11 adopted budget.

### Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Federal and State Aid</u>	Total Aid As a Percentage Of General Fund <u>Revenue</u>
2010-11 (1)	\$280,660,289	\$14,597,234	5.2%
2009-10	285,935,540	29,162,693	10.2
2008-09	278,839,115	30,386,367	10.9
2007-08	274,289,005	28,626,555	10.4
2006-07	263,386,839	28,182,974	10.7
2005-06	251,641,490	27,086,112	10.8
2004-05	238,741,612	22,370,645	9.4
2003-04	218,675,179	21,948,831	10.0
2002-03	207,814,103	21,339,077	10.3
2001-02	201,888,028	24,440,382	12.1

(1) Adopted Budget. Budgetary basis, excludes Teacher's Pension on-behalf payments.

Source: Annual audited financial statements (GAAP) and fiscal year 2010-11 adopted budget.

## Expenditures

<u>Fiscal Year</u>	<u>Education</u>	<u>Public Safety</u>	<u>Employee Benefits</u>	<u>Public Works</u>	<u>Debt Service</u>
2010-11 (1)	53.4%	13.80%	10.5%	5.9%	9.0%
2009-10	56.2	13.3	8.7	5.4	9.3
2008-09	55.8	13.0	8.2	6.2	9.0
2007-08	56.0	13.3	8.5	6.0	8.6
2006-07	56.3	13.1	8.6	5.9	8.0
2005-06	56.8	14.6	7.6	6.1	7.0
2004-05	57.5	13.6	7.7	6.4	6.3
2003-04	57.6	14.0	7.9	6.6	5.3
2002-03	56.7	13.2	6.6	7.1	8.6
2001-02	55.0	14.0	5.6	9.7	7.6

(1) Adopted Budget

Source: Annual audited financial statements (GAAP) and fiscal year 2010-11 adopted budget.

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**Comparative General Fund Operating Statement**  
 (Budget and Actual (Budgetary Basis))

	Fiscal Year 2009-2010			Fiscal Year
	Revised Budget	Actual Operations	Variance Favorable (Unfavorable)	2010-11 Adopted Budget
<b>REVENUES</b>				
Property Taxes	\$248,391,014	\$246,960,127	\$(1,430,887)	\$256,583,655
Intergovernmental	14,531,326	15,080,693	549,367	14,597,234
Licenses, permits, fees and other	9,163,900	8,413,026	(750,874)	7,779,400
Interest on investments	<u>1,700,000</u>	<u>1,399,694</u>	<u>(300,306)</u>	<u>1,700,000</u>
<b>TOTAL REVENUES</b>	<u>\$273,786,240</u>	<u>271,853,540</u>	<u>(1,932,700)</u>	<u>\$280,660,289</u>
<b>EXPENDITURES</b>				
General government	\$ 7,719,469	7,170,298	549,171	\$ 7,415,093
Education	149,911,320	148,829,159	1,082,161	149,743,081
Public Safety	38,481,794	38,103,336	378,458	38,719,748
Health and Welfare	2,057,484	1,865,486	191,998	1,966,605
Public works	16,232,915	15,593,639	639,276	16,542,592
Community Grants	2,997,946	2,997,946	-	3,015,266
Employee Benefits	24,941,728	24,814,825	126,903	29,432,328
Recreation, Arts & Cultural	7,168,963	6,986,343	182,620	7,013,632
Organizational memberships	85,390	84,912	478	129,662
Contingency	1,162,857	-	1,162,857	1,530,751
Debt Service	<u>27,131,135</u>	<u>26,286,285</u>	<u>844,850</u>	<u>25,151,531</u>
<b>TOTAL EXPENDITURES</b>	<u>277,891,001</u>	<u>272,732,229</u>	<u>5,158,772</u>	<u>280,660,289</u>
Net Change in Fund Balance	<u>( 4,104,761)</u>	<u>( 878,689)</u>	<u>3,226,072</u>	<u>-</u>
Beginning Fund Balance		29,388,599		
Less:				
Designated for Board of Education Future Appropriations		( 1,032,219)		
Less:				
Designated for City Future Appropriations		<u>( 927,820)</u>		
Ending Balance after Reservations		<u>\$26,549,871</u>		

## Comparative Balance Sheets - General Fund

Fiscal Years Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$35,328,337	\$31,819,679	\$20,999,490	\$28,478,273	\$28,506,700
Investments	17,553,076	28,153,186	34,185,383	27,401,885	31,799,243
Net receivables:					
Property taxes	4,536,274	4,065,169	4,415,121	6,015,372	4,600,621
Accounts receivables	1,301,823	1,386,351	1,353,569	818,121	1,785,244
Intergovernmental	1,444,885	614,420	390,615	304,528	135,539
Due from other funds	<u>612,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$60,776,656</u></b>	<b><u>\$66,038,805</u></b>	<b><u>\$61,344,178</u></b>	<b><u>\$63,018,179</u></b>	<b><u>\$66,827,347</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 5,181,303	\$ 6,836,487	\$16,309,638	\$18,192,287	\$20,519,469
Accrued wages	8,002,335	8,548,321	-		
Unearned revenues	8,904,209	7,892,022	3,446,359	9,647,322	13,064,340
Deferred revenue	<u>6,040,828</u>	<u>5,482,104</u>	<u>4,199,844</u>	<u>5,678,251</u>	<u>4,630,263</u>
<b>TOTAL LIABILITIES</b>	<b><u>28,128,675</u></b>	<b><u>28,758,934</u></b>	<b><u>23,955,841</u></b>	<b><u>33,517,860</u></b>	<b><u>38,214,072</u></b>
<b>FUND BALANCES</b>					
Reserved	289,062	1,634,117	1,157,112	111,720	103,365
Unreserved:					
Designated for subsequent years expenditures	3,860,429	4,424,988	4,367,312	4,349,492	1,960,039
Undesignated	<u>28,498,490</u>	<u>31,220,766</u>	<u>31,863,913</u>	<u>25,039,107</u>	<u>26,549,871</u>
<b>TOTAL FUND BALANCES</b>	<b><u>32,647,981</u></b>	<b><u>37,279,871</u></b>	<b><u>37,388,337</u></b>	<b><u>29,500,319</u></b>	<b><u>28,613,275</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$60,776,656</u></b>	<b><u>\$66,038,805</u></b>	<b><u>\$61,344,178</u></b>	<b><u>\$63,018,179</u></b>	<b><u>\$66,827,347</u></b>

Source: Annual audited financial statements.

## Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Fiscal Years Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES</b>					
Property taxes, interest and liens	\$206,567,186	\$215,669,320	\$229,072,804	\$236,316,680	\$246,960,127
Intergovernmental	27,086,112	28,182,974	28,626,555	30,386,367	29,162,693
Licenses, permits, fees and other	14,481,507	14,138,573	12,068,672	9,192,812	8,413,026
Interest on investments	<u>3,506,685</u>	<u>5,395,972</u>	<u>4,520,974</u>	<u>2,943,256</u>	<u>1,399,694</u>
<b>TOTAL REVENUES</b>	<u>251,641,490</u>	<u>263,386,839</u>	<u>274,289,005</u>	<u>278,839,115</u>	<u>285,935,540</u>
<b>EXPENDITURES</b>					
Current:					
General government	6,740,889	6,752,487	7,808,214	8,068,509	7,170,849
Health and welfare	3,737,937	3,891,397	2,624,410	3,583,342	3,365,487
Education	142,256,785	145,969,257	153,675,894	160,083,564	161,411,159
Employee benefits	19,080,858	22,272,134	23,407,173	23,535,296	24,899,737
Public safety	36,475,806	33,930,127	36,593,372	37,407,452	38,102,910
Community grants	2,513,665	2,784,099	2,825,889	2,938,144	2,997,946
Public works	15,368,566	15,351,014	16,409,156	17,741,621	15,601,868
Recreation, arts and cultural	6,812,027	7,076,333	7,371,934	7,671,794	6,986,343
Capital Outlay	-	655,082	-	-	-
Debt service	<u>17,424,811</u>	<u>20,728,101</u>	<u>23,464,497</u>	<u>25,697,411</u>	<u>26,641,673</u>
<b>TOTAL EXPENDITURES</b>	<u>250,411,344</u>	<u>259,410,031</u>	<u>274,180,539</u>	<u>286,727,133</u>	<u>287,177,972</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,230,146</u>	<u>3,976,808</u>	<u>108,466</u>	<u>( 7,888,018)</u>	<u>( 1,242,432)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of refunding debt	-	-	-	-	44,172,685
Issuance of debt	-	-	15,780,000	72,143,962	-
Premium on bond issuance	-	-	785,957	6,802,158	4,136,923
Payment to escrow	-	-	(16,565,957)	(78,946,120)	(47,954,220)
Net Transfers	<u>-</u>	<u>655,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>655,082</u>	<u>-</u>	<u>-</u>	<u>355,848</u>
<b>EXTRAORDINARY ITEMS</b>					
State teachers on-behalf payments	-	-	(44,531,000)	-	-
State teachers on-behalf revenue	<u>-</u>	<u>-</u>	<u>44,531,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXTRAORDINARY ITEMS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,230,146</u>	<u>4,631,890</u>	<u>108,466</u>	<u>( 7,888,018)</u>	<u>( 877,044)</u>
Fund balance, July 1	<u>31,417,835</u>	<u>32,647,981</u>	<u>37,279,871</u>	<u>37,388,337</u>	<u>29,500,319</u>
Fund balance, June 30	<u>\$ 32,647,981</u>	<u>\$ 37,279,871</u>	<u>\$ 37,388,337</u>	<u>\$ 29,500,319</u>	<u>\$ 28,613,275</u>

Source: Annual audited financial statements.



