

NEW ISSUE

Ratings: Moody's: A a a
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 2008 A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2008 A 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 2008 A 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 2008 A Bonds. See "TAX EXEMPTION" herein.

\$196,195,000
State of Connecticut
State Revolving Fund General Revenue Bonds
2008 Series A

Dated: Date of Delivery

Due: February 1, as shown on the inside cover page

The proceeds of the State Revolving Fund General Revenue Bonds, 2008 Series A (the "2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds will be payable on February 1 and August 1 of each year, commencing on February 1, 2009. The 2008 A 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 2008 A 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 2008 A BONDS--Book-Entry-Only System."

The 2008 A Bonds will be subject to redemption prior to maturity as described herein.

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

The 2008 A 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 2008 A 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 Finn Dixon & Herling LLP, Stamford, Connecticut and Soeder & Associates, LLC, Hartford, Connecticut, Co-Underwriters' Counsel. It is expected that the 2008 A Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about August 6, 2008.

Honorable Denise L. Nappier
Treasurer of the State of Connecticut

Jackson Securities, LLC
Banc of America Securities LLC
Loop Capital Markets, LLC
Wachovia Bank, National Association

M.R. Beal & Company
JP Morgan Securities, Inc.
Citi
Merrill Lynch & Co.

Ramirez & Co. Inc.
DEPFA First Albany Securities LLC
Prager, Sealy & Co., LLC
Webster Bank, N.A.

\$196,195,000
State of Connecticut

State Revolving Fund General Revenue Bonds
2008 Series A
Base CUSIP Number: 207737

Maturity Schedule

Serial Bonds

<u>Maturity</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2009	\$25,000,000	3.00%	1.50%	EJ2
2010	10,865,000	3.00	2.18	DQ7
2010	10,510,000	5.00	2.18	DR5
2011	10,970,000	3.00	2.64	DS3
2011	12,905,000	5.00	2.64	DT1
2012	25,530,000	5.00	2.88	DU8
2013	12,085,000	3.00	3.10	DW4
2013	11,205,000	5.00	3.10	DX2
2014	7,255,000	4.00	3.28	DY0
2014	9,770,000	5.00	3.28	DZ7
2015	4,390,000	3.25	3.45	EA1
2015	14,190,000	5.00	3.45	EB9
2016	5,550,000	3.50	3.59	EC7
2016	12,665,000	5.00	3.59	ED5
2017	4,225,000	3.50	3.72	EE3
2017	11,630,000	5.00	3.72	EF0
2018	7,450,000	3.75	3.84	EG8

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 2008 A 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 2008 A 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 2008 A Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the 2008 A 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 2008 A 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 2008 A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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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:	\$196,195,000 State of Connecticut State Revolving Fund General Revenue Bonds, 2008 Series A
Dated Date:	Date of Issuance
Interest Date:	February 1 and August 1, commencing February 1, 2009
Principal Due:	Serial 2008 A Bonds as detailed on the inside front page of this Official Statement.
Redemption:	The 2008 A Bonds are not subject to optional redemption prior to maturity. See "DESCRIPTION OF THE 2008 A BONDS – Redemption" herein.
Authorization:	The State will issue the 2008 A 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 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 2008 A 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 2008 A 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 expected to receive a rating of "AAA" from Standard & Poor's, "Aaa" from Moody's Investors Service and "AAA" from 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 2008 A 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 2008 A 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 2008 A 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. Interest on the 2008 A Bonds is, however, 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 2008 A 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 2008 A Bonds is included in gross income for purposes of the Connecticut corporation business tax. See “TAX EXEMPTION” herein regarding certain other tax considerations.
- Paying Agent:** U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd 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 2008 A 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

\$196,195,000

State of Connecticut

State Revolving Fund General Revenue Bonds

2008 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 2008 A 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 \$196,195,000 aggregate principal amount of State Revolving Fund General Revenue Bonds, 2008 Series A (the “**2008 A Bonds**”) being issued by the State of Connecticut (the “**State**”). The 2008 A 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 2008 A Bonds represent the sixth 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 2008 A 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 -- DEFINITION 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.)

Program Bonds and Plan of Finance

The State has established an escrow account to defease all the Prior Bonds, as defined herein, with amounts available under the Program, so that upon the issuance of the 2008 A Bonds the only Bonds outstanding will be Bonds issued under the Resolution. See “**STATE OF CONNECTICUT CLEAN WATER FUND – Prior Bonds Under 1990 Resolution and Subordinate Resolution**” herein. Prior to the date of issuance of the 2008 A Bonds, Bonds issued under the Resolution are outstanding in the aggregate principal amount of \$482,150,000.

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 2008 A Bonds, the Loans and Borrowers whose Loans, including current and anticipated Loan commitments through December 31, 2009, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds, including the 2008 A Bonds.

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** — “DEFINITION OF CERTAIN TERMS.”

Attached hereto as **Appendix A** is certain limited information about certain 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**.

Appendix B to this Official Statement contains the SRF Programs’ Financial Statements for the fiscal years ended June 30, 2006 and June 30, 2007. **Appendices C** and **D**, respectively, contain descriptions 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 2008 A 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 2008 A 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 2008 A 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

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.

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 CDA, 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. 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.

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 Program 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 OF THE 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 2007 in the amount of \$364.1 million have been awarded by the EPA to the State. During that same time period, in furtherance of the State's Wastewater Program, the State has made State Contributions in the amount of approximately \$100.07 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. 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 2006 in the amount of \$92.4 million have been awarded by the EPA to the State. The State has made State Contributions in an amount equal to the federally required state match in the form of cash and 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 of the Drinking Water Program projects. 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

With the defeasance of the Prior Bonds, as defined below, the State’s outstanding Program Bonds consist only of Bonds issued under the new State Revolving Fund General Revenue Bond Resolution, including the 2008 A Bonds. Through Fiscal Year 2008, the State General Assembly has authorized the issuance of \$1,238,400,000 of revenue bonds for State Revolving Fund purposes. The State has issued \$1,043,155,000 of Program Bonds including \$267 million of refunding bonds issued under the Resolution.

(Refunding bonds do not count against the authorization amount.) Upon the issuance of the 2008 A Bonds, approximately \$678,345,000 of Bonds will be outstanding.

Prior Bonds Under 1990 Resolution and Subordinate Resolution

Prior to the defeasance completed by the State on June 30, 2008, the State had issued three types of revenue bonds under the Program (the “**Program Bonds**”): (1) Bonds issued under the Resolution; (2) revenue bonds issued under a general bond resolution adopted December 7, 1990 (the “**1990 Resolution**”) outstanding in the aggregate principal amount of \$51,120,000 and (3) subordinated refunding bonds issued under a Subordinate Bond Resolution adopted on February 23, 1996 (the “**Subordinate Resolution**”) outstanding in the aggregate principal amount of \$59,420,000. Bonds issued under the 1990 Resolution (the “**1990 Resolution Bonds**”) and the Subordinate Resolution (“**Subordinate Bonds**”) are referred to herein collectively as the “**Prior Bonds.**”

The defeasance of the Prior Bonds allowed all assets of the Revolving Fund that had previously been pledged to the Prior Bonds under the 1990 Resolution and the Subordinate Resolution to be released from that pledge and such assets or the receipts thereon are now Available Moneys under the Resolution.

State General Obligation Bonds

Through Fiscal Year 2007, the State General Assembly has authorized the issuance of \$761,030,000 of general obligation bonds for SRF Program purposes. The proceeds of those bonds have been 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 2008 A Bonds

Debt service on the Bonds, including the 2008 A 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 a 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 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds. See "SECURITY FOR THE BONDS" for additional information relating to the security for the Bonds.

PLAN OF FINANCE

Prior to the issuance of the 2008 A Bonds, the State established an escrow account to defease all the Prior Bonds, as defined herein, with amounts available under the Program, so that upon the issuance of the 2008 A Bonds the only Program Bonds outstanding will be the Bonds. The defeasance has released certain Loans which were previously pledged to the Prior Bonds.

The 2008 A Bonds will be issued to provide additional new money for Loans to Borrowers and to reimburse the State for amounts advanced to fund Loans. The State will allocate a portion of the proceeds of the 2008 A Bonds to reimburse the Revolving Fund for Loans previously made and to provide additional Loans for the SRF Programs with approximately \$177.5 million allocated to the Wastewater Program and \$25.2 million allocated to the Drinking Water Program.

Upon issuance of the 2008 A Bonds, \$22,178,391.57 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 Bonds are expected to be invested in Investment Obligations under the Resolution. 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.

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 of the drinking water projects and for programmatic and fiscal administration of the set-aside projects and accounts. DEP is in charge of fiscal administration and planning, design and construction projects for the Drinking Water Program. 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 DEP prepare the annual report detailing the activities of the SRF Programs to be submitted to the Governor by the Commissioner of DEP 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 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**"). 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 the DEP Priority List of eligible water quality projects or the DPH 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 Available Moneys in any of the other accounts in the SRF Programs. 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 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 April 30, 2008) (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 December 31, 2009, to be funded under the SRF Programs. Many of the Borrowers listed below have multiple Loans.

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**State of Connecticut State Revolving Fund Loans Outstanding as of April 30, 2008 and Expected
Additional Commitments through December 31, 2009**

Table 1

Loan	Total IFO/PLO as of 04/30/08⁽¹⁾	Undrawn Loan Commitments⁽²⁾	Commitments Through 12/31/09⁽³⁾	Total Commitments⁽⁴⁾
Ansonia	\$5,694,755	-	\$21,654,000	\$27,348,755
Aquarion Water	270,044	-	-	270,044
Bethel	2,541,263	-	-	2,541,263
Bolton Lakes	-	-	312,000	312,000
Branford	24,586,771	461,646	-	25,048,417
Bridgeport	35,926,137	6,035,345	1,188,450	43,149,932
Bristol	4,137,718	-	-	4,137,718
Brookfield	667,613	-	2,724,000	3,391,613
Brooklyn	75,741	-	-	75,741
Burlington	3,127,203	-	-	3,127,203
Canaan F.D.	43,999	-	-	43,999
Candlewood Trails	-	-	285,000	285,000
Canton	668,159	1,400,000	-	2,068,159
Cheshire	9,952,477	-	-	9,952,477
Colchester	1,630,112	731,706	-	2,361,818
Cook Willow	452,093	1,073	-	453,166
Coventry	10,249,925	3,417	-	10,253,342
Crystal Lake	272,973	-	-	272,973
Danbury	13,400,580	-	7,888,600	21,289,180
Darien	601,633	-	-	601,633
Deep River	3,066,118	-	-	3,066,118
Derby	1,398,683	-	-	1,398,683
East Haddam	698,505	-	-	698,505
East Hampton	597,520	-	-	597,520
East Lyme	4,161,204	-	-	4,161,204
East Windsor	4,757,505	-	-	4,757,505
Fairfield	24,240,026	-	-	24,240,026
Farmington	6,270,071	-	-	6,270,071
Glastonbury	-	-	23,000,000	23,000,000
Gr.New Haven WPCA	29,856,564	7,446,170	-	37,302,734
Greenwich	17,666,000	-	-	17,666,000
Groton	6,607,166	2,754,600	2,600,851	11,962,617
Harrybrooke Park Cond	155,385	-	-	155,385

(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 2008 A 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 April 30, 2008, Undrawn Loan Commitments and Expected Additional Loan Commitments through December 31, 2009. Total Commitments does not reflect projected amortization through April 30, 2008 of Loans Outstanding.

Loan	Total IFO/PLO as of 04/30/08 ⁽¹⁾	Undrawn Loan Commitments⁽²⁾	Commitments Through 12/31/09⁽³⁾	Total Commitments⁽⁴⁾
Hartford	\$ 1,921,859	-	-	\$ 1,921,859
Hebron	3,127,347	-	-	3,127,347
Hillside Water Corp.	119,845	-	-	119,845
Jewett City	5,845,200	-	-	5,845,200
Ledyard	1,419,437	-	1,640,000	3,059,437
Litchfield	4,381,885	-	-	4,381,885
Marlborough	834,189	-	11,000,000	11,834,189
MDC	57,849,936	10,224,085	19,600,000	87,674,021
Meriden	933,622	33,342,762	-	34,276,384
Middlebury	182,491	-	-	182,491
Middlefield	2,187,373	-	-	2,187,373
Middletown	9,863,916	1,031,039	-	10,894,956
Milford	27,879,804	19,732,704	-	47,612,508
Naugatuck	1,504,485	-	-	1,504,485
New Britain	32,149,630	-	-	32,149,630
New Canaan	7,432,237	-	-	7,432,237
New London	5,062,033	-	-	5,062,033
New Milford	2,010,279	-	-	2,010,279
Newtown	11,131,585	-	-	11,131,585
North Branford	1,953,943	-	-	1,953,943
North Haven	4,465,506	-	-	4,465,506
Norwalk	28,108,744	-	1,900,000	30,008,744
Norwich	4,465,481	-	1,166,190	5,631,671
Plainfield	1,250,252	-	-	1,250,252
Plainville	2,724,303	19,505,570	-	22,229,873
Plymouth	2,526,991	-	-	2,526,991
Point-o-Woods	567,264	141,060	5,153,065	5,861,389
Portland	4,325,831	-	1,318,250	5,644,081
Redding	574,846	-	-	574,846
Ridgefield	2,934,431	-	-	2,934,431
Seymour	3,705,835	-	-	3,705,835
Sharon	1,827,000	-	-	1,827,000
Shelton	18,298,491	1,199,438	-	19,497,929
Simsbury	21,037,216	-	-	21,037,216
SNEW- South Norwalk	22,926,000	1,789,165	1,081,453	25,796,618
South Windsor	2,350,781	-	2,508,000	4,858,781
Southington	2,594,737	15,789,108	-	18,383,845

(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 2008 A 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.

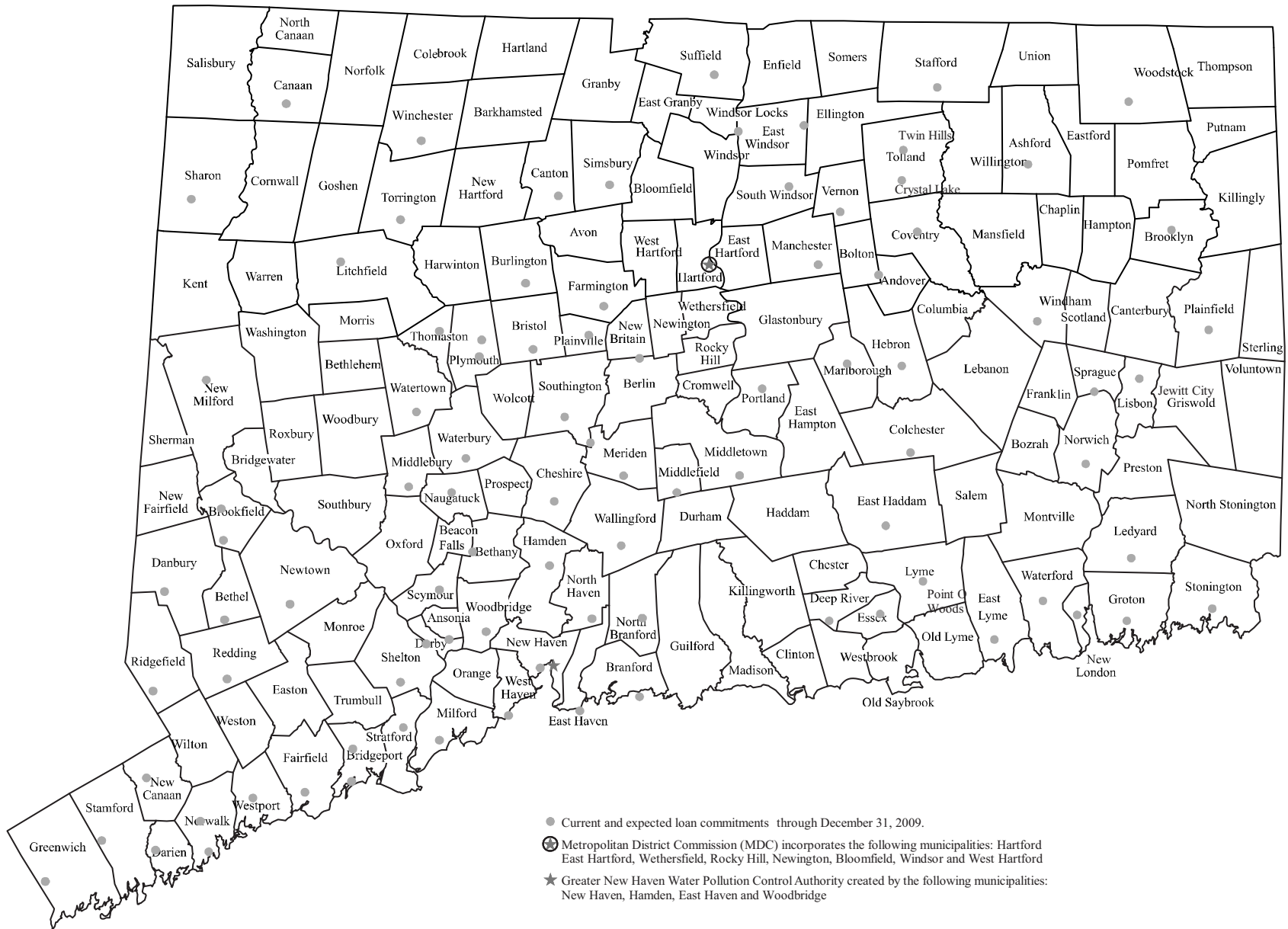
(4) Total Commitments is the sum of Loans Outstanding as of April 30, 2008, Undrawn Loan Commitments and Expected Additional Loan Commitments through December 30, 2009. Total Commitments does not reflect projected amortization through April 30, 2008 of Loans Outstanding.

Loan	Total IFO/PLO as of 04/30/08¹	Undrawn Loan Commitments²	Commitments Through 12/31/09³	Total Commitments⁴
Sprague	\$ 67,701	-	-	\$67,701
Stafford	256,363	-	512,500	768,863
Stamford	68,356,033	-	-	68,356,033
Stonington	1,709,824	-	-	1,709,824
Stratford	30,639,275	20,013,058	2,670,506	53,322,840
Suffield	730,732	-	-	730,732
Thomaston	6,698,237	-	-	6,698,237
Torrington	4,151,479	-	-	4,151,479
Twin Hills	129,814	-	-	129,814
Vernon	13,394,670	-	-	13,394,670
Wallingford	1,729,838	-	-	1,729,838
Waterbury	72,155,769	-	-	72,155,769
Watertown F.D.	1,167,688	-	-	1,167,688
West Haven	15,081,017	770,216	-	15,851,233
Westport	26,513,997	2,794,872	-	29,308,869
Winchester	603,303	-	-	603,303
Windham	567,537	222,109	7,812,000	8,601,646
Windsor Locks	1,265,525	-	-	1,265,525
Woodlake Tax District	404,494	-	-	404,494
Woodstock	655,563	-	-	655,563
	\$762,527,606	\$145,389,144	\$116,014,865	\$1,023,931,615⁵

- (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 2008 A 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 April 30, 2008, Undrawn Loan Commitments and Expected Additional Loan Commitments through December 30, 2009. Total Commitments does not reflect projected amortization through April 30, 2008 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 December 30, 2009, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2008 A 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 LIABILITIES IN REVOLVING FUND

The following table sets forth the assets and liabilities of the Revolving Fund on a cash basis as of April 30, 2008, adjusted for the cash defeasance of the Prior Bonds on June 30, 2008 and the issuance of the 2008 A Bonds. See “STATE OF CONNECTICUT CLEAN WATER FUND – Prior Bonds Under 1990 Resolution and Subordinate Resolution” herein.

Assets and Liabilities in Revolving Fund

Table 2
(In Millions)

<u>Assets</u>	
Loans ¹	\$ 762.53
Cash and Investments ²	575.68 ³
State General Obligation Bonds	<u>44.56</u>
Total Assets	\$1,382.77
 <u>Liabilities</u>	
Bonds issued under the Resolution	\$ 482.15
2008 A Bonds	<u>196.20</u>
Total Liabilities	\$ 678.35

¹ Loans include amounts loaned to Borrowers from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2008 A Bonds.

² 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.

³ 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 2008 A Bonds and SRF Programs Available Moneys will be used as follows:

Sources	
Principal Amount	\$196,195,000.00
Net Original Issue Premium	8,581,615.60
Revolving Fund Available Moneys	<u>22,178,391.57</u>
Total Sources	\$226,955,007.17
Uses	
Available for Loans ¹	\$202,696,385.86
Underwriters' Discount and Costs of Issuance	2,080,229.74
Deposit to Support Fund	<u>22,178,391.57</u>
Total Uses	\$226,955,007.17

- (1) Includes Wastewater and Drinking Water Program Loans to Borrowers from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2008 A Bonds.

SECURITY FOR THE BONDS

Special Obligation

Debt service on the 2008 A 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 OF THE PROVISIONS OF THE GENERAL BOND RESOLUTION.**”

Bond Proceeds Fund. The proceeds of the 2008 A 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. Concurrently with the issuance and delivery of the 2008 A Bonds, the State will invest the net proceeds of the 2008 A Bonds deposited in the Bond Proceeds Fund in the State's Short Term Investment Fund. Amounts deposited in the Support Fund in connection with the issuance of the 2008 A Bonds will be invested in United States Treasury - State and Local Government Series securities.

A portion of amounts on deposit in the Debt Service Fund and the Support Fund that are allocable to Series of Bonds previously issued and outstanding under the Resolution are, and amounts in the Debt Service Fund allocable to the 2008 A Bonds may be, invested in investment agreements which are Investment Obligations under the Resolution. Investment agreements are subject to early termination upon certain events. In addition, such agreements may be subject to certain other risks, including the bankruptcy or insolvency of the party with which such funds have been invested under such agreements or which has guaranteed such agreements.

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. No additional bonds will be issued under the 1990 Resolution or the Subordinate 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A BONDS

2008 A BONDS

Interest and Principal Payment Dates, Places and Payees. The 2008 A Bonds will be dated their date of delivery, and will bear interest therefrom, payable on February 1 and August 1 of each year, commencing February 1, 2009, and will mature on February 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 2008 A 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 2008 A 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 2008 A Bonds. As long as the 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds. The 2008 A 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 2008 A 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 2008 A Bonds of the same series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of the 2008 A 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 2008 A Bonds. The 2008 A Bonds are not subject to optional redemption prior to maturity.

Book-Entry-Only System

The Bonds are available in book-entry only form and beneficial ownership interests therein for the 2008 A 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 and 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 2008 A 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 2008 A 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 2008 A 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.

SCHEDULE OF DEBT SERVICE ON PROGRAM BONDS AND 2008 A BONDS

The following table sets forth debt service on the Program Bonds and the 2008 A Bonds:

Fiscal Year				
Ending	Debt Service on	Principal on	Interest on	Total
June 30	Outstanding Bonds¹	2008 A Bonds	2008 A Bonds	Debt Service
2009	\$44,643,645	\$25,000,000	\$4,006,637	\$73,650,282
2010	44,947,120	21,375,000	7,492,225	73,814,345
2011	45,735,476	23,875,000	6,640,775	76,251,251
2012	35,473,075	25,530,000	5,666,425	66,669,500
2013	41,132,592	23,290,000	4,389,925	68,812,517
2014	44,508,674	17,025,000	3,467,125	65,000,799
2015	46,275,795	18,580,000	2,688,425	67,544,220
2016	45,057,041	18,215,000	1,836,250	65,108,291
2017	45,935,760	15,855,000	1,008,750	62,799,510
2018	39,139,633	7,450,000	279,375	46,869,008
2019	44,864,007			44,864,007
2020	39,404,471			39,404,471
2021	38,010,897			38,010,897
2022	31,697,127			31,697,127
2023	31,094,567			31,094,567
2024	17,565,095			17,565,095
2025	14,877,133			14,877,133
2026	12,653,014			12,653,014
2027	8,048,113			8,048,113
2028	6,321,475			6,321,475

¹ At the time of issuance of the State's Series 2003 C Bonds, which are auction rate securities bearing interest at a variable rate, the State entered into fixed payor interest rate swap agreements which provide for the State to pay fixed rates of 3.1789% until October 1, 2013 and 3.0299% thereafter to the swap counterparty and to receive variable payments from the counterparty. Interest on the Series 2003 C Bonds is included in this table based upon such fixed rates. Actual debt service on such Bonds will depend on the variable interest rate borne by such Bonds from time to time.

Series 2003 C Bonds. The Series 2003 C Bonds were issued on July 10, 2003, 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 2003 Series C Bonds is capped at 150% of One-Month LIBOR if auctions fail. The 2003 C Bonds experienced failed auctions generally in the period from mid-February through mid-May. As of the date of this Official Statement, the auctions for the Series 2003 C Bonds have not failed since May 15, 2008. The State continually monitors the short-term marketplace in connection with the Series 2003 C Bonds.

ABSENCE OF LITIGATION

Upon delivery of the 2008 A Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2008 A 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 2008 A Bonds, or in any way contesting or affecting the validity or enforceability of the 2008 A 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 2008 A Bonds. In addition, such certificate will state that there is no controversy or litigation of any nature now pending or 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 State or 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A 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. The Hardwick Law Firm LLC has served as underwriters' counsel on other State bond issues. Signed copies of the opinion, dated and speaking only as of the date of original delivery of the 2008 A Bonds, will be delivered to the Underwriters at the time of such original delivery and the form of the opinion is set forth as Appendix H to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Finn Dixon & Herling LLP, Stamford, Connecticut, and Soeder & Associates, Hartford, Connecticut, as Co-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.

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 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds. Failure to comply with these requirements may result in interest on the 2008 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 A Bonds. The State has covenanted to comply with such requirements to ensure that interest on the 2008 A 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 2008 A 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 2008 A Bonds. Prospective Bondholders should be aware, however, that the interest on the 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds is the first price at which a substantial amount of such maturity of the 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds may adversely affect the value of, or the tax status of interest on, the 2008 A 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 2008 A 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 2008 A 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 2008 A 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 2008 A Bonds for the benefit of the beneficial owners of the 2008 A Bonds, substantially in the form included in **Appendix G** 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 notice of the occurrence of certain material events with respect to the 2008 A 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** also will enter into separate Borrower Continuing Disclosure Agreements with respect to the 2008 A Bonds for the benefit of the beneficial owners of the 2008 A Bonds, substantially in the form included in **Appendix G** 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 G**.

The State and certain Borrowers have previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of the 2008 A 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. While the State complied with its disclosure obligations for the Clean Water Fund financial statements, the State (i) failed to make a timely provision to the nationally recognized municipal securities information repositories (the “NRMSIRs”) by February 28, 2005 and February 28, 2006, of audits of its general financial statements and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the fiscal years ending June 30, 2004 and June 30, 2005, respectively, and (ii) 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 agreement 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 or prior to February 28, 2005, the State filed with the NRMSIRs its financial statements and certain other operating data for the fiscal year ending June 30, 2004, which had not been audited but which the State believed to be accurate in all material respects. Thereafter, the State filed with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2004, promptly after they became available. On or prior to February 28, 2006, the State filed with the NRMSIRs the preliminary estimated financial statements, which had not been audited but which the State believed to be accurate in all material respects, and certain operating data in each case for the fiscal year ending June 30, 2005. The State filed with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2005, as

soon as they became available. 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 statement on a GAAP basis for the fiscal year ending June 30, 2006. The State complied with its annual information filing requirements for the fiscal year ended June 30, 2007.

The Underwriters' obligation to purchase the 2008 A Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2008 A Bonds, executed copies of the State Continuing Disclosure Agreement and each Municipal Continuing Disclosure Agreement.

UNDERWRITING

The aggregate initial offering price of the 2008 A Bonds to the public is \$203,896,385.86, and M.R. Beal & Company, as representative of the Underwriters for the 2008 A Bonds, has agreed, subject to certain conditions precedent to closing, to purchase the 2008 A Bonds from the State at an aggregate purchase price of \$203,896,385.86 (consisting of \$196,195,000 par amount, plus net premium of \$8,581,615.60 less the Underwriters' fee of \$880,229.74). The Underwriters will be obligated to purchase all of the 2008 A Bonds, if any 2008 A Bonds are purchased. The 2008 A 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 2008 A 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.

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 2008 A 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 2008 A 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 2008 A Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2008 A 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, 2007 and the report thereon dated August 30, 2007, 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 2008 A Bonds.

STATE OF CONNECTICUT

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

Dated at Hartford, Connecticut
this 24th day of July, 2008

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, consolidated town and city, consolidated town and borough (collectively "Towns"), and a metropolitan district, fire and sewer district, sewer district, or village district, 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 electors 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, 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, 2009, 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

*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 December 31, 2009, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2008 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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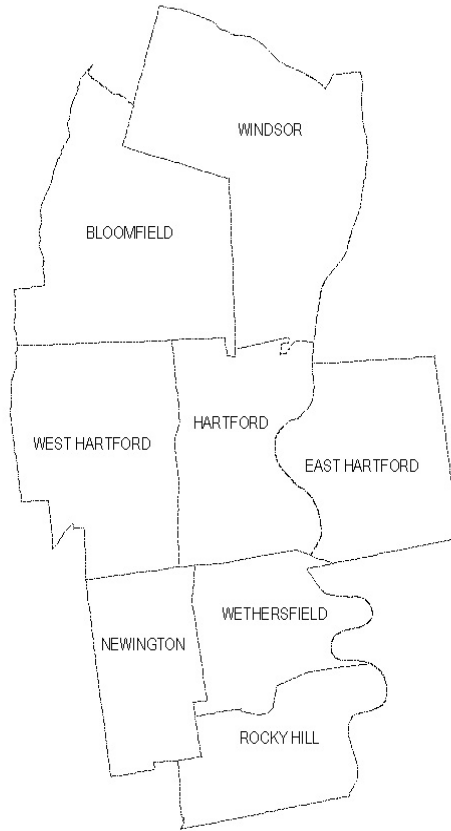
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INFORMATION RELATING TO THE
METROPOLITAN DISTRICT
COMMISSION

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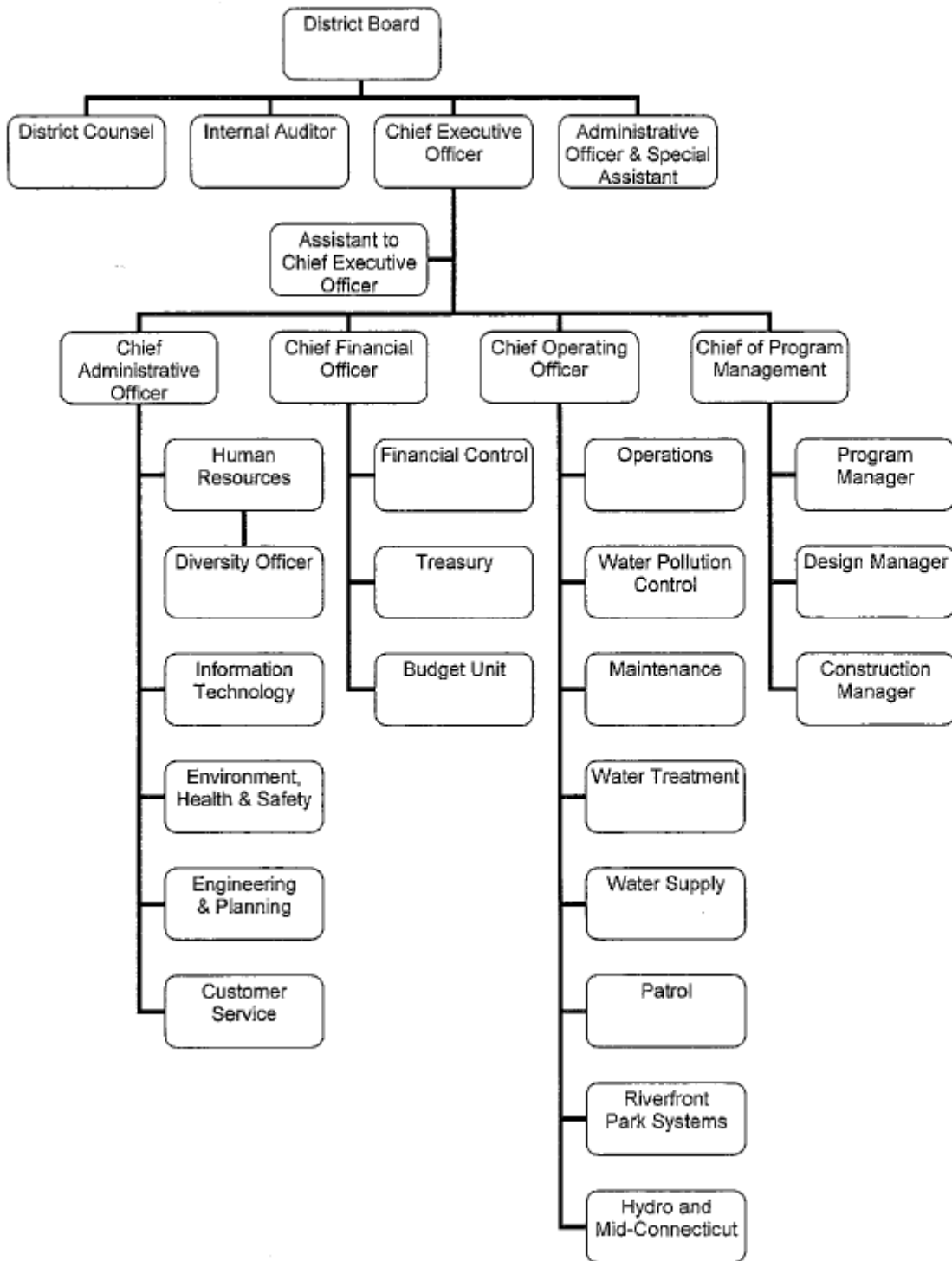
I. THE DISTRICT



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 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
Total.....	29	17	8	4

POWERS AND RESPONSIBILITIES OF THE DISTRICT BOARD

The District Board is authorized to establish ordinances or bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be an obligation of the District and its inhabitants. The 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 Metropolitan District reorganized its internal structure to meet the ongoing demands of the District’s Clean Water Project and normal operations into four operating functions under the Chief Administrative Officer, Chief Financial Officer, Chief Operating Officer and Chief of Program Management: The Chief Administrative Officer is responsible for engineering and capital planning; environment, health and safety; human resources; information technology and development; and customer service. The Chief Financial Officer has responsibility for the District’s accounting, treasury and budget functions. The Chief Operating Officer directs maintenance operations, solid waste, water pollution control, water treatment and supply functions of the District. The Chief of Program Management has direct responsibility for the design and construction of the District’s Clean Water Project.

DISTRICT CHAIRS AND DISTRICT OFFICIALS

Function	Chair	Date Term Ends
District Board.....	William A. DiBella	2008
Water Bureau.....	Pasquale J. Salemi	2010
Bureau of Public Works.....	Richard V. Vicino	2009
Personnel, Pension & Insurance.....	Alvin E. Taylor	2010
Board of Finance.....	D. Anwar Al-Ghani	2008

Position	District Officials
Chief Executive Officer.....	Charles Sheehan
District Clerk.....	Kristine Shaw
District Counsel.....	Bart Halloran
Chief Operating Officer.....	Scott Jellison
Chief Administrative Officer.....	Robert Moore
Chief Financial Officer.....	John Zinzarella
Chief of Program Management.....	Robert Weimar
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:

Fiscal Year	2008	2007	2006	2005	2004
Total Employees.....	602	585	574	619	643

DISTRICT EMPLOYEES BARGAINING UNITS - 2008

Bargaining Groups	Positions Covered	Current Contract Expiration Date
Clerks, Technicians and Non-Supervisory Engineers - Local 3713....	127	December 31, 2010
Supervisors - Local 1026.....	55	December 31, 2010
Operational - Local 184.....	330	December 31, 2010
Total Union Employees.....	512	

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. 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.

A committee on Hydroelectric Development is responsible for the acquisition, construction and operation of hydroelectric plants. The District operates two hydroelectric generating facilities, one at Goodwin Dam in Hartford, and one at the Colebrook River Dam in Colebrook. See "Hydroelectric Development Program" herein.

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

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

In conjunction with the Connecticut Resources Recovery Authority (the "CRRA"), the District is responsible for all waste processing portions of the resource recovery facility for the Mid-Connecticut region. On a cost pass-through basis, the District is providing the necessary administrative and technical support for the operation of the system. However, the CRRA indemnifies, defends and holds harmless the District, its Commissioners and Boards, employees and agents, its successors or assigns, as is now or hereafter may be constituted, from and against all liability claims, suits (except suits for specific performance), demands, judgments, costs, interest and expenses. In addition, total debt service of the Mid-Connecticut project is the sole responsibility of the CRRA.

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 as part of the District's water budget and recovered through water rates.

II. WATER POLLUTION CONTROL

FACILITIES FOR SEWER SERVICE As of December 31

<u>Facilities for Sewer Service</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total General Fixed Assets ¹	\$435,091,398	\$408,506,593	\$371,378,043	\$357,040,073	\$358,605,030
Miles of Sewers:					
Sanitary.....	1,071	1,068	1,063	1,059	1,055
Combined.....	160	160	160	160	160
Storm.....	71	71	70	69	69
Estimated Sewer Connections.....	112,600	111,988	111,284	110,795	110,047
 <u>Estimated Sewered</u>					
Population Units:					
Estimated Population.....	358,251	361,428	360,841	360,610	359,640
Estimated Family Units Sewered.....	145,630	146,922	146,683	146,590	146,667
Present Sewage Plant Capacity:					
Design Population.....	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)...	105	105	105	105	105
Average Daily Flow (million gallons).	73	73	73	73	73

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

Source: District Officials.

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

Regulatory Compliance: The Metropolitan District entered into consent order and a consent decree with the State Department of Environmental Protection, Department of Justice, and the US 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 its member towns 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)**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$2.08	\$1.96	\$1.84	\$1.70	\$1.61

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 on users of District water who also use the District's sewer system in order to repay the indebtedness to be issued for the District's 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 overall cost is estimated at approximately \$1.6 billion. A second referendum 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. The Special Sewer Service Surcharge is expected to increase annually up to an estimated \$4.55 by Fiscal Year 2020.

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

<u>2008</u>
\$0.35

Source: District Officials.

III. WATER OPERATIONS

Shortly after The Metropolitan District was created in 1929, approval was obtained from the Connecticut General Assembly and the Member Municipalities' 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 2007 was 54.55 million gallons per day.

FACILITIES FOR WATER SERVICE As of December 31

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total Utility Plant.....	\$270,879,022	\$255,320,534	\$233,484,991	\$226,545,838	\$215,327,074
Net Addition to Plant.....	15,558,488	21,835,543	6,939,153	11,218,764	25,136,815
Miles of Water Mains.....	1,534	1,530	1,520	1,512	1,507
Gross Miles Added During Year.....	4	10	8	5	6
Number of Hydrants.....	11,362	11,324	11,207	11,433	11,382
Number of Services.....	100,598	99,881	99,764	99,673	99,589
Number of Meters.....	99,600	99,069	97,764	97,460	96,527
Estimated Population Served.....	398,400	396,276	391,056	389,840	386,108

Source: District Officials.

NUMBER OF WATER CUSTOMERS As of December 31

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Domestic.....	96,594	92,853	91,657	91,146	90,880
Commercial.....	6,035	5,764	6,030	6,075	6,139
Industrial.....	622	613	655	671	692
Public & Other...	1,813	1,777	1,809	1,809	1,830
Total.....	105,064	101,007	100,151	99,701	99,541

Source: District Officials.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Domestic.....	31.67	31.68	31.02	32.03	31.72
Commercial.....	9.63	9.60	10.06	10.15	10.41
Industrial.....	1.73	1.78	1.78	2.34	2.86
Municipal & Other.....	3.95	3.82	4.03	3.78	3.78
Total Million Gallons Per Day¹.....	46.98	46.88	46.89	48.30	48.77
Maximum Day.....	78.38	80.49	87.79	76.19	76.74
Minimum Day.....	42.69	40.52	45.31	44.92	46.07

¹ Represents net consumption billed.

Source: District Officials.

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

2008	2007	2006	2005	2004
\$2.21	\$1.96	\$1.84	\$1.77	\$1.57

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 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 101,000 quarterly and monthly customers; 99,000 of these accounts are billed quarterly, and the remaining 2,000 accounts are billed monthly.

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

IV. HYDROELECTRIC DEVELOPMENT PROGRAM

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

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

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

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

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

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

V. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Town of Bloomfield				Town of East Hartford			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2006	20,643	5.4	789	2006	48,934	(1.3)	2,606
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 ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2006	124,699	0.1	6,939	2006	29,586	1.0	2,245
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 ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2006	18,835	4.8	1,365	2006	60,794	(4.4)	2,719
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 ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2006	26,057	(0.8)	1,988	2006	28,703	1.7	970
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

¹ Connecticut Department of Health Services, Estimate 2006.
1960-2000 – U.S. Department of Commerce, Bureau of Census.

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

AGE DISTRIBUTION OF THE POPULATION

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	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
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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 Harford		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

As of April, 2008

Employer	Product	Location	of Employees Estimated Number
United Technologies.....	Manufacturer	Hartford	26,400
The Hartford Financial Group.....	Insurance	Hartford	12,100
Pratt and Whitney Aircraft.....	Manufacturer	East Hartford	8,000
Aetna Inc.....	Insurance	Hartford	7,266
St. Paul Travelers Co.....	Insurance	Hartford	6,700
Hartford Hospital.....	Hospital	Hartford	6,377
Saint Francis Hospital.....	Hospital	Hartford	3,892
CIGNA Corp.....	Insurance	Bloomfield	3,463
United Health Care.....	Insurance	Hartford	3,000
ING Group.....	Financial Services	Hartford	2,000
University of Hartford.....	University	West Hartford	1,500
Hartford Life.....	Insurance	Windsor	1,450
MetLife.....	Insurance	Hartford	1,310
Alstom Power Equipment.....	Power Generation Equipment	Windsor	1,250
Hartford Courant.....	Newspaper	Hartford	1,100
Uniprise.....	Insurance/Financial Services	Hartford	1,018
Kaman Corporation.....	Manufacturer	Bloomfield	924
Stanadyne.....	Manufacturer	Windsor	820
Hebrew Home.....	Health Care	West Hartford	750
Wiremold Product, Inc.....	Manufacturer	West Hartford	720
Coca Cola.....	Bottler	East Hartford	650
Westinghouse Electric Company..	Manufacturer	Windsor	600
Homegoods Distribution.....	Wholesale Distribution	Bloomfield	572
St. Joseph's College.....	University	West Hartford	540
Colt Manufacturing.....	Manufacturer	West Hartford	520
Macy's.....	Retail	West Hartford	500
Sysco Food Services.....	Whole Food Distributor	Rocky Hill	500
Data-Mail.....	Mail Services	Newington	500
American Airlines.....	Airline	Windsor	475
Jacobs Vehicle Systems.....	Manufacturer	Bloomfield	475
Riversdie Health.....	Health Care	East Hartford	460
ADVO Inc.....	Mail Order Distributin Service	Windsor	450
Bank of America.....	Financial Services	Windsor	420
Northeast Utilities.....	Utility	Windsor	410
Sunlife Financial Services.....	Financial Services	Windsor	400
Konica Minolta.....	Imaging & Print Processor	Windsor	400
St. Mary's Home.....	Health Care	West Hartford	400
Loctite Corporation.....	Manufacturer	Rocky Hill	400
Seabury.....	Health Care	Bloomfield	400
Cedarcrest Regional Hospital.....	Health Care/Hospital	Newington	380
Goodrich.....	Manufacturer	West Hartford	375
CIGNA Corp.....	Insurance	Windsor	350
Cabela's.....	Retail	East Hartford	346
Oakleaf Waste Management.....	Waste Management Service	East Hartford	345
Fiserv.....	Financial Services	Rocky Hill	340
Aetna Inc.....	Insurance	Windsor	300
HoloKrome.....	Manufacturer	West Hartford	300
CSC Financial, Inc.....	Financial Services	East Hartford	300
Connecticut Natural Gas.....	Utility	East Hartford	298
Duncaster.....	Health Care	Bloomfield	276

Source: 2007 MDC Member Municipalities Audits.

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	235.6%
Manufacturing.....	1,098	8.7%	1,895	12.8%	246,607	581.6%
Wholesale Trade.....	406	3.2%	558	3.8%	53,231	125.5%
Retail Trade.....	1,156	9.2%	1,312	8.8%	185,633	437.8%
Transportation and warehousing, and utilities....	428	3.4%	997	6.7%	64,662	152.5%
Information	368	2.9%	348	2.3%	55,202	130.2%
Finance, insurance, real estate, and rental and leasing.....	2,356	18.7%	2,354	15.9%	163,568	385.8%
Professional, scientific, management, administrative, and waste management svcs....	1,219	9.7%	1,287	8.7%	168,334	397.0%
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	262.8%
Other services (except public administration)....	617	4.9%	586	3.9%	74,499	175.7%
Public Administration	1009	8.0%	994	6.7%	67,354	158.8%
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 ¹	Percentage Unemployed				
	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
February 2008.....	5.9%	6.8%	10.5%	4.9%	4.4%
January 2008.....	5.5	6.5	10.2	4.6	4.6
December 2007.....	5.2	5.9	9.3	3.9	4.1
October 2007.....	5.1	5.6	8.0	3.7	3.6
August 2007.....	5.2	6.3	9.2	4.0	3.8
Annual Average					
2006.....	5.2	5.6	8.7	3.7	3.5
2005.....	5.8	6.4	9.6	4.3	4.0
2004.....	6.1	6.6	10.0	4.4	4.2
2003.....	6.8	7.3	11.2	4.9	4.8
2002.....	5.3	6.2	8.8	3.9	3.7
2001.....	3.4	4.2	7.0	2.6	2.2
2000.....	2.4	3.0	4.8	2.2	1.8
1999.....	3.2	4.0	6.4	2.6	2.3
1998.....	3.5	4.2	6.8	2.6	2.7
1997.....	5.5	6.5	10.0	4.5	4.2

Percentage Unemployed

<u>Period</u> ¹	<u>Town of West Hartford</u>	<u>Town of Wethersfield</u>	<u>Town of Windsor</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
February 2008.....	4.4%	4.7%	4.8%	5.6%	5.5%
January 2008.....	4.3	4.7	4.6	5.4	5.3
December 2007.....	3.9	4.1	4.0	4.7	4.5
October 2007.....	3.9	3.7	3.9	4.3	4.2
August 2007.....	4.4	4.1	4.5	4.8	4.6
Annual Average					
2006.....	3.8	4.1	4.1	4.4	4.3
2005.....	4.3	4.6	4.6	5.0	4.9
2004.....	4.4	4.7	4.9	5.2	4.9
2003.....	4.8	5.0	5.6	5.8	5.5
2002.....	3.7	3.7	4.3	4.5	4.4
2001.....	2.2	2.5	3.0	3.3	3.3
2000.....	1.6	2.2	2.0	2.4	2.2
1999.....	2.3	2.7	3.0	3.3	3.2
1998.....	2.7	2.8	3.0	3.4	3.4
1997.....	4.2	4.3	5.0	5.3	5.1

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

<u>Year Built</u>	<u>Town of Bloomfield</u>		<u>Town of East Hartford</u>		<u>City of Hartford</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>
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%
<u>Year Built</u>	<u>Town of Newington</u>		<u>Town of Rocky Hill</u>		<u>Town of West Hartford</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>
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%
<u>Year Built</u>	<u>Town of Wethersfield</u>		<u>Town of Windsor</u>		<u>State of Connecticut</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>
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 ¹		\$228,000		\$180,000		\$170,000

Specified Owner-Occupied Units	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	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 ¹		\$235,000		\$238,000		\$292,000

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 ¹		\$238,000		\$230,000		\$317,390

¹ Median Sales Price, The Warren Group, 2007.

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 sewer operations. 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
2007	\$1,708,554,979	0.7%	2007	\$3,146,966,625	16.8%
2006	1,696,717,277	-1.2%	2006 ²	2,694,830,705	15.3%
2005	1,717,320,856	3.6%	2005	2,336,874,270	0.2%
2004 ¹	1,657,459,741	45.3%	2004	2,332,474,885	-0.9%
2003	1,140,876,711	-2.2%	2003	2,352,765,590	0.5%
2002	1,166,346,561	4.1%	2002	2,342,001,572	2.1%
2001	1,120,231,522	-2.7%	2001 ¹	2,292,817,676	9.7%
2000 ¹	1,150,864,990	-21.1%	2000	2,090,960,743	1.0%
1999	1,458,494,204	1.8%	1999	2,071,069,610	7.3%
1998	1,432,866,519	0.9%	1998	1,930,752,610	8.3%

City of Hartford			Town of Newington		
Grand List of 10/1	Net Taxable Grand List	% Growth	Grand List of 10/1	Net Taxable Grand List	% Growth
2007	\$3,460,283,369	4.5%	2007	\$2,633,871,419	1.6%
2006 ²	3,312,624,184	-6.6%	2006	2,591,151,718	1.0%
2005	3,547,708,558	2.6%	2005 ¹	2,565,009,043	45.3%
2004	3,457,418,570	-1.3%	2004	1,765,120,445	1.1%
2003	3,501,381,134	-2.2%	2003	1,745,823,063	-1.8%
2002	3,579,222,711	0.7%	2002	1,778,118,394	2.7%
2001	3,553,165,224	-0.8%	2001	1,730,621,316	2.3%
2000	3,580,070,367	0.8%	2000 ¹	1,692,290,476	0.5%
1999 ¹	3,550,846,816	-38.2%	1999	1,684,667,425	3.3%
1998	5,747,344,878	0.2%	1998	1,630,252,325	2.0%

¹ Revaluation Year.	¹ Revaluation Year.
² Revaluation Year. The City has implemented a five-year phase-in of the revaluation.	² Revaluation Year. The Town has implemented a two-year phase-in of the revaluation.

Town of Rocky Hill

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2007	\$1,661,328,926	1.6%
2006	1,635,788,836	2.0%
2005	1,603,291,244	1.7%
2004	1,575,853,180	2.8%
2003 ¹	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%
1999 ¹	1,140,262,870	-12.3%
1998	1,300,699,410	3.9%

¹ Revaluation Year.

Town of West Hartford

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2007	\$4,889,688,191	8.7%
2006 ¹	4,498,455,000	21.2%
2005	3,710,940,390	1.3%
2004	3,661,731,590	0.9%
2003	3,627,960,740	-0.3%
2002	3,638,855,000	0.7%
2001	3,614,778,748	1.1%
2000	3,575,645,530	0.5%
1999 ¹	3,559,024,147	-8.2%
1998	3,875,638,031	0.8%

¹ Revaluation Year.

¹ Revaluation Year. The Town has 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>
2007	\$2,003,873,313	0.6%
2006	1,991,317,830	-0.1%
2005	1,993,613,000	1.1%
2004	1,972,875,000	0.9%
2003 ¹	1,954,539,220	33.9%
2002	1,460,138,000	0.5%
2001	1,452,892,840	1.0%
2000	1,439,091,830	1.0%
1999 ¹	1,424,141,865	-21.9%
1998	1,823,552,120	1.2%

¹ Revaluation year.

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

Town of Windsor

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2007	\$2,590,683,323	7.9%
2006	2,401,788,440	4.3%
2005	2,303,733,056	0.9%
2004	2,283,464,552	1.8%
2003 ¹	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%
1999	1,650,906,160	-19.2%
1998	2,044,330,830	2.2%

¹ Revaluation year.

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF BLOOMFIELD

<u>Grand List of 10/1</u>	<u>Fiscal Year Ending 6/30</u>	<u>Net Taxable Grand List</u>	<u>Mill Rate</u>	<u>Tax Levy</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
					<u>Annual Levy Collected End of Fiscal Year</u>	<u>Annual Levy Uncollected End of Fiscal Year</u>	<u>Annual Levy Uncollected 6/30/2007</u>
2007	2009	\$1,708,554,979	36.05	\$61,596,821	-	-	-
2006	2008	1,696,717,277	34.33	57,670,673	-	-	-
2005	2007	1,717,320,856	32.50	53,838,811	97.9%	2.1%	2.1%
2004	2006	1,657,459,741	31.03	50,367,798	97.9%	2.1%	1.0%
2003	2005	1,140,876,711	42.33	48,139,008	97.2%	2.8%	0.3%
2002	2004	1,166,346,561	39.80	45,019,634	97.9%	2.1%	0.1%
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%
1999	2001	1,458,494,204	27.75	39,102,837	98.4%	1.6%	0.0%
1998	2000	1,432,866,519	23.00	36,206,122	98.2%	1.8%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF EAST HARTFORD

Grand List of 10/1	Fiscal Year 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 6/30/2007
2007	2009	\$3,146,966,625	31.67	\$98,309,540	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	2,694,830,705	36.12	95,395,637	<i>- In Process of Collection -</i>		
2005	2007	2,336,874,270	43.62	102,173,000	97.5%	2.5%	2.5%
2004	2006	2,332,474,885	41.34	96,830,000	97.5%	2.5%	1.0%
2003	2005	2,352,765,590	40.33	94,983,000	97.8%	2.2%	0.1%
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%
1999	2001	2,071,069,610	37.62	78,235,500	96.2%	3.8%	0.0%
1998	2000	1,930,752,610	37.49	72,877,545	96.8%	3.2%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – CITY OF HARTFORD

Grand List of 10/1	Fiscal Year 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 6/30/2007
2006	2008	\$3,312,624,184	63.39	\$228,538,167	<i>- In Process of Collection -</i>		
2005	2007	3,547,708,558	64.82	229,569,000	95.5%	4.5%	4.5%
2004	2006	3,457,418,570	60.82	210,325,000	94.6%	5.4%	2.3%
2003	2005	3,501,381,134	56.32	194,592,000	95.2%	4.8%	1.6%
2002	2004	3,579,222,711	52.92	185,277,000	94.5%	5.5%	1.1%
2001	2003	3,553,165,224	48.00	170,342,000	93.3%	6.7%	0.1%
2000	2002	3,580,070,367	48.00	169,964,000	95.1%	4.9%	0.1%
1999	2001	3,550,846,816	47.00	165,083,160	95.2%	4.8%	0.1%
1998	2000	5,747,344,878	29.50	166,795,741	94.6%	5.4%	0.1%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF NEWINGTON

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2007
2007	2009	\$2,633,871,419	27.68	\$70,897,801	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	2,591,151,718	26.91	67,804,681	<i>- In Process of Collection -</i>		
2005	2007	2,565,009,043	25.76	66,006,000	99.2%	0.8%	0.8%
2004	2006	1,765,120,445	36.43	64,878,000	98.6%	1.4%	0.3%
2003	2005	1,745,823,063	34.24	59,689,000	99.0%	1.0%	0.1%
2002	2004	1,778,118,394	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%	0.1%
2000	2002	1,692,290,476	28.58	48,680,400	98.9%	1.1%	0.1%
1999	2001	1,684,667,425	27.75	46,864,940	98.8%	1.2%	0.1%
1998	2000	1,630,252,325	27.17	44,718,461	98.6%	1.4%	0.1%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF ROCKY HILL

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2007
2007	2009	\$1,661,328,926	29.10	\$45,783,025	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	1,635,788,836	28.40	47,903,799	<i>- In Process of Collection -</i>		
2005	2007	1,603,291,244	28.00	45,313,396	99.4%	0.6%	0.6%
2004	2006	1,575,853,180	25.80	40,962,333	99.4%	0.6%	0.2%
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%
1999	2001	1,140,262,870	26.80	30,876,807	99.2%	0.8%	0.0%
1998	2000	1,300,699,410	22.03	28,813,432	99.2%	0.8%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WEST HARTFORD

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2007
2007	2009	\$4,889,688,191	38.11	\$182,680,557	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	4,498,455,000	38.63	168,692,640	<i>- In Process of Collection -</i>		
2005	2007	3,710,940,390	46.19	172,700,000	99.2%	0.8%	0.8%
2004	2006	3,661,731,590	44.07	162,715,000	99.3%	0.7%	0.3%
2003	2005	3,627,960,740	42.12	153,918,000	99.3%	0.7%	0.0%
2002	2004	3,627,787,640	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%
1999	2001	3,559,024,147	34.36	122,520,000	99.0%	1.0%	0.0%
1998	2000	3,875,638,031	30.05	117,131,000	99.1%	0.9%	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 6/30/2007
2007	2009	\$2,003,873,313	34.97	\$68,737,667	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	1,991,317,830	32.94	64,359,110	<i>- In Process of Collection -</i>		
2005	2007	1,993,613,000	32.43	64,626,417	99.0%	1.0%	1.0%
2004	2006	1,972,875,000	30.19	59,775,611	99.3%	0.7%	0.3%
2003	2005	1,954,539,220	28.35	55,410,583	99.3%	0.7%	0.1%
2002	2004	1,460,138,000	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%
1999	2001	1,424,141,865	30.81	43,888,573	98.8%	1.2%	0.0%
1998	2000	1,823,552,120	23.12	42,063,191	98.8%	1.2%	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 6/30/2007
2007	2009	\$2,590,683,323	30.10	\$77,932,383	<i>- To be Collected 7/08 -1/09 -</i>		
2006	2008	2,401,788,440	29.30	70,316,194	<i>- In Process of Collection -</i>		
2005	2007	2,303,733,056	29.30	68,003,214	98.7%	1.3%	1.3%
2004	2006	2,283,464,552	28.73	66,125,430	98.8%	1.2%	0.4%
2003	2005	2,243,767,090	28.83	65,083,579	98.9%	1.1%	0.1%
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%
1999	2001	1,650,906,160	29.70	49,311,069	98.7%	1.3%	0.0%
1998	2000	2,044,330,830	22.70	46,572,130	98.9%	1.1%	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	\$64,583,380	3.78%
Metropolitan Tower Life Insurance Co...	Insurance	45,529,790	2.66%
Duncaster Inc.....	Retirement Community	30,816,600	1.80%
Connecticut Light & Power Company.....	Utility	24,559,120	1.44%
Pepperidge Farm Inc.....	Baked Goods	24,253,920	1.42%
AMCAP Copaco LLC.....	Real Estate	23,703,010	1.39%
Bouwfonds Hawthorne LP.....	Real Estate	21,655,650	1.27%
Jacobs Vehicle System, Inc.....	Manufacturing	17,882,620	1.05%
Church Home of Hartford Inc.....	Retirement Community	17,046,680	1.00%
Kaman Corporation.....	Manufacturing	13,550,740	0.79%
Total.....		\$283,581,510	16.60%

¹ Based on a 10/1/07 Net Taxable Grand List of \$1,708,554,979.

Source: Assessor's Office, Town of Bloomfield.

TEN LARGEST TAXPAYERS – TOWN OF EAST HARTFORD

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
United Technologies Corp.....	Manufacturing	\$354,024,670	11.25%
Cabela's Inc.....	Retail	27,148,300	0.86%
Coca-Cola Bottling Co.....	Beverage Mfg./Distributor	26,728,500	0.85%
Fremont Riverview LLC.....	Offices	24,293,090	0.77%
Ansonia Acquisitions LLC.....	Apartments	23,717,470	0.75%
Connecticut Natural Gas Corp.....	Utility	21,435,140	0.68%
Connecticut Light and Power Company...	Utility	20,890,960	0.66%
Computer Sciences Corp.....	Leasing	20,618,880	0.66%
Merchant 99 111 Founders LLC.....	Offices	16,638,720	0.53%
East Hartford Founders LLC.....	Offices	15,207,610	0.48%
Total.....		\$550,703,340	17.50%

¹ Based on a 10/1/07 Net Taxable Grand List of \$3,146,966,625.

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	\$141,236,280	4.08%
Travelers Indemnity Co. Affiliate.....	Insurance	128,410,520	3.71%
Connecticut Light and Power Company...	Utility	110,370,880	3.19%
Aetna Life Insurance Co. & Annuity.....	Insurance	87,313,192	2.52%
Northland Properties.....	Real Estate	85,701,106	2.48%
CityPlace I LTD Partnership.....	Real Estate	58,119,810	1.68%
Mac-State Square LLC.....	Real Estate	56,232,740	1.63%
Bank of America, NA.....	Banking	55,276,200	1.60%
Hartford Steam Boiler.....	Manufacturing	44,402,852	1.28%
Talcott II Gold, LLC.....	Real Estate	44,321,680	1.28%
Total.....		\$811,385,260	23.45%

¹ Based on a 10/1/07 Net Taxable Grand List of \$3,460,283,369.
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	\$27,194,770	1.03%
Kohler Mix Specialities LLC.....	Manufacturer	26,554,330	1.01%
Newington VF LLC.....	Shopping Center	20,392,470	0.77%
Galileo Turnpike Plaza LLC.....	Shopping Center	19,703,670	0.75%
TLG Newington LLC.....	Shopping Center	18,826,360	0.71%
Newington-Berlin Retail LLC.....	Real Estate	18,777,850	0.71%
Hayes Kaufman Newington Assoc. LLC..	Real Estate	13,230,000	0.50%
Volvo Aero Connecticut LLC.....	Manufacturer	11,792,090	0.45%
Hartford Hospital.....	Hospital	11,150,120	0.42%
Target Stores Corp.....	Department Store	10,878,910	0.41%
Total.....		\$178,500,570	6.78%

¹ Based on a 10/1/07 Net Taxable Grand List of \$2,633,871,419
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>
Five Hundred Enterprise Nominee Tr....	Real Estate	\$26,524,674	1.60%
Gallery-Towers Apartments.....	Apartments	21,476,390	1.29%
Henkel Corporation.....	Manufacturer of Adhesives	18,504,360	1.11%
EAT Glenbrook LLC.....	Warehouse	14,751,970	0.89%
Sysco Food Services of CT.....	Distribution Warehouse	13,253,210	0.80%
Connecticut Light and Power Company...	Utility	11,344,700	0.68%
Acadia Town Line LLC.....	Real Estate	10,356,720	0.62%
Rocky Hill Assoc LTD Partnership.....	Real Estate	10,117,530	0.61%
Rocky Hill Holdings LLC.....	Real Estate	9,526,140	0.57%
Corporate Ridge Hotel LTD PRT.....	Hotel	9,520,000	0.57%
Total.....		\$145,375,694	8.75%

¹ Based on a 10/1/07 Net Taxable Grand List of \$1,661,328,926.
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	\$39,182,000	0.80%
West Farms Associates.....	Shopping Mall	35,000,000	0.72%
Corbins Corner Shopping Center LLC....	Retail, Office	34,558,100	0.71%
E & A Northeast LP.....	Retail, Office	27,932,870	0.57%
Connecticut Light and Power Company...	Utility	26,673,610	0.55%
Town Center West Associates.....	Office	23,053,600	0.47%
Wiremold Company.....	Industrial	21,874,860	0.45%
Sisters of Mercy/McAuley Center.....	Assisted Living	15,962,800	0.33%
Prospect Plaza Improvments, LLC.....	Retail	14,619,400	0.30%
Bishops Albany, LLC.....	Retail	17,038,800	0.35%
Total.....		\$255,896,040	5.23%

¹ Based on a 10/1/07 Net Taxable Grand List of \$4,889,688,191.
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>
Connecticut Light and Power Company...	Utility	\$20,186,600	1.01%
Wethersfield Residential Assoc.....	Apartments	14,614,500	0.73%
100 Great Meadow Road.....	Real Estate	12,514,100	0.62%
Jordan Lane Associates LLC.....	Shopping Center	10,430,000	0.52%
Executive Square LTD Partnership.....	Apartments	10,224,000	0.51%
Crossstone Realty Associates.....	Convalescent Home	10,013,800	0.50%
Wethersfield Shopping Center.....	Shopping Center	8,498,300	0.42%
Connecticut Natural Gas.....	Utility	7,713,900	0.38%
Wethersfield LLC.....	Real Estate	5,537,400	0.28%
1290 Realty LLC.....	Real Estate	5,077,200	0.25%
Total.....		\$104,809,800	5.23%

¹ Based on a 10/1/07 Net Taxable Grand List of \$2,003,873,313
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	\$113,459,740	4.38%
Griffin Land & Affiliates.....	Real Estate	50,310,970	1.94%
IBM & Affiliates.....	Information Technology	41,822,862	1.61%
CIGNA.....	Insurance	38,418,037	1.48%
Northeast Utilities.....	Utility	38,021,937	1.47%
Ferraina & Affiliates.....	Real Estate	32,481,104	1.25%
Advo Inc (Now Valassis).....	Marketing Services	24,714,933	0.95%
ABB Combustion.....	Manufacturer	20,750,086	0.80%
Aetna Life Insurance.....	Insurance	20,479,767	0.79%
Windsor Marriot.....	Hotel & Conference Center	19,903,213	0.77%
Total.....		\$400,362,649	15.45%

¹ Based on a 10/1/07 Net Taxable Grand List of \$2,590,683,323.
Source: Assessor's Office, Town of Windsor.

EQUALIZED NET GRAND LIST

Town of Bloomfield

Grand List of 10/1	Equalized Net Grand List	% Growth
2005	\$3,018,109,847	23.13%
2004	2,451,100,334	-3.37%
2003	2,536,505,711	12.62%
2002	2,252,300,627	9.25%
2001	2,061,653,818	20.70%
2000	1,708,087,873	-5.18%
1999	1,801,437,709	1.61%
1998	1,772,952,786	7.01%
1997	1,656,793,263	14.74%
1996	1,443,994,057	-7.32%
1995	1,558,014,370	2.86%

Town of East Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
2005	\$4,786,965,847	9.88%
2004	4,356,509,975	3.65%
2003	4,202,990,710	7.68%
2002	3,903,131,066	15.15%
2001	3,389,738,837	7.84%
2000	3,143,283,796	9.08%
1999	2,881,528,040	6.94%
1998	2,694,615,966	2.12%
1997	2,638,748,403	0.26%
1996	2,631,893,039	1.02%
1995	2,605,400,294	-3.75%

City of Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
2005	\$9,210,207,486	8.21%
2004	8,511,588,775	13.23%
2003	7,516,844,095	15.37%
2002	6,515,441,287	4.64%
2001	6,226,723,655	7.46%
2000	5,794,370,126	13.63%
1999	5,099,500,077	1.54%
1998	5,022,219,165	14.15%
1997	4,399,684,913	-5.45%
1996	4,653,099,325	-5.94%
1995	4,947,149,851	-9.68%

Town of Newington

Grand List of 10/1	Equalized Net Grand List	% Growth
2005	\$3,714,043,661	-8.34%
2004	4,051,823,902	15.60%
2003	3,505,059,414	6.65%
2002	3,286,385,834	14.57%
2001	2,868,380,207	16.27%
2000	2,467,004,166	3.00%
1999	2,395,229,897	9.56%
1998	2,186,286,234	5.73%
1997	2,067,772,567	0.25%
1996	2,062,663,832	1.46%
1995	2,032,912,669	-0.79%

Town of Rocky Hill

Grand List of 10/1	Equalized Net Grand List	% Growth
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%
1998	1,519,588,773	15.74%
1997	1,312,960,897	-5.33%
1996	1,386,897,770	-10.19%
1995	1,544,329,302	23.83%

Town of West Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
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%
1998	4,847,674,505	9.89%
1997	4,411,444,629	4.90%
1996	4,205,456,959	-2.62%
1995	4,318,613,434	-4.62%

Town of Wethersfield			Town of Windsor		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2005	\$3,728,964,091	5.31%	2005	\$4,152,615,879	10.89%
2004	3,541,097,244	26.68%	2004	3,744,909,821	14.72%
2003	2,795,283,343	-4.73%	2003	3,264,253,914	-4.07%
2002	2,934,207,370	12.87%	2002	3,402,721,292	9.48%
2001	2,599,590,018	7.42%	2001	3,108,204,837	11.09%
2000	2,420,108,052	18.44%	2000	2,797,870,646	15.65%
1999	2,043,398,264	-4.16%	1999	2,419,305,071	0.08%
1998	2,132,171,307	8.69%	1998	2,417,282,817	6.23%
1997	1,961,787,601	3.89%	1997	2,275,471,748	1.37%
1996	1,888,388,342	-2.48%	1996	2,244,654,003	-3.49%
1995	1,936,349,230	-0.20%	1995	2,325,772,727	3.16%

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, 2003 through December 31, 2007 and for the Member Municipalities for fiscal years ended June 30, 2003 through June 30, 2007 was taken from audited financial statements. The estimated financial information for the District for the fiscal year ending December 31, 2007 was prepared by management of the District. Budget and audited financial data for the Member Municipalities of the District was provided by 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 Principals ("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 legal level of budgetary control is at the function level except for the engineering and planning, operations, water pollution control, plants and maintenance functions, which are controlled at the activity level due to the size of their operating budgets. Purchase amounts are encumbered prior to the release of purchase orders to vendors. Purchase orders that may result in an overrun of the budget line item within the sub-function level appropriation balances are not released until additional appropriations are made available. The Chief Executive Officer has the authority to transfer budgeted amounts between items comprising an appropriation for a given department or activity level. Any revisions that alter total appropriations at the level of control must have the prior approval of the Board of Finance and the District Board.

DEBT ADMINISTRATION POLICY

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

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 "Authorized but Unissued Debt – The District" herein*), bonds of the Metropolitan District are general obligations and are payable from unlimited taxes levied proportionately upon the Member Municipalities comprising the District. In addition to taxes, certain water charges, sewer user fees, and assessments may be 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. 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, 2006, 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 February 2, 2004. 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 10% of annual covered payroll. The District's recommended calculation for 2007 was \$3,710,728. As of January 1, 2007, the funded ratio of the plan was 92.83%.

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 cost for health care and life insurance benefits for 529 and 535 retirees for the years ended December 31, 2007 and December 31, 2006 respectively, are \$4,035,877 and \$4,721,908.

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, 2007 is \$146,467,950. Currently the District follows a pay as you go methodology with respect to funding, however, the District is currently evaluating several options for funding, one of which is to establish a fiduciary fund specifically for OPEB liability and fund annual contributions based upon actuarial calculations.

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. Also, self insurance exists for workers' compensation up to \$500,000 and property up to \$100,000. Insurance coverage exists to cover workers' compensation and property claims that exceed \$500,000 and \$100,000, respectively. The self insured limit is \$250,000, respectively, for general and automobile liability. The deductibles on other types of coverage range from \$2,500 to \$250,000. These self-insurance limits activities are accounted for in the Self-Insurance Internal Service Fund.

COMPENSATED ABSENCES

The District's full liability for accumulated unpaid vacation, sick pay and other employee benefit amounts 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, 2007 were \$7,151,180.

**REVENUES AND APPROPRIATIONS
BUDGETS FOR 2007 AND 2008**

<u>Water Revenues</u>	<u>Budget 2008</u>	<u>Budget 2007</u>
Sale of Water & Other Operating Revenues.....	\$58,250,075	\$52,102,060
Non-Operating Revenue.....	2,026,000	1,443,000
Total Revenues and Other Financing Sources - Water...	\$60,276,075	\$53,545,060
<u>Sewer Revenues</u>		
Tax on Member Municipalities.....	32,670,177	30,966,992
Revenue From Other Governmental Agencies.....	8,400,000	7,027,700
Sewer User Charge Revenue.....	4,908,723	4,723,998
Other Sewer Revenues.....	1,307,000	1,062,000
Revenue Surplus Designated from Prior Year.....		600,000
Contributions From Other Funds.....	3,800,000	3,400,000
Total Revenues and Other Financing Sources - Sewer...	\$51,085,900	\$47,780,690
Hydroelectric Revenues.....	1,910,100	2,178,700
Mid-Connecticut Project Revenues.....	16,530,400	15,840,000
Total Revenues and Other Financing Sources.....	\$129,802,475	\$119,344,450

	<u>2008</u>			<u>2007</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Appropriations Water And Sewer Budgets						
District Board.....	\$ 127,792	\$ 133,008	\$ 260,800	\$ 114,170	\$ 118,830	\$ 233,000
Executive Office.....	563,724	442,926	1,006,650	485,940	381,810	867,750
Administrative Services.....	159,740	166,260	326,000	144,403	150,297	294,700
Legal.....	863,846	529,454	1,393,300	861,800	528,200	1,390,000
Human Resources.....	1,100,624	674,576	1,775,200	1,003,036	614,764	1,617,800
Chief Administrative Office.....	252,224	141,876	394,100	216,704	121,896	338,600
Information Technology.....	2,288,050	1,126,950	3,415,000	1,921,108	946,217	2,867,325
Finance.....	1,886,080	1,060,920	2,947,000	1,661,248	934,452	2,595,700
Environment, Health, Safety.....	897,180	283,320	1,180,500	782,914	247,236	1,030,150
Engineering and Planning.....	1,674,244	1,484,706	3,158,950	1,587,509	1,407,791	2,995,300
Customer Service.....	1,974,273	433,377	2,407,650	1,857,669	407,781	2,265,450
Operations.....	7,494,938	2,498,312	9,993,250	6,794,775	2,264,925	9,059,700
Chief Operating Office.....	390,500	390,500	781,000	245,400	245,400	490,800
Water Pollution Control.....	-	16,613,700	16,613,700	-	15,354,400	15,354,400
Maintenance.....	4,097,184	3,782,016	7,879,200	3,694,473	3,410,282	7,104,755
Water Treatment, Supply.....	6,511,600	-	6,511,600	5,818,400	-	5,818,400
Water Supply.....	3,109,525	-	3,109,525	2,873,180	-	2,873,180
Patrol.....	1,114,600	-	1,114,600	741,500	-	741,500
Debt Service.....	6,687,921	12,450,329	19,138,250	4,509,900	11,820,100	16,330,000
Employee Benefits.....	10,789,273	5,999,877	16,789,150	10,200,800	5,639,200	15,840,000
General Insurance.....	2,414,370	1,034,730	3,449,100	2,549,050	1,092,450	3,641,500
Taxes and Fees.....	2,540,000	-	2,540,000	2,420,000	-	2,420,000
Special Agreements, Programs.....	733,400	627,900	1,361,300	755,700	681,900	1,437,600
Contingencies.....	1,526,787	1,211,163	2,737,950	1,245,481	1,412,759	2,658,240
Riverfront Park Systems.....	1,078,200	-	1,078,200	1,059,900	-	1,059,900
Total Water and Sewer Budgets.....	\$ 60,276,075	\$ 51,085,900	\$ 111,361,975	\$ 53,545,060	\$ 47,780,690	\$ 101,325,750
Hydroelectric Budget.....			1,910,100			2,178,700
Mid-Connecticut Project Budget.....			16,530,400			15,840,000
Total Appropriations.....	\$ 60,276,075	\$ 51,085,900	\$ 129,802,475	\$ 53,545,060	\$ 47,780,690	\$ 119,344,450

**SOURCES OF FUNDS
BUDGETS FOR 2007 AND 2008**

<u>Sale of Water by User</u>	<u>Budget 2008</u>	<u>Budget 2007</u>
Domestic.....	34.20%	33.60%
Commercial.....	9.60	9.50
Industrial.....	1.80	1.80
Public Authority.....	4.10	3.90
Total.....	49.70%	48.80%
<u>Sewer Revenues Paid By Member Municipality Tax</u>		
Hartford.....	8.00	8.30
West Hartford.....	6.20	6.60
East Hartford.....	3.80	4.10
Windsor.....	2.60	2.80
Newington.....	2.40	2.60
Wethersfield.....	2.30	2.40
Bloomfield.....	2.10	2.20
Rocky Hill.....	1.60	1.70
Total.....	29.00%	30.70%
<u>Other Sources of Funds for Sewer & Water</u>		
Other Sewer & Water Revenues.....	21.30	20.50
Total Sources of Funds for Sewer & Water.....	100.00%	100.00%
<u>Sources of Funds for All Projects</u>		
Water revenues.....	46.40	44.90
Sewer Revenues.....	39.30	40.00
Hydroelectric Revenues.....	1.40	1.80
Mid-Connecticut Revenues.....	12.90	13.30
Total.....	100.00%	100.00%

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

	Budget 2008 ¹	Estimated Unaudited 2007 ¹	Actual 2006	Actual 2005	Actual 2004	Actual 2003
REVENUES:						
Taxation - Member Towns.....	\$32,670,177	\$30,966,992	\$29,214,143	\$26,991,288	\$25,684,985	\$24,264,660
Sewer User Fees.....	4,908,723	4,390,879	4,831,293	4,088,017	3,871,733	4,422,674
Intergovernmental	8,400,000	8,955,916	8,213,458	6,569,956	8,409,055	8,747,480
Investment Income.....	700,000	871,102	1,148,999	241,243	34,504	39,348
Other Revenues.....	1,157,000	1,354,370	377,682	725,231	484,333	622,255
Designated for Surplus.....						
Transfers In.....	3,250,000	3,250,000	3,700,000	20,668,827	10,630,123	8,049,466
Total Revenues and Transfers In.....	\$51,085,900	\$49,789,259	\$47,485,575	\$59,284,562	\$49,114,733	\$46,145,883
EXPENDITURES:						
General Government.....	\$4,275,970	\$4,315,617	\$3,777,892	\$4,335,901	\$4,546,257	\$4,123,976
Engineering & Planning.....	2,201,403	1,418,756	1,723,568	2,439,357	2,508,354	2,521,686
Operations.....	2,498,312	2,430,307	\$2,359,908	4,997,642	5,138,999	2,418,222
Plants & Maintenance.....	20,786,216	20,269,790	18,600,994	14,210,807	14,612,757	18,741,240
Employee Benefits & Other.....	5,999,877	6,798,102	8,488,057	13,001,065	12,843,986	7,433,577
Miscellaneous Expenses.....	2,873,793					
Debt Service.....						
Transfers Out.....	12,450,329	11,091,640	10,100,121	10,867,449	11,160,686	10,937,034
Total Expenditures and Transfers Out.....	\$51,085,900	\$46,324,212	\$45,050,540	\$49,852,221	\$50,811,039	\$46,175,735
Results from Operations.....		\$3,465,046	\$2,435,035	\$9,432,341	(\$1,696,306)	(\$29,852)
Fund Balance, January 1.....		\$12,014,938	\$9,579,903	\$147,562	\$1,843,868	\$1,873,720
Fund Balance, December 31.....		\$15,479,984	\$12,014,938	\$9,579,903	\$147,562	\$1,843,868

¹ Budgetary Basis.

ANALYSIS OF GENERAL FUND EQUITY
The District
(GAAP BASIS)

	Budget 2008	Estimated Unaudited 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
Reserved:						
Inventory.....	N/A	\$1,831,908	\$1,766,300	\$1,585,133		
Encumbrances.....		1,942,983	1,368,852	1,363,431		
CRRA Payments.....						\$410,868
Unreserved:						
Designated for Infrastructure Improvements.....	N/A	11,705,092	8,879,786	6,631,339		
Designated for CRRA.....					147,562	1,433,000
Total Fund Balance	N/A	\$15,479,984	\$12,014,938	\$9,579,903	\$147,562	\$1,843,868

Source: Audit Reports 2003-2006; Estimate 2007 and Budget 2008.