## Comparative Balance Sheets - Capital Project Fund

Fiscal Years Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$17,449,656	\$ 8,454,703	\$ 3,414,089	\$ 8,702,424	\$ 10,489,184
Investments	6,291,080	7,347,059	3,558,421	7,309,061	12,254,314
Net receivables:					
Property taxes	193,682	248,699	161,272	108,725	107,879
Intergovernmental	3,134,479	1,647,789	878,364	825,000	825,000
Other receivables	<u>46,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$27,115,673</u>	<u>\$17,698,250</u>	<u>\$ 8,012,146</u>	<u>\$16,945,210</u>	<u>\$23,676,377</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 5,707,801	\$ 9,275,707	\$ 7,679,441	\$ 3,678,377	\$ 3,089,788
Accrued wages	3,271	2,945	-	-	-
Unearned revenue	<u>1,178,113</u>	<u>301,281</u>	<u>323,213</u>	<u>188,869</u>	<u>188,023</u>
<b>TOTAL LIABILITIES</b>	<u>6,889,185</u>	<u>9,579,933</u>	<u>8,002,654</u>	<u>3,867,246</u>	<u>3,277,811</u>
<b>FUND BALANCES</b>					
Unreserved	<u>20,226,488</u>	<u>8,118,317</u>	<u>9,492</u>	<u>13,077,964</u>	<u>20,398,566</u>
<b>TOTAL FUND BALANCES</b>	<u>20,226,488</u>	<u>8,118,317</u>	<u>9,492</u>	<u>13,077,964</u>	<u>20,398,566</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$27,115,673</u>	<u>\$17,698,250</u>	<u>\$ 8,012,146</u>	<u>\$16,945,210</u>	<u>\$23,676,377</u>

Source: Annual audited financial statements.

## Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Project Fund

Fiscal Year Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES</b>					
Property taxes and assessments	\$ -	\$ -	\$ 86,665	\$ 52,547	\$ 39,906
Intergovernmental	13,143,863	8,750,147	9,610,781	9,387,239	5,886,702
Licenses, permits, fees and other	1,945,043	10,541	68,895	79,000	205,000
Interest on investments	<u>1,123,639</u>	<u>1,462,292</u>	<u>708,438</u>	<u>647,854</u>	<u>350,749</u>
<b>TOTAL REVENUES</b>	<u>16,212,545</u>	<u>10,222,980</u>	<u>10,474,779</u>	<u>10,166,640</u>	<u>6,482,357</u>
<b>EXPENDITURES</b>					
Capital Outlay	45,555,432	45,596,501	42,495,571	30,016,408	14,334,901
Debt service	<u>120,891</u>	<u>-</u>	<u>213,033</u>	<u>287,608</u>	<u>271,118</u>
<b>TOTAL EXPENDITURES</b>	<u>45,676,323</u>	<u>45,596,501</u>	<u>42,708,604</u>	<u>30,304,016</u>	<u>14,606,019</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(29,463,778)</u>	<u>(35,373,521)</u>	<u>(32,233,825)</u>	<u>(20,137,376)</u>	<u>( 8,123,662)</u>
<b>OTHER FINANCING SOURCES</b>					
Issuance of debt	21,325,000	23,260,000	24,125,000	33,205,848	14,995,000
Premium on bond issuance	<u>-</u>	<u>5,350</u>	<u>-</u>	<u>-</u>	<u>449,264</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>21,325,000</u>	<u>23,265,350</u>	<u>24,125,000</u>	<u>33,205,848</u>	<u>15,444,264</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>( 8,138,778)</u>	<u>(12,108,171)</u>	<u>( 8,108,825)</u>	<u>13,068,472</u>	<u>7,320,602</u>
Fund balance, July 1	<u>28,365,266</u>	<u>20,226,488</u>	<u>8,118,317</u>	<u>9,492</u>	<u>13,077,964</u>
Fund balance, June 30	<u>\$20,226,488</u>	<u>\$ 8,118,317</u>	<u>\$ 9,492</u>	<u>\$13,077,964</u>	<u>\$20,398,566</u>

Source: Annual audited financial statements.

**Comparative Statement of Net Assets – Water Pollution Control Authority**

Fiscal Year Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 6,126,822	\$5,727,348	\$ 6,192,008	\$ 3,864,853	\$ 5,251,802
Charges receivable, net	243,150	338,233	440,266	328,778	314,438
Other receivables	82,933	21,680	62,360	1,938	68,881
Investments	<u>2,318,558</u>	<u>4,189,889</u>	<u>6,979,413</u>	<u>3,479,605</u>	<u>6,179,776</u>
Total current assets	<u>8,771,463</u>	<u>10,277,150</u>	<u>13,674,047</u>	<u>7,675,174</u>	<u>11,814,897</u>
<b>CAPITAL ASSETS</b>					
Net of accumulated depreciation	<u>79,113,381</u>	<u>78,169,401</u>	<u>77,691,903</u>	<u>82,191,752</u>	<u>88,360,551</u>
Total assets	<u>87,884,844</u>	<u>88,446,551</u>	<u>91,365,950</u>	<u>89,866,926</u>	<u>100,175,448</u>
<b>LIABILITIES</b>					
Current liabilities					
Current maturities of bonds payable	3,314,260	3,390,394	3,448,872	3,572,238	8,397,517
Accounts payable and accrued liabilities	1,343,348	1,195,621	1,011,778	795,547	1,602,586
Unearned revenue	<u>199,244</u>	<u>102,142</u>	<u>48,731</u>	<u>224,721</u>	<u>287,426</u>
Total current liabilities	<u>4,856,852</u>	<u>4,688,157</u>	<u>4,509,381</u>	<u>4,592,506</u>	<u>10,287,529</u>
Long-term liabilities					
Bonds and notes payable	<u>41,703,132</u>	<u>39,912,738</u>	<u>39,113,866</u>	<u>35,382,736</u>	<u>34,267,098</u>
Total long-term liabilities	<u>41,703,132</u>	<u>39,912,738</u>	<u>39,113,866</u>	<u>35,382,736</u>	<u>34,267,098</u>
Total liabilities	<u>46,559,984</u>	<u>44,600,895</u>	<u>43,623,247</u>	<u>39,975,242</u>	<u>44,554,627</u>
<b>NET ASSETS</b>					
Investments in capital assets net of					
Related debt	34,095,989	34,866,269	39,593,825	45,932,725	47,450,751
Unrestricted	<u>7,228,871</u>	<u>8,979,387</u>	<u>8,148,878</u>	<u>3,958,959</u>	<u>8,170,070</u>
<b>TOTAL NET ASSETS</b>	<u>\$41,324,860</u>	<u>\$43,845,656</u>	<u>\$47,742,703</u>	<u>\$49,891,684</u>	<u>\$55,620,821</u>

Source: Annual audited financial statements.

**Statement of Revenues, Expenses and Changes in Net Assets –Water Pollution Control Authority**

Fiscal Year Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>OPERATING REVENUES</b>					
Charges for services	<u>\$10,268,317</u>	<u>\$10,878,270</u>	<u>\$12,201,319</u>	<u>\$12,071,044</u>	<u>\$13,247,271</u>
Total operating revenues	<u>10,268,317</u>	<u>10,878,270</u>	<u>12,201,319</u>	<u>12,071,044</u>	<u>13,247,271</u>
<b>OPERATING EXPENSES</b>					
Administration and operation	5,778,414	6,029,165	6,041,298	6,626,725	7,909,339
Depreciation	1,943,720	1,962,279	1,986,399	2,014,489	2,120,964
Salaries, benefits and claims	<u>-</u>	<u>173,847</u>	<u>311,266</u>	<u>605,364</u>	<u>410,915</u>
Total operating expenses	<u>7,722,134</u>	<u>8,165,291</u>	<u>8,338,963</u>	<u>9,246,578</u>	<u>10,441,218</u>
Operating income (loss)	<u>2,546,183</u>	<u>2,712,979</u>	<u>3,862,356</u>	<u>2,824,466</u>	<u>2,806,052</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Investment income	382,899	658,111	707,700	531,750	225,782
Interest expense on long-term debt	(1,076,736)	(1,034,360)	(1,031,658)	(1,207,235)	(958,508)
Intergovernmental	<u>298,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue (expense)	<u>( 394,938)</u>	<u>( 376,249)</u>	<u>( 323,958)</u>	<u>( 675,485)</u>	<u>( 732,726)</u>
<b>CONTRIBUTED CAPITAL</b>					
	<u>-</u>	<u>184,066</u>	<u>358,649</u>	<u>-</u>	<u>3,655,810</u>
Change in net assets	2,151,245	2,520,796	3,897,047	2,148,981	5,729,137
<b>FUND NET ASSETS, Beginning</b>	<u>39,173,615</u>	<u>41,324,860</u>	<u>43,845,656</u>	<u>47,742,703</u>	<u>49,891,684</u>
<b>FUND NET ASSETS, Ending</b>	<u>\$41,324,860</u>	<u>\$43,845,656</u>	<u>\$47,742,703</u>	<u>\$49,891,684</u>	<u>\$55,620,821</u>

Source: Annual audited financial statements.

**Comparative Statement of Net Assets – Parking Authority**

Fiscal Year Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 160,794	\$ 470,784	\$ 607,423	\$ 562,325	\$ 382,348
Restricted cash	705,074	745,613	781,113	794,569	-
Other receivables	39,035	2,223	1,639	1,639	95,483
Investments	<u>60,144</u>	<u>324,569</u>	<u>677,327</u>	<u>505,866</u>	<u>450,182</u>
Total current assets	<u>965,047</u>	<u>1,543,189</u>	<u>2,067,502</u>	<u>1,864,399</u>	<u>928,013</u>
<b>CAPITAL ASSETS</b>					
Net of accumulated depreciation	<u>29,300,319</u>	<u>28,700,725</u>	<u>28,316,430</u>	<u>29,319,418</u>	<u>29,891,022</u>
Total assets	<u>30,265,366</u>	<u>30,243,914</u>	<u>30,383,932</u>	<u>31,183,817</u>	<u>30,819,035</u>
<b>LIABILITIES</b>					
Current liabilities					
Current maturities of bonds payable	380,517	420,956	514,540	573,521	608,265
Accounts payable and accrued liabilities	74,605	133,362	83,570	154,489	567,290
Due to other funds	-	-	-	-	-
Unearned revenue	<u>63,895</u>	<u>113,053</u>	<u>183,897</u>	<u>169,959</u>	<u>-</u>
Total current liabilities	<u>519,017</u>	<u>667,371</u>	<u>782,007</u>	<u>897,969</u>	<u>1,175,555</u>
Long-term liabilities					
Bonds and notes payable	<u>9,944,263</u>	<u>9,663,307</u>	<u>9,373,766</u>	<u>9,954,261</u>	<u>9,969,049</u>
Total long-term liabilities	<u>9,944,263</u>	<u>9,663,307</u>	<u>9,373,766</u>	<u>9,954,261</u>	<u>9,969,049</u>
Total liabilities	<u>10,463,280</u>	<u>10,330,678</u>	<u>10,155,773</u>	<u>10,852,230</u>	<u>11,144,604</u>
<b>NET ASSETS</b>					
Investments in capital assets net of					
Related debt	18,975,539	18,616,462	18,428,125	19,303,467	20,173,759
Restricted for debt service	705,074	745,613	781,113	794,569	-
Unrestricted	<u>121,275</u>	<u>551,161</u>	<u>1,018,921</u>	<u>233,551</u>	<u>(499,328)</u>
<b>TOTAL NET ASSETS</b>	<u>\$19,801,888</u>	<u>\$19,913,236</u>	<u>\$20,228,159</u>	<u>\$20,331,587</u>	<u>\$19,674,431</u>

Source: Annual audited financial statements.