HISTORY OF MEMBER MUNICIPALITY'S TAXATION ¹

Member Municipality	Budget		Budget		Actual	
	2008	%	2007	%	2006	%
Bloomfield	\$ 2,368,120	7.25	\$ 2,226,432	7.19	\$ 2,068,769	7.08
East Hartford	4,279,675	13.10	4,130,459	13.34	3,967,005	13.58
Hartford	8,977,292	27.49	8,382,912	27.07	7,823,781	26.78
Newington	2,736,475	8.37	2,607,841	8.42	2,440,796	8.36
Rocky Hill	1,818,790	5.57	1,702,366	5.50	1,644,302	5.63
West Hartford	7,004,582	21.44	6,678,829	21.57	6,310,936	21.60
Wethersfield	2,578,602	7.89	2,406,436	7.77	2,253,697	7.71
Windsor	2,906,641	8.89	2,831,717	9.14	2,704,857	9.26
Total	\$ 32,670,177	100.0%	\$ 30,966,992	100.0%	\$ 29,214,143	100.0%

Member Municipality	Actual		Actual		Actual	
	2005	%	2004	%	2003	%
Bloomfield	\$ 1,904,048	7.05	\$ 1,828,344	7.12	\$ 1,692,750	6.98
East Hartford	3,621,203	13.42	3,446,828	13.42	3,223,609	13.28
Hartford	7,386,378	27.37	7,144,206	27.81	7,027,413	28.96
Newington	2,229,896	8.26	2,105,131	8.20	1,962,889	8.09
Rocky Hill	1,478,546	5.48	1,404,566	5.47	1,261,236	5.20
West Hartford	5,797,208	21.47	5,479,117	21.33	5,139,402	21.18
Wethersfield	2,090,500	7.75	1,980,519	7.71	1,856,027	7.65
Windsor	2,483,509	9.20	2,296,274	8.94	2,101,334	8.66
Total	\$ 26,991,288	100.0%	\$ 25,684,985	100.0%	\$ 24,264,660	100.0%

¹ The District has the power to levy a tax upon the Member Municipalities sufficient to finance the District's sewer operations. 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 2008 ¹	Estimated Unaudited 2007 ¹	Actual 2006	Actual 2005	Actual 2004	Actual 2003
Operating Revenues:						
Water Sales.....	\$55,509,075	\$52,679,339	\$48,524,938	\$48,374,331	\$41,716,535	\$40,418,786
Other Operating Revenues.....	2,741,000	0	0	0	0	30,192
Total Operating Revenue.....	\$58,250,075	\$52,679,339	\$48,524,938	\$48,374,331	\$41,716,535	\$40,448,978
Total Operating Expenses.....	60,276,075	46,885,378	49,363,037	47,158,863	45,268,255	46,094,142
Operating Income (Loss).....	(2,026,000)	5,793,961	(838,099)	1,215,468	(3,551,720)	(5,645,164)
Non-operating Revenues.....	2,026,000	535,664	2,189,254	1,976,233	7,397,714	17,217,755
Income (Loss) Before Interest &						
Fiscal Charges & Operating Transfers.....	0	6,329,625	1,351,155	3,191,701	3,845,994	11,572,591
Interest & Fiscal Charges.....	0	0	(1,048,398)	(1,188,545)	(939,317)	(938,595)
Income Before Operating Transfers.....	\$0	\$6,329,625	\$302,757	\$2,003,156	\$2,906,677	\$10,633,996
Net Operating Transfers.....	0	5,091,177	11,490,401	698,066	4,085,808	(1,113,111)
Net Income (Loss).....	\$0	\$11,420,802	\$11,793,158	\$2,701,222	\$6,992,485	\$9,520,885
Net Assets, January 1.....		\$237,837,183	\$226,044,025	\$223,342,803	\$216,350,318	\$206,829,433 ²
Net Assets, December 31.....		\$249,257,985	\$237,837,183	\$226,044,025	\$223,342,803	\$216,350,318

¹ Budgetary Basis.

² 12/31/03 actual reflects the impact of GASB 34.

Source: Audit Reports 2003-2006; Estimate 2007 and Budget 2008.

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

	Proposed Budget 2008 ¹	Adopted Budget 2007 ¹	Actual 2006	Actual 2005	Actual 2004	Actual 2003
Operating Revenues:						
Power Sales.....	\$780,600	\$669,106	\$1,052,947	\$946,312	\$917,355	\$868,759
Miscellaneous.....	80,000					
Total Operating Revenue.....	\$860,600	\$669,106	\$1,052,947	\$946,312	\$917,355	\$868,759
Total Operating Expenses.....	\$360,100	\$428,298	\$365,649	\$352,962	\$419,802	\$383,153
Operating Income (Loss).....	\$500,500	\$240,808	\$687,298	\$593,350	\$497,553	\$485,606
Non-operating Revenues (Expenses).....	\$1,049,500	\$79,539	\$142,563	\$105,936	\$41,572	\$270,315
Income Before Operating Transfers.....	\$1,550,000	\$320,347	\$829,861	\$699,286	\$539,125	\$755,921
Net Operating Transfers.....	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(4,550,000)	(1,500,000)
Net Income (Loss).....	\$0	(\$1,229,653)	(\$720,139)	(\$850,714)	(\$4,010,875)	(\$744,079)
Net Assets, January 1.....		\$13,967,560	\$14,687,699	\$15,538,413	\$19,549,288	\$20,293,367
Net Assets, December 31.....		\$12,737,907	\$13,967,560	\$14,687,699	\$15,538,413	\$19,549,288

¹ Budgetary Basis.

Source: Audit Reports 2003-2006; Estimate 2007 and Budget 2008.

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

	<u>Budget 2008¹</u>	<u>Estimated Unaudited 2007¹</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>	<u>Actual 2003</u>
Total Operating Revenue.....	\$16,530,400	\$18,165,810	\$18,729,932	\$15,936,659	\$17,700,660	\$19,887,660
Operating Expenses:						
General Administration.....	2,456,600	3,721,163	3,836,720	2,689,315	2,862,176	3,312,862
Operations.....	1,580,700	1,411,677	1,455,515	1,283,051	935,765	3,168,132
Maintenance.....	3,361,500	5,247,004	5,409,945	4,200,634	4,312,048	3,861,198
Capital Outlay.....						17,100
Personnel Services.....	9,131,600	7,785,966	8,027,752	7,763,659	9,590,671	9,528,368
Total Operating Expenses.....	\$16,530,400	\$18,165,810	\$18,729,932	\$15,936,659	\$17,700,660	\$19,887,660
 Operating Income (Loss).....		\$0	\$0	\$0	\$0	\$0

¹ Budgetary Basis.

Source: Audit Reports 2003-2006; Estimate 2007 and Budget 2008.

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

	<u>Budget 2008-09¹</u>	<u>Budget 2007-08¹</u>	<u>Actual 2006-07</u>	<u>Actual 2005-06</u>	<u>Actual 2004-05</u>	<u>Actual 2003-04</u>	<u>Actual 2002-03</u>
REVENUES:							
Taxes and Assessments.....	\$61,864,885	\$58,117,260	\$54,031,566	\$51,126,615	\$48,237,060	\$45,039,462	\$44,511,570
State and Federal Grants.....	8,581,277	7,739,245	9,118,469	9,076,926	7,438,761	6,072,098	6,141,741
Charges for Services.....	1,241,200	1,293,035	3,329,876	1,628,906	1,660,077	1,367,013	1,039,147
Investment Income.....	759,466	1,239,900	1,494,700	1,138,042	491,453	359,474	378,795
Licenses and Permits.....	456,800	441,300		550,593	461,286	574,526	1,218,962
Other.....	127,800	131,520	70,895	256,701	202,293	517,817	21,662
Transfers In.....	0	0	0	0	43,876	0	0
Total Revenues and Transfers In.....	\$73,031,428	\$68,962,260	\$68,045,506	\$63,777,783	\$58,534,806	\$53,930,390	\$53,311,877
EXPENDITURES:							
General Government.....	\$3,866,345	\$3,547,995	\$3,237,031	\$2,939,550	\$3,018,819	\$2,991,658	\$2,762,340
Public Safety.....	6,885,081	6,371,442	6,122,016	5,882,201	5,516,841	5,661,537	5,327,804
Public Works.....	2,386,932	2,274,153	1,980,319	2,173,395	1,874,612	1,950,092	2,193,855
Leisure Services.....	679,470	650,481	603,882	581,036	611,650	583,685	544,828
Public Libraries.....	1,350,024	1,272,091	1,281,751	1,200,951	1,137,802	1,147,132	1,152,280
Human Services.....	1,347,500	1,273,583	1,170,929	1,118,468	1,013,805	1,092,734	1,043,899
Facilities.....	1,631,271	1,566,097	1,535,303	1,508,706	1,243,011	1,329,326	1,248,573
Fixed Charges.....	11,037,530	10,556,895	9,339,966	8,623,998	8,561,077	6,517,942	5,929,866
Miscellaneous.....	401,000	461,000	1,385,738	167,909	145,064	224,471	308,946
Education.....	39,055,093	37,236,373	36,494,139	35,502,258	32,419,132	31,358,858	29,575,704
Debt Service.....	2,591,182	1,878,015	1,855,545	1,614,732	1,009,669	2,783,335	1,965,164
Transfers Out.....	1,800,000	1,874,135	1,764,135	1,875,000	2,161,061	1,021,943	750,000
Total Expenditures and Transfers Out.....	\$73,031,428	\$68,962,260	\$66,770,754	\$63,188,204	\$58,712,543	\$56,662,713	\$52,803,259
Results from Operations.....			\$1,274,752	\$589,579	(\$177,737)	(\$2,732,323)	\$508,618
Fund Balance, July 1.....			\$3,994,179	\$3,404,600	\$3,582,339	\$6,314,662	\$5,806,044
Fund Balance, June 30.....			\$5,268,931	\$3,994,179	\$3,404,600	\$3,582,339	\$6,314,662

¹ Budgetary Basis.

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

	<u>Budget 2008-09</u>	<u>Budget 2007-08</u>	<u>Actual 2006-07</u>	<u>Actual 2005-06</u>	<u>Actual 2004-05</u>	<u>Actual 2003-04</u>	<u>Actual 2002-03</u>
Reserved for Encumbrances.....	N/A	N/A	\$163,136	\$69,297		\$274,777	\$208,317
Unreserved:							
Designated for Projects.....						705,000	2,813,973
Unreserved/Undesignated.....	N/A	N/A	5,105,795	3,924,882	3,404,600	2,602,562	3,292,372
Total Fund Balance	N/A	N/A	\$5,268,931	\$3,994,179	\$3,404,600	\$3,582,339	\$6,314,662
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A	<u>7.65%</u>	<u>6.21%</u>	<u>5.80%</u>	<u>4.59%</u>	<u>6.24%</u>

Source: Audit Reports 2003-2007; Budgets 2008 and 2009.

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

	<u>Budget</u> 2008-09 ¹	<u>Budget</u> 2007-08 ¹	<u>Actual</u> 2006-07	<u>Actual</u> 2005-06	<u>Actual</u> 2004-05	<u>Actual</u> 2003-04	<u>Actual</u> 2002-03
REVENUES:							
Property Taxes.....	\$100,634,540	\$97,245,637	\$103,853,000	\$97,463,000	\$97,930,000	\$91,686,000	\$86,570,000
Intergovernmental.....	50,498,396	45,646,323	48,844,000	48,209,000	41,479,000	40,142,000	38,912,000
Other local revenues.....	5,248,885	5,119,892	6,702,000	5,269,000	4,500,000	4,665,000	3,729,000
Transfers In.....	0	0	298,000	1,501,000	734,000	301,000	878,000
Total Revenues and Transfers In.....	\$156,381,821	\$148,011,852	\$159,697,000	\$152,442,000	\$144,643,000	\$136,794,000	\$130,089,000
EXPENDITURES:							
General Government.....	\$26,134,572	\$25,331,080	\$26,098,000	\$24,815,000	\$23,489,000	\$20,862,000	\$18,472,000
Public Safety.....	24,546,531	23,126,611	22,873,000	22,204,000	21,077,000	20,999,000	19,486,000
Inspection/Permits.....	916,370	732,065	672,000	678,000	658,000	627,000	604,000
Public Works.....	8,929,369	8,522,022	8,609,000	8,161,000	8,163,000	7,293,000	7,170,000
Parks and Recreation.....	2,706,730	2,509,313	2,527,000	2,484,000	2,227,000	2,127,000	2,024,000
Health and Social Services.....	1,357,070	1,367,418	1,278,000	1,234,000	1,191,000	1,058,000	996,000
Debt Service.....	9,692,269	8,772,913	9,035,000	8,820,000	8,427,000	8,275,000	8,151,000
Education.....	82,098,910 ²	77,650,430 ²	84,427,000	82,195,000	77,390,000	73,438,000	71,335,000
Transfers Out.....	0	0	165,000	1,438,000	461,000	66,000	76,000
Total Expenditures and Transfers Out.....	\$156,381,821	\$148,011,852	\$155,684,000	\$152,029,000	\$143,083,000	\$134,745,000	\$128,314,000
Results from Operations.....			\$4,013,000	\$413,000	\$1,560,000	\$2,049,000	\$1,775,000
Fund Balance, July 1.....			\$11,772,000	\$11,359,000	\$9,799,000	\$7,750,000	\$5,975,000
Fund Balance, June 30.....			\$15,785,000	\$11,772,000	\$11,359,000	\$9,799,000	\$7,750,000

¹ Budgetary Basis.

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

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

	<u>Budget</u> 2008-09	<u>Budget</u> 2007-08	<u>Actual</u> 2006-07	<u>Actual</u> 2005-06	<u>Actual</u> 2004-05	<u>Actual</u> 2003-04	<u>Actual</u> 2002-03
Reserved for Encumbrances.....	N/A	N/A	\$968,000	\$344,000	\$353,000	\$734,000	\$487,000
Unreserved:							
Designated.....	N/A	N/A	0	0	0	1,157,000	1,126,000
Undesignated.....			14,817,000	11,428,000	11,006,000	7,908,000	6,137,000
Total Fund Balance	N/A	N/A	\$15,785,000	\$11,772,000	\$11,359,000	\$9,799,000	\$7,750,000
Undesignated Fund Balance							
As % of Total Expenditures	N/A	N/A	<u>9.52%</u>	<u>7.52%</u>	<u>7.69%</u>	<u>5.87%</u>	<u>4.78%</u>

Source: Audit Reports 2003-2007; Budgets 2008 and 2009.

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

	Budget 2007-08¹	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
REVENUES:						
Property Taxes.....	\$236,974,946	\$231,638,000	\$208,241,000	\$197,028,000	\$183,048,000	\$172,279,000
Licenses and Permits.....	8,140,430	8,594,000	10,058,000	9,681,000	10,307,000	6,991,000
Investment Income.....	4,668,530	3,510,000	4,085,000	5,828,000	5,079,000	10,874,000
Intergovernmental.....	232,297,950	250,108,000	242,112,000	225,628,000	221,690,000	227,324,000
Charges for Services.....	2,681,180	2,599,000	2,628,000	2,301,000	2,320,000	2,202,000
Reimbursements.....	3,593,010	0	2,661,000	0	0	0
Other Revenues.....	15,330,614	8,479,000	8,276,000 ⁵	6,439,000	2,728,000	1,879,000
Transfers In.....	8,094,780	9,952,000	7,039,000	23,955,000 ⁴	12,784,000	12,055,000
Total Revenues and Transfers In.....	\$511,781,440	\$514,880,000	\$485,100,000	\$470,860,000	\$437,956,000	\$433,604,000
EXPENDITURES:						
General Government.....	\$20,795,774	\$17,699,000	\$15,517,000	\$14,368,000	\$15,883,000	\$17,307,000
Public Safety.....	70,857,876	71,506,000	67,575,000	63,369,000	61,710,000	63,782,000
Public Works.....	13,973,635	14,158,000	13,873,000	13,355,000	21,927,000	23,023,000
Development and Community	4,804,721	2,194,000	1,917,000	1,708,000	944,000	2,274,000
Human Services.....	8,173,750	7,740,000	7,529,000	7,488,000	7,167,000	8,294,000
Library ²	7,941,580	0	6,374,000	0	0	0
Education.....	261,000,000	279,086,000	270,874,000	211,898,000	204,344,000	208,525,000
Benefits and Insurance.....	52,722,202	54,754,000	47,348,000 ³	100,791,000	89,470,000	74,820,000
Other.....	29,171,251	28,755,000	20,335,000	21,950,000	13,001,000	12,845,000
Transfers Out.....	42,340,651	37,736,000	31,462,000	26,486,000	27,831,000	28,724,000
Total Expenditures and Transfers Out.....	\$511,781,440	\$513,628,000	\$482,804,000	\$461,413,000	\$442,277,000	\$439,594,000
Results from Operations.....		\$1,252,000	\$2,296,000⁵	\$9,447,000	(\$4,321,000)	(\$5,990,000)
Fund Balance, July 1.....		\$33,215,000	\$30,919,000	\$21,472,000	\$25,793,000	\$31,783,000
Fund Balance, June 30⁶.....		\$34,467,000	\$33,215,000	\$30,919,000	\$21,472,000	\$25,793,000

¹ Budgetary Basis.

² Library expenses were reclassified in budgetary presentations in Fiscal Years 2005 and 2006.

³ Employee benefits and insurance for education and library were moved to those respective departments.

⁴ Transfer from Hartford Parking Authority resulting from defeasance of revenue bond indenture.

⁵ Includes \$2,000,000 in bond premium.

⁶ The City has implemented a formal fund balance policy which will maintain general fund balance at 8% of budgeted revenues.

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

	Budget 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
Reserved for Encumbrances.....	N/A		\$246,000	\$143,000	\$379,000	\$1,453,000
Designated.....	N/A			300,000	700,000	3,900,000
Unreserved.....	N/A	34,467,000	32,969,000	30,476,000	20,393,000	20,440,000
Total Fund Balance	N/A	\$34,467,000	\$33,215,000	\$30,919,000	\$21,472,000	\$25,793,000
Undesignated Fund Balance As % of Total Expenditures	N/A	<u>6.71%</u>	<u>6.83%</u>	<u>6.60%</u>	<u>4.61%</u>	<u>4.65%</u>

Source: Audit Reports 2003-2007; Budget 2008.

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

	Adopted Budget 2008-09 ¹	Budget 2007-08 ¹	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
REVENUES:							
Property Taxes.....	\$72,182,801	\$69,049,681	\$66,863,000	\$64,813,000	\$60,047,000	\$55,900,609	\$53,201,908
Payment in Lieu of Taxes.....	2,785,839	2,444,700	2,339,000	2,526,000	2,256,000	0	0
Licenses, Fees and Permits	385,700	585,700	749,000	509,000	511,000	540,442	419,138
Intergovernmental.....	14,053,081	13,428,100	15,453,000	14,505,000	12,580,000	14,344,566	14,289,448
Rental.....	136,700	95,100	83,000	127,000	97,000	0	0
Income on Investments.....	900,000	1,425,000	1,825,000	1,512,000	842,000	365,793	451,813
Fines.....	47,000	67,000	64,000	51,000	52,000	0	0
Charges for Services.....	505,750	706,020	885,000	808,000	974,000	888,565	654,820
Refunds and Reimbursements.....	18,000	18,000	185,000	14,000	38,000	0	0
Other.....	22,800	21,450	12,000	21,000	290,000	217,949	192,224
Transfers In ²	2,284,021	2,093,737	82,000	95,000	78,000	75,194	222,274
Total Revenues and Transfers In.....	\$93,321,692	\$89,934,488	\$88,540,000	\$84,981,000	\$77,765,000	\$72,333,118	\$69,431,625
EXPENDITURES:							
General Government.....	\$4,323,549	\$3,365,496	\$2,520,000	\$2,345,000	\$2,192,000	\$2,109,681	\$2,297,857
Public Safety.....	7,153,451	7,095,017	6,485,000	6,212,000	5,768,000	5,796,628	5,823,336
Public Works.....	5,056,907	4,875,153	4,906,000	4,666,000	4,407,000	4,155,433	3,370,905
Community Planning & Develop.....	542,594	525,594	520,000	466,000	503,000	490,847	494,404
Health and Human Services.....	121,760	122,315	1,119,000	1,190,000	1,157,000	1,184,913	1,147,785
Library.....	1,671,878	1,798,862	1,701,000	1,702,000	1,627,000	1,579,200	1,510,517
Parks and Recreation.....	1,692,389	1,786,164	1,487,000	1,414,000	1,345,000	1,353,481	1,278,641
Education.....	55,872,142	53,563,272	53,590,000	50,265,000	46,586,000	44,634,053	42,247,817
Miscellaneous.....	14,362,969	14,206,688	8,634,000	8,288,000	7,905,000	7,278,050	6,507,553
Debt Service	2,524,053	2,595,927	3,147,000	3,498,000	3,277,000	2,671,235	2,271,940
Transfers Out.....	0	0	3,133,000	3,287,000	1,801,000	1,487,927	1,841,305
Total Expenditures and Transfers Out.....	\$93,321,692	\$89,934,488	\$87,242,000	\$83,333,000	\$76,568,000	\$72,741,448	\$68,792,060
Results from Operations.....			\$1,298,000	\$1,648,000	\$1,197,000	(\$408,330)	\$639,565
Fund Balance, July 1.....			\$13,408,393	\$11,760,393	\$10,563,393	\$10,971,723	\$10,332,158
Fund Balance, June 30.....			\$14,706,393	\$13,408,393	\$11,760,393	\$10,563,393	\$10,971,723

¹ Budgetary Basis.

² Includes \$2,000,000 appropriated from prior years' surplus in Fiscal Years 2008 and 2009.

ANALYSIS OF GENERAL FUND EQUITY
Town of Newington
(GAAP BASIS)

	Budget 2008-09	Budget 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
Reserved for Encumbrances.....	N/A	N/A	\$1,763,000	\$1,721,000	\$1,286,000	\$1,423,000	\$1,523,000
Unreserved:							
Designated for Sub. Year.....	N/A	N/A	2,000,000	2,000,000	1,650,000	1,650,000	1,650,000
Undesignated.....	N/A	N/A	10,943,000	9,687,000	8,824,000	7,490,000	7,799,000
Total Fund Balance	N/A	N/A	\$14,706,000	\$13,408,000	\$11,760,000	\$10,563,000	\$10,972,000
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A	<u>12.54%</u>	<u>11.62%</u>	<u>11.52%</u>	<u>10.30%</u>	<u>11.34%</u>

Source: Audit Reports 2003-2007; Budgets 2008 and 2009.

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

	<u>Budget 2007-08¹</u>	<u>Actual 2006-07</u>	<u>Actual 2005-06</u>	<u>Actual 2004-05</u>	<u>Actual 2003-04</u>	<u>Actual 2002-03</u>
REVENUES:						
Taxes and Assessments.....	\$46,805,025	\$45,423,613	\$41,265,045	\$40,491,341	\$36,109,322	\$35,297,855
Intergovernmental.....	5,258,553	6,229,295	5,885,839	5,206,471	4,852,728	4,987,025
Charges for Services.....	791,000	1,353,740	1,613,334	1,147,140	1,497,405	877,033
Income on Investments.....	673,000	706,382	531,380	290,490	212,947	193,177
Miscellaneous.....	1,147,980	699,919	585,973	603,236	5,903,418	607,243
Transfers In ²	1,079,256	0	0	44,000	0	0
Total Revenues and Transfers In.....	\$55,754,814	\$54,412,949	\$49,881,571	\$47,782,678	\$48,575,820	\$41,962,333
EXPENDITURES:						
General Government.....	\$2,020,728	\$1,924,012	\$1,793,001	\$1,856,128	\$1,750,854	\$1,921,335
Public Safety.....	5,065,583	4,954,404	4,820,461	4,695,963	4,308,648	4,344,574
Public Works.....	4,928,069	4,795,218	4,544,185	4,362,598	4,037,212	3,774,951
Health and Human Services.....	480,257	455,415	444,189	412,940	407,630	396,864
Parks, Recreation and Facilities.....	5,580,595	5,212,992	4,946,674	4,501,832	4,226,465	4,204,593
Library Services.....	877,878	848,991	812,280	785,753	747,573	751,271
Education.....	25,777,227	26,080,002	24,761,249	22,615,897	21,683,854	21,102,290
Miscellaneous.....	6,758,585	5,643,154	4,837,020	4,683,012	9,298,988	3,503,637
Capital Outlays.....	1,432,532	758,058	331,494	278,007	261,664	488,622
Debt Service	2,833,360	2,807,051	2,659,288	2,210,822	2,283,836	2,026,400
Transfers Out.....	0	296,739	90,550	175,438	418,346	40,472
Total Expenditures and Transfers Out.....	\$55,754,814	\$53,776,036	\$50,040,391	\$46,578,390	\$49,425,070	\$42,555,009
Results from Operations.....		\$636,913	(\$158,820)	\$1,204,288	(\$849,250)	(\$592,676)
Fund Balance, July 1.....		\$4,155,833	\$4,314,653	\$3,110,365	\$3,959,615	\$4,552,291
Fund Balance, June 30.....		\$4,792,746	\$4,155,833	\$4,314,653	\$3,110,365	\$3,959,615

¹ Budgetary Basis

² Appropriated from prior years' surplus.

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

	<u>Budget 2007-08</u>	<u>Actual 2006-07</u>	<u>Actual 2005-06</u>	<u>Actual 2004-05</u>	<u>Actual 2003-04</u>	<u>Actual 2002-03</u>
Reserved.....	N/A	\$313,096	\$158,148	\$135,512	\$77,977	\$195,328
Designated for subsequent year.....		1,079,256	306,013	1,546,302	0	1,366,999
Undesignated.....		3,400,394	3,691,672	2,632,839	3,032,388	2,397,288
Total Fund Balance	N/A	\$4,792,746	\$4,155,833	\$4,314,653	\$3,110,365	\$3,959,615
Undesignated Fund Balance As % of Total Expenditures	N/A	6.32%	7.38%	5.65%	6.14%	5.63%

Source: Audit Reports 2003-2007; Budget 2008.

GENERAL FUND REVENUES AND EXPENDITURES

Town of West Hartford

Summary of Audited Revenues and Expenditures

(BUDGETARY BASIS)¹

	Budget 2008 ³	Actual 2007 ²	Actual 2006	Actual 2005	Actual 2004	Actual 2003
REVENUES:						
Property Taxes.....	\$172,051,640	\$172,564,726	\$162,738,800	\$154,636,482	\$145,257,528	\$137,271,158
Intergovernmental.....	20,193,554	16,726,200	16,622,863	15,727,205	13,848,191	14,646,059
Charges for Services.....	3,957,785	4,559,892	4,710,239	3,717,690	3,706,041	2,997,849
Income on Investments.....	2,675,000	3,342,393	2,933,603	1,538,762	666,402	878,628
Miscellaneous.....	752,050	471,008	549,244	507,320	536,414	568,685
Total Revenues.....	\$199,630,029	\$197,664,219	\$187,554,749	\$176,127,459	\$164,014,576	\$156,362,379
EXPENDITURES:						
General Government:						
Town Council/Town Clerk.....	\$687,359	\$757,263	\$739,136	\$697,259	\$719,327	\$680,251
Town Manager.....	318,007	322,831	330,590	288,160	315,625	256,677
Coproaction Counsel.....	585,078	535,911	499,120	451,370	482,391	457,371
Registrar of Voters.....	275,113	287,331	203,112	316,841	260,259	404,873
Financial Services.....	3,054,106	5,389,414	1,685,217	1,653,324	1,577,188	1,432,323
Assessors.....	772,768	883,092	747,717	643,520	711,500	549,142
Administrative Services.....			3,346,149	3,119,923	3,058,959	3,379,072
Employees Services.....	530,413	469,054	522,381	526,180	507,071	566,609
Public Safety:						
Fire Services.....	11,967,438	11,839,029	11,667,067	10,758,056	10,118,809	10,075,053
Police Services.....	17,496,099	17,068,931	16,414,596	15,576,772	14,350,216	12,991,072
Community Maintenance:						
Community Services.....	3,986,266	3,970,810	3,672,283	3,427,135	3,039,023	3,111,769
Public Works.....	12,099,081	11,251,738	16,943,086	16,137,546	15,201,547	14,530,197
Facilities Services.....	2,206,063					
Human & Cultural Resources:						
Human & Leisure Services.....	1,195,826	1,080,442	0	0	0	0
Library Services.....	3,677,823	3,604,688	3,460,628	3,303,309	3,127,433	3,061,019
Human Services.....			1,191,876	1,113,905	1,025,896	1,441,099
Debt and Sundry.....	23,116,198	22,048,763	15,863,913	14,331,466	13,173,959	12,217,183
Sub-Total Town.....	81,967,638	79,509,297	77,286,871	72,343,766	67,669,203	65,153,710
Board of Education.....	117,796,941	113,232,423	106,267,279	100,554,489	95,051,200	90,677,482
Total Expenditures.....	\$199,764,579	\$192,741,720	\$183,554,150	\$172,898,255	\$162,720,403	\$155,831,192
Excess of Revenues Over						
(Under) Expenditures.....	(\$134,550)	\$4,922,499	\$4,000,599	\$3,229,204	\$1,294,175	\$531,187
Other Financing Sources (Uses):						
Transfers In.....	1,257,172	920,090	1,540,052	1,712,312	1,648,185	1,652,066
Transfers Out.....	(1,903,807)	(4,115,527)	(4,232,801)	(3,011,413)	(2,803,079)	(2,246,480)
Total Other Financing Sources						
(Uses).....	(\$646,635)	(\$3,195,437)	(\$2,692,749)	(\$1,299,101)	(\$1,154,894)	(\$594,414)
Excess of Rev & Other Sources						
Over Exp and Other Uses.....	(\$781,185)	\$1,727,062	\$1,307,850	\$1,930,103	\$139,281	(\$63,227)
Fund Balance, July 1.....	\$15,412,136	\$14,466,259	\$13,158,409	\$11,228,306	\$11,089,025	\$11,152,252
Designated Fund Balance Yr End.....	0	781,185	0	0	0	0
Fund Balance, June 30.....	\$14,630,951	\$15,412,136	\$14,466,259	\$13,158,409	\$11,228,306	\$11,089,025

¹ 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 or other commitment is issued, and accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. This accounting treatment is different from that utilized under GAAP. All unencumbered budget appropriations lapse at the end of each fiscal year.

² 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.

³ In the fiscal year 2008 adopted budget, the Facilities Services Department was separated from the Financial Service Department.

Source: Town of West Hartford, February 2008 Final Official Statement.

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

	Proposed Budget 2008-09 ¹	Adopted Budget 2007-08 ¹	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
REVENUES:							
Property Taxes.....	\$69,892,667	\$65,589,110	\$64,617,241	\$59,857,695	\$55,510,706	\$51,569,197	\$49,641,656
Intergovernmental.....	9,533,339	9,415,699	10,009,012	9,732,623	7,925,090	6,918,736	7,003,541
Other Local Revenues.....	2,447,547	3,089,441	3,418,816	3,447,702	2,034,336	1,813,377	1,271,942
Transfers In ²	1,281,000	704,000	0	0	0	0	73,000
Total Revenues and Transfers In.....	\$83,154,553	\$78,798,250	\$78,045,069	\$73,038,020	\$65,470,132	\$60,301,310	\$57,990,139
EXPENDITURES:							
Public Safety.....	\$8,129,269	\$7,946,921	\$7,718,911	\$6,819,986	\$6,380,766	\$6,240,838	\$5,824,958
Public Works.....	8,192,494	7,924,222	7,129,457	6,900,723	6,391,415	5,663,629	5,699,283
Recreation and Parks.....	1,619,960	1,508,392	1,442,244	1,325,718	1,271,127	1,287,489	1,302,330
Social Services.....	1,096,885	1,049,435	1,009,128	982,402	992,943	953,730	987,991
Library.....	1,704,585	1,601,517	1,422,872	1,378,996	1,144,215	1,093,641	1,100,260
General Government.....	7,789,985	7,317,720	6,154,978	6,042,277	5,172,214	4,791,127	4,433,663
Education.....	48,337,633	44,799,332	45,250,664	42,346,604	37,724,952	35,425,761	34,151,826
Debt Service.....	4,147,313	4,098,787	4,147,019	3,438,934	3,085,970	2,555,347	2,179,259
Transfers Out.....	2,136,429	2,551,924	2,735,706	2,388,038	2,493,244	2,036,690	1,908,745
Total Expenditures and Transfers Out.....	\$83,154,553	\$78,798,250	\$77,010,979	\$71,623,678	\$64,656,846	\$60,048,252	\$57,588,315
Results from Operations.....			\$1,034,090	\$1,414,342	\$813,286	\$253,058	\$401,824
Fund Balance, July 1.....			\$7,232,743	\$5,818,401	\$5,005,115	\$4,752,057	\$4,350,233
Fund Balance, June 30.....			\$8,266,833	\$7,232,743	\$5,818,401	\$5,005,115	\$4,752,057

¹ Budgetary Basis.

¹ Includes \$700,000 and \$1,281,000 appropriated from prior years' surplus in Fiscal Years 2008 and 2009 respectively.

ANALYSIS OF GENERAL FUND EQUITY
Town of Wethersfield
(GAAP BASIS)

	Proposed Budget 2007-08	Adopted Budget 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
Reserved:	N/A	N/A					
Encumbrances.....			\$291,495	\$334,672	\$208,200	\$190,775	\$166,911
Unreserved:	N/A	N/A					
Designated.....			700,000	700,000	500,000	500,000	950,000
General Fund.....			7,275,338	6,198,071	5,110,201	4,314,340	3,635,146
Total Fund Balance	N/A	N/A	8,266,833	7,232,743	\$5,818,401	\$5,005,115	\$4,752,057
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A	<u>9.45%</u>	<u>8.65%</u>	<u>7.90%</u>	<u>7.18%</u>	<u>6.31%</u>

Source: Audit Reports 2003-2007; Budgets 2008 and 2009.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Windsor

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Budget 2007-08 ¹	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
REVENUES:						
Property Taxes.....	\$70,920,742	\$68,138,291	\$66,518,496	\$65,305,954	\$62,484,349	\$58,684,319
State & Federal Governments.....	14,553,458	17,014,499	15,976,226	14,183,961	13,957,572	13,835,715
Charges for Services.....	2,381,415	4,914,403	3,162,515	3,079,993	3,146,693	2,308,065
Investment Income.....	1,800,000	2,380,276	1,853,283	841,653	417,409	588,225
Other.....	0	0	0	0	70,466	0
Transfers In ²	600,000	0	0	0	0	0
Total Revenues and Transfers In.....	\$90,255,615	\$92,447,469	\$87,510,520	\$83,411,561	\$80,076,489	\$75,416,324
EXPENDITURES:						
Education.....	\$61,512,450	\$57,431,966	\$55,393,395	\$52,661,871	\$50,267,028	\$47,770,517
General Government.....	8,158,035	9,527,818	9,067,545	8,410,570	6,518,188	6,267,100
Culture & Recreation.....	1,168,825	2,075,378	1,879,482	1,863,880	2,104,715	2,503,707
Human Services.....	862,300	1,114,448	1,253,026	1,308,975	683,705	701,597
Public Safety.....	7,734,650	7,453,284	7,366,144	6,593,190	6,107,630	6,160,070
Public Works.....	5,018,205	5,115,106	4,726,344	4,582,396	3,954,048	3,803,675
Capital Outlays.....	0	0	0	0	0	288,869
Transfers Out.....	5,801,150	7,142,489	6,325,757	6,186,848	9,603,560	8,307,662
Total Expenditures and Transfers Out.....	\$90,255,615	\$89,860,489	\$86,011,693	\$81,607,730	\$79,238,874	\$75,803,197
Results from Operations.....		\$2,586,980	\$1,498,827	\$1,803,831	\$837,615	(\$386,873)
Fund Balance, July 1.....		\$11,023,598	\$9,524,771	\$7,720,940	\$6,883,325	\$7,270,198
Fund Balance, June 30.....		\$13,610,578	\$11,023,598	\$9,524,771	\$7,720,940	\$6,883,325

¹ Budgetary Basis.

² Represents appropriation from prior years' surplus.

ANALYSIS OF GENERAL FUND EQUITY

Town of Windsor

(GAAP BASIS)

	Budget 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04	Actual 2002-03
Reserved for:						
Encumbrances.....	N/A	\$688,169	\$726,819	\$503,304	\$284,233	\$125,409
Inventories.....		40,713	29,913	18,931	13,423	15,439
Loans.....						250,000
Unreserved/Undesignated for:						
Future Appropriations.....	N/A	612,700				
Loans.....			150,000	150,000	196,983	
General Fund.....		12,268,996	10,116,866	8,852,536	7,226,301	6,492,477
Total Fund Balance	N/A	\$13,610,578	\$11,023,598	\$9,524,771	\$7,720,940	\$6,883,325
Undesignated Fund Balance						
As % of Total Expenditures	N/A	13.65%	11.76%	10.85%	9.12%	8.56%

Source: Audit Reports 2003-2007; Budget 2008.

VIII. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS – THE DISTRICT

As of June 12, 2008
(Pro Forma)

Long-Term Debt			Original	Debt	Date of
Date	Purpose	Rate %	Issue	Outstanding	Fiscal Year
				As of 6/12/08	Maturity
02/01/69	General Purpose, Issue of 1969....	5.50	\$3,000,000	\$75,000	2009
09/01/80	General Purpose, Issue of 1980....	8.40-8.50	13,375,000	900,000	2010
12/01/88	General Purpose, Issue of 1988....	6.80-7.00	5,500,000	275,000	2008
10/01/89	General Purpose, Issue of 1989....	6.50-6.70	5,000,000	500,000	2009
11/15/91	General Purpose, Issue of 1991....	6.20-6.25	4,950,000	950,000	2011
12/01/92	CWF (105P).....	2.00	369,903	75,522	2012
12/01/93	General Purpose, Issue of 1993....	5.20-6.13	13,200,000	3,600,000	2013
09/30/94	CWF (285D).....	2.00	875,983	233,595	2013
10/31/96	CWF (274C, 285C).....	2.00	24,237,340	8,988,014	2015
12/30/97	CWF (270C).....	2.00	6,690,902	2,871,512	2016
06/30/99	CWF (319C).....	2.00	1,691,005	894,823	2018
06/30/99	CWF (383C).....	2.00	4,241,334	2,113,292	2019
06/30/00	CWF (361C).....	2.00	2,635,079	1,526,149	2019
08/31/01	Drinking Water (SRF 9709C)....	2.60	206,898	126,726	2020
12/31/01	Drinking Water (SRF 9704C)....	2.60	860,842	541,613	2020
04/01/02	General Purpose, Issue of 2002....	4.40-5.50	26,100,000	18,270,000	2022
06/30/02	Drinking Water (SRF 9710C)....	2.50	861,978	563,878	2021
06/30/02	CWF (405C).....	2.00	8,163,200	5,544,173	2021
03/30/03	CWF (267C).....	2.00	5,213,046	3,736,016	2022
06/30/03	CWF (494C).....	2.00	2,029,367	1,479,748	2022
11/01/03	General Purpose, Issue of 2003....	2.40-4.52	9,100,000	4,760,000	2023
12/31/03	Drinking Water (SRF 9709CD1)..	2.60	956,990	703,388	2020
12/31/03	Drinking Water (SRF 9704DCD1)	2.60	2,225,346	1,647,193	2020
12/31/03	Drinking Water (SRF 200105C)..	2.10	2,343,735	1,777,332	2023
11/01/04	General Purpose, Issue of 2004....	3.00-4.75	36,500,000	27,040,000	2024
12/31/04	CWF (451C).....	2.00	3,987,009	3,203,658	2024
12/30/07	CWF (160C).....	2.00	1,888,557	1,888,557	2027
04/30/08	CWF (508C).....	2.00	1,232,078	1,232,078	2028
06/01/08	General Purpose, Issue of 2008...	This Issue	80,000,000	80,000,000	2028
	Total Long-Term Debt.....		\$267,435,592	\$175,517,267	

Short-Term Debt:

The District currently has \$34,114,216 outstanding in Interim Funding Obligation ("IFO's") under the State of Connecticut's Clean Water Fund Program. See "Clean Water Fund Program" herein for details of the program.

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 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 it draws 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

As of June 12, 2008

(Pro Forma)

Fiscal Year Ending 12/31	Sewer Principal	Water Principal	Interest	Total	The Bonds	Cumulative Percent Retired
2008	\$3,581,145	\$1,368,818	\$3,504,136	\$8,454,099		2.80%
2009	6,594,459	2,294,777	3,148,196	12,037,432	\$4,000,000	10.16
2010	6,277,839	2,181,395	2,843,212	11,302,446	4,000,000	17.26
2011	6,216,255	1,922,979	2,548,114	10,687,348	4,000,000	24.18
2012	5,977,902	1,922,086	2,261,038	10,161,026	4,000,000	30.96
2013	5,961,811	1,922,979	1,980,203	9,864,993	4,000,000	37.73
2014	5,636,151	1,590,791	1,698,983	8,925,925	4,000,000	44.13
2015	5,430,101	1,589,862	1,454,908	8,474,871	4,000,000	50.40
2016	4,381,297	1,393,777	1,235,298	7,010,372	4,000,000	55.97
2017	4,034,499	1,391,026	1,032,764	6,458,289	4,000,000	61.34
2018	3,889,730	1,285,796	833,721	6,009,247	4,000,000	66.57
2019	3,709,844	1,285,796	639,076	5,634,716	4,000,000	71.70
2020	3,232,191	1,208,778	458,604	4,899,573	4,000,000	76.51
2021	2,670,481	839,808	303,131	3,813,420	4,000,000	80.79
2022	2,197,163	818,256	170,482	3,185,901	4,000,000	84.78
2023	831,553	533,073	80,244	1,444,870	4,000,000	87.84
2024	475,062	459,175	27,694	961,931	4,000,000	90.65
2025	156,032	-	6,782	162,814	4,000,000	93.02
2026	156,032	-	3,661	159,693	4,000,000	95.39
2027	98,548	-	746	99,294	4,000,000	97.72
2028	-	-	-	-	4,000,000	100.00
Totals	\$71,508,095	\$24,009,172	\$24,230,993	\$119,748,260	\$80,000,000	

Source: Audited Financial Statements, District Officials.

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

As of June 12, 2008

(Pro Forma)

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

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

Member Municipalities	Share of Net District Debt¹	Net Direct District Debt Applicable to Member Municipalities		Underlying Debt Issued Since 6/30/2007	Underlying Net Debt Applicable to District
		as of 6/12/08	Net Direct Debt of Member Municipalities		
Bloomfield.....	7.25%	\$9,811,434	\$17,302,397	\$0	\$17,302,397
East Hartford.....	13.10	17,728,247	42,953,821	14,000,000 ²	56,953,821
Hartford.....	27.49	37,202,252	305,217,548	0	305,217,548
Newington.....	8.37	11,327,132	20,355,000	0	20,355,000
Rocky Hill.....	5.57	7,537,888	23,649,472	0	23,649,472
West Hartford.....	21.44	29,014,779	152,542,947	15,000,000	167,542,947
Wethersfield.....	7.89	10,677,547	32,933,688	0	32,933,688
Windsor.....	8.89	12,030,848	44,068,454	0	44,068,454
Totals.....	100.00%	\$135,330,127	\$639,023,327	\$29,000,000	\$668,023,327

¹ The Member Municipalities' share of the District's Net Direct Debt is based on the annual tax levy of each Member Municipalities as of Fiscal Year 2007-08.

² Bonds to be issued on June 12, 2008.

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 June 12, 2008

(Pro Forma)

LONG TERM DEBT - Including This Issue	
Water (Self-Supporting).....	\$68,124,172
Sewer.....	96,783,095
Combined Funded CIP Projects ³	10,610,000
TOTAL LONG TERM DEBT	\$175,517,267
SHORT TERM DEBT - CWF IFO	34,114,216
TOTAL DIRECT DEBT	\$209,631,483
Less:	
Debt Not Subject to Debt Limitation ¹	74,301,355
TOTAL DIRECT NET DEBT	\$135,330,128
NET UNDERLYING DEBT - Member Municipalities ²	668,023,327
DIRECT NET DEBT PLUS NET UNDERLYING	\$803,353,455

¹ Represents debt issued for water purposes and supply of electricity.

² Represents net direct debt of each Member Municipality.

³ Represents bonds funded by water and sewer sources.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – THE DISTRICT

As of June 12, 2008

(Pro Forma)

Population ¹	358,251
Net Taxable Grand List - 10/1/07 @ 70% of full value ²	\$22,095,250,145
Estimated Full Value ³	\$31,564,643,064
Equalized Net Taxable Grand List - 2005 ⁴	\$40,887,134,017

	Total Direct Debt \$209,631,483	Total Net Direct Debt \$135,330,128	Total Overall Net Debt \$803,353,455
Per Capita.....	\$585.15	\$377.75	\$2,242.43
Ratio to Net Taxable Grand List.....	0.95%	0.61%	3.64%
Ratio to Estimated Full Value.....	0.66%	0.43%	2.55%
Ratio to Equalized Grand List.....	0.51%	0.33%	1.96%

¹ Connecticut Department of Health Services, 2006, for Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

² Represents 2007 Net Taxable Grand Lists for the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

³ Represents estimated full values of 2007 Net Taxable Grand Lists of the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

⁴ Office of Policy and Management, State of Connecticut.

DEBT STATEMENT – TOWN OF BLOOMFIELD

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$17,302,397
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$17,302,397
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$17,302,397
NET OVERLAPPING DEBT - MDC 6/12/08	9,811,434
NET UNDERLYING DEBT - Fire Districts 6/30/07	<u>1,436,963</u>
TOTAL OVERALL DIRECT NET DEBT	\$28,550,794

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF BLOOMFIELD

As of June 30, 2007

(Pro Forma)

Population ¹	20,643
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$1,708,554,979
Estimated Full Value	\$2,440,792,827
Equalized Net Taxable Grand List - 2005 ²	\$3,018,109,847
Money Income per Capita - 2000 ³	\$28,843

	Total Direct Debt \$17,302,397	Total Net Direct Debt \$17,302,397	Total Overall Net Debt \$28,550,794
Per Capita.....	\$838.17	\$838.17	\$1,383.07
Ratio to Net Taxable Grand List.....	1.01%	1.01%	1.67%
Ratio to Estimated Full Value.....	0.71%	0.71%	1.17%
Ratio to Equalized Grand List.....	0.57%	0.57%	0.95%
Debt per Capita to Money Income per Capita..	2.91%	2.91%	4.80%

¹ Connecticut Department of Health Services, 2006, for Town of Bloomfield.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of Bloomfield.

DEBT STATEMENT – TOWN OF EAST HARTFORD

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$43,000,000
SHORT TERM DEBT	0
TOTAL DIRECT DEBT	\$43,000,000
Less:	
School Construction Grants - State of Conn. ¹	46,179
TOTAL NET DIRECT INDEBTEDNESS	\$42,953,821
NET OVERLAPPING DEBT - MDC 6/12/08	17,728,247
TOTAL OVERALL DIRECT NET DEBT	\$60,682,068

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF EAST HARTFORD

As of June 30, 2007

(Pro Forma)

Population ¹	48,934
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$3,146,966,625
Estimated Full Value	\$4,495,666,607
Equalized Net Taxable Grand List - 2005 ²	\$4,786,965,847
Money Income per Capita - 2000 ³	\$21,763

	Total Direct Debt \$43,000,000	Total Net Direct Debt \$42,953,821	Total Overall Net Debt \$60,682,068
Per Capita.....	\$878.73	\$877.79	\$1,240.08
Ratio to Net Taxable Grand List.....	1.37%	1.36%	1.93%
Ratio to Estimated Full Value.....	1.37%	1.36%	1.35%
Ratio to Equalized Grand List.....	0.90%	0.90%	1.27%
Debt per Capita to Money Income per Capita..	4.04%	4.03%	5.70%

¹ Connecticut Department of Health Services, 2006, for Town of East Hartford.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of East Hartford.

DEBT STATEMENT – CITY OF HARTFORD

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$327,050,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$327,050,000
Less:	
School Construction Grants - State of Conn. ¹	<u>21,832,452</u>
TOTAL NET DIRECT INDEBTEDNESS	\$305,217,548
NET OVERLAPPING DEBT - MDC 6/12/08	<u>37,202,252</u>
TOTAL OVERALL DIRECT NET DEBT	\$342,419,800

¹ 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, 2007

(Pro Forma)

Population ¹	124,699
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$3,460,283,369
Estimated Full Value	\$4,943,261,956
Equalized Net Taxable Grand List - 2005 ²	\$9,210,207,486
Money Income per Capita - 2000 ³	\$13,428

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$327,050,000	\$305,217,548	\$342,419,800
Per Capita.....	\$2,622.72	\$2,447.63	\$2,745.97
Ratio to Net Taxable Grand List.....	9.45%	8.82%	9.90%
Ratio to Estimated Full Value.....	6.62%	6.17%	6.93%
Ratio to Equalized Grand List.....	3.55%	3.31%	3.72%
Debt per Capita to Money Income per Capita...	19.53%	18.23%	20.45%

¹ Connecticut Department of Health Services, 2006, for City of Hartford.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for City of Hartford.

DEBT STATEMENT – TOWN OF NEWINGTON

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$20,355,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$20,355,000
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$20,355,000
NET OVERLAPPING DEBT - MDC 6/12/08	<u>11,327,132</u>
TOTAL OVERALL DIRECT NET DEBT	\$31,682,132

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

CURRENT DEBT RATIOS – TOWN OF NEWINGTON

As of June 30, 2007

(Pro Forma)

Population ¹	29,586
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$2,633,871,419
Estimated Full Value	\$3,762,673,456
Equalized Net Taxable Grand List - 2005 ²	\$3,714,043,661
Money Income per Capita - 2000 ³	\$26,881

	Total Direct Debt \$20,355,000	Total Net Direct Debt \$20,355,000	Total Overall Net Debt \$31,682,132
Per Capita.....	\$687.99	\$687.99	\$1,070.85
Ratio to Net Taxable Grand List.....	0.77%	0.77%	1.20%
Ratio to Estimated Full Value.....	0.54%	0.54%	0.84%
Ratio to Equalized Grand List.....	0.55%	0.55%	0.85%
Debt per Capita to Money Income per Capita..	2.56%	2.56%	3.98%

¹ Connecticut Department of Health Services, 2006, for Town of Newington.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of Newington.

DEBT STATEMENT – TOWN OF ROCKY HILL

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$24,525,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$24,525,000
Less:	
School Construction Grants - State of Conn. ¹	<u>875,528</u>
TOTAL NET DIRECT INDEBTEDNESS	\$23,649,472
NET OVERLAPPING DEBT - MDC 6/12/08	<u>7,537,888</u>
TOTAL OVERALL DIRECT NET DEBT	\$31,187,360

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF ROCKY HILL

As of June 30, 2007

(Pro Forma)

Population ¹	18,835
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$1,661,328,926
Estimated Full Value	\$2,373,327,037
Equalized Net Taxable Grand List - 2005 ²	\$2,988,857,920
Money Income per Capita - 2000 ³	\$29,701

	Total Direct Debt \$24,525,000	Total Net Direct Debt \$23,649,472	Total Overall Net Debt \$31,187,360
Per Capita.....	\$1,302.10	\$1,255.61	\$1,655.82
Ratio to Net Taxable Grand List.....	1.48%	1.42%	1.88%
Ratio to Estimated Full Value.....	1.03%	1.00%	1.31%
Ratio to Equalized Grand List.....	0.82%	0.79%	1.04%
Debt per Capita to Money Income per Capita..	4.38%	4.23%	5.57%

¹ Connecticut Department of Health Services, 2006, for Town of Rocky Hill.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of Rocky Hill.

DEBT STATEMENT – TOWN OF WEST HARTFORD

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$156,055,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$156,055,000
Less:	
School Construction Grants - State of Conn. ¹	<u>3,512,053</u>
TOTAL NET DIRECT INDEBTEDNESS	\$152,542,947
NET OVERLAPPING DEBT - MDC 6/12/08	<u>29,014,779</u>
TOTAL OVERALL DIRECT NET DEBT	\$181,557,726

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

CURRENT DEBT RATIOS – TOWN OF WEST HARTFORD

As of June 30, 2007

(Pro Forma)

Population ¹	60,794
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$4,889,688,191
Estimated Full Value	\$6,985,268,844
Equalized Net Taxable Grand List - 2005 ²	\$9,287,369,286
Money Income per Capita - 2000 ³	\$33,468

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$156,055,000	\$152,542,947	\$181,557,726
Per Capita.....	\$2,566.95	\$2,509.18	\$2,986.44
Ratio to Net Taxable Grand List.....	3.19%	3.12%	3.71%
Ratio to Estimated Full Value.....	2.23%	2.18%	2.60%
Ratio to Equalized Grand List.....	1.68%	1.64%	1.95%
Debt per Capita to Money Income per Capita...	7.67%	7.50%	8.92%

¹ Connecticut Department of Health Services, 2006, for Town of West Hartford.
² Office of Policy and Management, State of Connecticut.
³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of West Hartford.

DEBT STATEMENT – TOWN OF WETHERSFIELD

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$33,840,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$33,840,000
Less:	
School Construction Grants - State of Conn. ¹	<u>906,312</u>
TOTAL NET DIRECT INDEBTEDNESS	\$32,933,688
NET OVERLAPPING DEBT - MDC 6/12/08	<u>10,677,547</u>
TOTAL OVERALL DIRECT NET DEBT	\$43,611,235

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

CURRENT DEBT RATIOS – TOWN OF WETHERSFIELD

As of June 30, 2007

(Pro Forma)

Population ¹	26,057
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$2,003,873,313
Estimated Full Value	\$2,862,676,161
Equalized Net Taxable Grand List - 2005 ²	\$3,728,964,091
Money Income per Capita - 2000 ³	\$28,930

	Total Direct Debt \$33,840,000	Total Net Direct Debt \$32,933,688	Total Overall Net Debt \$43,611,235
Per Capita.....	\$1,298.69	\$1,263.91	\$1,673.69
Ratio to Net Taxable Grand List.....	1.69%	1.64%	2.18%
Ratio to Estimated Full Value.....	1.18%	1.15%	1.52%
Ratio to Equalized Grand List.....	0.91%	0.88%	1.17%
Debt per Capita to Money Income per Capita..	4.49%	4.37%	5.79%

¹ Connecticut Department of Health Services, 2006, for Town of Wethersfield.

² Office of Policy and Management, State of Connecticut.

³ U.S. Department of Commerce, Bureau of Census, 2000, for Town of Wethersfield.

DEBT STATEMENT – TOWN OF WINDSOR

As of June 30, 2007

(Pro Forma)

LONG TERM DEBT	\$44,225,000
SHORT TERM DEBT	1,950,000
TOTAL DIRECT DEBT	\$46,175,000
Less:	
School Construction Grants - State of Conn. ¹	2,106,546
TOTAL NET DIRECT INDEBTEDNESS	\$44,068,454
NET OVERLAPPING DEBT - MDC 6/12/08	12,030,848
NET UNDERLYING DEBT - Fire District 6/30/07	110,829
TOTAL OVERALL DIRECT NET DEBT	\$56,210,131

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF WINDSOR

As of June 30, 2007

(Pro Forma)

Population ¹	28,703
Net Taxable Grand List - 10/1/07 @ 70% of full value	\$2,590,683,323
Estimated Full Value	\$3,700,976,176
Equalized Net Taxable Grand List - 2005 ²	\$4,152,615,879
Money Income per Capita - 2000 ³	\$27,633

	Total Direct Debt \$46,175,000	Total Net Direct Debt \$44,068,454	Total Overall Net Debt \$56,210,131
Per Capita.....	\$1,608.72	\$1,535.33	\$1,958.34
Ratio to Net Taxable Grand List.....	1.78%	1.70%	2.17%
Ratio to Estimated Full Value.....	1.25%	1.19%	1.52%
Ratio to Equalized Grand List.....	1.11%	1.06%	1.35%
Debt per Capita to Money Income per Capita..	5.82%	5.56%	7.09%

¹ Connecticut Department of Health Services, 2006, for Town of Windsor.

² Office of Policy and Management, State of Connecticut.

³ 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 maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and 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 in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). 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 eight years from the initial borrowing date except for 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 under authority of this act 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 towns and cities composing the district by the State. In computing the total outstanding indebtedness of the district for the purposes of this section, 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 debt limitation any debt to be paid from a funded sinking fund.

STATEMENT OF STATUTORY DEBT LIMITATION
THE DISTRICT
As of June 12, 2008
(Pro Forma)

COMBINED 2007 NET TAXABLE GRAND LISTS OF MEMBER MUNICIPALITIES.....	\$22,095,250,145
DEBT LIMIT - 5% of combined Grand Lists ¹.....	<u>\$1,104,762,507</u>
 INDEBTEDNESS: (Including the Bonds)	
Water Bonds.....	\$65,263,003
Sewer Bonds.....	94,405,922
Headquarters Bonds.....	3,709,050
Facilities Improvement Bonds.....	1,140,000
Maxim Road Facility Bonds.....	1,621,678
Information System Bonds.....	4,945,000
Vehicle Maintenance Facility Bonds.....	1,192,614
GIS Landbase.....	150,000
Construction Inspection.....	60,000
Pump Station Assessment Bonds.....	200,000
Long Term Strategic Initiative Bonds.....	330,000
Emergency Generator Replacement Bonds.....	50,000
Capital Replacement Bonds.....	1,350,000
Document Management.....	1,100,000
TOTAL DIRECT LONG-TERM INDEBTEDNESS.....	\$175,517,267
TOTAL DIRECT SHORT-TERM INDEBTEDNESS.....	34,114,216
TOTAL DIRECT INDEBTEDNESS.....	\$209,631,483
 Less Outstanding Debt Not Subject to Debt Limitation	
Water Bonds.....	\$65,263,003
Water's Share of Headquarters Bonds.....	1,743,254
Water's Share of Facilities Improvement Bonds.....	535,800
Water's Share of Maxim Road Facility Bonds.....	1,086,524
Water's Share of Information System Bonds.....	3,313,150
Water's Share of Vehicle Maintenance Bonds.....	512,824
Water's Share of GIS Landbase.....	75,000
Water's Share of Construction Inspection.....	31,200
Water's Share of Pump Station Assessment Bonds.....	104,000
Water's Share of Long Term Strategic Initiative Bonds.....	171,600
Water's Share of Emergency Generator Replacement Bonds.....	26,000
Water's Share of Capital Replacement Bonds.....	702,000
Water's Share of Document Management.....	737,000
TOTAL DEBT NOT SUBJECT TO DEBT LIMITATION.....	\$74,301,355
 TOTAL NET DIRECT INDEBTEDNESS.....	\$135,330,128
 DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....	\$969,432,379

¹ The District's Charter limits its borrowing capacity to 5% of the aggregate Grand Lists of its Member Municipalities.
Source: Audited Financial Statements; District Officials.

AUTHORIZED BUT UNISSUED DEBT - THE DISTRICT ¹

As of June 12, 2008 (Pro Forma)

Project	Authorized	Previously Bonded	Debt Authorized but Unissued			
			General Purpose	Water	Sewers	Total
Water Capital Improvements.....	\$178,059,506	\$69,223,883		\$108,835,623		\$108,835,623 ²
Sewer Capital Improvements.....	1,179,303,900	182,920,279			996,383,621	996,383,621 ^{1,2}
Combined Funding Capital Improvements...	45,522,016	25,146,000	20,376,016			20,376,016
Total.....	\$1,402,885,422	\$277,290,162	\$20,376,016	\$108,835,623	\$996,383,621	\$1,125,595,260

¹ Includes an authorization for \$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 which is expected to last six years; the overall cost is estimated at approximately \$1.6 billion. A second referendum 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 a federal consent decree and a Connecticut DEP 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. The Project financing is expected to be repaid with a Special Sewer Service Surcharge based upon each customer's water use.

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

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – THE DISTRICT¹

Long-Term Debt	2007	2006	2005	2004	2003
Bonds.....	\$104,263,490	\$112,443,121	\$117,844,753	\$129,322,177	\$125,876,194
Short-Term Debt					
Bond Anticipation Notes...	63,825,000	50,800,000	0	0	0
Total.....	\$168,088,490	\$163,243,121	\$117,844,753	\$129,322,177	\$125,876,194

¹ Does not include underlying debt and capital lease obligations.

Source: Annual Audited Financial Statements 2003-2006; Estimate 2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF BLOOMFIELD

Long-Term Debt	2007	2006	2005	2004	2003
Bonds.....	\$17,065,000	\$18,175,000	\$19,285,000	\$20,395,000	\$22,277,000
Short-Term Debt					
State of Ct DECD Note	237,397	251,811	267,915	280,487	292,798
Total.....	\$17,302,397	\$18,426,811	\$19,552,915	\$20,675,487	\$22,569,798

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

Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF EAST HARTFORD

Long-Term Debt	2007	2006	2005	2004	2003
Bonds.....	\$43,000,000	\$48,895,000	\$39,355,000	\$44,850,000	\$50,110,000
Short-Term Debt					
Bond Anticipation Notes...	0	0	0	0	0
Total.....	\$43,000,000	\$48,895,000	\$39,355,000	\$44,850,000	\$50,110,000

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

Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – CITY OF HARTFORD

<u>Long-Term Debt</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Bonds.....	\$327,050,000	\$273,550,000	\$218,420,000	\$164,620,000	\$147,020,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes...	0	0	0	0	0
Total.....	\$327,050,000	\$273,550,000	\$218,420,000	\$164,620,000	\$147,020,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF NEWINGTON

<u>Long-Term Debt</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Bonds.....	\$20,355,000	\$22,560,000	\$25,000,000	\$23,560,000	\$16,770,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes...	0	0	0	0	0
Total.....	\$20,355,000	\$22,560,000	\$25,000,000	\$23,560,000	\$16,770,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF ROCKY HILL

<u>Long-Term Debt</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Bonds.....	\$24,525,000	\$26,320,000	\$27,685,000	\$18,215,000	\$19,465,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes...	0	0	0	7,315,000	4,390,000
Total.....	\$24,525,000	\$26,320,000	\$27,685,000	\$25,530,000	\$23,855,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WEST HARTFORD

<u>Long-Term Debt</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Bonds.....	\$156,055,000	\$151,115,000	\$112,400,000	\$104,195,000	\$88,395,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes...	0	0	0	0	0
Total.....	\$156,055,000	\$151,115,000	\$112,400,000	\$104,195,000	\$88,395,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WETHERSFIELD

<u>Long-Term Debt</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Bonds.....	\$33,840,000	\$36,580,000	\$38,535,000	\$25,470,000	\$26,885,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes...	0	0	0	5,500,000	0
Total.....	\$33,840,000	\$36,580,000	\$38,535,000	\$30,970,000	\$26,885,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2003-2007.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WINDSOR

Long-Term Debt	2007	2006	2005	2004	2003
Bonds.....	\$44,225,000	\$46,475,000	\$48,140,000	\$45,515,000	\$44,925,000
Short-Term Debt					
Bond Anticipation Notes...	1,950,000	0	0	0	0
Total.....	\$46,175,000	\$46,475,000	\$48,140,000	\$45,515,000	\$44,925,000

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

Source: Annual Audited Financial Statements 2003-2007.

RATIO OF DIRECT DEBT TO VALUATION AND POPULATION - THE DISTRICT

Fiscal Year Ended 6/30	Net Assessed Value¹	Estimated Full Value²	Direct Debt³	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population⁴	Direct Debt per Capita
2007	\$19,778,490,417	\$28,254,986,310	\$168,088,490	0.85%	0.59%	358,251	\$469.19
2006	\$18,706,397,963	26,723,425,661	163,243,121	0.87%	0.61%	358,251	455.67
2005	\$18,100,480,388	25,857,829,126	117,844,753	0.65%	0.46%	358,758	328.48
2004	\$17,084,671,908	24,406,674,154	129,322,177	0.76%	0.53%	359,551	359.68
2003	\$16,732,502,961	23,903,575,659	125,876,194	0.75%	0.53%	358,396	351.22

¹ Represents the Net Taxable Grant Lists of the Member Towns.

² Represents the estimated full value of the Member Towns' Net Taxable Grand Lists.

³ Does not include underlying debt and capital lease obligations.

⁴ Represents the total population of the Member Towns.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$1,717,320,856	\$2,453,315,509	\$17,302,397	1.01%	0.71%	20,643	\$838.17	2.91%
2006	1,657,459,741	2,367,799,630	18,426,811	1.11%	0.78%	20,643	892.64	3.09%
2005	1,140,876,711	1,629,823,873	19,552,915	1.71%	1.20%	20,581	950.05	3.29%
2004	1,166,346,561	1,666,209,373	20,675,487	1.77%	1.24%	20,414	1,012.81	3.51%
2003	1,120,231,522	1,600,330,746	22,569,798	2.01%	1.41%	19,803	1,139.72	3.95%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$2,336,874,270	\$3,338,391,814	\$43,000,000	1.84%	1.29%	48,934	\$878.73	4.04%
2006	\$2,332,474,885	3,332,106,979	48,895,000	2.10%	1.47%	48,934	999.20	4.59%
2005	\$2,352,765,590	3,361,093,700	39,355,000	1.67%	1.17%	49,173	800.34	3.68%
2004	\$2,342,001,572	3,345,716,531	44,850,000	1.92%	1.34%	49,416	907.60	4.17%
2003	\$2,292,817,676	3,275,453,823	50,110,000	2.19%	1.53%	49,596	1,010.36	4.64%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$3,547,708,558	\$5,068,155,083	\$327,050,000	9.22%	6.45%	124,699	\$2,622.72	19.53%
2006	\$3,457,418,570	4,939,169,386	\$273,550,000	7.91%	5.54%	124,699	2,193.68	16.34%
2005	\$3,501,381,134	5,001,973,049	\$218,420,000	6.24%	4.37%	124,397	1,755.83	13.08%
2004	\$3,579,222,711	5,113,175,301	\$164,620,000	4.60%	3.22%	125,053	1,316.40	9.80%
2003	\$3,553,165,224	5,075,950,320	\$147,020,000	4.14%	2.90%	124,387	1,181.96	8.80%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$2,565,009,043	\$3,664,298,633	\$20,355,000	0.79%	0.56%	29,586	\$687.99	2.56%
2006	\$1,765,120,445	2,521,600,636	22,560,000	1.28%	0.89%	29,586	762.52	2.84%
2005	\$1,745,823,063	2,494,032,947	25,000,000	1.43%	1.00%	29,676	842.43	3.13%
2004	\$1,778,118,394	2,540,169,134	23,560,000	1.32%	0.93%	29,646	794.71	2.96%
2003	\$1,730,621,316	2,472,316,166	16,770,000	0.97%	0.68%	29,695	564.74	2.10%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$1,603,291,244	\$2,290,416,063	\$24,525,000	1.53%	1.07%	18,835	\$1,302.10	4.38%
2006	\$1,575,853,180	2,251,218,829	26,320,000	1.67%	1.17%	18,835	1,397.40	4.70%
2005	\$1,533,366,840	2,190,524,057	27,685,000	1.81%	1.26%	18,760	1,475.75	4.97%
2004	\$1,233,515,550	1,762,165,071	25,530,000	2.07%	1.45%	18,620	1,371.11	4.62%
2003	\$1,199,484,300	1,713,549,000	23,855,000	1.99%	1.39%	18,528	1,287.51	4.33%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$3,710,940,390	\$5,301,343,414	\$156,055,000	4.21%	2.94%	60,794	\$2,566.95	7.67%
2006	\$3,661,731,590	5,231,045,129	151,115,000	4.13%	2.89%	60,794	2,485.69	7.43%
2005	\$3,627,960,740	5,182,801,057	112,400,000	3.10%	2.17%	61,173	1,837.41	5.49%
2004	\$3,652,787,640	5,218,268,057	104,195,000	2.85%	2.00%	61,392	1,697.21	5.07%
2003	\$3,614,778,748	5,163,969,640	88,395,000	2.45%	1.71%	61,424	1,439.10	4.30%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$1,991,573,140	\$2,845,104,486	\$33,840,000	1.70%	1.19%	26,057	\$1,298.69	4.49%
2006	\$1,974,466,840	2,820,666,914	36,580,000	1.85%	1.30%	26,057	1,403.85	4.85%
2005	\$1,954,539,220	2,792,198,886	38,535,000	1.97%	1.38%	26,220	1,469.68	5.08%
2004	\$1,462,429,350	2,089,184,786	30,970,000	2.12%	1.48%	26,358	1,174.98	4.06%
2003	\$1,452,892,840	2,075,561,200	26,885,000	1.85%	1.30%	26,398	1,018.45	3.52%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2007	\$2,303,733,056	\$3,291,047,223	\$46,175,000	2.00%	1.40%	28,703	\$1,608.72	5.82%
2006	\$2,283,464,552	3,262,092,217	46,475,000	2.04%	1.42%	28,703	1,619.17	5.86%
2005	\$2,243,767,090	3,205,381,557	48,140,000	2.15%	1.50%	28,778	1,672.81	6.05%
2004	\$1,886,474,120	2,694,963,029	45,515,000	2.41%	1.69%	28,652	1,588.55	5.75%
2003	\$1,768,511,335	2,526,444,764	44,925,000	2.54%	1.78%	28,565	1,572.73	5.69%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2002-2006.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2003-2007.

**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 %
2007	\$1,855,545	\$66,770,754	2.78%
2006	1,614,732	63,188,204	2.56%
2005	1,009,669	58,712,543	1.72%
2004	2,783,335	56,662,713	4.91%
2003	1,965,164	52,803,259	3.72%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2007	\$9,035,000	\$155,684,000	5.80%
2006	\$8,820,000	152,029,000	5.80%
2005	\$8,427,000	143,083,000	5.89%
2004	\$8,275,000	134,745,000	6.14%
2003	\$8,151,000	128,314,000	6.35%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2007	\$24,858,000	\$513,628,000	4.84%
2006	25,899,000	482,804,000	5.36%
2005	20,147,000	461,413,000	4.37%
2004	21,215,000	442,277,000	4.80%
2003	22,728,000	439,594,000	5.17%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2007	\$3,147,000	\$87,242,000	3.61%
2006	3,498,000	83,333,000	4.20%
2005	3,277,000	76,568,000	4.28%
2004	2,671,235	72,741,448	3.67%
2003	2,271,940	68,792,060	3.30%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2007	2,807,051	\$53,776,036	5.22%
2006	2,659,288	50,040,391	5.31%
2005	2,210,822	46,578,390	4.75%
2004	2,283,836	49,425,070	4.62%
2003	2,026,400	42,555,009	4.76%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Governmental Funds Expenditures %
2007	\$16,803,000	\$219,827,000	7.64%
2006	15,810,000	207,270,000	7.63%
2005	13,403,000	190,296,000	7.04%
2004	12,193,000	179,294,000	6.80%
2003	11,445,000	171,635,000	6.67%

¹ Includes All Governmental Funds, excluding capital outlay. Data is reflected on a modified accrual basis.
Source: Town of West Hartford, February 2008 Official Statement.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2007	\$4,147,019	\$77,010,979	5.38%
2006	3,438,934	71,623,678	4.80%
2005	3,085,970	64,656,846	4.77%
2004	2,555,347	60,048,252	4.26%
2003	2,179,259	57,588,315	3.78%

Source: Annual Audited Financial Statements 2003-2007.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Governmental Funds Expenditures %
2007	\$5,652,399	\$91,190,424	6.20%
2006	5,603,336	87,179,138	6.43%
2005	5,715,158	82,013,043	6.97%
2004	5,626,939	75,936,400	7.41%
2003	4,591,532	72,592,810	6.33%

¹ Includes all Governmental Funds, excluding Capital Expenditures.
Source: Annual Audited Financial Statements 2003-2007.

CAPITAL IMPROVEMENT PROGRAMS AND FUTURE BORROWINGS

Each year the District adopts a Capital Improvement Program (“CIP”) to ensure it can meet 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 2008, the CIP is focused on comprehensive management, maintenance, repair and replacement of the District’ water mains, sewers, pumping stations, treatment facilities, buildings and equipment necessary to ensure the continued safety and efficiency of these assets.

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. Of the \$1.6 billion estimated cost, \$800,000,000 was authorized by the Member Municipalities at a referendum in November 2006. The CWP CIP projects are eligible for State of Connecticut Clean Water Fund (“CWF”) loans for all or a portion of each project. Funding is conditioned upon priority ranking and availability of State funds. The CWP, whether financed by the CWF or open market District debt, is expected to be supported by revenues generated from the Special Sewer Service Surcharge which was adopted in October 2007 and implemented in January 2008.

FUNDING SOURCES FOR FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Funding Source	Budget Contribution	Clean Water Funding	Bonding	Total
Wastewater Programs...	\$9,500,000	\$0	\$112,420,000	\$121,920,000
Water Programs.....	3,950,000	0	189,750,000	193,700,000
Combined.....			18,350,000	18,350,000
Clean Water Project ¹	0	600,000,000	200,000,000	800,000,000
Total.....	\$13,450,000	\$600,000,000	\$520,520,000	\$1,133,970,000

¹ The District has established a Special Sewer Service Surcharge to fund the debt service on loans under the State of Connecticut Clean Water Fund (“CWF”) Program and open market District debt to be issued. The 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 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 District is the defendant in a number of lawsuits. It is the opinion of 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**

July 24, 2008

STAMFORD

History, Location, and Other Information

Stamford, first settled in 1641, is Connecticut's fourth largest city by population. It was named the Town of Stamford in 1642 and was admitted to Connecticut in October 1662. In 1893 the City of Stamford, comprising the central portion of the Town of Stamford, was incorporated. Thereafter, the City of Stamford became a composite part of the Town of Stamford, resulting in two separate governments. On April 15, 1949 the Town and City were consolidated and named the City of Stamford. Stamford covers an area of 39.9 square miles located on Long Island Sound between Greenwich to the west and New Canaan and Darien to the east.

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

Stamford has a high concentration of international corporate headquarters and it is the major retail trade center of Fairfield County, yet it maintains its suburban character and residential areas. Through sound urban planning, the City has strengthened its retail core, increased its housing and cultural facilities and attracted major office development. 2007 saw significant new development activity in downtown Stamford and the South End. New projects that are under way include a new North American headquarters for the Royal Bank of Scotland, completion of the redesign and expansion of the Stamford Town Center Mall and a large land assemblage in the South End by a developer planning a significant mixed-use project including 4,000 housing units, 400,000 square feet of retail space, 250,000 square feet of office space and two hotels. Also planned is the second phase of the Metro Center project, "MetroGreen," with a 325,000-square-foot office building and 220 housing units just to the south of the Transportation Center. Four mixed-use developments have recently been approved and are under way in the downtown: Trump Parc, Atlantic Centre and Tresser Square. These include over 1,700 housing units, a Ritz Carlton Hotel (198 rooms) and over 100,000 square feet for retail space. The City's East Side is also growing with four developments providing for 372 new living units.

Stamford is an important residential suburb in one of the highest per capita income areas of the United States. The 2000 U.S. Census reports Stamford's per capita income for 2000 was \$34,987 with a 2000 population of 117,083. According to the 2000 U.S. Census, the Stamford Metropolitan Area ranked third in the nation with a median family income of \$69,337.

Description of Government

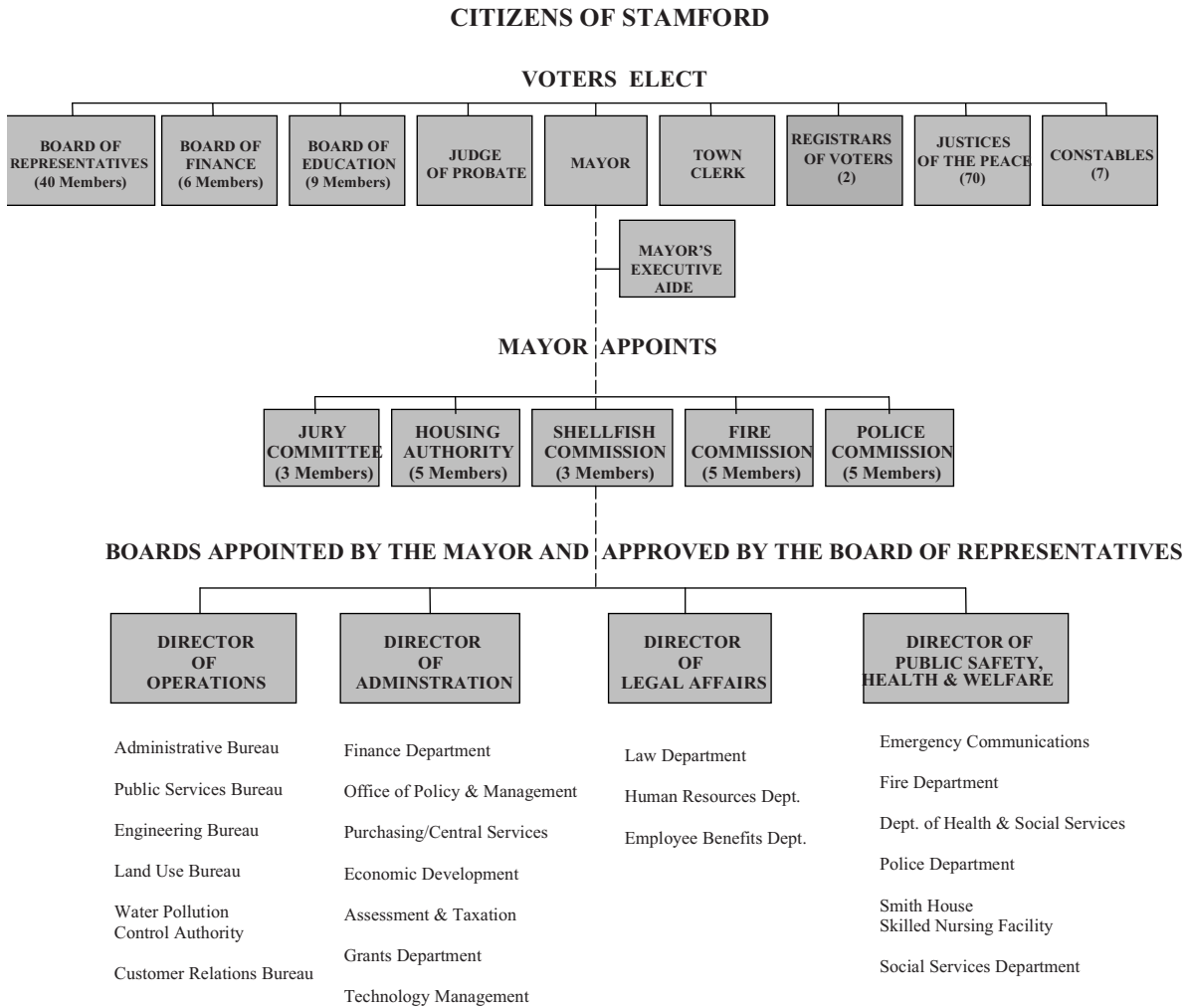
The City of Stamford operates under a Charter adopted in 1949 and most recently revised in November 2004. The 2004 revisions created an Undesignated Fund Balance or Rainy Day Fund, added the Mayor to the Board of Education as a non-voting member and made a number of technical changes to the Charter.

The chief executive officer of the City is the Mayor, elected for a four-year term of office. The legislative function is performed by a forty-member Board of Representatives whose members are elected, two from each of twenty districts, for four-year terms. The Board of Representatives adopts ordinances and resolutions and must approve all expenditures of funds. A six-member Board of Finance, elected to staggered four-year terms with provisions for representation of two major political parties, establishes fiscal policy and must approve all expenditures of funds.

The Director of Administration is appointed by the Mayor and confirmed by the Board of Representatives. Under the direction of the Mayor, the Director of Administration has supervision over the Department of Finance, Office of Policy and Management, Purchasing, Central Services, Economic Development, Assessment and Taxation, Community Development, Intergovernmental Grants, and Technology Management Services. The Director of Administration is the Chief Fiscal Officer of the City and performs accounting of all funds showing all financial transactions for all commissions, boards, departments, offices, agencies, authorities and other entities of the City. The Office of Administration assumed finance functions for the Board of Education during fiscal year 2003-04, which continues today.

The Director of Administration has the powers and duties conferred on town treasurers, to issue and market all bonds and to invest funds of the City. The Director of Administration is also responsible for the preparation of the operating and capital budgets of the City. In addition, in accordance with Section 8-20-3 of the City Charter, the Director of Administration submits an opinion to the Mayor and Board of Finance in December of each year setting forth the amount and nature of capital expenditures that the City may incur safely for each of the six succeeding years.

Organizational Chart



Administration

The Mayor, subject to the approval of the Board of Representatives, appoints four Directors to his cabinet: the Director of Administration, Director of Operations, Director of Legal Affairs, and Director of Public Safety, Health and Welfare. The Directors serve at the Mayor’s pleasure, and their terms are coterminous with the Mayor’s term of office. The Mayor’s Executive Aide also serves as a member of the cabinet.