## Statement of Revenues, Expenses and Changes in Net Assets –Parking Authority

Fiscal Year Ended:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ <u>3,571,713</u>	\$ <u>4,311,469</u>	\$ <u>4,935,847</u>	\$ <u>5,145,637</u>	\$ <u>5,144,124</u>
Total operating revenues	<u>3,571,713</u>	<u>4,311,469</u>	<u>4,935,847</u>	<u>5,145,637</u>	<u>5,144,124</u>
<b>OPERATING EXPENSES</b>					
Administration and operation	3,009,807	2,623,068	3,113,215	3,497,762	3,528,344
Depreciation	804,324	813,770	831,776	844,955	882,648
Salaries, benefits and claims	<u>-</u>	<u>348,501</u>	<u>319,758</u>	<u>310,676</u>	<u>240,581</u>
Total operating expenses	<u>3,814,131</u>	<u>3,785,339</u>	<u>4,264,749</u>	<u>4,653,393</u>	<u>4,651,573</u>
Operating income (loss)	<u>( 242,418)</u>	<u>526,130</u>	<u>671,098</u>	<u>492,244</u>	<u>492,551</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Investment income	-	82,197	92,149	94,682	26,061
Interest expense on long-term debt	( 413,104)	( 481,124)	( 448,324)	( 483,498)	( 427,854)
Payment to escrow	-	-	-	-	( 747,914)
Intergovernmental	1,541,985	-	-	-	-
Loss on sale of asset	<u>-</u>	<u>( 15,855)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue (expense)	<u>1,128,881</u>	<u>( 414,782)</u>	<u>( 356,175)</u>	<u>( 388,816)</u>	<u>( 1,149,707)</u>
<b>CONTRIBUTED CAPITAL</b>					
	<u>5,388,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	6,275,363	111,348	314,923	103,428	(657,156)
<b>FUND NET ASSETS, Beginning</b>	<u>13,526,525</u>	<u>19,801,888</u>	<u>19,913,236</u>	<u>20,228,159</u>	<u>20,331,587</u>
<b>FUND NET ASSETS, Ending</b>	<u>\$19,801,888</u>	<u>\$19,913,236</u>	<u>\$20,228,159</u>	<u>\$20,331,587</u>	<u>\$19,674,431</u>

Source: Annual audited financial statements.

## SECTION V - ADDITIONAL INFORMATION

### **Litigation**

In the opinion of the City's Corporation Counsel, as of the date of this Official Statement, there are no claims or litigation pending or to his knowledge threatened, which would individually or in the aggregate result in final judgments against the City which would have a material adverse affect on the finances of the City or which would impact the validity of the Bonds or the power of the City to levy and collect taxes to pay them.

### **Legal Matters**

Robinson & Cole LLP, Hartford, Connecticut is serving as bond counsel with respect to the authorization, issuance and sale of the Bonds and will render its opinion with respect to the Bonds in substantially the form attached as Appendix B to this Official Statement.

### **Concluding Statement**

Additional information may be obtained upon request from the Director of Finance, City of Norwalk, 125 East Avenue, Norwalk, Connecticut 06856 at (203) 854-7870 or from Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06442 at (203) 245-8715.

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 such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds.

CITY OF NORWALK

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**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, 2010 and 2009**

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**STATE OF CONNECTICUT CLEAN WATER FUND -  
WATER POLLUTION CONTROL AUTHORITY FEDERAL  
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)  
June 30, 2010 and 2009**

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# SEWARD AND MONDE

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## INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Ms. Amey Marrella, Commissioner,  
Department of 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, 2010 and 2009, 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. 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 statements of the State of Connecticut, as of June 30, 2010 and 2009, and the changes in its financial position and cash flows, where applicable, 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, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, the SRF adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010 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 basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 34 is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Seward and Monde*

September 15, 2010

**OFFICE OF THE TREASURER  
STATE OF CONNECTICUT  
CLEAN WATER FUND  
FISCAL YEAR ENDED JUNE 30, 2010**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This Management's 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, 2010. 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 - Fund net assets under management in the Clean Water Fund at the close of the fiscal year 2010 were \$ 653,576,354

including assets of	\$ 1,469,738,489	
offset by liabilities of	\$ 816,162,135	
compared to fiscal year 2009 Fund net assets	\$ 639,688,632	
including assets * of	\$ 1,510,030,452	*restated by 2,348,467
offset by liabilities * of	\$ 870,341,820	

Fund net assets increased by \$ 13,887,722  
or 2.2%  
primarily reflecting increased loan activity and the receipt of the 2009 ARRA capitalization grant money.

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

**Restricted** - includes net assets that have been restricted in use in accordance with the terms of an award, agreement or by State law.

**Unrestricted** - includes all net assets not restricted and 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 \$ 634,562,262 an increase of \$ 29,660,024 or 4.9% above the 2009 balance.

Liabilities: Bonds Outstanding - During the year bonds were issued to refund senior bonds as part of the restructure of the program. The Fund's total debt outstanding decreased during the fiscal year by \$ 59,285,422 to \$ 767,818,081 as a result of scheduled debt repayment.

Loans Receivable - Total loans receivable increased by \$ 48,497,220 from \$ 781,169,397 to \$ 829,666,617 due to the net of new loans less repayments.

Operating Revenues - The Fund's gross operating income increased by \$ 4,300,311 or 32.13% to \$ 17,686,272

Statement of Cash Flows - The Statement of Cash Flows shows an increase in cash for the year of \$ 3,450,566  
 Capitalization Grants - During the year, \$ 16,997,789 was drawn from the EPA for projects, compared to \$ 19,167,258 drawn in 2009. To date, the State has drawn \$ 372,144,197 Cumulative federal wastewater capitalization grant awards totaled \$ 380,724,148

## Overview of the Financial Statements

The Clean Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Environmental Protection (DEP). The Treasurer is responsible for the detailed financial information in the Clean Water Fund financial statements. The Clean Water Fund is classified as an enterprise fund within the Proprietary Funds of the State of Connecticut. Proprietary Funds focus on the determination of the change in 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 Clean Water Fund Balance Sheets, Statements of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows together provide information about the activities of the Fund as a whole and present an overall view of the Fund's finances. The Statements of Revenues, Expenses and Changes in Fund Net Assets divide the activities of the Fund into two categories:

Operating Activities (including the Waste Water Loan Program) and Nonoperating Activities (including investment of funds and the Revenue Bond Program).



## **Operating Activities The Wastewater Loan Program**

For the Waste Water Loan Program activities, the statements indicate the amount of loans financed during the past year. The statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments. For the Revenue Bond Program activities, these statements indicate the amount of bonds retired during the year and the remaining amount of bonds to be repaid in the future. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and the amount of capitalization grants remaining for future use. The 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.

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. There are several state grants available to participants in this program.

Construction loans in progress totaled	\$ 234,380,732
an increase of	\$ 37,219,615
Payments to municipalities for ongoing projects totaled	\$ 108,947,086
Completed projects which were permanently financed during the year totaled	\$ 71,727,471

At year end there are no delinquent loans in the Waste Water loan program. Further details about the loans can be found in the notes to the financial statements.

New construction loan commitments totaled	\$ 169,598,224
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Loan repayment collection services are provided by the Trustee, US Bank. Repayments on loans made by the DEP 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 state matching funds are used to provide leveraged financing for eligible projects in the state. Federal capitalization grants are 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. 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 Clean Water Fund has issued bonds under three bond resolutions since 1991. The issuance of bonds under the third general bond resolution resulted in the creation of three additional fund accounts within the Clean Water Fund accounts. Two of these accounts, the Senior Sinking Fund and the Support Fund, are restricted accounts and the General Revenue Resolving Fund account is unrestricted. All three accounts are held by the Trustee.

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. There are three bond resolutions: the 1990 General Bond Resolution, the 1996 Subordinate Bond Resolution and the 2002 General Revenue Bond Resolution. Currently, there are only bonds outstanding under the 2002 General Revenue Bond Resolution. 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 as provided in the Resolutions and the State Act. The proceeds of these bonds were also used to fund loans to Drinking Water Fund borrowers. Further information about outstanding bonds can be found in the notes to the financial statements.

The program's advisors are:

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

Financial Advisors - Lamont Financial Services Corporation and First Southwest

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent - AMTEC

Arbitrage Rebate Calculation Services - AMTEC

General Counsel - Attorney General of the State of Connecticut

## SELECTED FINANCIAL INFORMATION

	2010	2009	Increase (Decrease)
Change in Net Assets	\$ 13,887,722	\$ 22,491,470	(\$ 8,603,748)
Operating Revenues	\$ 17,686,272	\$ 13,385,961	\$ 4,300,311
Federal Capitalization Grants	\$ 18,491,394	\$ 18,998,366	(\$ 506,972)
Federal Capitalization Grants - American Recovery and Reconciliation Act (ARRA)	\$ 7,484,041	\$ -	\$ 7,484,041
Interest on Investments	\$ 16,891,152	\$ 17,573,025	(\$ 681,873)
Operating Expenses - Less ARRA grants to recipients	\$ 1,017,768	\$ 465,451	\$ 552,317
Interest Expense	\$ 44,205,639	\$ 30,205,904	\$ 13,999,735
Loans Receivable Outstanding - current and long-term portions	\$ 829,666,617	\$ 781,169,397	\$ 48,497,220

## ECONOMIC CONDITIONS AND OUTLOOK

Following the market turmoil of 2008 and 2009, the State grappled with its budget deficits and implemented several deficit mitigation and securitization strategies designed to help the State meet its financial commitments at the lowest possible cost. Some recovery continued during fiscal year 2010, and the State experienced slightly lower unemployment, stable state gross production, and a moderation of adverse trends in several economic indicators including a lower house price index and as predicted, the pace of job loss slowed. Like most states, Connecticut used American Recovery and Reinvestment Act (ARRA) money for a number of purposes and projects. As the State's economic and financial situation improved as indicated by some recovery of jobs and a modest surplus generated by the end of the fiscal year, the State continues to make commitments to improving transportation, water infrastructure and schools. Concerns continue about the unfunded liabilities in the State Employees' Retirement Plan.