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
Mayor	Dannel P. Malloy	Elected/4 years	12 ½ years
Director of Administration	Sandra L. Dennies	Appointed/3 years	26 ¾ years ¹
Director of Operations	Benjamin Barnes	Appointed/4 years	7 ¼ years ²
Director of Legal Affairs	Thomas Cassone	Appointed/4 years	6 years
Director of Public Safety, Health and Welfare	William Callion	Appointed/4 years	4 ¾ years
Controller	Lisa M. Reynolds	Civil service/indefinite	9 ½ years
Director of Policy & Management	Peter Privitera	Civil service/indefinite	5 ½ years
Superintendent of Schools	Dr. Joshua Starr	Appointed/3-year contract	3 ¼ years

¹ Ms. Dennies was appointed by the Mayor as Director of Administration on February 10, 2007. She previously served 25 years as Director of Grants and Government Relations.

² Mr. Barnes was appointed by the Mayor to the position of Director of Operations on January 20, 2007. He previously served 2½ years as Director of Public Safety, Health and Welfare and 3 years as Director of Administration.

The City administers a Civil Service System, including hiring, promotional and competitive examinations and disciplinary actions. In addition, the Civil Service System conducts training programs and maintains employee benefit programs. The Department of Human Resources conducts collective bargaining negotiations on 14 contracts with municipal employee labor unions. The Board of Education negotiates with its employee labor unions. See “Municipal Employees Bargaining Organizations” herein.

The City currently employs 3,386 full-time persons for General Government and the Board of Education. The following table shows the City’s employment rolls for the past seven fiscal years.

Municipal Employees¹

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
General Government ²	1,227	1,263	1,264	1,260	1,268	1,245	1,243
Board of Education	<u>2,071</u>	<u>2,123</u>	<u>2,128</u>	<u>1,890</u>	<u>2,050</u>	<u>2,027</u>	<u>2,139</u>
Total	3,298	3,386	3,392	3,150	3,318	3,272	3,382

¹ As of July 1 each fiscal year.

² General Government includes employees assigned to the Smith House Nursing Home (105) the Water Pollution Control Authority (35); the E. Gaynor Brennan Golf Course (6); the Risk Management Fund (3); the Marina Fund (2) and the Parking Fund (19).

Municipal Employees Bargaining Organizations

Organization	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<i>General Government</i>		
Stamford Police Association	290	06/30/09
Local #786 of the International Association of Firefighters, AFL-CIO (downtown)	268	06/30/09
Local #2657 of the AFSCME, Council #4, AFL-CIO (Supervisors)	107	06/30/09
Local #465 of the AFSCME, Council # 4, AFL-CIO (Registered Nurses)	45	06/30/09
Local #1303-273 of the AFSCME, Council #4, AFL-CIO (Hygienists)	5	06/30/09
Local #1303-191 of the AFSCME, Council # 4, AFL-CIO (Attorneys)	5	06/30/09
Local #145 of the International Brotherhood of Teamsters, AFL-CIO	21	06/30/09
Local #2377 of the International Union, United Automobile Workers, AFL-CIO	279	06/30/09
New England Health Care Employees Union, District 1199 (Smith House)	88	06/30/09
Local #222 of the United Electrical Radio & Machine Workers of America	<u>119</u>	06/30/09
Total Employees	1,227	
<i>Board of Education</i>		
Local #2657 of the AFSCME, Council #4, AFL-CIO (Supervisors)	4	06/30/09
Local #2377 of the International Union, United Automobile Workers, AFL-CIO	80	06/30/09
Stamford Board of Education Employee Association (Custodian & Maintenance)	142	06/30/10
Stamford Board of Education Employee Association (Security and Community Liaison Employees)	32	06/30/08
Stamford Education Association	1,423	06/30/10
Education Assistants of Stamford Association	316	06/30/10
School Administrators Association of Stamford	<u>74</u>	06/30/09
Total Employees	2,071	

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 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 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. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the 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 the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

SELECTED DEMOGRAPHIC AND ECONOMIC DATA

Population Trends and Densities

<u>Year</u>	<u>Population</u> ¹	<u>Percent Change</u>	<u>Density</u> ²
1960	92,713	-%	2,324
1970	108,798	17.3	2,727
1980	102,453	(5.8)	2,568
1990	108,056	5.5	2,708
2000	117,083	8.4	2,934
2006	119,483	2.0	2,995

Sources: ¹U.S. Department of Commerce, Bureau of Census, Census of Population 1960-2000; State of Connecticut Department of Public Health estimate July 1, 2006.

²Population per square mile: 39.9 square miles.

Income Distribution

	<u>City of Stamford</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 - 9,999	1,082	3.7%	33,423	3.8%
10,000 - 14,999	847	2.9	23,593	2.7
15,000 - 24,999	2,094	7.1	63,262	7.1
25,000 - 34,999	2,534	8.7	75,413	8.5
35,000 - 49,999	3,619	12.4	120,134	13.6
50,000 - 74,999	5,486	18.8	198,924	22.5
75,000 - 99,999	3,709	12.7	141,981	16.0
100,000 - 149,999	4,682	16.0	132,177	14.9
150,000 - 199,999	1,968	6.7	42,472	4.8
200,000 and over	<u>3,218</u>	<u>11.0</u>	<u>54,368</u>	<u>6.1</u>
Total	29,239	100.0%	885,747	100.0%

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

Comparative Income Measures

	<u>City of Stamford</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$34,987	\$28,766
Median family income, 1999	\$69,337	\$65,521
Median household income, 1999	\$60,556	\$53,935

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

Labor Force Data

Reporting Period	Labor Force	Employed	Unemployed	Unemployment Rate (%)		
				City of Stamford	Bridgeport/ Stamford Labor Market	State of Connecticut
Average						
March 2008	67,160	64,144	3,016	4.5	4.9	5.5
2007	67,876	65,402	2,474	3.6	4.1	4.5
2006	66,428	64,094	2,334	3.5	3.9	4.3
2005	65,491	62,714	2,777	4.2	4.6	4.9
2004	65,097	62,409	2,688	4.1	4.6	4.9
2003	65,559	62,567	2,992	4.6	5.1	5.5
2002	64,976	62,390	2,586	4.0	4.3	4.4

Reporting Period	Labor Force	Employed	Unemployed	City of Stamford	Stamford Labor Market	State of Connecticut
Average						
2001	67,402	65,565	1,837	2.7	2.4	4.7
2000	68,912	67,730	1,182	1.7	1.4	4.0
1999	66,131	64,472	1,659	2.5	2.1	3.2
1998	65,538	63,791	1,747	2.7	2.2	3.4
1997	65,913	63,307	2,606	4.0	3.2	4.9

Source: State of Connecticut, Labor Department, Office of Research.

Major Employers

There are over 350 corporate and manufacturing industries located in Stamford. Stamford's major employers include the following:

<u>Name</u>	<u>Nature of Business</u>
City of Stamford	Government and Education
Pitney Bowes, Inc.	Office Equipment (HQ)
UBS	Investment Banking (HQ)
Gartner, Inc.	Information Technology Advisory Services
GE Commercial Finance	Finance (HQ)
GE Money	Finance
Stamford Town Center	Retail Stores
Stamford Health Systems	Medical Care
Clairol, Inc.	Cosmetics (HQ and Mfg.)
General Cologne Re Corporation	Insurance (HQ)
U.S. Postal Service	Local and Regional Mail Service
Purdue Pharma	Pharmaceuticals (HQ)
Hyperion Solutions	Computer Software
Moore Corporation	Printed Forms
Macy's	Retailing
Omega Engineering	Temperature Control Devices (HQ and Mfg.)
Price WaterhouseCoopers	Public Accounting/Consulting
Thomson Corporation	Publishing
AT&T	Telephone and Communications
Shamrock Maintenance Inc.	Building Cleaning Services
United Distillers & Vinters	Beverages (HQ)
Wachovia Bank, National Association	Banking
Royal Bank of Scotland	Investment Banking
UST Inc.	Tobacco Headquarters

Major Employers (continued)

<u>Name</u>	<u>Nature of Business</u>
Carolee	Jewelry Manufacturing
Citizen Communications	Utility
CYTEC	Chemicals (Research Laboratories)
Circum/ACMI	Medical Instruments (HQ and Mfg.)
Legg Mason	Finance
Graph Network	Cable Television
General Signal	Transportation
META Group	Consumer Services
ITDS	Computer Software
NacRe Insurance	Insurance
Sempra Energy Trading	Trading
Bank of America	Finance
The Stamford Hospital	Medical Services
Conair	Beauty Products (HQ)
TIG Reinsurance	Insurance
Group W Network Services	Programming
Elizabeth Arden	Cosmetics
Tosco	Petroleum Refining
Crane	Industrial
Daymon Worldwide	Financial
Crompton & Knowles	Chemicals
Silgan Holdings	Metal Products
AC Nielsen	Computer and Data Services
Titan Sports WWE	Professional Wrestling
Asbury Automotive Group Inc.	New and Used Car Dealers
Chartwell Re Corp.	Reinsurance
Chirex Inc.	Contract Research and Development for Pharmaceutical Company
Gantos	Women's Apparel and Accessories
Star Gas Partners	Liquefied Petroleum Gas Dealers
Hexcel Corp.	Carbon Fiber Industrial Products Manufacturer
Independence Holding Co.	Life and Health Insurer
International Telecomm Data	Billing Management Information Systems and Support Services
Lone Star Industry	Manufacturing and Distribution of Cement
Time Warner Cable	Communications/Programming
Jeffries & Co.	Investment Advisors
Fuji Photo Film	Manufacturing
Synapse	Marketing
Versus	Communications/Programming

HQ — Headquarters/Offices

Mfg — Manufacturing Facilities

Source: City of Stamford Department of Economic Development.

Office Vacancy Rates

Calendar Year	Stamford Central Business District		Stamford Non-Central Business District		Fairfield County	
	Square Feet Existing	Vacancy Percent	Square Feet Existing	Vacancy Percent	Square Feet Existing	Vacancy Percent
2007	6,308,281	14.2	8,243,247	15.8	39,581,321	12.5
2006	6,308,281	13.7	8,174,740	15.7	38,774,641	14.7
2005	6,308,281	15.7	8,174,740	19.0	38,774,641	16.9
2004	6,307,898	16.0	8,279,388	18.2	38,236,387	18.1
2003	6,307,898	18.0	8,265,861	16.1	38,345,381	17.4
2002	6,307,898	17.9	8,357,572	17.8	38,242,993	20.7
2001	6,311,533	14.0	8,269,133	12.6	37,458,689	16.5
2000	6,248,071	9.6	8,433,193	5.4	37,540,194	6.8
1999	6,248,071	6.5	8,434,180	9.6	37,353,281	10.0
1998	6,248,071	6.2	8,386,631	12.0	37,526,869	9.7
1997	5,668,071	7.6	8,357,324	12.4	36,665,658	11.0
1996	5,750,655	12.0	8,729,308	20.8	37,306,798	15.1
1995	5,827,091	15.6	8,654,636	15.8	37,626,408	15.4

Source: Cushman & Wakefield.

Value of Building Permits

Fiscal Year Ended 6/30	Residential	Commercial/Industrial	Apartments/Condominiums	Total
2007	\$ 50,778,452	\$412,070,047	N/A ¹	\$462,848,499
2006	129,419,254	260,684,635	N/A ¹	390,103,889
2005	131,175,576	110,859,988	\$15,113,989	257,149,553
2004	138,432,128	196,867,884	4,311,000	339,611,012
2003	76,738,245	117,209,684	4,487,000	198,434,929
2002	66,706,336	195,330,791	16,057,715	278,094,842
2001	45,405,860	156,978,838	45,614,700	247,996,398
2000	45,087,299	171,945,326	69,203,887	286,236,512
1999	41,062,696	115,280,275	42,893,700	199,236,671
1998	51,375,256	92,721,886	5,708,361	149,805,503

¹ Included in residential values.

Housing Unit Vacancy Rates

Housing Units	City of Stamford		State of Connecticut	
	Number	Percent	Number	Percent
Occupied housing units	45,399	95.9%	1,301,670	93.9%
Vacant housing units	<u>1,918</u>	<u>4.1</u>	<u>84,305</u>	<u>6.1</u>
Total units	47,317	100.0%	1,385,975	100.0%
Homeowner vacancy rate	-	0.6%	-	1.1%
Rental vacancy rate	-	3.0	-	5.6

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

Number and Size of Households

<u>Household Characteristics</u>	<u>City of Stamford</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households	115,330	-	3,297,626	-
Persons per household (average)	2.54	-	2.53	-
Persons per family (average)	3.13	-	3.08	-
Family households	28,951	63.8%	881,170	67.7%
Non-family households	<u>16,448</u>	<u>36.2</u>	<u>420,500</u>	<u>32.3</u>
All households	45,399	100.0%	1,301,670	100.0%
Family households by type				
Married couple	22,006	76.0%	676,467	76.8%
Female householders, no spouse	5,240	18.1	157,411	17.8
Other	<u>1,705</u>	<u>5.9</u>	<u>47,292</u>	<u>5.4</u>
Total family households	28,951	100.0%	881,170	100.0%
Non-family households by type				
Householders living alone	13,033	79.2%	344,224	81.9%
Other	<u>3,415</u>	<u>20.8</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households	16,448	100.0%	420,500	100.0%

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

Land Use Summary

<u>Land Use Category</u>	<u>Acres</u>	<u>Percent</u>
Zoned for single family	19,688	80.0%
Zoned for multi-family	1,965	8.0
Zoned for mixed use	336	1.4
Zoned for business	754	3.1
Zoned for industry	982	4.0
Zoned for open space	<u>863</u>	<u>3.5</u>
Total	24,588	100.0%

Source: City of Stamford, Land Use Bureau, 2008 GIS data.

DEBT SECTION

Legal Requirements for Approval of Borrowing

The City has the power to incur indebtedness by issuing its bonds and 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.

Debt Authorization

Debt is authorized by the Board of Representatives, upon request of the Mayor and approval by the Board of Finance. The City adopts a capital budget at the time that it adopts an annual operating budget. Each capital budget is financed from a combination of bonds, grants and other City funds.

Safe Debt Limit

The City of Stamford is also guided by a safe debt limit that is set each year by the Board of Finance. Section 8-20-3 of the Charter of the City of Stamford requires the preparation of an annual report analyzing the amount and nature of expenditures that the City may incur safely for capital projects during each of the next six succeeding years, and the effect of those expenditures on the budgets for each of those years. The report prepared for Fiscal Year 2008-09 recommended a safe debt limit of \$50 million, followed by \$50 million for the next five years for a total of \$300 million. Typically included in that debt is short term debt which is financed over seven years or less. The short term debt allows the City to meet capital equipment needs while minimizing long-term interest costs. Following their consideration of that annual report, the Board of Finance indicated their support of a \$40 million safe debt limit.

School Projects

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the old program for all projects approved prior to July 1, 1996.

Under the old program, the State of Connecticut will reimburse the City for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund the projects. The City anticipates reimbursements of approximately \$9.1 million for projects approved under the old program.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during certain construction phases of the projects. The percentage reimbursement for each school project is based on eligible costs as determined by the Connecticut Department of Education. The rate of reimbursement for new school construction projects is 28.93% of eligible project costs with the exception of the inter-district magnet school, currently in construction, which is 95%.

Sewer Projects

The Stamford Water Pollution Control Authority (the "WPCA") is an agency of the City, established on November 28, 1996 pursuant to Ordinance No. 803 and Chapter 103, Sections 7-245 through 7-273a, inclusive, of the Connecticut General Statutes, as amended. The WPCA is governed by a nine-member Board of Directors. Since 1996, it has operated as an enterprise fund.

The WPCA has various debt obligations outstanding, including certain revenue bonds issued pursuant to an indenture of trust and certain general obligation bonds which are completely supported by sewer user fees. Such debt is not included in the calculation of the City's Safe Debt Limit or the statutory debt limitation of the State of Connecticut. See "Debt of the WPCA" herein for more information.

Interest Rate Exchange Agreement

The City entered into a forward interest rate swap agreement in the notional amount of \$18,665,000 with UBS AG on April 12, 2007 with respect to general obligation refunding bonds expected to be issued in July 2008. Pursuant to the agreement, the City will make payments to the swap provider at a fixed rate of interest of 3.4074% and the swap provider will make payments to the City at a variable rate of interest equal to 67% of LIBOR BBA until the termination date of the agreement, which is July 15, 2014, unless terminated earlier.

The agreement exposes the City to certain market and operational risks. The City may terminate the agreement at any time at market value or upon the occurrence of certain events.

The City finalized an Interest Rate Risk Management Policy, which describes the purpose of interest rate exchange contracts, permitted instruments, risk evaluation, and reporting and disclosure requirements.

Current Debt Statement Pro Forma As of June 4, 2008

Bonded debt ¹ :	
This issue ²	\$ 88,000,000
General purpose	152,667,943
Schools	<u>142,596,490</u>
Total bonded debt	383,264,433
Short-term debt ²	<u> -</u>
Total overall debt	383,264,433
Less school construction grants receivable	<u>7,498,297</u>
Total overall net debt	\$375,766,136

¹ Reference to "this issue" is to \$88,000,000 of general obligations bonds issued on June 4, 2008. Excludes \$14,873,264 of bonded general obligation sewer debt and three Clean Water Fund project loan obligations totaling \$3,596,876 for which the City has pledged its full faith and credit, but which are expected to be repaid entirely from revenues of the sewerage system. (See "Debt of the WPCA" herein.)

²The City has \$47,000,000 in bond anticipation notes maturing on June 4, 2008 being permanently financed with a portion of the proceeds of this issue.

Current Debt Ratios Pro Forma As of June 4, 2008

Population, 2006	119,483	
Per capita income, 1999	\$34,987	
Net taxable grand list, 10/1/07	\$23,944,543,152	
Estimated full value @ 70%	\$34,206,490,217	
Equalized net grand list (2005)	\$35,699,097,439	
	Overall Debt	Overall Net Debt
	<u>\$383,264,433</u>	<u>\$375,766,136</u>
Per capita	\$3,207.69	\$3,144.93
To net taxable grand list	1.60%	1.57%
To estimated full value	1.12%	1.10%
To net equalized grand list	1.07%	1.05%
Ratio of debt per capita to per capita income	9.17%	8.99%

Bonded Debt Maturity Schedule¹
Pro Forma
As of June 4, 2008

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payments</u>	<u>This Issue</u>	<u>Cumulative</u> <u>Principal</u> <u>Retired (%)</u>
2008 ²	\$ -	\$ -	\$ -	\$ -	-
2009	26,088,674	12,956,712	39,045,386	3,200,000	7.64
2010	26,172,071	11,716,369	37,888,440	4,600,000	15.67
2011	25,711,575	10,457,705	36,169,280	4,600,000	23.58
2012	23,890,815	9,350,073	33,240,888	4,600,000	31.01
2013	23,123,417	8,258,963	31,382,380	4,600,000	38.25
2014	22,104,997	7,156,986	29,261,983	4,600,000	45.21
2015	21,767,321	6,118,217	27,885,538	4,600,000	52.09
2016	17,741,874	5,220,400	22,862,274	4,400,000	57.87
2017	17,913,902	4,431,537	22,345,439	4,400,000	63.69
2018	17,848,007	3,624,668	21,472,675	4,400,000	69.50
2019	15,035,379	2,889,533	17,924,912	4,400,000	74.57
2020	12,758,296	2,281,984	15,040,280	4,400,000	79.05
2021	12,790,254	1,729,133	14,519,387	4,400,000	83.53
2022	9,675,851	1,251,315	10,927,166	4,400,000	87.20
2023	7,514,000	888,988	8,402,988	4,400,000	90.31
2024	7,564,000	561,643	8,125,643	4,400,000	93.43
2025	4,564,000	297,235	4,861,235	4,400,000	95.77
2026	3,000,000	132,000	3,132,000	4,400,000	97.70
2027	-	-	-	4,400,000	98.85
2028	-	-	-	4,400,000	100.00
Total	\$295,264,433	\$89,323,461	\$384,587,894	\$88,000,000	

¹ Reference to "this issue" is to \$88,000,000 of general obligations bonds issued on June 4, 2008. Excludes \$14,873,264 of bonded general obligation sewer debt and three Clean Water Fund project loan obligations totaling \$3,567,847 for which the City has pledged its full faith and credit, but which are expected to be repaid entirely from revenues of the sewerage system. (See "Debt of the WPCA" herein.)

² Excludes \$26,006,564 of principal payments and \$14,178,895 of interest payments made between July 1, 2007 and June 4, 2008.

Overlapping/Underlying Debt

The City of Stamford does not have any overlapping or underlying debt.

Authorized but Unissued Debt

As of March 14, 2008, the City had \$392,501,746 of authorized but unissued debt for various public improvement and school projects. The City expects that approximately \$304,154,930 will be financed by grants and other sources and \$88,346,816 will be financed by the issuance of general obligation bonds.

	<u>Authorized but</u> <u>Unissued</u>	<u>Less Grant</u> <u>Funding</u>	<u>Net Authorized</u> <u>But Unissued</u>
Schools	\$203,940,661	\$188,114,144	\$15,826,517
Public improvements	<u>188,561,085</u>	<u>116,040,786</u>	<u>72,520,299</u>
Grand total authorized but unissued	\$392,501,746	\$304,154,930	\$88,346,816

**Statement of Statutory Debt Limitation
Pro Forma
As of June 4, 2008**

Debt Limitation Base

Total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2007	\$339,541,656
Reimbursement for revenue loss on Elderly Tax Relief	<u>31,966</u>
Debt limitation base	\$339,573,622

Debt Margin

<u>Debt Limitation by Purpose</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers¹</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
2.25 x base	\$ 764,040,650				
4.50 x base	-	\$1,528,081,299			
3.75 x base	-	-	\$1,273,401,083		
3.25 x base	-	-	-	\$1,103,614,272	
3.00 x base	-	-	-	-	\$1,018,720,866
Total debt limitation	<u>764,040,650</u>	<u>1,528,081,299</u>	<u>1,273,401,083</u>	<u>1,103,614,272</u>	<u>1,018,720,866</u>
Less indebtedness ²					
This issue	72,200,000	15,800,000	-	-	-
Bonds payable	<u>152,667,943</u>	<u>142,596,490</u>	-	-	-
Total indebtedness	<u>224,867,943</u>	<u>158,396,490</u>	-	-	-
Less school construction grants receivable	-	<u>7,498,297</u>	-	-	-
Net total indebtedness	<u>224,867,943</u>	<u>150,898,193</u>	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$539,172,707	\$1,377,183,106	\$1,273,401,083	\$1,103,614,272	\$1,018,720,866

¹ Excludes \$14,873,264 of bonded general obligation sewer debt and three Clean Water Fund project loan obligations totaling \$3,567,847 for which the City has pledged its full faith and credit, but which are expected to be repaid entirely from revenues of the sewerage system.

² As of March 14, 2008 the City had \$392,501,746 of authorized but unissued debt of which approximately \$304,154,930 will be financed by State and Federal grants and other sources, and \$88,346,816 will be financed by general obligation bonds.

The State of Connecticut General Statutes require that in no event shall the total debt for the City exceed seven times the annual receipts from taxation. Maximum debt for the City of Stamford under this formula is \$2.4 billion.

**Comparison of Annual Debt Service
to General Fund Expenditures and Transfers Out**

<u>Fiscal Year Ended June 30</u>	<u>Debt Service</u>	<u>Total General Fund Expenditures and Transfers Out</u>	<u>Debt Service as Ratio to Total Expenditures and Transfers Out</u>
2007	\$40,720,490	\$411,656,253	9.89%
2006	38,782,044	394,961,464	9.82
2005	40,655,477	365,741,125	11.12
2004	28,720,953	352,371,916	8.15
2003	28,291,396	329,662,916	8.58

Debt of the WPCA

State of Connecticut Clean Water Fund

The City of Stamford is a participant in the State of Connecticut Clean Water Fund Program (General Statutes Section 22a-475 et seq., as amended), which provides financial assistance for eligible sewer projects 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). Amortization of each loan is required to begin one year from the earlier of the project 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 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 Loan Agreement, and thereafter in monthly installments. The City may prepay its loans at any time prior to maturity without penalty. The City currently has a project loan obligation ("PLO") in the amount of \$73.6 million, and has received a grant commitment of \$23 million. The PLO is authorized as a revenue obligation to be secured by revenues of the sewerage system pursuant to an Indenture of Trust dated as of December 21, 2001, by and among the City, the Water Pollution Control Authority for the City and U.S. Bank National Association (as successor to First Union National Bank) as Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of October 1, 2003, the Second Supplemental Indenture dated February 28, 2006, and the Third Supplemental Indenture dated as of September 1, 2006 (the Indenture, as amended and supplemented by the First, Second and Third Supplemental Indentures, herein referred to as the "Indenture"). In addition, the City has three PLOs outstanding totaling \$3,567,847 for repayment of which the City has pledged its full faith and credit but which are expected to be repaid entirely from revenues of the sewerage system on a parity basis with the 2003 Series A Revenue Bonds issued in October 2003, the PLO issued in February 2006, and the 2006 Series Revenue Bonds issued in September 2006. (See "Sewer Revenue Bonds" herein.)

Sewer Revenue Bonds

On October 9, 2003, the City issued \$12,480,000 Water Pollution Control System and Facility Revenue Bonds, 2003 Series A, and on September 28, 2006, the City issued \$19,765,000 Water Pollution Control System and Facility Revenue Bonds, 2006 Series, to finance various sewer projects contained in capital budgets of the City, for improvements to the City's sewerage system. The 2003 Series A Bonds are the first issuance of bonds to the public under the Indenture. In addition to the 2003 Series A Bonds and the 2006 Series Bonds, the Indenture also secures the City's obligations issued pursuant to the Clean Water Fund Act. See "State of Connecticut Clean Water Fund" herein. The 2003 Series A Bonds and the 2006 Series Bonds are special limited obligations of the City payable solely from revenues and other receipts, funds and moneys pledged therefor pursuant to the Indenture. The City expects that all future issuance of debt for improvements to the City's sewerage system will be funded under the program established by the Indenture for the issuance of revenue bonds, and that such amounts will accordingly be excluded from the Safe Debt Limit which is set each year for internal purposes by the Board of Finance. See "Safe Debt Limit" herein.

General Obligation Bonds

The City, prior to the establishment of the revenue bond program for sewerage system improvements, issued general obligation debt for purposes of sewerage system improvements. As of June 4, 2008 the City has \$14,873,264 of general obligation bonds outstanding and three Clean Water Fund project loan obligations outstanding in the amount of \$3,567,847 issued under the Clean Water Fund which are secured by the full faith and credit of the City. The City expects that debt service on such bonds and project loan obligations will be repaid entirely from revenues of the sewerage system. The debt service on the project loan obligations is treated as Parity Indebtedness and the general obligation bonds as Subordinated Indebtedness under the Indenture.

The following table sets forth the debt service requirements for indebtedness of the City incurred on behalf of the WPCA to make capital improvements to the Sewerage System. The payment of debt service on general obligation bonds of the City, which proceeds were used for Sewerage System improvements, is subordinate to the payment of debt service on the Parity Indebtedness.

Pro Forma as of June 4, 2008

Fiscal Year Ending	Subordinated Debt		Senior Lien Debt (Parity Indebtedness)				Cumulative Percent Retired
	General Obligation Sewer Bonds		2003 Series A & 2006 Series Sewer Revenue Bonds		Existing Clean Water Fund Debt ¹		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ -	\$ -	\$ -	\$ -	\$ 290,229	\$ 113,443	0.26
2009	1,760,060	685,214	620,000	1,371,775	3,518,750	1,323,367	5.44
2010	1,693,238	596,242	645,000	1,349,900	3,586,146	1,252,376	10.64
2011	1,435,340	511,178	665,000	1,325,575	3,654,901	1,180,025	15.70
2012	1,277,738	449,749	690,000	1,300,056	3,725,044	1,106,287	20.70
2013	1,326,807	387,168	715,000	1,273,825	3,796,603	1,031,132	25.83
2014	1,356,932	319,003	745,000	1,246,175	3,869,607	954,533	31.07
2015	1,371,347	249,972	775,000	1,217,181	3,864,423	876,859	36.35
2016	913,568	194,841	805,000	1,186,625	3,883,503	799,731	41.27
2017	773,348	155,501	840,000	1,152,331	3,943,011	721,412	46.15
2018	876,088	116,069	875,000	1,116,718	3,996,881	642,166	51.20
2019	725,598	78,154	910,000	1,079,991	4,077,555	561,492	56.22
2020	409,600	51,596	950,000	1,039,508	4,159,858	479,189	61.07
2021	409,600	32,476	995,000	996,730	4,026,883	397,206	65.84
2022	136,000	20,128	1,040,000	950,936	4,108,163	315,926	70.48
2023	136,000	14,450	1,090,000	903,653	4,191,084	233,005	75.24
2024	136,000	8,670	1,135,000	855,406	4,275,678	148,411	80.11
2025	136,000	2,890	1,190,000	803,456	4,361,980	62,109	85.12
2026	-	-	1,245,000	747,756	735,509	1,839	86.85
2027	-	-	1,305,000	689,406	-	-	87.99
2028	-	-	1,365,000	626,369	-	-	89.19
2029	-	-	1,435,000	558,331	-	-	90.45
2030	-	-	1,505,000	486,894	-	-	91.77
2031	-	-	1,580,000	411,931	-	-	93.16
2032	-	-	1,655,000	333,319	-	-	94.62
2033	-	-	1,745,000	250,694	-	-	96.15
2034	-	-	1,020,000	184,063	-	-	97.04
2035	-	-	1,070,000	134,425	-	-	97.98
2036	-	-	1,120,000	82,413	-	-	98.97
2037	-	-	1,175,000	27,906	-	-	100.00
Total	\$14,873,264	\$3,870,301	\$30,905,000	\$23,703,348	\$68,065,808	\$12,200,508	

¹ Principal and interest payments reflect existing project loan obligations ("PLOs") between the City and the State of Connecticut, as follows: PLO 117-C (original amount of loan \$2,731,211 and current principal amount outstanding \$887,644; PLO 375-C (original amount of loan \$852,229 and current principal amount outstanding \$374,521); PLO 414-D (original amount of loan \$3,574,208 and current principal amount outstanding \$2,305,682), and PLO 414-C (original amount of loan \$73,561,481 and current principal amount outstanding \$64,497,961). Each PLO bears interest at the rate of 2% per annum, with payments of principal and interest made on a monthly basis.

² Excludes total principal payments of \$5,524,452 and total interest payments of \$3,402,737 made from July 1, 2007 through June 4, 2008.

FINANCIAL SECTION

Budgetary Procedures

The City of Stamford conforms to the following budgetary sequences and time schedules:

Department estimates due for six-year capital program	December 10
Report of the Director of Administration to Board of Finance recommending the amount and nature of capital expenditures for the ensuing year	December 15
Certificate of Board of Finance to Planning Board of amount and nature of capital Expenditures for subsequent year	January 15
Public hearing by Planning Board	February 10
Capital Budget from Planning Board to Mayor	March 1
Board of Education submits its budget to the Board of Finance	March 8
Mayor's Operating and Capital Budget to Board of Finance	March 8
Joint Public Hearing before Board of Finance and Board of Representatives	April 8
Budget to Board of Representatives from Board of Finance	April 20
Budget adopted by Board of Representatives	May 15
Board of Finance establishes the mill rate	May 25

**Taxable Grand List
(\$ in thousands)**

Grand List 10/1	Commercial and Industrial			Personal Property Percent	Motor Vehicle Percent	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	Percent Change
	Residential Real Property Percent	Industrial Real Property Percent	Other Percent						
2007 ¹	59.02%	31.14%	2.64%	3.78%	3.42%	\$24,162,168	\$217,625	\$23,944,543	81.4%
2006 ²	58.80	26.90	1.75	6.00	6.55	13,318,632	120,788	13,197,844	17.9
2005	56.45	29.71	0.35	6.30	7.19	11,327,695	129,929	11,197,766	1.5
2004	60.98	24.87	0.36	6.60	7.19	11,226,848	190,331	11,036,517	1.3
2003	61.09	25.37	0.36	6.38	6.80	11,092,432	200,184	10,892,248	(0.1)
2002	55.44	30.52	0.39	6.67	6.98	11,107,032	200,847	10,906,185	0.7
2001	55.61	30.35	0.49	6.60	6.95	11,050,112	219,014	10,831,098	0.3
2000	55.86	30.29	0.49	6.66	6.70	10,921,964	124,130	10,797,834	1.3
1999 ¹	56.08	30.69	0.50	6.30	6.43	10,809,830	147,114	10,662,716	21.1
1998	55.67	26.84	0.51	10.11	6.87	8,920,335	116,738	8,803,597	-

¹ Revaluation.

² Revaluation - Phase-In. See "Property Tax" herein.

Tax Collections

Fiscal Year Ended 6/30	Net Taxable Grand List (000s)	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 2/29/08
2008	\$13,197,844	\$356,067,536	In collection		3.3%
2007	11,197,766	338,789,500	98.3	1.7	1.0
2006	11,036,517	323,570,472	98.5	1.5	0.6
2005	10,892,248	313,394,228	98.6	1.4	0.5
2004	10,906,185	311,521,759	98.5	1.5	0.1
2003	10,831,038	282,412,137	98.5	1.5	0.1
2002	10,797,834	262,957,476	98.3	1.7	0.1
2001	10,662,716	255,724,838	97.8	2.2	-

Property Taxes Receivable

Fiscal Year Ended June 30	Current Year (000s)	Total (000s)
2007	\$5,764	\$12,216
2006	4,884	9,452
2005	4,486	14,443
2004	5,018	14,015
2003	4,251	12,638
2002	4,270	13,159
2001	5,505	16,145

Major Taxpayers

<u>Name</u>	<u>Business</u>	<u>Taxable Valuation As of 10/1/07</u>	<u>Percent of Net Taxable Grand List</u>
RFR Properties	Office buildings	\$ 596,537,732	2.49%
Antares	Development	386,323,408	1.61
Avalon Bay Communities	Office buildings	270,135,833	1.13
One Stamford Realty LP	Office buildings	268,087,220	1.12
First Stamford Place	Office buildings	264,904,549	1.11
UBS AG Stamford	Banking/finance	246,396,520	1.03
HPHV Direct LLC	Office buildings/retail	212,829,350	0.89
Four Hundred Atlantic Title LLC	Office buildings	164,868,700	0.69
Reckson Operating Partnership	Office buildings	157,259,980	0.66
Rich-Taubman Associates	Office buildings/retail	148,972,530	0.62
UB Stamford LP	Office buildings/retail	99,983,290	0.42
Reckson/Stamford Towers LLC	Office buildings	95,744,360	0.40
General Electric Capital Corp.	Consumer finance	93,732,500	0.39
Soundview Farms LLC	Office buildings	89,251,660	0.37
One Station Place	Office buildings	87,521,950	0.37
Pitney Bowes	Office buildings	84,613,000	0.35
225 High Ridge LLC	Office buildings	71,967,730	0.30
RBS Greenwich Capital Property	Banking/finance	70,289,710	0.29
Stamford Square Associates	Office buildings	68,210,080	0.28
High Ridge Office Park LLC	Office buildings	<u>64,900,210</u>	<u>0.27</u>
Total		\$3,542,530,312	14.79%

Net Taxable Grand List for 10/1/07: \$23,944,543,152.

Tax Districts

The City of Stamford is divided into four taxing districts, based upon municipal services furnished. As the City's sewer program is extended to new areas, municipal garbage collection service is provided and the tax district classification is changed accordingly.

District A: Basic services (schools, police, etc.) plus sanitary sewers, garbage collection and paid fire protection.

District B: Basic services plus paid fire protection.

District C: Basic services plus volunteer fire protection.

District C/S: Basic services plus volunteer fire protection, sanitary sewers and garbage collection.

The core of the City is represented by Districts A and B which include the highest density of residential, commercial, and industrial development. District B is a very small portion of this core area to which sanitary sewers have not been extended.

Districts C and C/S are predominantly zoned for single-family residential use. District C/S is that portion of District C that has been provided with sanitary sewers and garbage collection.

In September 1999 the City of Stamford, pursuant to State law and local ordinance, adopted a uniform, State-recommended depreciation schedule for business and personal property. As a result of this new depreciation schedule, which allows businesses to depreciate electronic data processing equipment much faster than had been previously permitted, Stamford businesses enjoyed a reduction in their assessments and corresponding taxes for electronic personal property, most notably computer equipment. In order to partially mitigate the impact of this reduction in personal property taxes, the City established a Personal Property Tax District. For fiscal year 2008-09 the Personal Property Tax District mill rate is 16.18 mills.

**Tax Rates by District
(Mills)**

<u>Tax List</u>	<u>Fiscal Year</u>	<u>District A</u>	<u>District B</u>	<u>District C</u>	<u>District C/S</u>	<u>Uniform Auto Rate</u>	<u>Personal Property</u>
October 1, 2007	2008-09	16.18	15.82	15.16	15.49	24.00	16.18
October 1, 2006	2007-08	27.03	26.28	25.20	25.88	34.00	27.03
October 1, 2005	2006-07	30.68	29.94	27.89	28.56	36.60	30.68
October 1, 2004	2005-06	29.81	29.01	27.16	27.90	35.62	29.81
October 1, 2003	2004-05	29.16	28.31	26.67	27.26	34.37	29.16
October 1, 2002	2003-04	28.68	28.59	27.00	27.56	33.19	28.68
October 1, 2001	2002-03	26.16	26.03	24.59	25.11	30.25	27.44
October 1, 2000	2001-02	24.57	24.44	23.11	23.61	27.09	27.44
October 1, 1999	2000-01	23.87	23.74	22.50	22.96	26.47	28.64
October 1, 1998	1999-00	28.64	27.84	26.00	26.79	30.90	-
October 1, 1997	1998-99	28.50	27.80	25.90	26.70	30.80	-

Comparative Balance Sheets - General Fund

	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/03</u>
Assets					
Cash and cash equivalents	\$ 1,375,719	\$ 1,412,028	\$18,509,223	\$10,104,719	\$16,055,638
Property taxes and sewer assessments	17,063,575	16,996,106	11,342,632	10,914,891	9,537,944
Intergovernmental	7,616,698	8,946,041	755,087	-	-
Other receivables	208,491	1,010,848	101,035	955,482	2,806,422
Due from other funds	8,423,416	4,415,552	13,387,371	6,496,288	2,781,910
Advances to other funds	6,200,000	5,500,000	-	-	-
Investments	20,050,109	19,019,245	17,911,899	20,077,999	14,160,661
Other assets	<u>409,914</u>	<u>273,661</u>	<u>12,924</u>	<u>-</u>	<u>88,145</u>
Total assets	\$61,347,922	\$59,878,876	\$62,720,171	\$48,549,379	\$45,430,720
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 8,488,399	\$ 9,171,634	\$ 9,451,098	\$11,888,598	\$12,595,215
Accrued wages	1,058,739	1,237,167	1,624,399	2,079,499	884,384
Deferred revenues	32,755,387	30,161,869	30,039,684	17,321,348	24,712,885
Due to other funds	<u>63,300</u>	<u>63,300</u>	<u>63,300</u>	<u>-</u>	<u>-</u>
Total liabilities	42,365,825	40,633,970	41,178,481	31,289,445	38,192,484
Fund balance					
Reserved:					
For encumbrances	4,592,469	5,555,791	6,839,773	5,702,645	3,304,375
For inventory	-	-	-	-	-
For debt service	-	-	-	531,032	239,509
For long-term advances	<u>6,200,000</u>	<u>5,500,000</u>	<u>5,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Total reserved fund balance	10,792,469	11,055,791	11,839,773	5,434,977	4,543,884

Unreserved:					
Designated for future contracts ..	2,804,312	1,420,417	1,144,607	841,505	-
Undesignated ¹	<u>5,385,316</u>	<u>6,768,698</u>	<u>8,557,310</u>	<u>8,184,752</u>	<u>2,694,352</u>
Total unreserved fund balance	8,189,628	8,189,115	9,701,917	8,184,752	2,694,352
Total fund balance	<u>18,982,097</u>	<u>19,244,906</u>	<u>21,541,690</u>	<u>17,259,934</u>	<u>7,238,236</u>
Total liabilities and fund balance	<u>\$61,347,922</u>	<u>\$59,878,876</u>	<u>\$62,720,171</u>	<u>\$48,549,379</u>	<u>\$45,430,720</u>
Operating revenues	\$408,263,643	\$389,612,700	\$367,435,215	\$361,647,956	\$330,045,168
Fund balance as percent of					
operating revenues	4.65%	4.94%	5.86%	4.77%	2.19%
Unreserved fund balance as					
percent of operating revenues ¹ ...	1.32%	2.10%	2.64%	2.26%	0.82%

¹City Charter provides that the current year surplus or deficit must be applied to or funded in subsequent operating budgets or transferred into the "Rainy Day" fund. The Mayor (subject to Board approval) may direct up to 75% of any budget surplus from the prior fiscal year to the "Rainy Day" fund. The fund is not to exceed 5% of general fund operations for the prior fiscal year, and may be used by board resolution to support expenditures in the following fiscal years.

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2004 through 2007 have been derived from audited financial statements and are based on a GAAP basis of accounting. The adopted budget for 2007-08 and projected results of operations for 2008-09 are provided by the City and are based on the budgetary basis of accounting. The City's independent accountants have not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the City of Stamford's management.

	Adopted Budget 2008-09	Unaudited Projection 2007-08¹	2006-07¹	2005-06²	2004-05²	2003-04²
Revenues						
General property taxes	\$382,576,464	\$356,732,920	\$342,983,578	\$326,984,784	\$316,502,650	\$312,461,970
Intergovernmental	17,986,970	19,647,310	35,462,340	38,510,261	28,609,083	27,509,205
Charges for services	35,355,684 ³	34,332,701	21,860,083	17,945,315	16,505,076	19,855,343
Interest and dividends	2,450,000	4,250,000	5,157,024	4,648,346	2,732,261	1,082,948
Other	5,563,503	8,703,607	2,800,618	1,523,994	3,086,145	738,490
Total revenues	<u>443,932,621</u>	<u>423,666,538</u>	<u>408,263,643</u>	<u>389,612,700</u>	<u>367,435,215</u>	<u>361,647,956</u>
Expenditures						
Government and community						
services	14,865,701	14,290,146	13,711,630	12,826,128	12,786,011	12,108,515
Administration.....	7,025,738	8,069,604	7,291,626	7,326,822	6,468,216	6,304,502
Legal affairs	4,704,286	4,468,919	4,069,511	3,874,702	3,392,294	4,511,351
Public health, safety & welfare .	104,081,074 ³	107,110,244	90,679,159	87,249,157	83,717,634	80,686,633
Operations	41,391,873	40,196,512	39,375,209	38,753,021	37,834,602	38,322,013
Board of Education	225,656,676 ⁴	208,532,549	216,863,390	207,702,919	189,674,272	178,171,950
Debt service ⁵	-	-	-	-	-	-
Total expenditures	<u>397,725,348</u>	<u>382,667,974</u>	<u>371,990,525</u>	<u>357,732,749</u>	<u>333,873,029</u>	<u>320,104,964</u>
Excess of revenues over expenditures	46,207,273	40,998,564	36,273,118	31,879,951	33,562,186	41,542,992
Other financing sources (uses):						
Operating transfers in	-	-	3,129,801	3,051,980	2,587,666	745,658
Operating transfers out	<u>(46,207,273)</u>	<u>(39,038,591)</u>	<u>(39,665,728)</u>	<u>(37,228,715)</u>	<u>(31,868,096)</u>	<u>(32,266,952)</u>
Total other financing sources (uses)	(46,207,273)	(39,038,591)	(36,535,927)	(34,176,735)	(29,280,430)	(31,521,294)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	-	1,959,973	(262,809)	(2,296,784)	4,281,756	10,021,698
Fund balance, July 1			<u>19,244,906</u>	<u>21,541,690</u>	<u>17,259,934</u>	<u>7,238,236</u>
Fund balance, June 30			\$18,982,097	\$19,244,906	\$21,541,690	\$17,259,934

¹ Budgetary basis of accounting; does not include payments made on behalf of the City by the State of Connecticut for Teachers Retirement System.

² GAAP basis of accounting.

³ Beginning in fiscal year 2007-08, operations of Smith House have been accounted for in the General Fund.

⁴ Beginning in fiscal year 2008-09, debt service for school projects will be reflected in Board of Education expenses.

⁵ Debt service included in transfers out.

Pension Plans

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: Classified Employees’ Retirement Fund; Firefighters Pension Trust Fund; Police Pension Trust Fund; and the Custodians’ Retirement Fund. Buck Consultants of Stamford, Connecticut, are the consulting actuaries for the City.

The City’s funding policy is to appropriate and recognize as an expenditure the amounts recommended by an actuary that are adequate to accumulate sufficient assets in each of the City’s Plans to pay benefits when due. These amounts include normal cost and amortization of prior service costs over a period of 40 years. The City uses the projected unit credit actuarial funding method utilizing the same actuarial assumptions as described in Appendix A, “Auditor’s Section, Notes to Financial Statements” in this Official Statement.

The following is a schedule of the total funding progress by the City to all City pension plans:

<u>As of July 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability</u>
2007	\$535,601,000	\$484,354,000	111%	\$(51,247,000)
2006	507,918,000	463,312,000	110	(44,606,000)
2005	491,929,000	438,830,000	112	(53,099,000)
2004	478,298,132	418,828,016	114	(59,470,116)
2003	467,855,124	380,371,000	123	(87,484,124)
2002	465,795,461	365,832,328	127	(99,963,133)
2001	460,981,000	369,659,000	125	(91,322,000)
2000	440,358,000	348,021,000	127	(92,337,000)
1999	401,702,000	329,098,000	122	(72,604,000)

Based on the valuation completed by Buck Consultants.

Self-Insurance Program

The City is exposed to various risk of loss related to torts, theft, or impairment of assets, errors and omissions, injuries to employees, and natural disasters. The City Risk Management office actively manages risk on behalf of the City, through a combination of loss prevention and control, risk retention, and risk transfer.

In response to changing market conditions, the City periodically evaluates its risk management program, including its self-insured retention levels. Currently, the City carries a \$1,000,000 self-insured retention for general liability and auto liability claims, \$1,000,000 for public officials’ liability, \$100,000 for property losses (except those in flood plains which have a \$250,000 deductible) and \$1,500,000 for workers’ compensation claims. The City purchases commercial insurance for claims in excess of these retentions. All claim expenses, insurance premiums, and administrative expenses for risk management are reported in a separate Risk Management Internal Service fund.

It is also the City’s policy to self-insure its employee health insurance programs with an individual stop loss currently set at \$250,000 per claim. Above this threshold, the City purchases commercial insurance. Costs associated with employee health insurance risks are reported in the City’s general fund.

Investment Policies and Practices

The City Charter and Connecticut General Statutes Sections 7-400, as amended by Public Act 94-190, 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 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, 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 and capital funds are currently invested in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) the State of Connecticut Short-Term Investment Fund; (3) the State of Connecticut Tax-Exempt Proceeds Fund; (4) United States Treasury Bills; and (5) 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.

On the basis of a Request for Proposals, the City of Stamford recently engaged MBIA Customized Asset Management as investment advisor for a portion of its short-term investments. The City's objective is to increase its investment return by increasing the level of diversification among United States Treasuries and United States Agencies with maturities which extend beyond one year to approximately 18 months. The City has modified its Investment Policy and continues compliance with applicable State statutes in all respects.

Other Post-Employment Benefits

The City offers certain post-retirement medical and life insurance benefits to all retirees and their dependents on a partially contributory basis, as set forth in various collective bargaining agreements. Depending on the union contract, the benefits cover hospital care in full for a specified number of days (generally 120); surgical costs; certain major medical benefits; and small amounts of life insurance. In addition, the City pays a portion of the Medicare Part B premium for certain retirees. Beginning in 1994, some employees began retiring under the comprehensive indemnity plan. These employees pay a straight deductible and coinsurance of 20% of cost up to a maximum of \$1,500 for hospital care, surgical costs and certain major medical benefits. These employees also have small amounts of life insurance covered in full by their benefits. Benefits for all plans integrate with Medicare on a 100% coordination basis.

During fiscal 2008, the total amount that will be paid by the City for retiree medical claims and medical and life insurance premiums is approximately \$9,084,270 and covered costs associated with approximately 1,200 retired employees' related claims. The City funds these costs on a pay-as-you-go basis.

The City's initial actuarial valuation was completed as of July 1, 2006 and presented to the City on April 30, 2007. The City's Board of Finance and Board of Representatives reviewed the report. The Board has approved, by ordinance, the establishment of a trust to address Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

The valuation was prepared based on actuarial assumptions that reflect the City's best estimate of future program experience including an 8.0% discount rate if the plan is funded, and a 6.0% discount rate if the plan is not funded.

Based upon the valuation by the actuary, assuming pre-funding, the City's accrued liability is \$127,058,000. Assuming no pre-funding the accrued liability would total \$164,043,000. This liability information excludes the Board of Education employees, which based on preliminary data indicate an

additional liability of \$31,123,000 to \$36,851,000. The valuation determined that for the fiscal year ending June 30, 2006 the actuarially required contribution would be \$13,243,000, assuming a 30-year level percent amortization of the unfunded liability. Following the creation of the trust, the City committed \$50,000 to open the fund and to initiate selection of a fund manager and establish an investment strategy.

It is the City's intent for the year beginning July 1, 2008 to place the amount of funds used to pay for retiree health insurance into the trust. Today, that amount totals over \$10 million. The administration has recommended that the remainder of the annual required contribution should be phased in over a period of five years. Therefore, a specific contribution in the amount of \$241,000 was included for the City for fiscal year 2008-09 and it has been approved by the fiscal boards as well as an additional \$200,000 contribution for the Board of Education. Together this will increase the contribution to \$10,741,000 toward the annual required contribution of \$13,243,000. In the interim, the Board of Representatives of the City of Stamford approved at their May 5, 2008 meeting an ordinance requiring future budgets to include full funding of the annual required contribution.

ADDITIONAL INFORMATION

Litigation

In the opinion of the City's Director of Legal Affairs, 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 effect 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.

WATERBURY

Description of The Municipality

Waterbury was founded in 1674, incorporated as a village in 1686 and as a city in 1853. Located in the west-central portion of the State, the City is 21 miles north of New Haven, 29 miles southwest of Hartford, and 24 miles east of Danbury. The City operates under a Mayor—Board of Aldermen form of government with officials elected at regular biennial elections.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, 1-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, 1-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and Interstate 80. Route 8 south meets the Connecticut Turnpike (1-95) in Bridgeport, making all of southern Connecticut and Fairfield County easily accessible. To the north, Route 8 ultimately leads to the Massachusetts Turnpike.

Rail passenger and freight service in the area are operated by Metro North and Conrail, respectively. Daily passenger round trips are made between Waterbury and New York City, and freight service via New Haven makes shipments possible to any point in the country.

Waterbury serves as a center of higher education for the area, being the home of Post University, Naugatuck Valley Community College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the University of New Haven and the University of Bridgeport. The University of Connecticut's Waterbury campus offers a Master of Business Administration (MBA) program and the Teachers Certification Program. Graduate programs leading to a Master's of Social Work (MSW) and Master's Degree in Nursing (MS) are also available.

Public City school facilities include three high schools, including 1 magnet school, three middle schools and 20 elementary schools, including two magnet schools. A third magnet school, the Waterbury Arts Magnet School, offers courses for grades 6-12. There are eleven private or parochial elementary schools, three private or parochial high schools and one vocational-technical high school. Waterbury's schools are considered "racially balanced" by the State of Connecticut Department of Education.

Waterbury provides its residents with a variety of housing options in all price ranges. Single-family dwellings from modest to luxurious, multi-family homes, apartments and condominiums meet the needs of workers and residents. Waterbury provides special housing for senior citizens and for low- and middle-income families and assisted living facilities.

Public parks and recreation facilities offering tennis, swimming pools, ball fields, ice skating, and recreational programs are located throughout the City. In addition, the City offers bathing, boating, and fishing facilities at Lakewood Park within the City and at Lake Quassapaug and Hitchcock Lake just outside the City limits. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, and several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State Forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

The City's Palace Theater, The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattatuck Historical Museum are just a few of the additional cultural institutions serving Waterbury area residents.

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson entitlement and public funds. There are over 240,000 volumes and 120 computer workstations in the main library available to the public, while a branch library operates in the Bunker Hill section.

Principal Municipal Officials

<u>Name and Office</u>	<u>Manner of Selection/Term</u>	<u>Beginning of Term/ Dates of Appointment</u>
Michael J. Jarjura, Mayor	Elected – 2 years	January 1, 2002
Paul Vance, Jr., President, Board of Aldermen	Elected – 2 years	January 1, 2002
Patrick Hayes, President, Board of Education	Elected – 4 years	January 1, 2004
Dr. David L. Snead, Superintendent of Schools	Appointed	August 2000
John Jedrzejczyk, Director of Finance	Appointed	December 2005
Ofelia Matos, Director of Budget	Appointed	April 2002
Craig Sullivan, Corporation Counsel	Appointed	April 2004

Organization of City Government

The City is governed by a Mayor who serves for a two-year term and a Board of Aldermen made up of 15 members elected for two-year terms. Also elected are the City Clerk, Town Clerk, Sheriff, Tax Collector, and the ten-member Board of Education. Other officials are appointed by the Mayor.

Finance. In accordance with Chapter 10 of the Charter, the Board of Aldermen by ordinance shall adopt procedures for structure, timing and method or manner of the issuance and sale of bonds and notes. Said ordinance may set forth the respective roles and responsibilities of the Mayor and other City officials with respect to debt planning, issuance and management; including, but not limited to their authority to retain consultants for specialized services. Chapter 6 of the Charter established the Finance and Audit Review Commission (“FARC”). The first members were appointed on January 1, 2003. The FARC has the authority to examine all matters relating to the financial and budgetary efficiency, efficacy, and condition of the City. Notwithstanding the provisions of the Charter pertaining to the executive powers of the Mayor, the Department of Audit is under the direct supervision of the FARC. The FARC is authorized to audit and examine or cause to be audited and examined the books and accounts of all of the departments and officials of the City, including the Department of Education. The FARC is to review the contents of the annual audit and make recommendations to the Mayor regarding the manner and means of improving the administrative processes pertaining to the operations of the City. The FARC is responsible for the general supervision of the Department of Audit and shall give due consideration to requests from the Mayor or the Board of Aldermen in establishing and modifying the work plan of the FARC or its staff. Each officer and employee of any department, institution, board, commission or agency of the City is obligated to assist the FARC and the Department of Audit in carrying out its powers and duties as provided in the Charter.

The Mayor is to establish a date by which budget estimates are submitted to the Mayor and Director of Finance on forms and in accordance with established procedures set forth in an ordinance. The Mayor submits a general, special revenue and capital budget to the Board of Aldermen on or before April 1, which is subject to at least two required public hearings and final action not later than midnight of the second business day following the first Wednesday after the first Monday in June.

Boards and Commissions. The following Boards and Commissions are created by Charter and the Board of Aldermen shall adopt ordinances setting forth the organizational structure and powers of such Boards and Commissions:

- Board of Commissioners of Public Health
- Board of Park Commissioners
- City Plan Commission
- Board of Police Commissioners
- Board of Fire Commissioners
- The Zoning Commission
- Board of Assessment Appeals
- Board of Commissioners of Public Works
- The Retirement Board

Among the terms of the Code of Ordinances relating to Boards and Commissions are the following: (i) number of Board and Commission members (and, alternates, in the case of the Planning and Zoning Commission and the Zoning Board of Appeals), except as otherwise provided by the General Statutes, which number shall always be odd; (ii) terms of office, which may be staggered and shall not exceed four years; (iii) provision for the appointment of a Chair; (iv) standards for the keeping of records; (v) Aldermanic and minority party representation; (vi) public participation (including, but not limited to, public speaking); and (vii) frequency of meetings of all Boards and Commissions.

The Charter also specifically authorizes the establishment of departments and agencies of the City that deal with key functions such as the legal department, government administration, public safety, health and community services, government operations and development and constables.

Economic Development

Waterbury continues a transition from dependence on cyclical manufacturing business to more diverse endeavors. Niche manufacturing has held strong over the past several years, even though this sector of the national economy has faltered. While manufacturing is still an important aspect of Waterbury's economy, several areas have seen marked improvement. The health services industry has increased significantly. Waterbury has become a regional medical center destination. Waterbury is served by two hospitals, Waterbury General and Saint Mary's. Both hospitals collaborated to open a Cardiac Surgery Center as a joint venture. The Harold Leever Cancer Center continues to experience a growth in the number of patients its serves annually. Further, off-site medical services are on the rise, with several new medical office buildings completed in the past year.

Retail development continues to be in demand. Several large box retail projects are in the development phase. Most recently, Target department store opened creating over 100 jobs in the region. Waterbury is also seeing an increase in distribution facilities. Several companies have recently relocated to Waterbury because of the ability to move product more quickly and efficiently.

The Waterbury real estate market is on the rise from the past several years after a decade of stagnant growth. This has impacted the commercial and residential markets. Waterbury continues to maintain strong homeownership statistics with forty-eight percent of homes owner occupied, second to Stamford in this category for Connecticut cities.

The Waterbury Development Corporation (the "WDC") oversees the City's economic development initiatives including all the program activities funded previously through the Office of Community Development. The transition of duties and responsibilities assisted with the development a "Strategic Vision for the City of Waterbury". The City has a comprehensive plan for business recruitment, expansion and retention. WDC publishes an Economic Resource Guide annually. Further, the WDC is managing several large infrastructure projects for the City in its Project Management Group. WDC's Neighborhood Re-investment Group manages the City's Community Block Grant, HOME and Blight Initiative monies. Under the Blight Initiative program, WDC has continued a process of taking blighted properties by eminent domain. The re-use of these properties is dependent on the location; however, a comprehensive re-use plan has been developed with input from the business community as well as the impacted neighborhood.

Over the past several years, the Waterbury downtown Phase II Development Project has been gaining momentum. Various components of this project have been completed within the past two years. Its economic and social impact has been felt immediately. The Palace Theater just completed its third full season. It has exceeded all its business models. With over four million dollars in revenue and one hundred thousand patrons, the Palace has clearly become the cultural cornerstone for the City. Moreover, industry economic impact models indicate over three and half million dollars have been spent in the local economy due to the presence of the Palace.

Construction on the one hundred million dollar Yankee Liquefied Gas plant was completed in October 2007. Several local contractors are working and/or supplying material to the project. Over five hundred tradesmen will have been utilized on the project, reflecting positively on the local restaurants and retail establishments in the area.

WDC is in the planning phase of a new Multi-Modal Transportation Center. The project would call for the consolidation of transportation systems. The Freight Street area has been identified as the best and most feasible location for the center. Preliminary information, site design and cost estimates have been developed through initial studies. The State of Connecticut Department of Economic and Community Development ("DECD") has funded a study of the concept and retained the services of a consultant for evaluation purposes. DECD has provided WDC with a grant of \$2.2 million to develop a new bus system plan, site plan, design infrastructure modifications, coordinate and mitigate rail issues and perform necessary environmental and geo-technical analysis of the proposed site and an architectural design of the center. The plan would take local bus pulse point off the green and move it to the new center. This would free up the green for a plan to make the green a one-way traffic circle with slanted parking. The net effect will be a better utilization of the green and bringing added on-street parking to the downtown area. Further, a new transportation center will present the City with the transportation infrastructure it will need to compete economically.

Municipal Services

Fire Department

The Waterbury Fire Department is a professional fire department providing a wide range of emergency services including fire suppression, hazardous materials mitigation, technical rescue and emergency medical dispatch. The Department also provides non-emergency services including public fire education, Connecticut Fire Code and Licensing building inspections and plan review. The Department consists of 266 firefighters and six (6) civilian members. Emergency services are provided by ten engine companies (with one also functioning as a rescue/hazmat company), three truck companies, and three chief officers operating from ten fire stations. The Fire department has most recently assumed "First Responder" duties previously assigned to the Police department.

Police Department

The Waterbury Police Department is a professional department which operates with a complement of 300 sworn officers and 90 civilian employees. Located at 255 East Main Street, Police Headquarters is a 34,200-square-foot facility housing administrative, uniformed and investigative services. Specialized units include K-9, Emergency Response Team, Bicycle Patrol, Polygraph Services, Traffic Engineering, Victim Services, Blight Enforcement, Crimes Analysis, Hostage Negotiation Team, Crisis Intervention Team, School Resource Officers, and a full-service Forensic Laboratory capable of ballistics analysis/comparison and DNA collection. The department utilizes a fleet of approximately 100 vehicles, 60 of which are marked police cruisers. Off-site facilities include Animal Control, Traffic Division, Parking, Training Division, Community Relations Division and a Police Academy.

Public Health

The Waterbury Department of Public Health is a full-time health department with 140 staff members dedicated to the protection and promotion of good health for the citizens of the City of Waterbury. The Nursing Services Division provides both nursing expertise and nurse aide support to over 20,000 students within the school system and public health nursing. The Environmental Health Division provides wide-ranging activities from investigation and inspection of food establishments, response to housing code complaints, litter and blight complaints, and enforcement of the public health code. Efforts of the Department of Public Health continue to address the need for improved access to health services for all citizens through innovative programs and wide ranging grants (HIV prevention and Case Management, Asthma, Lead Prevention and Hazard Control, Immunizations, WIC, Healthy Choices, Injury Prevention and Public Health Emergency Preparedness). Additionally, the department administers a \$3,000,000 Housing and Urban Development grant for the purpose of rehabilitating homes to make them lead safe.

Solid Waste

The City closed its landfill in September 1999 pursuant to a closure order negotiated with the State of Connecticut Department of Environmental Protection. In 1993, the City signed a contract (the "Service Contract") with the Connecticut Resources Recovery Authority ("CRRA") to provide solid waste disposal services to the City at the CRRA's Mid Connecticut Plant (the "System"). The contract is a 20-year "put-or-pay" contract, with a minimum commitment of 38,000 tons per year, including a per-ton tipping fee of \$69 for municipal solid waste ("MSW") and \$85 for non-processable solid waste for the current fiscal year. However, as a result of a Superior Court ruling, the \$69/ton MSW tipping fee was ruled to be excessive and CRRA was ordered to reduce the tipping fee to \$61.85 as of November 1, 2007.

All municipalities, including the City, pledge their full faith and credit for the payment of all Service Payments and any delayed-payment charges and costs and expenses of CRRA and its representatives in collecting overdue Service Payments. Each municipality agrees that its obligation to make any such Service Payments and other such payments in the amounts and at the times specified in the Service Contract, whether to CRRA or the trustee, shall be absolute and unconditional and shall not be subject to any setoff, counterclaim, recoupment, defense (other than payment itself) or other right which the municipality may have against CRRA, the trustee or any other person for any reason whatsoever, shall not be affected by any defect in the title, compliance with the plans and specifications, condition, design, fitness for use of, or damage to or loss or destruction of the System or any part thereof and, so long as CRRA shall accept solid waste delivered by the municipality pursuant to the Service Contract, shall not be affected by an interruption or cessation of the possession, use or operation of the System or any part thereof by CRRA or the operator of the System for any reason whatsoever.

To the extent that a municipality does not make provisions or appropriations to provide for and authorize the payment by such municipality to CRRA of the payments required to be made by it under the Service Contract, the remaining municipalities including the City must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

Enron Power Marketing, Inc. ("Enron") entered into an agreement with CRRA which obligated it to pay CRRA a monthly "capacity charge" for the purchase of steam and an additional charge for conversion of the steam into electricity, both of which charges support the System. The capacity charge was significantly above market prices. However, on December 2, 2001, Enron filed for bankruptcy and has not made its capacity or electricity payments to CRRA since that time. Under Enron's bankruptcy plan, which was approved by the courts in July 2004, CRRA would receive cash and stock projected at an estimated \$82.7 million, or approximately 37 percent of expected \$220 million owed to CRRA under the terms of the agreement. On August 20, 2004, CRRA's bankruptcy attorneys conducted an auction of the claim which raised an additional \$28 million above the amount projected to be received by CRRA in the bankruptcy plan. Under the terms of the auction sale agreement, CRRA received \$111.8 million from Deutsche Bank Securities, a leading global financing company, for its

bankruptcy claim against Enron. Additionally, selling the bankruptcy claim accelerated the timetable for CRRA receiving payments. By selling the bankruptcy claim, CRRA has also relieved itself of the risk inherent in owning shares of stock, as well as the possibility that the actual proceeds from the Enron reorganization plan could be different from what was originally projected in its plan. Additionally, CRRA has received an additional \$23.8 million from a settlement with the attorneys that advised CRRA on the Enron deal and law firms that previously represented Enron or Enron-related entities. The CRRA Board of Directors voted to distribute \$14.8 million to the participating municipalities in the proportion to the amount of trash each municipality delivered to the Mid-Connecticut Project from July 1, 2002 to June 30, 2006. The City delivered 8.4 percent of the Mid-Connecticut Project's trash and will receive a payment of \$1,238,271 from CRRA. On December 19, 2007 the City of Waterbury received \$2.3 million in settlement of the lawsuit against CRRA.

Sewage Sludge

The City has entered into an agreement (the "Agreement") with Synagro Technologies, Inc. ("Synagro") (formerly NETCO-Waterbury Limited Partnership), a Delaware limited partnership, for the disposal of the City's sewage sludge. The Agreement provides for Synagro to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a minimum 50 dry-ton-per-day capacity, as well as related facilities (the "Project"). The Project was operational in January 1997. Under the Agreement, Synagro, is required to process sewage sludge for the City and in return is guaranteed to receive not less than \$1.6 million per year from the City, adjusted annually by the CPI, as payment of a fixed disposal fee for the successful processing of the sludge (the "Minimum Fee"). The fiscal 2007 payment from the City is \$2,250,000. However, the City must obtain annual appropriation in order to make any payments required in the Operating Agreement. The obligation of the City to make payments under the Operating Agreement is subject solely to Synagro's performance of its obligations under the Operating Agreement. Connecticut General Statutes generally authorize municipalities to pledge their full faith and credit to payments such as those required under the Operating Agreement. Payment of the Minimum Fee by the City is not secured by the full faith and credit pledge of the City. The City must appropriate in each fiscal year sufficient funds to make the payments required by the Operating Agreement. Such annual appropriation is subject to the approval of the City pursuant to its Charter, including legislative approval by the Board of Aldermen. Failure of the City to appropriate the Disposal Fee does not release it from contractual liability to Synagro for failure to make payments required under the Operating Agreement. The liability of the City to Synagro in the event it fails to make required payments would be determined by a court of law. This fee is based upon the disposal of 5,720 dry tons per year, or approximately 15 dry tons per day. The Facility has been operational 353 days per year.

For each dry ton processed by Synagro in excess of 25 dry tons per day on average, Synagro pays the City \$113-per-dry-ton royalty (fiscal year 2007) from the estimated \$249-per-dry-ton fee charged to process outside sludge, adjusted annually by the CPI. The Facility is fully operational and has been processing approximately 50 dry tons of outside sludge in excess of Synagro's obligations to the City, resulting in an average of \$120,000 per month in additional royalties. The incinerator manufacturer's performance guarantee is for the incinerator to process up to 50 dry tons per day of municipal sewage sludge. The City must dispose of the ash and dried end-product generated by the Facility in the City's South End Disposal Area for the life of the Operating Agreement without charge.

Public Works

The Department of Public Works has ten core divisions staffed by 193 full-time employees consisting of engineering, street maintenance, central vehicle repair, municipal solid waste collection, leisure activities, golf courses, North End Disposal Area, and public building and park grounds maintenance, overseen by a centralized administrative office.

Recreation

The City has almost 1,000 acres dedicated to recreation including 34 parks and 24 parklets. There are six recreation centers, two municipal-owned 18-hole golf courses, 24 playgrounds, three outdoor swimming pools, one lake facility, 16 spray pools, a municipal stadium, 42 tennis courts, and 27 softball fields that are available to the public. Over the past nine years, the City received State grants totaling more than \$5.5 million for park improvements.

Water

The City has the largest municipally-owned water system in the State. It encompasses 7,000 acres of City-owned watershed and has sufficient capacity to service 200,000 people. The system consists of two inactive and five active reservoirs with a total capacity of 7.54 billion gallons of water. The water treatment plant was completed in 1987 at a cost of approximately \$35 million. Average consumption for the fiscal year 2007 was 15.2 million gallons per day; average total capacity is 25 million gallons per day; design capacity of the system is 38 million gallons per day. The system serves customers located in Waterbury and neighboring communities and is a self-supporting enterprise fund of the City.

Water Pollution Control

The City has approximately 320 miles of sanitary sewers. The City's newly upgraded 27.05 MGD advanced Sewage Treatment Facility was put into operation in April of 2000 in accordance with a consent order between the City and the State of Connecticut Department of Environmental Protection. The planning, design and construction phases of this upgrade were funded through the State of Connecticut Clean Water Fund program. Though the City is ultimately responsible to the State for repayment of the total cost of each phase of the upgrade, the City entered into agreements with municipal users of Sewage Treatment Facility (Watertown, Wolcott, Cheshire and Prospect), whereby the municipal users are obligated to pay their allocable share of the costs for each phase of the upgrade.

Pursuant to the State Clean Water Fund Program, the City has adopted a Sewer User Charge System to pay the costs of operating its collection and treatment system, including operation, capital improvements and debt service on outstanding sewer bonds.

Employee Relations

Almost all City employees, with the exception of management, are represented by a bargaining organization as follows:

City Employee Bargaining Organizations

<u>Employees</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
General Government			
Blue Collar Unit (1)	Local 353	463	6/30/09
White Collar Unit	Employee Association	738	6/30/10
Police	Local 1237	278	6/30/09
Fire	Local 1339	235	6/30/08
Nurses	Ct Health Care	38	6/30/09
Supervisors/Mgmt	Local 2090	69	6/30/09
Board of Education			
Teachers	Teachers CEA-NEA	1,443	6/30/10
Secretarial/Clerical	CSEA Local 760	49	6/30/08
School Admin.	S.A.W.	81	6/30/09
Food Service & Office Aides, Library Pages (part-time)	Local 760	221	6/30/09
Crossing Guards	unaffiliated	51	6/30/09
Classroom & Trans Assistants	Local 760	47	6/30/08

(1) Includes all school custodians.

Source: Finance Department, City of Waterbury

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 certified teachers and certain other employees. The legislative body of municipality may reject the 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 will then appoint 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 shall give 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 teachers' 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 the cost of any item subject to arbitration. In light of the employer's financial capability, the panel shall consider prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Municipal Employees

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
General Government	1,150	1,194	1,211	1,140	1,152	1,333
Board of Education	2,300	2,231	2,231	2,193	2,164	2,132
Grant Funded ¹	339	346	353	379	423	335
Total	3,789	3,771	3,795	3,712	3,739	3,800

¹ Federally Funded programs include W.I.C. Program, LEAD Program, Job Training Partnership Act, and several education programs including Community School, Language Development Program, Adult Basic Education and others.

Source: City of Waterbury – Finance Department

School Enrollment

Historical

<u>School Year</u>	<u>Elementary K-5 & Pre-K</u>	<u>Middle 6-8</u>	<u>Senior High 9-12</u>	<u>Special Education</u>	<u>Total Enrollment</u>
1999-2000	8,924	3,675	3,183	N/A	15,782
2000-2001	9,081	3,859	3,340	N/A	16,280
2001-2002	9,228	3,980	3,554	N/A	16,762
2002-2003	9,534	4,052	3,825	N/A	17,411
2003-2004	9,576	4,130	4,008	N/A	17,714
2004-2005	9,552	4,131	4,232	N/A	17,915
2005-2006	9,505	4,214	4,383	N/A	18,102
2006-2007	9,572	4,147	4,492	N/A	18,211
2007-2008	9,583	4,219	4,482	N/A	18,284

Projected

<u>School Year</u>	<u>Elementary K-5 & Pre-K</u>	<u>Middle 6-8</u>	<u>Senior High 9-12</u>	<u>Special Education</u>	<u>Total Enrollment</u>
2008-2009	9,891	4,307	4,326	N/A	18,524
2009-2010	9,965	4,365	4,334	N/A	18,664
2010-2011	10,022	4,364	4,422	N/A	18,808
2011-2012	10,054	4,414	4,448	N/A	18,916
2012-2013	10,075	4,492	4,441	N/A	19,008
2013-2014	10,118	4,523	4,509	N/A	19,150

School populations calculated as of October 1 for each school year.

Source: Superintendent's Office, Waterbury Board of Education

**Enrollment of Special Education students incorporated into school population by level of enrollment

DEMOGRAPHIC & ECONOMIC DATA

Population and Density

Year	City of Waterbury			New Haven County		State of Connecticut	
	<u>Population</u>	<u>Change %</u>	<u>Density</u>	<u>Population</u>	<u>Change %</u>	<u>Population</u>	<u>Change %</u>
2000.....	107,271	(1.6)	3,803.9	824,008	2.5	3,405,565	3.6
1990.....	108,961	5.5	3,863.9	804,219	5.6	3,287,116	5.8
1980.....	103,266	(4.4)	3,661.9	761,337	2.2	3,107,576	2.5
1970.....	108,033	0.8	3,831.0	744,948	12.8	3,032,217	19.6
1960.....	107,130	2.5	3,798.9	660,315	21.0	2,535,235	26.3

¹ Population per square mile: 28.20 square miles.

Source: State of Connecticut

Population By Age

	City of Waterbury		State of Connecticut	
	<u>2000</u>	<u>Percent</u>	<u>2000</u>	<u>Percent</u>
Under 5 years	8,176	7.6	223,344	6.5
5 to 9 years	8,415	7.8	244,144	7.2
10 to 14 years	7,681	7.2	241,587	7.1
15 to 19 years	6,829	6.4	216,627	6.4
20 to 24 years	6,919	6.5	187,571	5.5
25 to 34 years	15,844	14.8	451,640	13.3
35 to 44 years	16,183	15.1	581,049	17.1
45 to 54 years	12,592	11.7	480,807	14.1
55 to 59 years	4,747	4.4	176,961	5.2
60 to 64 years	3,840	3.6	131,652	3.8
65 to 74 years	7,223	6.7	231,565	6.8
75 to 84 years	6,408	6.0	174,345	5.1
85 years and older	<u>2,414</u>	<u>2.2</u>	<u>64,273</u>	<u>1.9</u>
Total	107,271	100.0	3,405,565	100.0
Median Age (2000)	34.9		37.4	

Sources: U.S. Census Bureau, Census 2000, State of Connecticut

Income Distribution

	City of Waterbury		State of Connecticut	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000.....	2,160	8.0	33,423	3.8
10,000 – 14,999.....	1,528	5.7	23,593	2.7
15,000 – 24,999.....	3,876	14.3	63,262	7.1
25,000 – 34,999.....	3,455	12.8	75,413	8.5
35,000 – 49,999.....	4,645	17.2	120,134	13.6
50,000 – 74,999.....	5,853	21.7	198,924	22.5
75,000 – 99,999.....	2,951	10.9	141,981	16.0
100,000 – 149,999.....	1,969	7.3	132,177	14.9
150,000 – 199,999.....	349	1.3	42,472	4.8
200,000 and up	<u>219</u>	<u>0.8</u>	<u>54,368</u>	<u>6.1</u>
Totals.....	27,005	100.0	885,747	100.0

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

Income Levels

	City of Waterbury	State of Connecticut	United States of America
Per Capita Income 2000	\$17,701	\$40,640	\$29,676
Median Family Income 2000	42,300	64,502	51,751
Median Household Income 2000	34,285	53,108	42,148

Source: State of Connecticut

Major Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Calendar Year 2007 No. of Employees</u>
City of Waterbury	Government	3,739
Waterbury Hospital	Medical Facilities	1,541
St. Mary's Hospital	Medical Facilities	1,279
State of Connecticut	Government	1,225
SBC	Communications	400
Naugatuck Valley Community Tech College	Technical Education	384
United States Postal Service	Federal Government	270
Webster Bank	Financial Institution	256
Waterbury Republican American	Newspaper Publisher	252
MacDermid, Inc.	Specialty Chemicals	217

Source: Waterbury Development Corporation

Employment Data

<u>Annual Average</u>	City of Waterbury		Percentage Unemployed		
	<u>Employed</u>	<u>Unemployed</u>	<u>City of Waterbury</u>	<u>Waterbury Labor Market</u>	<u>State of Connecticut</u>
2007	46,354	3,677	7.3	5.9	4.6
2006	46,495	3,396	6.8	5.5	4.3
2005	46,066	3,940	7.9	6.3	4.9
2004	45,838	3,829	7.7	6.3	4.6
2003	45,739	4,370	8.7	7.2	5.5
2002	45,802	3,657	7.4	6.0	4.4
2001	49,376	3,179	6.0	4.6	4.7
2000	51,106	1,946	3.7	2.8	4.0
1999	49,359	2,532	4.9	3.8	3.2
1998	49,774	2,708	5.2	4.0	3.4
1997	50,051	3,893	7.2	5.9	5.1

Source: Connecticut Department of Economic and Community Development, Town Profiles 2007 & State Department of Labor

Employment by Industry

	City of Waterbury 2000		State of Connecticut 2000	
	Number	Percent	Number	Percent
Agriculture	114	0.3	7,445	0.4
Construction	2,512	5.5	99,913	6.0
Manufacturing	9,563	21.0	246,607	14.8
Wholesale Trade	1,558	3.4	53,231	3.2
Retail Trade	5,481	12.0	185,633	11.2
Trans/Warehousing/Utilities	1,681	3.7	64,662	3.9
Information	1,072	2.4	55,202	3.3
Finance/Insurance/Real Estate	2,775	6.1	163,568	9.8
Professional/Scientific/Management	2,772	6.1	168,334	10.2
Educational/Health/Social Services	10,444	23.0	366,568	22.0
Arts/Entertainment	3,030	6.7	111,424	6.7
Other Services (excluding public admin.)	2,198	4.8	74,499	4.5
Public Admin.	<u>2,284</u>	<u>5.0</u>	<u>67,354</u>	<u>4.0</u>
TOTAL	45,484	100.0	1,664,440	100.0

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

Educational Attainment

YEARS OF SCHOOL COMPLETED, AGE 25 & OVER

	City of Waterbury 2000		State of Connecticut 2000	
	Number	Percent	Number	Percent
Less than 9 th grade.....	8,205	11.8	132,917	5.8
9 th to 12 th grade.....	11,536	16.5	234,739	10.2
High school graduate.....	23,961	34.3	653,300	28.5
Some college, no degree.....	11,821	16.9	402,741	17.5
Associate's degree.....	4,590	6.6	150,926	6.6
Bachelor's degree.....	6,042	8.7	416,751	18.2
Graduate or professional degree	<u>3,636</u>	<u>5.2</u>	<u>304,243</u>	<u>13.2</u>
Total	69,791	100.0	2,295,617	100.0
Total high school graduate or higher.....		71.7		84.1
Total bachelor's degree or higher.....		13.9		31.5

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

Building Permits

Fiscal Year Ending June 30	Residential		Commercial / Industrial		Other		Total	
	No.	Value	No.	Value	No.	Value	Number	Value
2008	848	\$14,439,918	120	\$17,310,244	97	\$18,331,082	1,065	\$50,081,244
2007	1,054	27,484,976	97	12,570,787	129	5,075,578	1,280	45,131,341
2006	1,081	21,188,820	97	27,100,254	135	8,124,353	1,313	58,413,227
2005	1,100	15,525,000	122	9,553,000	123	3,413,000	1,335	28,491,000
2004	1,086	11,389,000	150	12,588,000	170	5,897,000	1,406	29,874,000
2003	811	9,163,000	110	13,346,000	166	3,487,000	1,087	25,936,000
2002	500	6,371,000	102	19,833,000	94	1,790,000	696	27,994,000
2001	486	7,816,000	154	25,617,000	74	2,316,000	714	35,749,000
2000	752	8,954,000	164	23,932,000	110	394,000	1,026	33,280,000
1999	704	8,817,000	203	25,331,000	2,281	19,656,000	3,188	53,804,000
1998	649	6,261,000	328	23,714,000	2,930	77,327,000	3,907	107,302,000

¹ Through April 30, 2008.