The State has continued to enjoy the highest per capita income in the nation, while challenged with relatively high costs (fuel, housing, healthcare and electricity), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents. Economic growth is expected to be slow in the coming year at a time when there are significant needs for transportation and water pollution control upgrades and improvements. State and federal budget constraints which resulted in a slow down in the initiation of water quality and pollution control projects in recent years will mean greater pressure on the Fund to provide critical financial assistance as municipalities embark on major projects in the future.

The major concern for the Clean Water Fund continues to be working with the State's legislators to set priorities and provide financing for critical work. The program continues to provide a most efficient strategy to fund critical projects while maintaining a long term financing structure that can provide financing for current and future water quality needs. DEP and the Office of the Treasurer, working together, will continue to assist legislators and

municipalities in determining the most cost effective and efficient ways to meet their water quality needs.

The Debt Management Division continually monitors the impact of credit ratings of investment providers and municipalities, and assists in the preparation of comments on financial regulation. We will continue to monitor and participate in industry discussions on infrastructure, including water and transportation, as well as the economic 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 State is in compliance with GASB Statement 34.

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](http://www.state.ct.us/ott)

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

Connecticut Department of Environmental Protection  
Bureau of Water Protection and Land Reuse  
79 Elm Street  
Hartford, CT 06106  
Telephone (860) 424-3704  
[www.state.ct.us/dep](http://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, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,420,913	\$ 970,347
Interest receivable - investments	4,454,015	4,628,588
Interest receivable - loans	7,302,739	4,151,696
Grants receivable	9,001,354	23,708
Other receivable	-	46,616,550
Loans receivable	291,256,200	253,105,169
Total current assets	316,435,221	309,496,058
Noncurrent assets:		
Loans receivable	538,410,417	528,064,228
Revolving fund	223,540,128	159,206,032
Deferred losses on early retirement of bonds	17,589,726	23,514,313
Deferred outflow of resources	-	2,348,467
Restricted assets:		
Bond proceeds fund	67,542,933	173,478,098
Revolving fund	110,368,242	125,454,441
Debt service fund	97,088,505	102,134,689
Support fund	98,763,317	86,334,126
Total restricted assets	373,762,997	487,401,354
Total noncurrent assets	1,153,303,268	1,200,534,394
Total assets	\$ 1,469,738,489	\$ 1,510,030,452
<b>LIABILITIES</b>		
Current liabilities:		
Interest payable on revenue and refunding bonds	\$ 9,362,951	\$ 8,194,533
Revenue bonds payable	37,063,671	31,256,987
Refunding bonds payable	30,245,923	22,488,435
Total current liabilities	76,672,545	61,939,955
Noncurrent liabilities:		
Derivative instruments - interest rate swaps	-	2,348,467
Premiums on revenue and refunding bonds	38,981,103	32,695,317
Revenue bonds payable	493,377,917	530,441,588
Refunding bonds payable	207,130,570	242,916,493
Total noncurrent liabilities	739,489,590	808,401,865
Total liabilities	816,162,135	870,341,820
<b>FUND NET ASSETS</b>		
Unrestricted	19,014,092	34,786,394
Restricted for loans	634,562,262	604,902,238
Total fund net assets	653,576,354	639,688,632
Total liabilities and fund net assets	\$ 1,469,738,489	\$ 1,510,030,452

See notes to financial statements.

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Interest on loans	<u>\$ 17,686,272</u>	<u>\$ 13,385,961</u>
<b>OPERATING EXPENSES</b>		
Salaries	612,734	278,212
Employee benefits	375,171	163,165
Other	29,863	24,074
Project grants	<u>7,484,041</u>	<u>-</u>
Total operating expenses	<u>8,501,809</u>	<u>465,451</u>
Operating income	<u>9,184,463</u>	<u>12,920,510</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	16,891,152	17,573,025
Amortization of bond premium	4,096,128	2,274,574
Interest expense	( 44,205,639)	( 30,205,904)
Arbitrage expense	<u>( 53,881)</u>	<u>( 51,670)</u>
Total nonoperating revenues (expenses)	<u>( 23,272,240)</u>	<u>( 10,409,975)</u>
Income (loss) before federal capitalization grants and transfers	<u>( 14,087,777)</u>	<u>2,510,535</u>
<b>FEDERAL CAPITALIZATION GRANTS</b>		
Project funds - loans	17,501,428	18,556,844
Project funds - grants	7,484,041	-
Administrative set-asides	<u>989,966</u>	<u>441,522</u>
Total federal capitalization grants	<u>25,975,435</u>	<u>18,998,366</u>
<b>OPERATING TRANSFERS</b>	<u>2,000,064</u>	<u>982,569</u>
Change in fund net assets	13,887,722	22,491,470
<b>FUND NET ASSETS, beginning</b>	<u>639,688,632</u>	<u>617,197,162</u>
<b>FUND NET ASSETS, ending</b>	<u>\$ 653,576,354</u>	<u>\$ 639,688,632</u>

See notes to financial statements.

**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, 2010 and 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received on loans	\$ 14,535,229	\$ 13,718,215
Loan originations	( 108,947,086)	( 119,374,380)
Principal paid on loans receivable	60,449,866	52,837,921
Payments to employees for salaries and benefits	( 987,905)	( 441,377)
Payments on project grants	( 7,484,041)	-
Other payments	( 29,863)	( 24,074)
Net cash used by operating activities	( 42,463,800)	( 53,283,695)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal capitalization grants	16,997,789	19,167,258
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of revenue bonds payable	( 31,256,987)	( 32,218,360)
Repayment of refunding bonds payable	( 22,488,435)	( 14,679,089)
Proceeds from revenue bonds payable	-	365,960,000
Proceeds from refunding bonds payable	115,835,000	44,560,000
Premium received on revenue and refunding bonds	10,381,914	20,364,724
Payment to refunded revenue bond escrow agent	( 74,758,450)	( 46,616,550)
Interest paid on revenue and refunding bonds	( 37,112,634)	( 23,635,464)
Operating transfers	2,000,064	982,569
Payments on arbitrage liability	( 53,881)	( 452,790)
Net cash provided (used) by noncapital financing activities	( 37,453,409)	314,265,040
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	17,065,725	17,723,044
Cash advance (repayment) from other fund	-	( 5,266,997)
Decrease (increase) in bond proceeds fund	105,935,165	( 173,476,168)
Increase in revolving fund	( 64,334,096)	( 89,664,459)
Decrease (increase) in restricted assets	7,703,192	( 28,493,927)
Net cash provided (used) by investing activities	66,369,986	( 279,178,507)
Net change in cash and cash equivalents	3,450,566	970,096
<b>CASH AND CASH EQUIVALENTS, beginning</b>	970,347	251
<b>CASH AND CASH EQUIVALENTS, ending</b>	\$ 4,420,913	\$ 970,347
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 9,184,463	\$ 12,920,510
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable - loans	( 3,151,043)	332,254
Increase in loans receivable	( 48,497,220)	( 66,536,459)
Net cash used by operating activities	(\$ 42,463,800)	(\$ 53,283,695)

See notes to financial statements.

STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL  
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)  
NOTES to FINANCIAL STATEMENTS  
June 30, 2010 and 2009

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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-483, 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:

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.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*, the SRF has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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, other expenses and grants incurred in the initial approval, disbursement and ongoing servicing of these loans and 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 Resolutions, adopted by the State Bond Commission on December 7, 1990, as amended and supplemented (the "1990 Resolution") and 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, 2010 and 2009.

### 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 collectibility 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, 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 using the outstanding bond method, which yields results equivalent to the interest method.

## Revenue Bonds

The following funds and accounts have been established in accordance with the 1990 Resolution:

<u>Fund / Account</u>	<u>Description and Use</u>
Revenue Fund	Receives all pledged receipts including loan repayments from the municipalities. Out-flows include amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
a. Pledged Receipts Account	
b. Earnings Account	Receives all earnings on funds and investments in all funds and accounts. Out-flows include amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
Loan Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds expended for purposes of the State Revolving Fund program, including the financing of loans to municipalities.
Debt Service Reserve Fund	Required to be funded in an amount equal to 50% of all outstanding bonds. The reserve is funded by federal capitalization grant payments drawn under the federal letter of credit and state general obligation bonds. Investment income is transferred to the revenue fund for debt service payments. Used for payment of principal and interest in the event of deficiencies in the revenue accounts.
Debt Service Fund	Receives amounts from the revenue fund accounts sufficient to pay the interest portion due on each interest payment date. Pays interest on outstanding bonds.
a. Interest Account	
b. Principal Account	Receives amounts from the revenue fund accounts sufficient to pay the principal or current sinking fund installments. Pays principal on outstanding bonds.
c. Redemption Account	Receives amounts from the interest and principal accounts for the redemption of bonds. Used for redemption of bonds.
d. Capitalized Interest Account	Receives any capitalized interest received by the trustee. Amounts in the account are transferred for payment of capitalized interest on outstanding bonds.
Interest Subsidy Fund	Established outside of the state revolving fund, principal and investment income is transferred to the revenue fund, then to the debt service fund for payment of debt service. Provides payment of principal and interest in the event of a deficiency in the debt service reserve fund.
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.

The cash defeasance (see Note 8), on June 30, 2008, allowed all assets of the Revolving Fund that had previously been pledged to the Bonds issued under the 1990 Resolution and the Subordinate Bond Resolution to be released from that pledge and such assets or the receipts thereon are now available money under the Resolution. As a result of the cash defeasance or as fund/account balances are depleted, some of the funds/accounts listed above were or will be closed.

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

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

#### Fund Net Assets - Restricted for Loans

The fund net assets restricted for loans represents amounts accumulated from federal drawdowns, less administrative expenses not exceeding 4% of the federal grant, transfers from the State representing the 20% match on federal funds and interest earned on municipal loans.

#### Subsequent Events

The SRF has evaluated subsequent events for the period after June 30, 2010 through September 15, 2010, 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.

As of June 30, 2010 and 2009 funds held by the State Comptroller were \$4,420,658 and \$970,092, respectively. These funds are pooled with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2009 cash included in the revolving fund and restricted assets was \$1,267,187 and \$2,164,163, respectively.

As of June 30, 2010 funds held by STIF were \$264,155,176, of which \$67,542,933 is included in the bond proceeds fund, \$196,611,988 is included in the revolving fund and \$255 is included in cash on the balance sheet. As of June 30, 2009 funds held by STIF were \$295,688,340, of which \$173,478,098 is included in the bond proceeds fund, \$122,209,987 is included in the revolving fund, and \$255 is included in cash on the Balance Sheet. STIF is a money market investment pool, rated AAAM as of June 30, 2010 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, 2010 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$9,816,564, of which \$8,514,376 is included in the debt service fund and \$1,302,188 is included in the revolving fund on the balance sheet. As of June 30, 2009 funds held in FIGMM were \$17,593,212, of which \$11,502,232 is included in the debt service fund, and \$6,090,980 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, 2010, 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	\$ 52,879,542	\$ 3,211,594	\$ 36,582,298	\$ 9,780,088	\$ 3,305,562	Unrated
Guaranteed Investment Contracts	59,223,769	-	-	42,905,356	16,318,413	AAA
Guaranteed Investment Contracts	81,333,111	-	-	-	81,333,111	AA+
Guaranteed Investment Contracts	48,082,411	-	-	48,082,411	-	A+
Guaranteed Investment Contracts	54,017,799	1,319,689	42,422,411	10,275,699	-	A-
Connecticut General Obligation Bonds	27,795,008	735,622	3,311,688	12,179,458	11,568,240	AA
	<u>\$ 323,331,640</u>	<u>\$ 5,266,905</u>	<u>\$ 82,316,397</u>	<u>\$ 123,223,012</u>	<u>\$ 112,525,326</u>	

As of June 30, 2009, 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	\$ 38,768,130	\$ 8,222,608	\$ 12,927,772	\$ 8,959,463	\$ 8,658,287	Unrated
Guaranteed Investment Contracts	62,754,335	-	-	46,435,922	16,318,413	AAA
Guaranteed Investment Contracts	20,729,643	-	-	-	20,729,643	AA+
Guaranteed Investment Contracts	111,722,802	-	-	51,513,456	60,209,346	AA-
Guaranteed Investment Contracts	63,865,395	-	24,095,089	39,770,306	-	A-
Connecticut General Obligation Bonds	32,054,433	4,259,426	14,238,478	10,616,769	2,939,760	AA
	<u>\$ 329,894,738</u>	<u>\$ 12,482,034</u>	<u>\$ 51,261,339</u>	<u>\$ 157,295,916</u>	<u>\$ 108,855,449</u>	

### Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investment 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's minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

## Concentration of Credit Risk

The SRF currently invests approximately 75.0% and 73.9%, at June 30, 2010 and 2009, respectively, in long-term investment agreements with AIG Matched Fund Corp., AIG Financial Products (Jersey) Limited, CDC 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.

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

	<u>2010</u>	<u>2009</u>
Construction in process	\$ 234,380,732	\$ 197,161,117
Completed projects	<u>595,285,885</u>	<u>584,008,280</u>
	<u>\$ 829,666,617</u>	<u>\$ 781,169,397</u>

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

<u>Year ending June 30</u>	
2011	\$ 56,875,468
2012	56,271,789
2013	52,642,881
2014	46,522,553
2015	43,814,491
Thereafter	<u>339,158,703</u>
	<u>\$ 595,285,885</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>2010</u>	<u>2009</u>
Awarded	\$ 380,724,148	\$ 372,403,648
Drawn	<u>372,144,197</u>	<u>370,125,948</u>
Available federal letter of credit	<u>\$ 8,579,951</u>	<u>\$ 2,277,700</u>

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>2010</u>	<u>2009</u>
Awarded	\$ 48,010,300	\$ 48,010,300
Drawn	<u>14,979,541</u>	<u>-</u>
Available federal letter of credit	<u>\$ 33,030,759</u>	<u>\$ 48,010,300</u>

## 6 - RESTRICTED ASSETS

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

	<u>2010</u>	<u>2009</u>
Cash	\$ -	\$ 2,164,163
Cash equivalents:		
Money market investment pool	76,057,309	184,980,330
Investments:		
U.S. Treasury State & Local Governments	52,879,542	38,768,130
Guaranteed Investment Contracts	242,657,090	259,072,175
Connecticut General Obligation Bonds	<u>2,169,056</u>	<u>2,416,556</u>
	<u>\$ 373,762,997</u>	<u>\$ 487,401,354</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, 2010 and 2009, the basic rates were 61.23% and 58.65%, respectively, of the SRF wages and the amounts charged aggregated \$375,171 and \$163,165, respectively.

## 8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Issued	Principal Defeasance	Principal Paydowns	Balance June 30, 2010
Revenue bonds	\$ 561,698,575	\$ -	\$ -	\$ 31,256,987	\$ 530,441,588
Refunding bonds	265,404,928	115,835,000	121,375,000	22,488,435	237,376,493
	<u>\$ 827,103,503</u>	<u>\$ 115,835,000</u>	<u>\$ 121,375,000</u>	<u>\$ 53,745,422</u>	<u>\$ 767,818,081</u>

A summary of changes in bonds payable during the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Issued	Principal Paydowns	Balance June 30, 2009
Revenue bonds	\$ 227,956,935	\$ 365,960,000	\$ 32,218,360	\$ 561,698,575
Refunding bonds	235,524,017	44,560,000	14,679,089	265,404,928
	<u>\$ 463,480,952</u>	<u>\$ 410,520,000</u>	<u>\$ 46,897,449</u>	<u>\$ 827,103,503</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, 2010
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	78,427,755
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	115,785,000	76,361,493
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	131,693,833
07/27/2006	State Revolving Fund Refunding General Revenue Bonds, 2006 Series B	30,070,000	8,365,000
08/06/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	196,195,000	128,290,000
06/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	199,440,000	192,030,000
06/25/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series B	44,560,000	36,815,000
07/09/2009	State Revolving Fund Refunding General Revenue Bonds, 2009 Series C	115,835,000	115,835,000
	Total	<u>\$ 1,963,785,000</u>	<u>\$ 767,818,081</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 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 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 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.

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

	<u>2010</u>	<u>2009</u>
Serial bonds, with interest rates from 2.00% to 5.00%, maturing from 2010 through 2028	<u>\$ 530,441,588</u>	<u>\$ 561,698,575</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 mature at various dates through September 1, 2022.

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, 2010 and 2009, the outstanding principal balance of the Refunded Bonds was \$42,386,000 and \$122,721,000, 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 is being recognized as an adjustment of interest expense over the life of the 2003 Series B and C Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2010 and 2009 totaled \$3,694,778 and \$3,300,981, respectively.

The interest rate on the 2003 Series C Bonds was hedged with an interest rate swap (see Note 10). The 2003 Series C Bonds were issued as auction rate securities with two interest rate reset modes (\$55,000,000 in daily mode and \$67,375,000 in 28-day mode). The maximum interest rate on the Bonds is capped as 150% of one-month LIBOR if auctions fail.

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 is being recognized as an adjustment of interest expense over the life of the 2006 Series B Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2010 and 2009 totaled \$58,878 and \$90,813, 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 were scheduled to mature at various dates through March 1, 2020.

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, 2010 and 2009 the outstanding principal balances of the Refunded Bonds were \$15,728,661 and \$87,179,890, 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 is being recognized as an adjustment of interest expense over the life of the Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2010 and 2009 totaled \$567,528.

#### 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. Subsequent to the payment of the Refunded Bonds, \$46,616,550 was returned to the SRF and is included in other receivables on the balance sheet.

## 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 is being recognized as an adjustment of interest expense over the life of the Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the year ended June 30, 2010 totaled \$665,015.

## Bond Maturities

Requirements at June 30, 2010 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 67,309,594	\$ 33,423,294
2012	65,226,733	31,205,833
2013	67,848,437	28,215,187
2014	62,143,431	25,288,479
2015	63,495,327	22,469,398
2016-2020	220,022,703	77,175,468
2021-2025	171,869,384	33,262,118
2026-2028	49,902,472	3,069,988
	<u>\$ 767,818,081</u>	<u>\$ 254,109,765</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 2001, 2003, 2006, 2008 and 2009 series revenue bonds, the SRF is required to remit excess investment income to the federal government. The arbitrage expense was \$53,881 and \$51,670 for June 30, 2010 and 2009, respectively.

## 10 - INTEREST RATE SWAPS

The SRF adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2009. This resulted in a restatement as of June 30, 2009 to recognize a liability for derivative instruments-interest rate swaps of \$2,348,467 and a deferred outflow of resources of \$2,348,467.

On July 10, 2003 when the 2003 Series C refunding bonds were issued, the State entered into fixed payor interest rate swap agreements to lock-in a synthetic fixed rate of 3.1789%. The fixed payor swap agreements provided for the State to pay fixed rates of 3.1789% until October 1, 2013 and 3.0299% thereafter until October 1, 2022 to the swap counterparty and to receive variable payments from the counterparty. The swap agreements included two components in order to better match the swap payments with the underlying auction rates.

The State secured a fixed payment rate of 3.0299% with Swap A in return for receiving a floating payment rate of 1-month London Interbank Offered Rate (LIBOR) multiplied by 67%. Swap A included an option for the State to terminate the agreement effective October 1, 2013 and semiannually thereafter. The notional amount of the swaps were \$121,375,000

The floating rates on the 2003 Series C refunding bonds were expected to trade based on the tax-exempt Securities Industry and Financial Markets Association Municipal Swap index which could equal more than 67% of LIBOR creating a mismatch between floating receipts from the swap agreement and floating interest payments under the 2003 Series C bonds. This situation is called basis risk. To mitigate this risk, the State entered into Swap B.

Swap B paid the State a floating rate equaling the lesser of 33% of LIBOR or (58% of LIBOR plus 0.39%) minus 67% of LIBOR, subject to a 0% minimum. The State made fixed payments with an interest rate of 0.149%. Swap B was to mature on October 1, 2013 and contained no termination option. The combined effect of the swaps was that the State received a higher percentage of LIBOR when LIBOR rates are below 4.33% (to a maximum of 100% of LIBOR) and a lower percentage of LIBOR when rates are higher (to a minimum of 67% of LIBOR). The creation of this structure ("Collar") approximates the relationship between the BMA and the taxable LIBOR index, thereby reducing basis risk.

The fair value of Swap A is estimated to be (\$2,200,056) as of June 30, 2009. The fair value of Swap B is estimated to be (\$148,411) as of June 30, 2009. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of on the swaps.

On July 30, 2009 the State issued 2009 Series C Refunding Bonds to refund on a current basis the 2003 Series C Refunding Bonds and to pay the termination fee on the interest rate swap agreements. The termination fee was \$4,441,000 and is included in interest expense on the statement of revenues, expenses and changes in fund balance.