Source: City of Waterbury – Department of Licenses, Permits & Inspections

Land Use Summary

AS OF DECEMBER 31, 2007

	<u>Acres</u>	<u>Percent</u>
Residential	7,551	40.7
Commercial / Office	1,280	6.9
Industrial	1,261	6.8
Institutional	1,057	5.7
Vacant Land	4,972	26.8
Open Space	1,910	10.3
Other (resource extraction, water etc)	<u>522</u>	<u>2.8</u>
Total	18,553	100.0

Source: PPSA 2005

TAX BASE DATA

Property Tax Assessments

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 assessed values for all taxable real and personal property and motor vehicles located within the City on October 1. Each year a Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles and personal property are computed at 70% of their annual values.

In accordance with Connecticut General Statutes, the City conducted a general revaluation of real property effective as of October 1, 2003 (commencing fiscal year 2003-2004). Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. Generally, Section 12-62, as amended in 2006, requires a revaluation every five years and requires the assessor to fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building, once every ten assessment years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may chose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five years. The City of Waterbury has opted to annually conduct an inspection of a portion of the real property. The City has fully appropriated the \$750,000 expected cost of revaluation, scheduled to be effective as of the Grand List dated October 1, 2007.

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 Official. A physical appraisal is then completed and the structure is classified and priced from a schedule developed at the time of the last general revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

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 State Office of Policy and Management in cooperation with the Connecticut Association of Assessing Officials. Connecticut General Statutes Section 12-71b provides that motor vehicles that are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle has been included on the October grand list. The tax is prorated and the proration is based on the number of months of ownership between October 1 and the following July 31. Motor Vehicles purchased in August and September is not taxed until the next October Grand List. The tax is not due until January 1st, a year and three months after the grand list date.

Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real property taxes and motor vehicle taxes are payable in two installments on July 1 and January 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is credited first. Outstanding real estate tax accounts are 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. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected, but within 60 days, to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

Comparative Assessed Valuations

(\$ In Thousands)

Grand List 10/1	Residential Real Property (%)	Commercial Industrial & Utility Real Property (%)	Other Real Property (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Less all Categories of Exemptions	Net Taxable Grand List
2007 ¹	61.7	23.5	1.3	6.6	6.8	\$5,423,449	\$157,939	\$5,265,510
2006	57.2	23.5	0.5	9.1	9.7	3,662,055	123,958	3,538,096
2005	57.9	23.0	0.3	9.2	9.6	3,557,293	78,397	3,478,895
2004	58.5	22.9	0.3	9.1	9.2	3,495,902	82,954	3,412,948
2003 ¹	53.7	26.6	2.1	9.0	8.6	3,433,607	90,368	3,343,239
2002	53.0	26.9	2.0	9.2	8.9	3,456,984	103,271	3,353,713
2001	50.9	27.7	2.5	9.8	9.1	3,379,503	111,796	3,267,706

¹ Revaluation year

Source: Assessor's Office, City of Waterbury

Ten Largest Taxpayers

(2006 NET TAXABLE GRAND LIST)

Name	Nature of Business	Taxable Valuation (\$)	Percent of Net Taxable Grand List¹ (%)
G G P Brass Mill Inc.	Retail	\$83,968,640	2.37
Connecticut Light & Power	Utility	44,902,281	1.27
Inland Southeast Naugatuck LLC	Retail	33,899,299	0.96
Yankee Gas Company	Utility	33,288,560	0.94
Waterbury VF LLC	Retail	14,592,536	0.41
Thomaston Avenue Ctr. LLC	Retail	12,112,236	0.34
Galilio Waterbury LLC	Retail	11,749,518	0.33
Olin Corporation	Leasing	10,203,610	0.29
Costco Wholesale Corp.	Retail	9,609,603	0.27
Target Corporation	Retail	<u>9,081,590</u>	<u>0.26</u>
TOTAL		\$263,407,873	7.44

¹ 2006 Net Taxable Grand List of \$3,538,096,573

Source: City of Waterbury - Assessor's Office

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List¹	Mill Rate	Adjusted Annual Levy¹	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 4/30/08
2006	2008	\$3,538,096	55.49	\$195,087	In Process	--	--
2005	2007	3,478,895	55.49	191,375	96.89	3.11	1.69
2004	2006	3,412,262	53.96	185,744	96.63	3.37	1.27
2003 ²	2005	3,343,239	53.31	179,165	96.40	3.60	1.05
2002	2004	3,353,713	53.31	178,041	95.52	4.48	1.01
2001	2003	3,267,706	54.86	179,146	94.23	5.77	0.50

¹ Figures in thousands and Grand List as adjusted by the Board of Assessment.

² Revaluation Year

Source: City of Waterbury - Tax Collector's Office

Property Taxes Receivable

Fiscal Year Ending 6/30	Total Uncollected Taxes	Uncollected in Fiscal Year of Levy
2007	\$25,607,113	\$6,538,846
2006	25,548,000	6,251,000
2005	25,191,000	6,452,000
2004	25,068,000	7,969,000
2003	27,393,000	9,337,000
2002	27,254,000	14,954,000
2001	16,909,000	10,513,000

Source: City of Waterbury - Finance Department

Fiscal year ending 2007 excludes 60 day tax revenue accrual to be available 8/30/08

FINANCE AND ADMINISTRATION

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the City is obligated 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 said audit report must be filed with the Office of Policy and Management. The City of Waterbury is in compliance with said provisions.

For the fiscal year ended June 30, 2007, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, PC Certified Public Accountants, West Hartford, Connecticut. The FY2007 Comprehensive Annual Financial Report ("CAFR"), including the Auditors' opinion, the Federal and State Single Audit Reports and the Report on Compliance and Internal Control over Financial Reporting (Management Report) were filed with the City Clerk on December 31, 2007. The Independent Auditors' opinion contained in the CAFR is unqualified. As of January 1, 2007, Scully & Wolf, LLP merged with Blum Shapiro Certified Public Accountants of West Hartford and Southport, Connecticut. For the fiscal year ended 2007 and for the following two fiscal years, the financial statements of the various funds of the City will be audited by Blum Shapiro.

Capital Budget Planning

The City has instituted a formal five-year capital budget plan. This plan covers capital funding available to the City from the General Fund, existing and projected bond funds, State and federal grants, and the City's enterprise funds. The capital improvement plan is another critical planning tool for the City. The General Fund has made contributions from its previous year's surplus to the Capital Reserve/Equipment account. The 2008-12 capital budget was adopted on June 11, 2007. Significant capital needs are identified for general government and public works facilities.

Accounting and Budgetary Basis

The City's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The City's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The City's accounting policies conform to generally accepted accounting principles as applied to governmental units. The independent auditors issued an unqualified opinion for the fiscal year ended June 30, 2007. The procedures for adoption of the annual budget are as follows:

On or before the first day of April of each year, the Mayor shall submit to the Board of Aldermen the following:

1. An annual or current expense budget, which shall be a complete financial plan for the ensuing fiscal year, consisting of the budget proper and the budget message; and
2. A capital budget.

Pursuant to the Charter, the budget must disclose the following:

1. A general executive summary of its content set forth in plain language;
2. An estimate of all revenue cash receipts anticipated from sources other than the tax levy of the ensuing fiscal year;
3. An estimate of the General Fund cash surplus at the end of the current fiscal year or of the deficit to be made up by appropriation;
4. The estimated expenditures necessary for the operation of the several departments, offices and agencies of the City;
5. Debt service requirements for the ensuing fiscal year;
6. An estimate of the sum required to be raised by the tax levy for the ensuing fiscal year, assuming a rate of current levy year collections not greater than the average rate of collection in the year of levy for the last three completed fiscal years. The Mayor may deviate from said assumed collection average. In the event the Mayor submits a budget containing such a deviation in the rate of collection in excess of (i) the three-year average or (ii) a rate of collection of 93 percent, whichever is lesser, said budget submission shall be accompanied by a certification by the Finance, Audit and Review Commission asserting that the assumption is a reasonable estimate upon which the Board of Aldermen may rely;
7. A balanced relation between the total estimated expenditures and total anticipated revenue cash receipts, taking into account the estimated General Fund cash surplus or deficit at the end of the current fiscal year; and
8. The anticipated income and expense as well as profit and loss for the ensuing fiscal year for each utility or other enterprise fund operated by the City.

The Board of Aldermen considers and acts upon and may amend the estimates of the Mayor's proposed budget (except that it may not increase the Mayor's estimate of receipts) and make appropriations upon the basis of such estimates as may be necessary and proper to meet such expenses and shall levy a tax necessary to meet such expenses. The Board of Aldermen shall conduct at least two (2) public hearings. After their deliberations, they adopt a budget.

Fiscal Year

The City's fiscal year begins July 1 and ends on June 30.

Budget Adoption

City departments submit estimates of expenditures to the Mayor no later than the second Friday in January. The Mayor, with the assistance of a designated budget subcommittee consisting of the City's Budget Director, Finance Director and Mayoral Chief of Staff, evaluate in detail the amounts required by the departments of the City for the ensuing year. These estimated expenditures accompanied by an estimate of the income necessary to meet such expenditures are reviewed by the Mayor and once approved become the basis for the "Mayor's Proposed Budget". On or before the first day of April of each year, the Mayor submits a budget to the Board of Aldermen (the "Mayor's Proposed Budget"). The Board of Aldermen may increase or decrease the Mayor's recommended appropriations or revenues, and set the rate of taxation for the ensuing year with the exception of debt service and pension contributions as proposed by the Retirement Board. The Mayor may then veto all or any part of the budget approved by the Board of Aldermen. The Board of Aldermen may then override the Mayor's veto by a three-fifths vote. If the veto is not overridden within 10 days, the budget with the funding requirements of pensions and legally and contractually required increases, as certified by the Director of Budget, shall be deemed to be the budget for the City.

Significant Financial Policies

Financial Reporting: Financial operating statements are available to each department on a real-time basis. The Director of Budget prepares and distributes to the Mayor and Board of Aldermen projections of current fiscal operations for review and comment.

Investment Funds: The City invests its available cash from various activities on a competitive basis with local institutions strictly in accordance with the General Statutes of Connecticut. The City participates in the State sponsored short-term investment fund (“STIF”) and other funds, in order to diversify the City's investment portfolio. Deposits are protected against loss under the Public Deposits Protection Act only when deposits are with a qualified public depository in the State of Connecticut. Investments are stated at cost.

Personnel Compensation: Accrued compensated absences are recognized in the City's Long-Term Debt Account. The nature of the benefit costs falls into two categories: vacation and sick days. City policies and/or applicable labor contracts stipulate the manner in which compensated absences are accrued and paid. Funds for payment of absences are budgeted in yearly department appropriations as they occur.

Basis of Accounting: The accounts of the City Funds and Expendable Trust Funds are maintained on the modified accrual basis. Proprietary Fund and Pension Trust Funds are accounted for using the accrual basis of accounting.

Litigation Liabilities: The City has established a special reserve fund in which funds are contributed from appropriate sources and maintained to meet liabilities in excess of budgeted funds. The City is self-insured for various claims.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgeting interaction in the Governmental Funds.

Investment Policy

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400 and 7-402. Refer to APPENDIX A – “AUDITOR’S REPORT” under “Notes to the Financial Statements”, Note 4, regarding the City’s cash and cash equivalent investments and investment policies. The City’s investments do not include derivative products.

As of December 31, 2007 cash, cash equivalents, and investments included the following:

Instruments

Operating and Capital Funds

Banknorth (governmental money market account)	\$15,741,753
Reich & Tang (State tax exempt proceeds fund)	4,123,945
Sovereign Bank	15,552,200
Citizens Bank (governmental money market account)	102,640
State of Connecticut Short-Term Investment Fund	7,378,692
Webster Bank	<u>12,230,530</u>
Total Cash and Cash Equivalents	\$55,129,760

Bond Authorization

The City of Waterbury is authorized to issue bonds or notes as provided by Chapter 10 of the City Charter and the Connecticut General Statutes. The Mayor recommends bond authorizations to the Board of Aldermen who in turn act upon the bond authorization after a public hearing specifically called for the authorization. An affirmative vote of ten (10) members of the Board of Aldermen is required to approve bonding authorizations. The Mayor must then approve the bonds. If the Mayor disapproves, then three-fifths of the members of the Board of Aldermen, present and absent, must again pass the resolution. If the Mayor fails to approve it in ten days, then the resolution is valid, as if the Mayor had approved it. No bonds or notes shall be issued until thirty days after published notice of the adoption of the bond authorization. If a petition is signed by at least five percent (5%) of the voters of the City requesting a referendum, the Board of Aldermen can either repeal the bond resolution or hold the referendum, at which a majority of voters must approve the sale.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the Board of Aldermen schedules principal reductions by the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for water, sewer and school projects) of the estimated net project cost (CGS Sec. 7-378a). 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 eight 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 sewerage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), the notes must be reduced by 1/15 of the total amounts 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).

Pension Programs: Employee Retirement Systems and Pension Plans

Overview

City of Waterbury Retirement System

A. Plan Description

The City is the administrator of the City of Waterbury Retirement System, a single-employer public employee retirement system (“PERS”) established and administered by the City to provide pension benefits for its non-teacher employees. The PERS is considered to be part of the City of Waterbury’s financial reporting entity and is included in the City’s financial reports as a pension trust fund. Membership as of July 1, 2007 of the PERS consisted of the following:

Pension Plan – Participant Profile as of June 30, 2007

Retirees and Beneficiaries Currently Receiving Benefits	2,106
Terminated Employees Not Yet Receiving Benefits	89
Current Active Members:	
Vested	838
Nonvested	<u>826</u>
TOTAL	3,859

Members are required to contribute to the Plan and the City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Charter and Union negotiation.

Currently hired Teachers & SAW are covered by the State Retirement System.

B. Significant Accounting Policies and System Assets

The Plan follows the accrual basis of accounting. The investments of the PERS are valued at fair value.

STATEMENT OF NET ASSETS
COMPARATIVE BALANCE SHEET

		<u>December 31, 2007</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ASSETS:	Cash and cash equivalents	\$216,928	\$558,608	\$3,085,000
	Investments	<u>63,674,630</u>	<u>59,375,922</u>	<u>44,412,000</u>
	Total Assets	63,891,558	59,934,530	47,497,000
LIABILITIES:	Accounts payable and accrued liabilities	<u>\$0</u>	<u>\$10,000</u>	<u>\$60,000</u>
	Total Liabilities	\$0	\$10,000	\$60,000
NET ASSETS:	Held in trust for pension benefits	\$63,891,558	\$59,924,530	\$47,437,000

<u>Fiscal Year Ended</u>	<u>City Contribution Amount</u>	<u>Employee Contribution Amount</u>	<u>Total Contribution Amount</u>	<u>Total Pension Benefits Paid</u>
June 30, 2007	\$43,344,576	\$5,881,493	\$49,226,069	\$43,138,347
June 30, 2006	\$41,997,616	\$5,571,032	\$47,568,648	\$43,475,062
June 30, 2005	\$41,404,406	\$6,311,000	\$47,715,406	\$40,569,465
June 30, 2004	\$39,000,000	\$6,156,000	\$45,156,000	\$39,209,000

The fiscal year 2007 pension contribution was based on the actuary report dated July 1, 2006. The City's contribution for fiscal year 2007 of \$43,344,576 includes an additional contribution of \$1m in excess of the actuarial recommendation. The City's contribution for fiscal year 2008 is \$43,973,874 including an additional contribution of \$573,874 in excess of the actuarial recommendation. The valuation completed as of July 1, 2007 recommends a contribution of \$41,610,313 for fiscal 2009.

The actuarial funding plan developed by Hooker & Holcombe, Inc. and formally adopted through the Code of Ordinances and implemented July 1, 2003 is a strategy positioning the City to address its unfunded actuarial accrued liability ("UAAL"). The UAAL as of June 30, 2007 is \$462,242,370. The actuarially developed plan is expected to fully fund the pension obligations of the City by fiscal 2036. The fiscal 2009 pension plan contribution represents the initial year of the thirty-year amortization of the liability. Given the City's policy to prepare an actuarial pension plan valuation annually, adjustments to the planned funding strategy, comprising normal cost and amortization of the unfunded liability, can be made prospectively to take into account factors that ultimately affect the continued growth in the funded ratio.

Annual Pension Liability

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year Ending 6/30	Plan Assets at Beginning of Fiscal Year	Unfunded Accrued Liability, Beginning of Fiscal Year	Funded Ratio Assets / Accrued Liability	Retiree Payments for the Fiscal Year	City Normal Cost	Amortization Of Unfunded Accrued Liability	ARC Total City Contribution* = (5) + (6)	City Contribution (ARC)
2008	59,934,531	462,242,370	11.5%	44,148,044	1,736,326	40,501,222	42,237,548	43,973,874
2009	70,932,729	458,442,237	13.4%	44,474,704	1,967,992	39,642,321	41,610,313	41,610,313
2010	80,391,438	457,155,990	15.0%	44,356,239	2,275,322	39,635,507	41,910,829	41,910,829
2011	91,415,259	455,841,530	16.7%	44,568,690	2,569,196	39,875,436	42,444,632	42,444,632
2012	104,066,972	454,184,470	18.6%	44,684,911	2,889,309	40,147,772	43,037,081	43,037,081
2013	118,575,762	452,263,134	20.8%	44,845,320	3,244,463	40,428,766	43,673,229	43,673,229
2014	135,167,698	449,836,105	23.1%	45,366,420	3,514,141	40,729,393	44,243,534	44,243,534
2015	153,564,624	446,887,636	25.6%	46,155,994	3,749,952	41,032,414	44,782,366	44,782,366
2016	173,605,566	443,352,605	28.1%	47,451,240	3,938,915	41,340,989	45,279,904	45,279,904
2017	194,857,158	439,177,871	30.7%	48,532,631	4,089,265	41,654,274	45,743,539	45,743,539
2018	217,581,190	434,411,087	33.4%	49,179,353	4,131,589	41,973,023	46,104,612	46,104,612
2019	242,413,005	428,990,562	36.1%	50,865,810	4,209,048	42,308,427	46,517,475	46,517,475
2020	268,529,884	422,404,290	38.9%	52,631,031	4,110,909	42,662,381	46,773,290	46,773,290
2021	295,612,138	415,239,543	41.6%	54,946,018	4,222,905	42,991,963	47,214,868	47,214,868
2022	323,505,313	406,712,223	44.3%	57,481,677	4,009,201	43,365,545	47,374,746	47,374,746
2023	351,679,516	397,480,425	46.9%	59,369,975	4,052,884	43,712,584	47,765,468	47,765,468
2024	381,229,774	387,498,165	49.6%	62,149,128	4,375,375	44,115,001	48,490,376	48,490,376
2025	411,829,779	375,786,845	52.3%	64,805,794	4,477,598	44,586,374	49,063,972	49,063,972
2026	443,305,822	362,942,924	55.0%	66,461,340	4,784,125	45,033,072	49,817,197	49,817,197
2027	477,095,600	348,807,959	57.8%	68,837,171	5,095,964	45,544,439	50,640,403	50,640,403
2028	512,978,786	332,580,644	60.7%	70,758,287	5,268,443	46,130,393	51,398,836	51,398,836
2029	551,314,416	314,486,727	63.7%	73,153,319	5,334,513	46,716,915	52,051,428	52,051,428
2030	591,945,166	294,106,322	66.8%	75,552,837	5,407,507	47,368,287	52,775,794	52,775,794
2031	634,972,375	271,710,311	70.0%	77,208,843	5,746,660	48,068,264	53,814,924	53,814,924
2032	681,785,777	246,859,098	73.4%	79,030,667	6,068,975	48,925,191	54,994,166	54,994,166
2033	732,835,153	218,823,055	77.0%	80,373,669	6,233,240	49,964,983	56,198,223	56,198,223
2034	788,935,606	187,924,018	80.8%	82,566,701	6,699,589	51,179,536	57,879,125	57,879,125
2035	850,378,139	152,922,683	84.8%	83,946,643	7,113,885	52,876,431	59,990,316	59,990,316
2036	918,667,812	113,565,957	89.0%	85,034,236	7,551,957	55,184,546	62,736,503	62,736,503
2037	995,626,107	68,767,347	93.5%	86,455,538	8,182,006	59,097,872	67,279,878	67,279,878
2038	1,083,531,791	16,193,287	98.5%	88,197,889	8,854,525	68,767,347	44,503,497	44,503,497
2039	1,154,455,549	(16,305,451)	101.4%	89,553,740	9,445,033			

*Projected contribution amounts for fiscal year 2009 and later are not fixed and will vary from the amounts shown here depending on plan changes, actuarial gains and losses and actuarial amounts contributed to the Plan.

GASB #43 and 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions (“OPEB”)

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. The Government Accounting Standards Board (“GASB”) has issued statements to establish financial reporting, liability calculation, along with the requirement to disclose the government’s funding strategy and progress.

The following is the current census of City benefit participants:

Active Member	3,041
<u>Retirees</u>	<u>3,871</u>
Total	6,912

Postemployment benefit payments for the year ended June 30, 2007 for the 3,871 retirees, net of retiree and other contributions, amounted to approximately \$23.5 million. Although the City has not established a trust fund, as of June 30, 2007, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines, an actuarial valuation was prepared to value the estimated accrued liability, as of June 30, 2007, and the annual required contribution (“ARC”) for the subsequent year ending June 30, 2008. The following reflects the assumptions and results of the actuarial report (\$ in thousands):

Valuation date July 1, 2006	
Projected liability July 1, 2007	
Actuarial cost method Projected Unit Credit	
Remaining amortization period 30 year – level dollar	
Actuarial assumptions:	
Investment rate of return 7.5%	
Benefit cost trend 10.0% (reducing by 1% until 2012)	
Actuarial accrued liability:	
Retirees	\$540,242
Active – hired before July 1, 2004	63,356
Active – hired after June 30, 2004	<u>685</u>
Total	\$604,283
ARC	
Fiscal year ending June 30, 2008	
Retirees	\$45,195
Active participants	<u>11,874</u>
Total	\$57,069

General Fund Revenues and Expenditures

LAST FIVE FISCAL YEARS AND CURRENT BUDGET (\$ IN THOUSANDS)

	Budget Adopted FY07-08	Estimated Actual FY07-08	Actual FY06-07	Actual FY05-06	Actual FY04-05	Actual FY03-04	Actual FY02-03
REVENUES AND TRANSFERS:							
Property Taxes	\$197,800	\$196,412	\$194,680	\$188,416	\$180,545	\$180,371	\$177,721
Intergovernmental Revenue	141,291	135,156	141,738	137,672	126,547	122,463	122,782
Use of Money	4,000	3,450	4,207	3,167	1,679	1,079	1,117
Department Income,							
Reimbursement & Charges for Services	18,905	17,793	20,009	19,585	17,703	11,302	7,915
Other Income	3,880	3,768	986	1,114	1,110	1,671	2,101
Settlement & Refunds ¹		2,657					
Total Revenues	\$365,876	\$359,236	\$361,620	\$349,954	\$327,584	\$316,886	\$311,636
EXPENDITURES AND TRANSFERS:							
General Government	\$ 10,525	\$ 10,423	\$9,339	\$8,943	\$8,544	\$7,534	\$6,746
General Financial	137,190	118,147	109,777	105,434	101,458	94,568	89,358
Public Works	19,388	19,114	17,307	17,176	16,431	16,415	13,070
Public Safety	44,438	43,756	42,440	41,564	43,083	43,770	41,615
Public Health / Human Services	3,389	3,352	3,080	2,822	2,362	2,568	2,607
Cultural & Recreation	1,946	1,959	1,760	1,660	1,621	1,558	4,741
Education	149,000	148,054	153,285	144,916	134,548	134,403	128,345
Other Expenditures				-	-	-	1,040
Total Expenditures	\$365,876	\$344,805	\$336,988	\$322,515	\$308,047	\$300,816	\$287,522
RESULTS OF OPERATIONS		14,431	24,632	27,439	\$19,537	\$16,070	\$24,114
Transfers and borrowing proceeds							
Transfers In ²		3,812		0	376	4,163	4,898
Transfers to Other Funds		-17,227	-24,250	-24,057	-22,023	-20,871	-24,202
Bond Proceeds, net							
Fund Balance:							
Beginning		19,876	19,494	16,112	18,222	18,860	14,050
Ending		20,892	19,876	19,494	16,112	18,222	18,860

1. Includes \$2,291 CRRA lawsuit settlement and \$366 utility refunds.

2. Special Capital Reserve Fund (SCRF) Excess Balance.

DEBT SUMMARY

Long-Term Bonded Debt¹

As of July 1, 2008 (Pro-Forma)

General Fund Debt

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Original Principal Amount</u>	<u>Date of Final Maturity</u>	<u>Balance Outstanding</u>
<u>General Purpose Bonds</u>					
General Purpose Bonds	11/15/98	4.25 – 5.25	\$18,004,000	02/15/09	\$942,000
SCRF Bonds, Series A, tax-exempt	04/01/02	4.00 – 5.50	82,075,000	04/01/12	19,055,000
SCRF Bonds, Series B, taxable	04/01/02	5.43	15,390,000	04/01/09	1,465,000
General purpose bonds, Series A	10/01/04	3.00 – 5.25	17,833,100	02/01/20	15,951,300
SCRF Bonds, Series B	10/01/04	2.00 – 5.00	25,365,000	04/01/17	25,225,000
General purpose refunding bonds, Series 2007	02/15/07	3.80 – 4.50	<u>27,055,000</u>	04/01/22	<u>27,055,000</u>
General Purpose Bonds Sub-Total			\$185,722,100		\$89,693,300
<u>School Bonds</u>					
Board of Ed. Capital projects ¹	11/15/98	4.25 – 5.25	\$3,795,000	02/15/09	\$ 199,000
School refunding bonds	10/01/04	3.00 – 5.25	<u>6,286,400</u>	02/01/20	<u>6,166,700</u>
School Bonds Sub-Total			\$10,081,400		\$ 6,365,700
Total General Fund Debt					\$ 96,059,000
<u>Sewer Bonds²</u>					
WWTP – State loan (CWF)	08/31/95	2.00	\$4,007,585	08/31/14	\$1,235,672
WWTP State loan (CWF)	07/31/97	2.00	6,447,616	07/31/16	2,891,993
Platts Mill Pump Station	11/15/98	4.25 – 5.25	1,326,000	02/15/09	69,000
WWTP State loan (CWF)	12/31/00	2.00	80,563,282	06/30/20	46,013,966
WWTP State loan (CWF)	10/30/02	2.00	11,547,353	04/30/22	8,386,400
WWTP State loan (CWF)	10/31/03	2.00	2,423,923	04/30/23	1,926,716
WWTP State loan (CWF)	04/30/04	2.00	2,953,070	04/30/23	2,397,854
WWTP State loan (CWF)	06/30/04	2.00	1,137,959	07/31/20	888,138
Sewer bonds	10/01/04	3.00 – 5.25	2,075,500	02/01/20	2,037,000
WWTP State loan (CWF)	11/30/05	2.00	543,822	04/30/23	474,613
WWTP State loan (CWF)	06/30/07	2.00	<u>225,959</u>	07/31/20	<u>210,696</u>
Sewer Bonds Sub-Total.....			\$113,690,626		\$66,532,048
Total Outstanding Long-Term Debt					<u>\$162,591,048</u>

¹ Subject to State of Connecticut School Building Grant for 78.0% of eligible costs.

² WTPP indicates loans for the City's wastewater treatment plant. CWF indicates loans from the State's Clean Water Fund Program. The City of Waterbury is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 et. seq. as amended) which provides financing 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).

**Preliminary, subject to change.*

Annual Coverage History of Tax Revenue Intercept Secured Bonds (000s)

The City’s outstanding bond series 1998, 2000, 2002A, 2002B, 2003, 2004A, 2004B and 2007 (the “Parity Bonds”) are secured by a tax revenue intercept mechanism established under an Indenture of Trust dated August 12, 1993 by and between the City and U.S. Bank National Association, as successor to Fleet National Bank, as trustee (the “Trustee”), as amended and supplemented (the “Intercept Indenture”). All tax revenues payable to the City are paid directly to the Trustee and are deposited into the Tax Revenue Fund. The tax revenues are then transferred to the Debt Service Fund and the Special Capital Reserve Fund until the applicable debt service and reserve requirements are satisfied for the benefit of the holders of the Parity Bonds. Only after the applicable debt service and reserve requirements are satisfied are remaining amounts paid to the City for the payment of other City expenditures, including the payment of the principal and interest on the Bonds. However, the City will pledge its full faith and credit to pay the principal of and interest on the Bonds, as described in “SECURITY AND REMEDIES” herein. Below outlines the historical debt service coverage on the Parity Bonds.

<u>Fiscal Year</u>	<u>Intercept Debt Service</u>	<u>Current Property Tax Collected within the Fiscal Year of Levy</u>	<u>Coverage Ratio of Intercept Debt Service</u>	<u>Date Annual Debt Service Requirement Satisfied</u>
2008	\$19,359	\$186,154	9.62x	7/09/07 and 1/22/08
2007	18,854	187,525	9.95x	7/14/06 and 1/19/07
2006	19,093	179,493	9.40x	7/15/05 and 1/21/06
2005	18,884	172,713	9.15x	7/14/04 and 1/17/05
2004	20,309	170,072	8.37x	7/15/03 and 1/10/04
2003	15,864	168,809	10.64x	7/12/02 and 1/09/03 ¹
2002	13,126	152,670	11.63x	8/7/01 ²
2001	9,215	124,883 ³	13.55x	7/19/00
2000	7,901	114,401	14.48x	7/13/99
1999	6,494	111,686	17.20x	7/10/98
1998	6,496	110,783	17.05x	7/10/97

¹ Beginning April 1, 2002, the Tax Revenue Intercept became effective July 1 and January 1 pursuant to the Intercept Indenture, as amended.

² Budget was adopted June 29, 2001, which caused a delay in the generation of tax bills.

³ Includes Special Tax levied January 2001.

Short – Term Debt

<u>PURPOSE</u>	<u>Amount Authorized</u>	<u>Amount of Notes Outstanding</u>	<u>Maturity Date</u>	<u>Legal Renewable Limit</u>
Alternative and special school facilities	\$14,635,000	\$500,000	09/03/08	09/12/15
City Hall improvements	35,900,000	1,500,000	09/03/08	09/12/15
Road improvements	8,930,000	5,000,000	09/03/08	09/12/15
School facilities	101,500,000	<u>3,000,000</u>	09/03/08	09/12/15
Total		<u>\$10,000,000</u>		

Annual Bonded Debt Maturity Schedule

As of July 1, 2008 (Pro-Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	Cumulative % of Principal Retired
2009	12,094,135	5,812,078	17,906,213	7.43%
2010	12,258,070	5,370,703	17,628,773	14.98%
2011	12,413,899	4,950,851	17,364,750	22.61%
2012	12,571,662	4,519,368	17,091,030	30.34%
2013	12,751,399	4,094,868	16,846,267	38.19%
2014	12,908,149	3,649,910	16,558,059	46.12%
2015	12,949,969	3,161,389	16,111,358	54.09%
2016	13,122,472	2,672,813	15,795,285	62.16%
2017	12,987,077	2,184,029	15,171,106	70.14%
2018	13,157,147	1,698,094	14,855,241	78.24%
2019	11,411,544	1,220,298	12,631,842	85.26%
2020	11,533,047	842,683	12,375,730	92.35%
2021	6,126,017	492,688	6,618,705	96.12%
2022	5,997,493	243,105	6,240,598	99.80%
2023	308,968	2,839	311,807	100.00%
2024	-	-	-	
Total	\$162,591,048	\$40,915,716	\$203,506,764	

Authorized But Unissued Debt

As of July 1, 2008 (Pro-Forma)

Project	Date Authorized	Amount Authorized	Bonds Issued	Notes Outstanding	Grants & Paydowns	Authorized But Unissued
Police Parking Garage	12/10/07	\$2,671,000	-	-	-	\$2,671,000
Police Facility Projects	12/10/07	819,000	-	-	-	819,000
Pension Obligation Bond ⁽³⁾	02/11/08	350,000,000	-	-	-	350,000,000
Golf Course Equipment	12/10/07	751,210	-	-	-	751,210
City Hall Improvements	05/24/07	35,900,000	-	1,500,000	-	34,400,000
Road Improvements	08/09/06	8,930,000	-	5,000,000	-	3,930,000
Board of Ed. – Alternative & Special Facilities ⁽²⁾	05/16/06	14,635,000	-	500,000	-	14,135,000
School Facilities ⁽²⁾	06/25/04	<u>101,500,000</u>	-	<u>3,000,000</u>	<u>7,123,294</u>	<u>91,376,706</u>
Total:		\$515,206,210	\$0	\$10,000,000	\$7,123,294	\$498,082,916

1. Date of original authorization. Some authorizations have been amended.
2. The City expects to be reimbursed approximately 78% of eligible project costs from the State in the form of progress payments, thus reducing the need for borrowing by that amount for the project.
3. Issuance of POB pending.

**Preliminary, subject to change.*

Debt Statement¹

As of July 1, 2008 (Pro-Forma)

LONG-TERM DEBT		
GENERAL OBLIGATION BONDS		
Schools	\$6,365,700	
General Purpose	89,693,300	
Sewers	66,532,048	
TOTAL LONG-TERM DEBT		\$162,591,048
SHORT TERM DEBT		<u>\$10,000,000</u>
TOTAL DIRECT DEBT		172,591,048
LESS:		
Self-Supporting Sewer Debt		\$66,532,048
TOTAL DIRECT NET DEBT		106,059,000
OVERLAPPING/UNDERLYING DEBT		—
TOTAL OVERALL NET DEBT		<u><u>\$106,059,000</u></u>

1. Excludes authorized but unissued debt of \$148,082,916

Current Debt Ratios*

As of July 1, 2008 (Pro-Forma)

Population (2006) ¹	107,455
Net Taxable Grand List 10/1/07 at 70% of Full Value	\$5,265,510,251
Estimated Full Value	\$7,522,157,501
Equalized Net Taxable Grand List (10/1/05).....	\$7,980,077,355
Per Capita Income (2000) ²	\$17,701

1. State of Connecticut Department of Public Health

2. U.S. Census 2000

	<u>Total Direct Debt</u>	<u>Total Direct Net Debt</u>	<u>Total Overall Net Debt</u>
Debt per Capita	\$1,606.17	\$987.01	\$987.01
Ratio to Net Taxable Grand List (%).....	3.28%	2.01%	2.01%
Ratio to Estimated Full Value (%).....	2.29%	1.40%	1.40%
Ratio to Equalized Net Taxable Grand List	2.16%	1.32%	1.32%
Debt per Capita to Income per Capita (%).....	9.07%	5.57%	5.57%

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds that will cause aggregate indebtedness by class to exceed the following:

- General Purpose: 2.25 times annual receipts from taxation
- School Purposes: 4.50 times annual receipts from taxation
- Sewer Purposes: 3.75 times annual receipts from taxation
- Urban Renewal Purpose: 3.25 times annual receipts from taxation
- Pension: 3.00 times annual receipts from taxation

**Preliminary, subject to change.*

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation.

"Annual receipts from taxation" is defined as total tax collections, interest, penalties, late payment of taxes, and state payments for revenue loss under CGS Section 12-129d (tax relief for the elderly) and state payments to municipalities under CGS Section 7-528 (local property tax relief trust fund).

The statutes also provide for certain exclusions of debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment, allocation by the State Bond Commission, or contract but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations to provide for the payment of bonds, notes or other obligations.

Statement of Statutory Debt Limitation

As of July 1, 2008 (Pro-Forma)

TOTAL TAX COLLECTIONS (Including interest and lien fees) for the year ended June 30, 2007	\$194,884,000
REIMBURSEMENT FOR LOSS OF REVENUE:	
Tax Relief for Elderly	19,230
BASE	<u>\$194,903,230</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension</u>
FACTOR MULTIPLIED TIMES BASE					
2 ¼ times base	\$438,532,268	-	-	-	-
4 ½ times base	-	\$877,064,535	-	-	-
3 ¾ times base	-	-	\$730,887,113	-	-
3 ¼ times base	-	-	-	\$633,435,498	-
3 times base	-	-	-	-	\$584,709,690
Total Debt Limitation	<u>\$438,532,268</u>	<u>\$877,064,535</u>	<u>\$730,887,113</u>	<u>\$633,435,498</u>	<u>\$584,709,690</u>
DEBT, AS DEFINED BY STATUTE					
Bonds Payable	\$89,693,300	\$6,365,700	\$66,532,048	-	-
Notes Payable	6,500,000	3,500,000	-	-	-
Debt Authorized but Unissued (Please see Page ___ section entitled "Authorized but unissued Debt")	38,868,048	129,091,000	57,016,565	-	350,000,000
Overlapping Debt	-	-	-	-	-
Total Indebtedness	<u>\$135,061,348</u>	<u>\$138,956,700</u>	<u>\$123,548,613</u>	<u>-</u>	<u>350,000,000</u>
Self-supporting debt	-	-	\$66,532,048	-	-
Net Indebtedness	<u>\$135,061,348</u>	<u>\$138,956,700</u>	<u>\$57,016,565</u>	<u>-</u>	<u>350,000,000</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT	\$303,470,920	\$738,107,835	\$673,870,548	\$633,435,498	\$234,709,690

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$1,364,322,610.

**Preliminary, subject to change.*

LEGAL INFORMATION

The City, its officers and employees are defendants in numerous lawsuits. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable. The City's Corporation Counsel has reviewed the status of pending lawsuits, and has received the advice of independent counsel with respect to the status of certain pending lawsuits. He is of the opinion that such pending litigation could not be finally determined so as to result individually or in the aggregate in a final judgment against the City which would materially adversely affect its financial position, except that in the cases described below, the fiscal impact of an adverse decision might be significant but is not determinable at this time.

City of Waterbury v. Town of Washington, et al.

The case has settled conditionally pursuant to an "Agreement and Stipulated Judgment," dated March 8, 2005, which was approved by the Superior Court of the State of Connecticut on December 6, 2005. In order for the Agreement and Stipulated Judgment to become final, on or before June 30, 2006, the City of Waterbury ("City") was to receive a binding, irrevocable commitment to pay for the cost of certain improvements to the Shepaug Reservoir and Wigwam Reservoir that will allow the City to release more water into the Shepaug River, in accordance with the Agreement and Stipulated Judgment. Prior to June 30, 2006, the City did receive a funding commitment, but it was neither binding nor irrevocable. Certain parties to the Agreement and Stipulated Judgment, including the City, thereupon had the right to re-open the related litigation, which right expired on October 31, 2006. No party with such right chose to exercise such right within the stipulated four (4) month period. The Agreement and Stipulated Judgment is further conditioned upon Waterbury obtaining all necessary permits for such improvements and completing such improvements on or before June 30, 2008, subject to extension rights of up to twelve (12) months for completion of such improvements, if Waterbury has entered into binding agreements to construct the improvements but, notwithstanding the exercise of due diligence, has been unable to complete such improvements on or before June 30, 2008.

If the above second condition subsequent is not met, certain parties to the Agreement and Stipulated Judgment, including the City, have the right to re-open the case (which right also expires four (4) months after the applicable deadline). Such parties also have the right to seek from the Court an extension of the dates referred to above.

We are not in a position to advise on the likelihood of the case being re-opened. If the case were to be re-opened, the City would face potential claims for additional water releases from the Shepaug Reservoir beyond those provided for in the Agreement and Stipulated Judgment, as well as attorneys' fees claims. Previously, attorneys' fees claims from the City's opponents range between \$2.7 million and \$3.6 million. Further proceedings would likely increase the amount of the claims. We are not in a position to advise on the likely outcome of further proceedings, concerning the potential for release of additional water or for attorneys' fees claims against the City.

Notice of Potential Liability and Demand for Payment from United States Environmental Protection Agency (Chase Brass and Copper Site)

The City of Waterbury owns property hereinafter referred to as the Chase Brass Superfund Site, as evidenced by a warranty deed dated April 21, 1979 from Chase Brass & Copper Co., Inc. to the City of Waterbury, recorded in Volume 1382, Page 77, of the City of Waterbury Land Records on May 3, 1979.