## 11 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2010 and 2009:

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2008	\$ 47,949,061	\$569,248,101	\$ 617,197,162
Change in fund net assets	<u>( 13,162,667)</u>	<u>35,654,137</u>	<u>22,491,470</u>
Balance at June 30, 2009	34,786,394	604,902,238	639,688,632
Change in fund net assets	<u>( 15,772,302)</u>	<u>29,660,024</u>	<u>13,887,722</u>
Balance at June 30, 2010	<u>\$ 19,014,092</u>	<u>\$634,562,262</u>	<u>\$ 653,576,354</u>

## 12 - OPERATING TRANSFERS

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

	<u>2010</u>	<u>2009</u>
Interest subsidy transfers	\$ -	\$ 411,569
Pledged loan repayments	2,072,631	2,082,251
Operating expenses transfer	989,966	441,552
Operating expenses reimbursement	-	( 623,650)
IFO loan/grant reclassifications	2,831	( 682,675)
Reallocation of deferred loss on 2003 refunding bond	( 938,389)	-
Transfer related to cost of issuance of bond offerings	( 400,914)	( 1,806,728)
Transfer related to DWF debt service	273,939	1,160,250
	<u>\$ 2,000,064</u>	<u>\$ 982,569</u>



### 13 - 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>2010</u>	<u>2009</u>
Total funds committed to municipalities	\$ 1,228,537,599	\$ 1,189,878,201
Loan amount outstanding to municipalities	<u>829,666,617</u>	<u>781,169,397</u>
Loan commitments outstanding	<u>\$ 398,870,982</u>	<u>\$ 408,708,804</u>

In addition, the SRF has ARRA project loan and grant commitments of \$33,110,347 as of June 30, 2010.

### 14 - 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

Ms. Amey Marrella, Commissioner,  
Department of 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, 2010, and have issued our report thereon dated September 15, 2010. 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

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 15, 2010

# SEWARD AND MONDE

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT 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

Ms. Amey Marrella, Commissioner,  
Department of 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, 2010. 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, 2010.

#### 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 15, 2010

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, 2010

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<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	\$ 10,380,764
Capitalization Grants for State Revolving Fund	ARRA - 66.458	<u>15,594,671</u>
		<u>\$ 25,975,435</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, 2010

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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 to municipalities during the year.

B - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$829,666,617 as of June 30, 2010.

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, 2010

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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 \$ 779,263

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.

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**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, 2010 and 2009**

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**STATE OF CONNECTICUT CLEAN WATER FUND -  
DRINKING WATER FEDERAL REVOLVING  
LOAN ACCOUNT (STATE REVOLVING FUND)  
June 30, 2010 and 2009**

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**INDEPENDENT AUDITORS' REPORT**

Ms. Denise L. Nappier, Treasurer

Mr. J. Robert Galvin, M.D., Commissioner,  
Department of Public Health

Ms. Amey Marrella, Commissioner,  
Department of Environmental Protection,  
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, 2010 and 2009, 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 statements of the State of Connecticut, as of June 30, 2010 and 2009, and the changes in its financial position and cash flows, where applicable, 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, 2010 and 2009, and the changes in 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 16, 2010 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 basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 31 is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Seward and Monde*

September 16, 2010

**OFFICE OF THE TREASURER  
STATE OF CONNECTICUT  
DRINKING WATER FUND  
FISCAL YEAR ENDED JUNE 30, 2010**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This Management's Discussion and Analysis (MD&A) of the State of Connecticut Drinking Water Fund (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, 2010. 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 - Fund net assets under management in the Drinking Water Fund at the close of fiscal year 2010 were \$109,728,894 (including assets of \$166,742,532 offset by liabilities of \$57,013,638) compared to fiscal year 2009 net assets of \$102,111,842 (including assets of \$163,540,261 offset by liabilities of \$61,428,419). Fund net assets increased by \$7,617,052 or 7.5% primarily due to loans resulting from federal capitalization grants.

Bonds Outstanding - During the year no bonds were issued. The Fund's total debt outstanding decreased during the fiscal year by \$3,964,578 to \$54,131,919 as a result of scheduled principal payments.

Loans Receivable - Total loans receivable decreased by \$1,188,581 from \$70,674,035 to \$69,485,454 due to the net of new loans and regular loan repayments since new loans draws were less than loan repayments.

Operating Revenues - the Fund's gross operating revenues increased by \$56,547 or 3.5% to \$1,677,856.

Capitalization Grants - During the year, \$8,609,188 was drawn from the EPA for projects, compared to \$2,353,338 drawn in 2009. To date, the State has drawn \$95,878,034 from the federal EPA against the total of \$110,988,080 in cumulative drinking water capitalization grant awards. This amount does not include the capitalization grants awarded under the American Recovery and Reinvestment Act of 2009 in the amount of \$19.5 million of which \$7,188,169 has been drawn.

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

Restricted - includes net assets that have been restricted in use in accordance with the terms of an award, agreement or by state law.

Unrestricted - includes all net assets not restricted and available for any program purpose.

The majority of the net assets are invested and portions are restricted in accordance with the requirements of state statute and the federal Drinking Water Act. Restricted assets represent

the amount of assets which relate to the federal capitalization grants and associated state match.

## **Overview of the Financial Statements**

The Drinking Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Public Health (DPH) and the Department of Environmental Protection (DEP). The Treasurer is responsible for the detailed financial information in the Drinking Water Fund financial statements. The Drinking Water Fund is 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 Drinking Water Fund Balance Sheets, Statements of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows together provide information about the activities of the Fund as a whole and present an overall view of the Fund's finances.

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

1. Operating Activities, including the Drinking Water Loan Program; and
2. Nonoperating Activities, including investment of funds and the Revenue Bond Program.

### **Operating Activities**

#### **The Drinking Water Loan Program**

For the Drinking Water Loan Program activities, the statements indicate the amount of loans financed during the past year. The statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments. For the Revenue Bond Program activities, these statements indicate the amount of bonds issued and retired, and the remaining amount of bonds to be repaid in the future. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and the amount of capitalization grants remaining for future use. The 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.

The purpose of the State of Connecticut's State Revolving Fund Programs is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of wastewater treatment or drinking water facilities in accordance with the State Act. Loans are made by the Drinking Water Fund to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans are interim funding obligations (IFOs) which accrue interest during construction and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have a 20 year repayment term and can be prepaid at any time. There are no state grants available to participants in this program; however the federal capitalization grant and the ARRA grant provides for a loan subsidy in the form of principal forgiveness.



At year end construction loans in progress totaled \$3,854,599 a decrease of \$1,287,456 from 2009. Payments to municipalities for ongoing projects during the year totaled \$4,119,147. Completed projects which were permanently financed during the year totaled \$5,406,603. There were 3 new construction loan commitments made to public water systems during year totaling \$3,787,630 and 13 new commitments under the ARRA provisions totaling \$7,578,010. 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.

Loan repayment collection services are provided by the Trustee, US Bank. Repayments on loans made by the DPH and DEP 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 thereafter.

## **Non-Operating Activities**

### **Investment of Funds**

The federal capitalization grants and state matching funds are used to provide leveraged financing for eligible projects in the state. Federal capitalization grants are held by the Trustee in the form of cash or permitted investment. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds. 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 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, agencies, or instrumentalities whose market value is at least 100% of the funds invested.

### **The Bond Program**

The Connecticut Clean Water Fund has issued bonds under three bond resolutions since 1991. Beginning in 2001, the proceeds of these bonds have been used for both clean water and drinking water projects. Currently, there are only bonds outstanding under the 2002 General Revenue Bond Resolution. Since 2003, bonds have been issued under the third general bond resolution which resulted in the creation of three additional fund accounts within the Drinking Water Fund accounts. Two of these accounts, the Senior Sinking Fund and the Support Fund, are restricted accounts and the General Revenue Revolving Fund account is unrestricted. All of these accounts are held by the Trustee. 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 as provided in the Resolutions and the State Act. Further information about outstanding bonds can be found in the notes to the financial statements.

The program's advisors are:

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

Financial Advisor - Lamont Financial Services Corporation and First Southwest

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent - AMTEC

Arbitrage Rebate Calculation Services - AMTEC

General Counsel - Attorney General of the State Connecticut

## SELECTED FINANCIAL INFORMATION

	2010	2009	Increase (Decrease)
Changes in Net Assets	\$7,617,052	\$4,622,591	\$2,994,461
Operating Revenues	\$1,677,856	\$1,621,309	\$56,547
Federal Capitalization Grants	\$4,491,247	\$6,527,567	(\$2,036,320)
Federal ARRA Grant	\$7,203,909	-0-	\$7,203,909
Interest on Investments	\$1,128,616	\$2,374,313	(\$1,245,697)
Operating Expenses - Less ARRA grants to recipients	\$3,091,468	\$4,184,304	(\$1,092,836)
Interest Expense	\$2,649,423	\$2,254,720	\$394,703
Loan Receivable Outstanding	\$69,485,454	\$70,674,035	(\$1,188,581)

## ECONOMIC CONDITIONS AND OUTLOOK

Following the market turmoil of 2008 and 2009, the State grappled with its budget deficits and implemented several deficit mitigation and securitization strategies designed to help the state meet its financial commitments at the lowest possible cost. Some recovery continued during fiscal year 2010, and the State experienced slightly lower unemployment, stable state Gross Production, and a moderation of adverse trends in several economic indicators including a lower house price index and as predicted, the pace of job loss slowed. Like most states, Connecticut used American Recovery and Reinvestment Act (ARRA) money for a number of purposes and projects. As the State's economic and financial situation improved as indicated by some recovery of jobs and a modest surplus generated by the end of the fiscal year, the State continues to make commitments to improving transportation, water infrastructure and schools. Concerns continue about the unfunded liabilities in the State Employees' Retirement Plan.

The State continued to enjoy the highest per capita income in the nation, while challenged with relatively high costs (fuel, housing, health care and electricity), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents. Economic growth is expected to be slow in the coming year at a time when there are significant needs for transportation and water pollution control upgrades and improvements. State and federal budget constraints which resulted in a slow down in the initiation of water quality and pollution control projects in recent years will mean greater pressure on the Fund to provide critical financial assistance as municipalities embark on major projects in the future.

The major concern for the Drinking Water Fund continues to be working with the state's legislators to set priorities and provide financing for critical work, especially for small public water systems. The program continues to provide a most efficient strategy to fund critical projects while maintaining a long term financing structure that can provide financing for current and future water quality needs. DPH, DEP and the Office of the Treasurer, working together, will continue to assist legislators and public water systems in determining the most cost effective and efficient way to meet the water quality needs of the State's citizens.

The Debt Management Division continually monitors the impact of credit ratings of investment providers and municipalities, and assists in the preparation of comments on financial regulation. We will continue to monitor and participate 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 reported by the State of Connecticut. The State is in compliance with GASB Statement 34.

The Notes to the Financial Statements provide additional information that further explains and support 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 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](http://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](http://www.state.ct.us/dph)

**STATE OF CONNECTICUT CLEAN WATER FUND -  
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT  
(STATE REVOLVING FUND)  
BALANCE SHEETS  
June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 414,336	\$ -
Interest receivable - investments	266,475	278,963
Interest receivable - loans	47,212	123,141
Grant receivable	442,055	315,633
Loans receivable	8,020,686	10,032,735
Total current assets	9,190,764	10,750,472
Noncurrent assets:		
Loans receivable	61,464,768	60,641,300
Revolving fund	43,147,948	38,368,398
Deferred loss on early retirement of bonds	1,211,679	546,071
Restricted assets:		
Bond proceeds fund	974,528	5,599,081
Revolving fund	17,609,431	18,521,563
Debt service fund	24,973,722	20,638,754
Support fund	8,169,692	8,474,622
Total restricted assets	51,727,373	53,234,020
Total noncurrent assets	157,551,768	152,789,789
Total assets	\$ 166,742,532	\$ 163,540,261
<b>LIABILITIES</b>		
Current liabilities:		
Interest payable on revenue bonds	\$ 731,067	\$ 759,046
Due to other funds	-	209,623
Revenue bonds payable	3,646,329	3,443,013
Refunding bonds payable	409,077	521,565
Total current liabilities	4,786,473	4,933,247
Noncurrent liabilities:		
Premium on revenue and refunding bonds	2,150,652	2,363,253
Revenue bonds payable	45,142,083	48,788,412
Refunding bonds payable	4,934,430	5,343,507
Total noncurrent liabilities	52,227,165	56,495,172
Total liabilities	57,013,638	61,428,419
<b>FUND NET ASSETS</b>		
Unrestricted	14,703,049	10,648,669
Restricted for loans	95,025,845	91,463,173
Total fund net assets	109,728,894	102,111,842
Total liabilities and fund net assets	\$ 166,742,532	\$ 163,540,261

See notes to financial statements.

**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, 2010 and 2009**

	2010	2009
<b>OPERATING REVENUES</b>		
Interest on loans	\$ 1,677,856	\$ 1,621,309
<b>OPERATING EXPENSES</b>		
Salaries	1,305,239	1,441,676
Employee benefits	865,577	823,088
Other	920,652	1,919,540
Project grants	3,976,757	-
Total operating expenses	7,068,225	4,184,304
Operating loss	( 5,390,369)	( 2,562,995)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	1,128,616	2,374,313
Amortization of bond premium	212,602	190,966
Interest expense	( 2,649,423)	( 2,254,720)
Total nonoperating revenues (expenses)	( 1,308,205)	310,559
Loss before federal capitalization grants and transfers	( 6,698,574)	( 2,252,436)
<b>FEDERAL CAPITALIZATION GRANTS</b>		
Project funds - loans	4,632,431	2,353,338
Project funds - grants	3,976,757	-
Set-aside activities	3,085,968	4,174,229
Total federal capitalization grants	11,695,156	6,527,567
<b>OPERATING TRANSFERS</b>	2,620,470	347,460
Change in fund net assets	7,617,052	4,622,591
<b>FUND NET ASSETS, beginning</b>	102,111,842	97,489,251
<b>FUND NET ASSETS, ending</b>	\$ 109,728,894	\$ 102,111,842

See notes to financial statements.

**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, 2010 and 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received on loans	\$ 1,753,785	\$ 2,084,249
Loan originations	( 4,119,147)	( 4,504,553)
Principal paid on loans receivable	5,307,728	2,940,646
Payments to employees for salaries and benefits	( 2,170,816)	( 2,264,764)
Payments on project grants	( 3,976,757)	-
Other payments	( 920,652)	( 1,919,540)
Net cash used by operating activities	( 4,125,859)	( 3,663,962)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal capitalization grants	11,584,469	5,297,252
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of revenue bonds payable	( 3,443,013)	( 2,196,640)
Repayment of refunding bonds payable	( 521,565)	( 520,911)
Proceeds from revenue bonds payable	-	29,675,000
Premium on revenue bonds payable	-	712,849
Interest paid on revenue and refunding bonds	( 2,404,621)	( 1,794,312)
Operating transfers	1,472,459	557,083
Net cash provided (used) by noncapital financing activities	( 4,896,740)	26,433,069
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	1,141,104	2,586,123
Increase in revolving fund	( 4,779,550)	( 20,491,528)
Decrease (increase) in restricted assets	1,506,647	( 11,630,482)
Net cash used by investing activities	( 2,131,799)	( 29,535,887)
Net change in cash and cash equivalents	430,071	( 1,469,528)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	-	1,469,528
<b>CASH AND CASH EQUIVALENTS, ending</b>	\$ 430,071	\$ -
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	(\$ 5,390,369)	(\$ 2,562,995)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Decrease in interest receivable - loans	75,929	462,940
Decrease (increase) in loans receivable	1,188,581	( 1,563,907)
Net cash used by operating activities	(\$ 4,125,859)	(\$ 3,663,962)

See notes to financial statements.

STATE of CONNECTICUT CLEAN WATER FUND - DRINKING WATER  
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)  
NOTES to FINANCIAL STATEMENTS  
June 30, 2010 and 2009

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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.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*, the SRF has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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 Resolutions, adopted by the State Bond Commission on December 7, 1990, as amended and supplemented on December 15, 2000 (the "1990 Resolution") and 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, 2010 and 2009.

### 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 2.04% 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 using the outstanding bond method, which yields results equivalent to the interest method.

## Revenue Bonds

The following funds and accounts have been established in accordance with the 1990 Resolution:

<u>Fund / Account</u>	<u>Description and Use</u>
Revenue Fund	Receives all pledged receipts including loan repayments from the municipalities. Out-flows include amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
a. Pledged Receipts Account	
b. Earnings Account	Receives all earnings on funds and investments in all funds and accounts. Out-flows include amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
Loan Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds expended for purposes of the State Revolving Fund program, including the financing of loans to municipalities.
Debt Service Reserve Fund	Required to be funded in an amount equal to 50% of all outstanding bonds. The reserve is funded by federal capitalization grant payments drawn under the federal letter of credit and state general obligation bonds. Investment income is transferred to the revenue fund for debt service payments. Used for payment of principal and interest in the event of deficiencies in the revenue accounts.
Debt Service Fund	Receives amounts from the revenue fund accounts sufficient to pay the interest portion due on each interest payment date. Pays interest on outstanding bonds.
a. Interest Account	
b. Principal Account	Receives amounts from the revenue fund accounts sufficient to pay the principal or current sinking fund installments. Pays principal on outstanding bonds.
c. Redemption Account	Receives amounts from the interest and principal accounts for the redemption of bonds. Used for redemption of bonds.
d. Capitalized Interest Account	Receives any capitalized interest received by the trustee. Amounts in the account are transferred for payment of capitalized interest on outstanding bonds.
Interest Subsidy Fund	Established outside of the state revolving fund, principal and investment income is transferred to the revenue fund, then to the debt service fund for payment of debt service. Provides payment of principal and interest in the event of a deficiency in the debt service reserve fund.
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.

The cash defeasance (see Note 8), on June 30, 2008, allowed all assets of the Revolving Fund that had previously been pledged to the Bonds issued under the 1990 Resolution to be released from that pledge and such assets or the receipts thereon are now available money under the Resolution. As a result of the cash defeasance or as fund/account balances are depleted, some of the funds/accounts listed above will be closed.

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 expended for purposes of financing loans to borrowers under the State Revolving Fund program and if other monies are not available, payment of principal and interest on bonds.
Debt Service Fund	Receives amount from the Revolving Fund, Support Fund and, if necessary, Bond Proceeds Fund sufficient to pay the debt service on the bonds. Pays principal and interest on outstanding bonds.
Support Fund	The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Monies in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.
Administrative Fund: Cost of Issuance Account	Established outside the SRF, receives a portion of the revenue bond proceeds. Investment income is transferred to the revenue fund for debt service payments. Used to pay issuance cost on revenue bonds.
Rebate Fund	Receives any earnings required to be rebated to the United States pursuant to the Tax Regulatory Agreement. Used for IRS obligations as required.

Fund Net Assets - Restricted for Loans

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, transfers from the State representing the 20% match on federal funds and interest earned on public water system loans.

Subsequent Events

The SRF has evaluated subsequent events for the period after June 30, 2010 through September 16, 2010, 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.

As of June 30, 2010 and 2009 funds held by the State Comptroller were \$856,426 and \$106,041, respectively. These funds are pooled with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2010 and 2009, cash included in restricted assets was \$65,827 and \$35,813, respectively.

As of June 30, 2010 funds held in Connecticut Short Term Investment Funds (STIF) were \$68,274,156, of which \$974,528 is included in the bond proceeds fund, \$42,914,868 is included in the revolving fund and \$24,384,760 is included in the debt service fund on the Balance Sheet. As of June 30, 2009 funds held in STIF were \$52,435,465, of which \$5,599,081 is included in the bond proceeds fund, \$38,368,398 is included in the revolving fund and \$8,467,986 is included in the debt service fund on the Balance Sheet. STIF is a money market investment pool, rated AAAM 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, 2010 funds held in Fidelity Institutional Government Money Market (FIGMM) were \$756,215 of which \$233,080 is included in the revolving fund and \$523,135 is included in the debt service fund on the Balance Sheet. As of June 30, 2009 funds held in FIGMM were \$12,134,956 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, 2010, 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	\$ 7,785,063	\$ -	\$ -	\$ 7,785,063	\$ -	AAA
Guaranteed Investment Contracts	6,078,662	-	-	-	6,078,662	AA+
Guaranteed Investment Contracts	769,133	-	-	-	769,133	A+
U.S. Treasury State & Local Governments	3,895,264	110,630	2,566,716	1,148,539	69,379	Unrated
Connecticut General Obligation Bonds	7,251,000	489,260	2,608,522	2,902,286	1,250,932	AA
	<u>\$ 25,779,122</u>	<u>\$ 599,890</u>	<u>\$ 5,175,238</u>	<u>\$ 11,835,888</u>	<u>\$ 8,168,106</u>	

As of June 30, 2009, 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	\$ 8,218,334	\$ -	\$ -	\$ 8,218,334	\$ -	AAA
Guaranteed Investment Contracts	6,248,105	-	-	-	6,248,105	AA+
Guaranteed Investment Contracts	755,126	-	-	-	755,126	A+
U.S. Treasury State & Local Governments	4,044,758	149,493	2,313,259	1,512,627	69,379	Unrated
Connecticut General Obligation Bonds	7,729,861	478,861	2,553,408	2,840,934	1,856,658	AA
	<u>\$ 26,996,184</u>	<u>\$ 628,354</u>	<u>\$ 4,866,667</u>	<u>\$ 12,571,895</u>	<u>\$ 8,929,268</u>	

### Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investment 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's minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

Concentration of Credit Risk

The SRF currently invests approximately 57% and 56%, at June 30, 2010 and 2009, 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. Loans receivable by type are as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Construction in process	\$ 3,854,599	\$ 5,142,055
Completed projects	<u>65,630,855</u>	<u>65,531,980</u>
	<u>\$ 69,485,454</u>	<u>\$ 70,674,035</u>

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

<u>Year ending June 30</u>	
2011	\$ 4,166,087
2012	4,306,048
2013	4,350,292
2014	4,395,610
2015	4,442,031
Thereafter	<u>43,970,787</u>
	<u>\$ 65,630,855</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>2010</u>	<u>2009</u>
Awarded	\$ 110,988,080	\$ 108,788,900
Drawn	<u>95,878,034</u>	<u>91,497,474</u>
Available federal letter of credit	<u>\$ 15,110,046</u>	<u>\$ 17,291,426</u>

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>2010</u>	<u>2009</u>
Awarded	\$ 19,500,000	\$ 19,500,000
Drawn	<u>7,188,169</u>	<u>-</u>
Available federal letter of credit	<u>\$ 12,311,831</u>	<u>\$ 19,500,000</u>

#### 6 - RESTRICTED ASSETS

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents:		
Money market funds	\$ 25,882,423	\$ 26,202,023
Cash	65,828	35,813
Investments:		
Guaranteed Investment Contracts	14,632,858	15,221,565
U.S. Treasury State and Local Governments	3,895,264	4,044,758
Connecticut General Obligation Bonds	<u>7,251,000</u>	<u>7,729,861</u>
	<u>\$ 51,727,373</u>	<u>\$ 53,234,020</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, 2010 and 2009, the actual rates were 66.32% and 57.09%, respectively, of the SRF wages and the amounts charged aggregated \$865,577 and \$823,088, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Issued	Principal Paydown/ Transfers	Balance June 30, 2010
Revenue bonds payable	\$ 52,231,425	\$ -	\$ 3,443,013	\$ 48,788,412
Refunding bonds payable	5,865,072	-	521,565	5,343,507
	<u>\$ 58,096,497</u>	<u>\$ -</u>	<u>\$ 3,964,578</u>	<u>\$ 54,131,919</u>

A summary of changes in bonds payable during the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Issued	Principal Paydown/ Transfers	Balance June 30, 2009
Revenue bonds payable	\$ 24,753,065	\$ 29,675,000	\$ 2,196,640	\$ 52,231,425
Refunding bonds payable	6,385,983	-	520,911	5,865,072
	<u>\$ 31,139,048</u>	<u>\$ 29,675,000</u>	<u>\$ 2,717,551</u>	<u>\$ 58,096,497</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, 2010
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	18,102,245
7/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	7,572,339	5,343,507
7/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	5,000,000	4,541,167
8/6/2008	State Revolving Fund General Revenue Bonds, 2008 Series A	25,000,000	21,530,000
6/25/2009	State Revolving Fund General Revenue Bonds, 2009 Series A	4,675,000	4,615,000
		<u>\$ 104,925,886</u>	<u>\$ 54,131,919</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. 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 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 SRF's revenue bonds payable are serial bonds, of which \$48,788,412 and \$52,231,425 was outstanding as of June 30, 2010 and 2009, respectively. The serial bonds mature through June 1, 2027 and have interest rates ranging from 2.0% to 5.0%.

#### Refunding Bonds - 2003 Series

On July 10, 2003 the State of Connecticut issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series B (2003 Series B Refunding Bonds) 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 were to mature at various dates through September 1, 2022.

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, 2010 and 2009, the outstanding principal balance of the Refunded Bonds was \$17,834,000.

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 over the life of the 2003 Series B Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2010 and 2009 totaled \$271,940 and \$94,252, 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 were to mature at various dates through March 1, 2020.

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, 2010 and 2009, the outstanding principal balances of the Refunded Bonds was \$2,816,339 and \$4,180,110, 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 over the life of the Refunded Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2010 and 2009 totaled \$841.

### Bond Maturities

Requirements at June 30, 2010 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,055,406	\$ 2,302,204
2012	4,103,268	2,177,409
2013	4,681,563	1,967,026
2014	5,186,569	1,780,002
2015	5,509,673	1,550,654
2016-2020	18,832,297	4,644,539
2021-2025	9,815,616	1,627,105
2026-2028	1,947,527	101,425
	<u>\$ 54,131,919</u>	<u>\$ 16,150,364</u>

## 9 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2010 and 2009.

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2008	\$ 11,180,084	\$ 86,309,167	\$ 97,489,251
Change in fund net assets	<u>( 531,415)</u>	<u>5,154,006</u>	<u>4,622,591</u>
Balance at June 30, 2009	10,648,669	91,463,173	102,111,842
Change in fund net assets	<u>4,054,380</u>	<u>3,562,672</u>	<u>7,617,052</u>
Balance at June 30, 2010	<u>\$ 14,703,049</u>	<u>\$ 95,025,845</u>	<u>\$ 109,728,894</u>

## 10 - OPERATING TRANSFERS

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

	<u>2010</u>	<u>2009</u>
Transfers related to CWF debt service	(\$ 273,939)	(\$ 1,160,251)
Interest subsidy transfer	1,956,020	1,660,620
Reallocation of deferred loss on 2003 refunding bond	938,389	-
Transfer related to the fiscal year 2009 bond offerings	<u>-</u>	<u>( 152,909)</u>
	<u>\$ 2,620,470</u>	<u>\$ 347,460</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>2010</u>	<u>2009</u>
Total funds committed to public water systems	\$ 95,168,159	\$ 95,295,117
Loan amount outstanding to public water systems	<u>69,485,454</u>	<u>70,674,035</u>
Loan commitments outstanding	<u>\$ 25,682,705</u>	<u>\$ 24,621,082</u>

In addition, the SRF has ARRA project loan and grant commitments of \$10,275,747 as of June 30, 2010.

## 12 - 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. J. Robert Galvin, M.D., Commissioner,  
Department of Public Health

Ms. Amey Marrella, Commissioner,  
Department of Environmental Protection,  
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, 2010, and have issued our report thereon dated September 16, 2010. 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

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 16, 2010



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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. J. Robert Galvin, M.D., Commissioner,  
Department of Public Health

Ms. Amey Marrella, Commissioner,  
Department of Environmental Protection,  
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, 2010. 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, 2010.

#### 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 an 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 16, 2010

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, 2010

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<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	\$ 4,491,247
Capitalization Grants for State Revolving Fund	ARRA - 66.468	7,203,909
		\$ 11,695,156

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, 2010

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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 - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$69,485,454 as of June 30, 2010.

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, 2010

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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 \$ 350,855

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.\*

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\* 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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**APPENDIX E**  
**DEFINITIONS OF CERTAIN TERMS**

*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. 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, collectively, (a) the federal Water Quality Act of 1987, which amended the federal Clean Water Act of 1972, together with any regulations promulgated thereunder, as amended from time to time, (b) the federal Safe Drinking Water Act Amendments of 1996, together with any regulations promulgated thereunder, as amended from time to time, and (c) any future federal 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.

*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 Municipality from any source whatsoever other than the Clean Water Fund for the purpose of paying the Municipality's share of Total Project Costs. For purposes of this definition, "paying" shall mean expenditures by the Municipality for the purchase of goods, materials and services utilized in planning, designing and constructing the Project, and specifically excludes any municipal repayments made pursuant to a Project Loan or a Project Loan Obligation.

*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 bonds or notes 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 design, acquisition, construction, improvement, repair, reconstruction, renovation or expansion of any project that may be eligible for financing by the State in furtherance of the Program.

*Project Loan Obligation*--shall mean bonds or notes issued by a Borrower to evidence the permanent financing by such Borrower of its indebtedness under a Loan Agreement with respect to a 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 of DEP.

*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 Agreement 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 2011 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 2011 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 2011 Bonds.*

**Continuing Disclosure Agreement**

This Continuing Disclosure Agreement (“Agreement”) is made as of the \_\_\_\_ day of March, 2011 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$182,935,000 State Revolving Fund General Revenue Bonds, 2011 Series A (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 \_\_\_\_\_, 2011 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, 2010) 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(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 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 2011 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 2011 Bonds.*

### Municipal Continuing Disclosure Agreement

This Municipal Continuing Disclosure Agreement (the "Agreement") is made as of the \_\_\_\_ day of March, 2011 by the \_\_\_\_\_ (the "Borrower") acting by its undersigned officer, duly authorized, in connection with the issuance of \$\_\_\_\_\_ State of Connecticut (the "State") State Revolving Fund General Revenue Bonds, 2011 Series A, dated \_\_\_\_\_, 2011 (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 \_\_\_\_\_, 2011 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, 2010) 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.

(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, 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 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**

### **Proposed Form of Bond Counsel Opinion**

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## APPENDIX G

### PROPOSED FORM OF CO-BOND COUNSEL OPINION

*Upon the issuance of the 2011 Bonds, Edwards Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Kansas City, Missouri, as Co-Bond Counsel, will deliver their Co-Bond Counsel Opinion in substantially the same form as set forth in this Appendix G.*

[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 \$182,935,000 State Revolving Fund General Revenue Bonds, 2011 Series A (the “2011 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 2011 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 July 13, 2010, entitled “A Supplemental Resolution Authorizing the Issuance of \$200,000,000 State Revolving Fund General Revenue Bonds, 2011 Series A” (the “2011 Series A Supplemental Resolution” and, together with 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 2011 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 2011 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 2011 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 2011 Bonds is excluded from the gross income of the owners of the 2011 Bonds for federal income tax purposes. Interest on the 2011 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 2011 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 2011 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 2011 Bonds to become included in such gross income. Failure by the State to comply with certain of such requirements may cause interest on the 2011 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the 2011 Bonds.

5. Interest on the 2011 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 2011 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 2011 Bonds or any tax



consequences arising with respect to the 2011 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 2011 Bonds and the enforceability of the 2011 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.

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