By letter dated September 30, 2000, Region I of the United States Environmental Protection Agency ("Region I") notified the City of Waterbury that Region I considers the City of Waterbury to be a potentially responsible party (a "PRP") under Section 107(a) of Comprehensive Environmental Response, Compensation and Liability Act, 42 USC section 9607(a), as the current owner of the Site.

By letter dated May 15, 2003, Region I again notified the City of the City's potential liability regarding the Site and demanded payment of costs in the amount of \$4,448,187. These costs were incurred by the United States Environmental Protection Agency in conducting response activities at the Site.

By telephone call on April 29, 2003, Susan Muller, staff counsel with Region I, advised the Corporation Counsel and the City's environmental counsel that former owners and operators of the Site at the time of disposal of the hazardous substances that gave rise to the removal action have been identified as PRP's.

The City's environmental counsel has advised the City that under CERCLA an owner of a Site may be held jointly and severally liable with other PRPs for all of the costs of removal incurred by the US EPA. While it is too early to tell what final negotiations will yield, in traditional Superfund practice PRPs negotiate a sharing arrangement by which the PRPs settle the claims of the US EPA on an equitable basis. A host of equitable factors are used, including the relative culpability of the PRPs, their involvement with the generation and disposal of the hazardous substances involved, etc. At this point in the process it is too early to know the basis upon which the PRPs will reach settlement. However, the City expects that the other PRPs will be allocated a significant share of the liability. The City was led to believe that the other PRPs have assets or are affiliates of corporations that have assets. Most recently EPA has made demand upon the City for the payment of \$150,000 in full and final settlement of this CERCLA claim. EPA's demand also includes requirements that the City enter into a Consent Order with the CT DEP for the long-term management and maintenance of the site. The City currently has these demands under consideration. While the monetary demand of \$150,000 is a sum certain, it is unknown at this time what the financial implications of the obligations under the Consent Order would be. The City is currently evaluating the economic implications of the obligations under the proposed Consent Order.

M Credit, Inc., Tsvp 1998-1, Llc, Varde Partners, L.P. And Taxserv Capital Services, Llc. V City Of Waterbury Judicial District of Waterbury at Waterbury, Docket No. CV-05-4007371-S

On or about August 31, 2005, the plaintiffs filed suit against the City of Waterbury (the "City") in connection with the sale of certain municipal tax liens that occurred in 1998. The plaintiffs are variously assignees of those liens or claim an interest by virtue of their alleged status as a secured creditor of the assignee or designated servicer for various of the assigned liens. None of the present plaintiffs were party to the original transaction whereby the liens were assigned by the City.

In their complaint, plaintiffs contend that City has breached its obligations under the agreement by which the City originally transferred the liens. Attendant with these contractual claims, plaintiffs contend that the City has breached the implied covenant of good faith and fair dealing inherent in that 1998 agreement, seek specific performance under the contract and seek a declaratory judgment that the plaintiffs' interpretation of the agreement is correct. Plaintiffs have also alleged that the City acted fraudulently in connection with a bankruptcy court approved settlement by which the current lien holders took assignment of the municipal liens at issue. Each of the claims carries the assertion that the plaintiffs have been harmed in an amount believed to be in excess of \$10 million in the aggregate for all claims.

The plaintiffs have also sought a temporary injunction to force the City to perform in accordance with how they claim the contract should be read.

While the matter was mediated before Judge Robert Holzberg, the Plaintiffs failed to consummate the mediated resolution of the matter and the City is awaiting the scheduling of the matter for discovery and trial. The City believes that it has adequate defenses to the allegations raised in this matter and, accordingly, the City expects to defend this claim vigorously.

Sinotte, Delores, G. V. Waterbury City Of Et Al

Judicial District of Waterbury at Waterbury, Docket No. CV-04-4001115-S

This matter involves a claim against the City for damages allegedly incurred as the result of a sewer backup. While the matter has been pending since 2004, it was only, during settlement discussions taking place in November of 2006, that the Plaintiff made a demand for \$500,000.00.

The matter has been tried and the Trial Court entered a Judgment in favor of the City. The Plaintiff's filed a notice of appeal as and their request to reargue the Court's decision was granted and the parties are awaiting the Court's decision. The City cannot predict what the decision will be, but given the Court's original decision it is highly unlikely that if damages are awarded the Plaintiff the amount will not be such as to implicate the \$500,000.00 claim.

Timothy D. Walker et al. v. City of Waterbury et al., Civil Action Number 3:04 CV1477 (MRK); James W. Burns, et al. v. City of Waterbury et al., Civil Action Number 3:04 CV01800 (PCD); Alexander Cruz, et al. v. City of Waterbury et al., Civil Action Number 3:04 CV01799 (PCD); Joseph Fischetti, et al. v. City of Waterbury et al., Civil Action Number 3:04 CV01801 (JCH).

The above-referenced complaints were consolidated by the Federal District Court. The Plaintiffs, current and former employees and members of the Waterbury Fire Fighters Association, Local 1339 are challenging the changes to the pension and retiree health benefits in the collective bargaining agreement between the City and Waterbury Fire Fighters Association, Local 1339, brought about through interest arbitration before the Waterbury Financial Planning and Assistance Board (“Oversight Board”). Their claim is based on a denial of equal protection and a violation of their substantive due process rights. The Federal District Court dismissed the case against the Waterbury Financial Planning and Assistance Board based on sovereign immunity and against the City because the Oversight Board is an indispensable party. The Plaintiffs appealed this ruling to the Second Circuit Court of Appeals. The Second Circuit sent the case against the City back to the district court based on the intervening fact that the Oversight Board is no longer in existence. The district court has determined that the Oversight Board is not now an indispensable party. The City had filed a summary judgment on the claims which the court has not yet considered. A conference with the judge is set for May 13th at which time a new schedule will be set. The City filed a cross claim against the Waterbury Fire Fighters Association, Local 1339, which matter had been withdrawn without prejudice and now will be refilled as a result of the decision at the Second Circuit. While we believe it is unlikely that a court would overturn the proceedings that led to the significant changes in the City’s pension plan, and while we do not have specific information from the actuaries concerning the increase in the City’s pension liability if that unlikely result were to occur, we list these cases because we assume the cost would be well in excess of \$500,000 if the pension changes in any of the City’s larger bargaining units were to be reversed.

The Palace Theatre and the Palace Theatre Group, Inc

This matter does not involve a pending claim or lawsuit but it is a matter on which an outside legal firm, acting in the capacity of a specialized assistant to the City’s legal counsel, is assessing the City’s position relative to the matter. The matter involves the City as owner and lessor of The Palace Theatre and The Palace Theatre Group, Inc. as lessee and operator of the Palace Theatre.

The issues germane to this statement are the ongoing review of the operations of The Palace Theatre Group, and the eventual assessment pursuant thereto, of what, if any, future obligations the City may bear in subsidizing the operations of The Place Theatre. Such obligations may potentially arise in the event that the revenues, including those from operations and endowments, prove insufficient to finance continued operations.

Since the review at this point is preliminary and ongoing, no conclusions have been reached as to whether or not future revenues or endowments will, in fact, be sufficient to maintain the operations of the theater and, accordingly, no conclusions have been reached with respect to any financial impact on the City.

Dolores Acas vs. City of Waterbury, et al., CV-07-4012620-S
Veronica Ayotte vs. City of Waterbury, et al., CV-07-4012577-S
Ruth Barry v. City of Waterbury, et al., CV-07-4013156-S
Joan Carey, et al. v. City of Waterbury, et al., CV-07-5004008-S
Eugene Coyle, et al. v. City of Waterbury, et al., UWY-CV-07-4012728-S
Anita J Anthony, et al. v. City of Waterbury, CV-07-5003734-S (X01)
Anita J Anthony, et al. v. City of Waterbury, et al., CV-07-4012595-S
Thomas Mendez, et al. v. City of Waterbury, et al., CV-07-4012721-S
Rebecca Reardon v. City of Waterbury, et al., CV-07-4012833-S (X01)
Rebecca Reardon v. City of Waterbury, et al., CV-07-4012812-S (X01)
Nicholas Russo, et al. v. City of Waterbury, et al., CV-07-4012457-S
Paul Salvatore v. City of Waterbury, et al., CV-07-4012599-S
Ann Marie Schoenmehl v. City of Waterbury, et al., CV-07-4012739-S
Walter Smith v. City of Waterbury, et al., CV-07-4012392-S (X01)
Walter Smith v. City of Waterbury, et al., UWY-CV-07-4012598-S
Manuel Tirado v. City of Waterbury, et al., UWY-CV-07-4012968-S

The City has been sued by 31 retired police officers, fire fighters and the surviving spouses of police officers and fire fighters as well as retired blue collar employees. The disputes arose after the Retirement Board directed the City's pension office to comply with Charter offset requirements applicable to pension payments. In particular, the Retirement Board directed that moneys received for heart and hypertension benefits be applied on a dollar for dollar basis to reduce pension payments in accordance with the 1967 and 2002 Charters. The Plaintiffs were notified beginning in January 2007 that the offsetting would occur. The Plaintiffs have brought claims based on breach of contract, substantive and procedural due process, deprivation of property rights, estoppel, violation of the Freedom of Information Act and breach of past practice. There are also administrative appeals of the action taken by the Retirement Board. The cases were all referred to the complex litigation docket.

The cases were all assigned to Judge Cremins who has consolidated them. He has also placed six of the cases on an expedited schedule with a trial date in August 2008. The six cases include 2 police retirees, (Salvatore and Coyle), 1 police widow, (Acas), 1 fire retiree, (Russo), 1 fire widow (Lynch), and 1 blue collar employee (Chicano). The City filed motion to dismiss and strike with regard to the administrative appeal counts, the estoppel counts, the conversion and statutory theft count. The court granted the motions with respect to the administrative appeal claims and the conversion and statutory theft counts, but denied the motion as to the estoppel counts.

The parties are now engaged in expedited discovery. The City plans to file a summary judgment motion on the remaining claims – breach of contract, denial of substantive and procedural due process, estoppel, and ultra vires acts.

The court has schedule the remaining cases for a trial in January 2009. (Ayotte, Barry, Carey, Criciani, Hanley, Maturo, O'Donnell, Antonacci, Blinn, Savage, Palermo, Brennan, Fitzpatrick, Gallucci, Griffin, McMahon, O'Leary, Ouellete, Walsh, J'Anthony, Mendez, Reardon, Schoenmehl, Smith, and Tirado). The City is vigorously defending these remaining claims.

If the Plaintiffs were to prevail the City anticipates that it would lose the opportunity to offset benefits that annually would be approximately \$1,000,000.

John Vassallo v. Waterbury, et al., UWY – CV-07-5004772

Mr. Vassallo, a retired teacher, has brought a lawsuit based on the City's action to offset his pension by the amount of a workers compensation permanency award he received in 2007. The City is vigorously defending this action as it is seeking to comply with the terms of the 1967 Charter, which was in effect when the Plaintiff retired. If the Plaintiff were to prevail the City anticipates that it would lose the opportunity to offset workers compensation benefits that Mr. Vassallo has recently been awarded, which are currently in excess of \$25,000. An adverse decision could impact future permanency awards issued to retirees.

Jeffrey Jenkins V. Waterbury, Et Al., UWY-CV-07-4014950S (X01)

Mr. Jenkins, a retired blue collar employee, has brought a lawsuit based on the City's action to offset his disability pension by the amount of workers compensation benefits he receives. The City is vigorously defending this action as it is seeking to comply with the terms of the Pension Ordinance and the collective bargaining agreement, which was in effect when the Plaintiff retired. If the Plaintiff were to prevail the City anticipates that it would lose the opportunity to offset workers compensation benefits that Mr. Jenkins has been awarded. An adverse decision could impact the City's ability to implement the offset rights set out in the Pension Ordinance.

Willis Bailey, Jr. v. Edwin Quinones, Et Al. UWY-CV-07-5004707-S

Suit has been filed in respect to this January 22, 2007 accident. The plaintiff is a 62 year old male. The plaintiff was a pedestrian who was struck when he was to the rear of the City's recycling truck and dragged approximately 300 ft. The truck was backing down a street while it was engaged in picking up recyclables.

It is too early to determine the value potential since the plaintiff has yet to reach maximum medical improvement and discovery is only in its early stages. Nevertheless, given the nature of the accident and the extensive medicals, this case should be treated as a potentially significant matter.

Rosemary Deschesnes

Rosemary Deschesnes and her Husband Mehmet Ortak both have filed a formal notice of claim against the City of Waterbury indicating an intent to sue the City for \$25 million.

This accident is a snow sliding accident which happened on February 15, 2007 at a City park. Rosemary Deschesnes, who was 20 at the time, was using an inflatable tube to slide down a hill. According to the police investigation, the plaintiff had made several trips down the hill prior to this event. She and her 24 year old female cousin chose to both sit on the tube and slide down the hill. The victim was positioned backwards when they slid into a third base players' bench at a ball field in the park.

Rosemary Deschenes has been rendered a quadriplegic. Her Husband's claim is a derivative consortium claim. While this is not viewed as a case of liability on the part of the City, given the significant nature of the injury and the plaintiffs' youth, it is being reported here in the interest of fair and full disclosure.

Orlando Ruiz, Administrator of the Estate of Francisco Ruiz V. City of Waterbury, Et Al, Uwy Cv 08-5007154-S

On or about January 15, 2008, the Plaintiff filed suit at the Superior Court, Judicial District of Waterbury at Waterbury against the City of Waterbury and several police officers of the Waterbury Police Department. In this action, the Plaintiff has alleged that the personal injuries and death of Francisco Ruiz, which occurred on July 2, 2007, were the direct and proximate result of negligent conduct on the part of the Defendant police officers. While in custody at the Waterbury Police Department, Mr. Ruiz committed suicide by hanging himself in a holding cell. The City believes it has meritorious defenses to this legal action and at this stage of the proceedings is vigorously defending its interests.

Estate of John Keane By Monica Keane Individually and as Administratrix (Uwy-Cv-08-5007454-S And Uwy-Cv-08-5007632-S)

A lawsuit was filed against Firemen employed by the City of Waterbury on behalf of the Claimant, Monica Keane individually, and as Administratrix, as the result of a motor vehicle accident involving two City fire vehicles. The complaint asserts claims against the City for personal injuries, and the subsequent death, of Captain Keane, as well as his widow's claims for loss of consortium resulting there from. The decedent passenger was the officer in charge of one of the vehicles. His vehicle's failure to stop at a red light and failure to yield the right of way to the other apparatus has been cited as causes of the accident by the City of Waterbury Police Department. The Corporation Counsel is defending the operator of the decedent's vehicle and has retained outside counsel to defend the other defendant operator. That operator has instituted suit against the decedent's estate and the other operator defendant in this case as well as the City of Waterbury. Corporation Counsel is defending the operator of the decedent's vehicle and the City and has retained outside counsel to defend the estate. The City of Waterbury believes it has meritorious legal defenses to these actions and will vigorously defend its interests.

Estate of Raymond Cieslewski

A formal Notice of Claim directed to the Fire Department and Police Department, as well as the private ambulance service, has been filed with the City Clerk's Office. This claim arises from communications concerning an emergency 911 call to the City's emergency dispatch center. The decedent, who it is believed suffered from heart problems, was experiencing medical issues which prompted a 911 call. There then ensued communications that, after a time, resulted in phone instruction of CPR to persons at the scene. The decedent was dead on arrival at the hospital. The police and fire departments presently operate a combined dispatch center through which all police, fire and medical emergencies are received and dispatched. The notice essentially claims that the dispatch center's failure to promptly provide CPR instructions combined with the ambulance and police late arrival at the scene caused the decedent's death. No autopsy was performed. There would appear to be significant legal and factual causality issues for the plaintiff to recover under these circumstances and thus this claim will be vigorously defended.

Estate of Gaytrie Seegolam

A formal notice of claim has been filed with the City Clerk. The notice asserts that the decedent died as the result of the Fire Department's alleged failure to promptly rescue the decedent during a fire that occurred at this 4 story, 44 unit section of a very large condominium complex. The decedent died of smoke inhalation. The fire eventually involved almost the entire City's apparatus to achieve suppression. The fire units responding were confronted with literally dozens of persons requiring rescue from both sides and levels of the building. For inexplicable reasons the decedent did not attempt to flee or call out for rescue. Her unit was not far from the ground level. In any event the fire department performed numerous rescues and the evacuation of hundreds. There is no indication that there was any misfeasance by the fire department in fulfilling its duties at this event and any lawsuit will be vigorously defended.

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, 2007 AND 2006

**STATE OF CONNECTICUT CLEAN WATER FUND –
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
JUNE 30, 2007 and 2006**

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S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, 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, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the SRF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account and do not purport to, and do not, present fairly the financial statements of the State of Connecticut, as of June 30, 2007 and 2006, 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, 2007 and 2006, 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 August 30, 2007 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.

The management’s discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Seward and Monde

North Haven, Connecticut
August 30, 2007

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the financial performance and activities of the State of Connecticut Clean Water Fund for the fiscal year ended June 30, 2007. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

Financial Highlights

Changes in Net Assets - Fund net assets under management in the Clean Water Fund at the close of the fiscal year 2007 were \$591,237,030 (including assets of \$1,228,722,390 offset by liabilities of \$637,485,360) compared to fiscal year 2006 Fund net assets of \$563,057,408 (including assets of \$1,075,216,120 offset by liabilities of \$512,158,712). Fund net assets increased by \$28,179,622 or 5.00% primarily due to the use of new bond proceeds and federal capitalization grants for project financing loans as well as higher investment earnings resulting from higher investment balances. The Statement also shows restricted fund net assets of \$542,058,399 at the close of fiscal year 2007, an increase of \$27,882,529 or 5.42% above the 2006 balance.

Operating Revenues - the Fund's gross operating revenues increased by \$986,944 or 7.93% to \$13,429,450.

Statement of Cash Flows - The Statement of Cash Flows shows a decrease in cash for the year of \$1,914,962 as cash and new bond proceeds were used to fund projects. Cash was also used to currently refund \$3.8 million of outstanding bonds.

Bonds Outstanding - During the year bonds were issued to fund new projects and refund senior bonds as part of the restructure of the program. As mentioned previously, cash was also used to currently refund \$3.8 million in outstanding bonds. The Fund's total debt outstanding increased during the fiscal year by \$123,444,579 to \$611,026,898 as a result of the new issue net of the advance refunded and currently refunded bonds and scheduled amortization.

Loans Receivable - Total loans receivable increased by \$12,157,180 from \$634,337,689 to \$646,494,869 due to the net of new loans and regular loan repayments. There were no significant prepayments during the year.

Capitalization Grants - During the year, \$12,736,950 was drawn from the EPA for projects, compared to \$19,764,049 drawn in 2006. To date, \$340,368,639 has been drawn of the \$350,971,290 in cumulative federal wastewater capitalization grants awarded to the State.

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 provide information about the activities of the Fund as a whole and present an overall view of the Fund's finances.

The Balance Sheets include all of the assets and liabilities of the Fund.

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 Waste Water Loan Program; and
2. Nonoperating Activities, including investment of funds and the Revenue Bond 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.

Net Assets

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 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 Revolving Fund account is unrestricted. All three accounts are held by the Trustee.

Operating Activities

The Wastewater Loan Program

Loans are made to municipalities for project funding and consist of construction loans or interim funding obligations (IFOs) which accrue interest during construction and long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time. There are several state grants available to participants in this program.

Construction loans in progress totaled \$106,206,242, an increase of \$35,118,914 from 2006. Payments to municipalities for ongoing projects totaled \$61,880,056. Completed projects which were permanently financed during the year totaled \$26,811,142. There are no delinquent loans in the Wastewater loan program. Further details about the loans can be found in the notes to the financial statements.

There were 13 new construction loan commitments excluding extensions under existing agreements totaling \$81,221,197 made to municipalities during the year.

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 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. 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 state issued bonds totaling \$180,070,000 during fiscal year 2007.

The program's advisors are:

Bond Counsel - Nixon Peabody, LLP and Hardwick Law Firm, LLC

Financial Advisors - Lamont Financial Services Corporation and P.G. Corbin & Co., Inc.

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent – AMTEC

Arbitrage Rebate Calculation Services – AMTEC and Nixon Peabody

General Counsel - Attorney General of the State of Connecticut

SELECTED FINANCIAL INFORMATION

	2007	2006	Increase (Decrease)	% Change
Change in Net Assets	\$28,179,622	\$32,014,314	(\$3,834,692)	(12.0%)
Operating Revenues	\$13,429,450	\$12,442,506	\$ 986,944	7.9%
Federal Capitalization Grants	\$12,736,950	\$19,764,049	(\$7,027,099)	(35.6%)
Interest on Investments	\$27,591,415	\$20,574,814	\$7,016,601	34.1%
Operating Expenses	\$ 747,956	\$ 855,492	(\$ 107,536)	(12.6%)
Interest Expense	\$29,436,167	\$25,220,013	\$4,216,154	16.7%

ECONOMIC CONDITIONS AND OUTLOOK

During fiscal year 2007, the State's economic and financial situation improved over the prior year. The state recovered jobs, with manufacturing jobs being replaced by financial services jobs, and the overall state budget showed a \$1 billion surplus at the end of 2007 for the fourth year in a row. Economic growth in the coming year will depend on the national and international markets as increasing interdependency, the fate of the housing market and the destabilizing effect of the US trade deficit shape economic policies. The State's economic growth is expected to continue modestly primarily because the state continues to enjoy the highest per capita income in the nation. Challenges continue to be relatively high costs (health care,

housing, taxes, electricity, and gas), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents.

The major concern for the Clean Water Fund continues to be state and federal budget constraints which resulted in a slow down in the initiation of water quality and pollution control projects in recent years. These constraints mean greater pressure on the Fund to provide critical financial assistance as municipalities embark on major projects in the near future. DEP and the Office of the Treasurer will continue to work together to identify needs, set priorities and assist municipalities in determining the most cost effective and efficient way to meet their water quality needs.

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.ott.ct.gov

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

Bureau Chief
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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2007 and 2006**

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,658,267	\$ 5,573,229
Interest receivable - investments	4,865,003	3,927,581
Interest receivable - loans	2,542,121	1,389,625
Grants receivable	45,578	454,871
Loans receivable	152,271,300	117,152,386
Total current assets	163,382,269	128,497,692
Noncurrent assets:		
Loans receivable	494,223,569	517,185,303
Revolving fund	149,023,716	100,856,900
Deferred losses on early retirement of bonds	27,397,624	31,166,822
Restricted assets:		
Loan fund	16,085,568	-
Debt service reserve fund	154,641,201	169,925,883
Debt service fund	135,928,793	94,594,144
Senior sinking fund	19,059,382	17,913,559
Support fund	68,980,268	15,075,817
Total restricted assets	394,695,212	297,509,403
Total noncurrent assets	1,065,340,121	946,718,428
Total assets	\$ 1,228,722,390	\$ 1,075,216,120
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	\$ 8,181,326	\$ 5,398,329
Revenue bonds payable	23,234,479	23,503,162
Refunding bonds payable	19,285,733	8,042,364
Arbitrage liability	753,298	1,305,654
Total current liabilities	51,454,836	38,249,509
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	17,523,838	17,872,410
Revenue bonds payable	273,562,669	146,602,043
Refunding bonds payable	294,944,017	309,434,750
Total noncurrent liabilities	586,030,524	473,909,203
Total liabilities	637,485,360	512,158,712
FUND NET ASSETS		
Unrestricted	49,178,631	48,881,538
Restricted for loans	542,058,399	514,175,870
Total fund net assets	591,237,030	563,057,408
Total liabilities and fund net assets	\$ 1,228,722,390	\$ 1,075,216,120

See notes to financial statements.

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the years ended June 30, 2007 and 2006**

	2007	2006
OPERATING REVENUES		
Interest on loans	\$ 13,429,450	\$ 12,442,506
OPERATING EXPENSES		
Salaries	440,142	507,170
Employee benefits	250,311	287,440
Other	57,503	60,882
Total operating expenses	747,956	855,492
Operating income	12,681,494	11,587,014
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	27,591,415	20,574,814
Amortization of bond premium	2,197,868	1,713,052
Interest expense	(29,436,167)	(25,220,013)
Total nonoperating revenues (expenses)	353,116	(2,932,147)
Income before federal capitalization grants and transfers	13,034,610	8,654,867
FEDERAL CAPITALIZATION GRANTS		
Project funds	12,044,233	18,967,388
Administrative set-asides	692,717	796,661
Total federal capitalization grants	12,736,950	19,764,049
OPERATING TRANSFERS	2,408,062	3,595,398
Change in fund net assets	28,179,622	32,014,314
FUND NET ASSETS, beginning	563,057,408	531,043,094
FUND NET ASSETS, ending	\$ 591,237,030	\$ 563,057,408

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, 2007 and 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 12,276,954	\$ 10,866,128
Loan originations	(61,880,056)	(58,898,104)
Principal paid on loans receivable	49,722,876	44,033,569
Payments to employees for salaries and benefits	(690,453)	(794,610)
Other payments	(57,503)	(60,882)
Net cash used by operating activities	(628,182)	(4,853,899)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	13,146,243	19,729,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(22,698,162)	(23,835,696)
Repayment of refunding bonds payable	(5,072,364)	(10,550,415)
Proceeds from revenue bonds payable	155,210,105	-
Proceeds from refunding bonds payable	30,070,000	-
Premium received on revenue and refunding bonds	1,849,296	-
Payment to refunded revenue bond escrow agent	(34,422,009)	-
Interest paid on revenue and refunding bonds	(22,526,963)	(21,987,802)
Operating transfers	2,408,062	3,595,398
Payments on arbitrage liability	(552,356)	(821,036)
Net cash provided (used) by noncapital financing activities	104,265,609	(53,599,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	26,653,993	20,219,299
Increase in loan fund	(16,085,568)	-
Decrease (increase) in revolving fund	(48,166,816)	21,438,921
Increase in restricted assets	(81,100,241)	(1,721,231)
Net cash provided (used) by investing activities	(118,698,632)	39,936,989
Net increase (decrease) in cash and cash equivalents	(1,914,962)	1,213,313
CASH AND CASH EQUIVALENTS, beginning	5,573,229	4,359,916
CASH AND CASH EQUIVALENTS, ending	\$ 3,658,267	\$ 5,573,229
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 12,681,494	\$ 11,587,014
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in interest receivable - loans	(1,152,496)	1,882,915
Increase in loans receivable	(12,157,180)	(18,323,828)
Net cash used by operating activities	(\$ 628,182)	(\$ 4,853,899)

STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 to municipalities in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel and other expenses incurred in the initial approval, disbursement and ongoing servicing of those loans through maturity.

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 and on December 17, 2002 (collectively, the "Resolution"). The SRF had cash equivalents of \$241 and \$229 as of June 30, 2007 and 2006, respectively, which consisted of amounts invested in the State Treasurer's Short Term Investment Fund (STIF), an investment pool. The pool is managed by the State Treasurer's Office, and the fair market value of the SRF's position in the pool is the same as the value of the pool shares. Cash equivalents included in restricted assets are presented in Note 6.

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 CT bonds. The cost 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, 2007 and 2006.

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. 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 Resolution adopted on December 7, 1990:

<u>Fund / Account</u>	<u>Description and Use</u>
Revenue Fund	Receives all pledged receipts including loan repayments from the municipalities.
a. Pledged Receipts Account	Out-flows include amounts transferred to the interest and principal accounts of the debt service fund for payment of current debt service.
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 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 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 bonds 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.

Reclassifications

Certain 2006 amounts have been reclassified to conform with the 2007 presentation.

3 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

Cash deposits are classified in categories of custodial credit risk. This is the risk that, in the event of the failure of a depository financial institution, the SRF will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash deposits of the SRF include funds held by the Connecticut State Comptroller and the Connecticut Short Term Investment Fund (STIF). As of June 30, 2007 and 2006 funds held by the State Comptroller were \$3,658,026 and \$5,573,000, 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, 2007 funds held by STIF were \$144,770,298, of which \$144,770,057 is included in the revolving fund on the Balance Sheet. As of June 30, 2006 funds held by STIF were \$71,497,347, of which \$71,497,118 is included in the revolving 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 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.

Investments

As of June 30, 2007, 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	\$ 20,887,966	\$ 6,941,337	\$ 11,932,556	\$ -	\$ 2,014,073	Unrated
Federated Treasury Repurchase Agreements	37,192,620	37,192,620	-	-	-	AAA
Guaranteed Investment Contracts	22,023,484	-	-	-	22,023,484	AAA
Guaranteed Investment Contracts	278,476,993	19,046,628	36,952,021	59,554,041	162,924,303	AA
Connecticut General Obligation Bonds	40,367,808	4,123,017	18,480,402	10,865,521	6,898,868	AA
	<u>\$ 398,948,871</u>	<u>\$ 67,303,602</u>	<u>\$ 67,364,979</u>	<u>\$ 70,419,562</u>	<u>\$ 193,860,728</u>	

As of June 30, 2006, 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	
Federated Treasury Repurchase Agreements	\$ 29,439,460	\$ 29,439,460	\$ -	\$ -	\$ -	AAA
Guaranteed Investment Contracts	176,031,795	-	20,506,008	-	155,525,787	AAA
Guaranteed Investment Contracts	76,974,902	-	27,072,793	42,759,864	7,142,245	AA-
Connecticut General Obligation Bonds	44,423,027	-	3,678,109	9,554,094	31,190,824	AA
	<u>\$ 326,869,184</u>	<u>\$ 29,439,460</u>	<u>\$ 51,256,910</u>	<u>\$ 52,313,958</u>	<u>\$ 193,858,856</u>	

Interest Rate Risk

The maturity or redemption dates of investment shall coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

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>2007</u>	<u>2006</u>
Construction in process	\$ 106,206,242	\$ 71,087,328
Completed projects	<u>540,288,627</u>	<u>563,250,361</u>
	<u>\$ 646,494,869</u>	<u>\$ 634,337,689</u>

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

<u>Year ending June 30</u>	
2008	\$ 46,065,058
2009	46,591,307
2010	47,065,378
2011	47,482,317
2012	46,788,934
Thereafter	<u>306,295,633</u>
	<u>\$ 540,288,627</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2007</u>	<u>2006</u>
Awarded	\$ 350,971,290	\$ 327,222,396
Requested	<u>340,368,639</u>	<u>327,222,396</u>
Available federal letter of credit	<u>\$ 10,602,651</u>	<u>\$ -</u>

6 - RESTRICTED ASSETS

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

	<u>2007</u>	<u>2006</u>
Cash equivalents:		
Money market investment pool	\$ 35,057,836	\$ 17,830,383
Investments:		
Federated Treasury Repurchase Agreements	35,351,438	23,541,702
Guaranteed Investment Contracts	321,388,443	253,006,697
Connecticut General Obligation Bonds	<u>2,897,495</u>	<u>3,130,621</u>
	<u>\$ 394,695,212</u>	<u>\$ 297,509,403</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. The SRF also holds State General Obligation Bonds as presented in Note 6.

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, 2007 and 2006, the basic rates were 56.87% and 56.68%, respectively, of the SRF wages and the amounts charged aggregated \$250,311 and \$287,440, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2007 is as follows:

	<u>Balance June 30, 2006</u>	<u>Additional Borrowings/ Transfer</u>	<u>Principal Paydown</u>	<u>Advanced Refunding</u>	<u>Balance June 30, 2007</u>
Revenue bonds	\$ 170,105,205	\$ 155,210,105	\$ 22,698,162	(\$ 5,820,000)	\$ 296,797,148
Subordinate refunding bonds	97,885,000	-	3,820,000	(28,245,000)	65,820,000
Refunding bonds	<u>219,592,114</u>	<u>30,070,000</u>	<u>1,252,364</u>	<u>-</u>	<u>248,409,750</u>
	<u>\$ 487,582,319</u>	<u>\$ 185,280,105</u>	<u>\$ 27,770,526</u>	<u>\$ (34,065,000)</u>	<u>\$ 611,026,898</u>

A summary of changes in bonds payable during the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Principal Paydown	Balance June 30, 2006
Revenue bonds	\$ 193,940,901	\$ 23,835,696	\$ 170,105,205
Subordinate refunding bonds	104,440,000	6,555,000	97,885,000
Refunding bonds	<u>223,587,529</u>	<u>3,995,415</u>	<u>219,592,114</u>
	<u>\$ 521,968,430</u>	<u>\$ 34,386,111</u>	<u>\$ 487,582,319</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:

Issue Date	Issue Name	Original Par Amount
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
07/01/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	118,085,000
07/01/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	115,785,000
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-1	55,000,000
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-2	66,375,000
07/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	150,000,000
07/27/2006	State Revolving Fund Refunding General Revenue Bonds, 2006 Series B	<u>30,070,000</u>
	Total	<u>\$1,407,755,000</u>

Debt service on these bonds is to be paid from pledged receipts, earnings on investments held in the debt service reserve funds and maturing principal and interest on investments held in the interest subsidy 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.

In accordance with the State Clean Water Fund Revenue Bonds, 2001 Series Plan of Finance, the State allocated the proceeds of 2001 series between the SRF and the State of Connecticut Drinking Water Fund - State Revolving Fund ("Drinking Water Fund") (collectively, "The Obligated Group") with \$70,385,253 allocated to the SRF and \$29,614,747 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. Revenue bonds were also issued for both programs in 2003 and 2006.

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. 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.

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

	<u>2007</u>	<u>2006</u>
Serial bonds, with interest rates from 2.00% to 6.00%, maturing from 2008 through 2027	\$ 285,477,148	\$ 157,295,205
Term bonds, with interest rates ranging from 5.25% to 6%, maturing from 2012 through 2020	<u>11,320,000</u>	<u>12,810,000</u>
	<u>\$ 296,797,148</u>	<u>\$ 170,105,205</u>

Refunding Bonds - 1996 Series

On March 15, 1996 the State issued \$48,445,000 of Clean Water Fund Refunding Bonds, 1996 Series (1996 Refunding Bonds) with interest rates of 3.45% to 5.6% to advance refund Clean Water Fund 1991 Series Revenue Bonds (Refunded Bonds) with a principal balance of \$43,125,000 and interest rates of 6.3% to 7%. The Refunded Bonds were to mature at various dates through January 1, 2011 but were called on January 1, 2001.

The net proceeds of the 1996 Refunding Bonds of \$47,478,959 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 called on January 1, 2001. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$43,125,000 were removed from the SRF's balance sheet.

The difference of \$4,733,836 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 1996 Refunding Bonds using the outstanding bond method. The balance of the 1996 Refunding Bonds were advance refunded with the Refunding Bonds - 2006 Series. Amortization of the deferred loss for the years ended June 30, 2007 and 2006 totaled \$662,937 and \$294,890, respectively.

Refunding Bonds - 1999 Series

On May 1, 1999 the State, with State Street Bank as Trustee, issued \$78,995,000 of Clean Water Fund Subordinate Revenue Refunding Bonds, 1999 Series (1999 Refunding Bonds) with interest rates of 3.45% to 5.25% to advance refund Clean Water Fund 1991, 1992 and 1994 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$74,080,000 and interest rates of 5.65% to 6.7%. The Refunded Bonds were to mature at various dates through June 1, 2016 but were called on June 1, 2004.

The net proceeds of the 1999 Refunding Bonds of \$80,413,679 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 called on various dates through June 1, 2004. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$74,080,000 were removed from the SRF's balance sheet.

The difference of \$6,338,445 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 1999 Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2007 and 2006 totaled \$482,170 and \$487,556, respectively.

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, 2007, the outstanding principal balance of the Refunded Bonds was \$184,861,000.

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, 2007 and 2006 totaled \$2,921,662 and \$2,905,835, respectively.

The interest rate on the 2003 Series C Bonds was hedged with an interest rate swap (see Note 10). At June 30, 2007, debt service requirements of the variable-rate bonds and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2008	\$ -	\$ 4,026,471	(\$ 3,141,796)	\$ 884,675
2009	-	4,021,470	(3,137,894)	883,576
2010	-	4,021,471	(3,137,894)	883,577
2011	-	4,021,470	(3,137,895)	883,575
2012	-	4,195,429	(3,273,631)	921,798
2013-2017	22,050,000	19,557,403	(15,260,354)	26,347,049
2018-2022	87,050,000	8,085,464	(6,308,969)	88,826,495
2023-2024	12,275,000	97,811	(76,320)	12,296,491
	<u>\$ 121,375,000</u>	<u>\$ 48,026,989</u>	<u>(\$ 37,474,753)</u>	<u>\$ 131,927,236</u>

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 mature at various dates through May 1, 2018.

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. As of June 30, 2007, the outstanding principal balance of the Refunded Bonds was \$30,070,000.

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, 2007 totaled \$59,439.

Bond Maturities

Requirements at June 30, 2007 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 42,520,212	\$ 22,047,561
2009	42,133,304	20,295,942
2010	43,786,663	18,591,238
2011	40,366,221	16,828,756
2012	32,883,744	15,274,187
2013-2017	180,293,681	50,711,386
2018-2022	152,898,106	24,599,402
2023-2027	70,180,634	7,578,875
2028	5,964,333	146,426
	<u>\$ 611,026,898</u>	<u>\$ 176,073,773</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 1997, 1999, 2001 and 2006 series revenue bonds, the SRF is required to remit excess investment income to the federal government.

10 - INTEREST RATE SWAPS

The State entered into an interest rate swap in connection with its \$121,375,000 2003 Series C auction rate Clean Water Fund Refunding Bonds to lock-in a synthetic fixed rate of 3.1789%. The swap was enhanced with a structure which 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 includes an option for the State to terminate the agreement effective October 1, 2013 and semiannually thereafter. The notional amount of the swap mirrors the amortization schedule of the 2003 Series C Bonds.

The floating rates on the 2003 Series C bonds are expected to trade based on the tax-exempt Bond Market Association Municipal Swap index, which has historically averaged around 67% of LIBOR. However, there is a risk that the Bond Market Association (BMA) index 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 generally happens when interest rates are low and is called basis risk. To hedge this risk, the State entered into Swap B.

Swap B pays 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 makes fixed payments with an interest rate of 0.149%. Swap B matures on October 1, 2013 and contains no termination option. The combined effect of the swaps is that the State receives 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 total value of Swap A, valued using forward LIBOR rates to estimate future payments and receipts with the 2013 par termination option, is estimated to be \$8,851,555 and \$10,027,212 as of June 30, 2007 and 2006, respectively. Due to the unique nature of the option, this estimate is theoretical and includes assumptions about future interest rate volatility.

Swap B had a negative value of \$887,970 and \$970,425 as of June 30, 2007 and 2006, respectively. Swap B was also valued using forward LIBOR rates to estimate future payments and receipts. This methodology may understate the value of the implied Collar structure somewhat as it does not factor-in the probability that interest rates may continue to stay low enough (or rise and fall again) for the State to continue to receive payments under Swap B. Included in the value are the floor and cap components of the Collar.

At June 30, 2007, the Clean Water Fund was exposed to minimal credit risk related to the swaps. The swap counterparty was rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2007.

11 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2007 and 2006.

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2005	\$ 52,229,926	\$478,813,168	\$ 531,043,094
Change in fund net assets	<u>(3,348,388)</u>	<u>35,362,702</u>	<u>32,014,314</u>
Balance at June 30, 2006	48,881,538	514,175,870	563,057,408
Change in fund net assets	<u>297,093</u>	<u>27,882,529</u>	<u>28,179,622</u>
Balance at June 30, 2007	<u>\$ 49,178,631</u>	<u>\$542,058,399</u>	<u>\$ 591,237,030</u>

12 - OPERATING TRANSFERS

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

	<u>2007</u>	<u>2006</u>
Interest subsidy transfers	\$ 686,583	\$ 2,431,079
Pledged loan repayments	2,163,742	2,182,254
Operating expenses transfer	692,717	796,661
Operating expenses reimbursement	53,646	(1,445,920)
Transfer of 2003 bond premium from DWF	(623,583)	-
Transfer related to 2006 bond offering	(1,029,500)	-
Transfer related to DWF bond reallocation	464,457	
Transfer related to State loan account	-	86,945
Transfers related to Bridgeport receipt	-	(455,621)
	<u>\$ 2,408,062</u>	<u>\$ 3,595,398</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>2007</u>	<u>2006</u>
Total funds committed to municipalities	\$ 817,453,203	\$ 803,513,527
Loan amount outstanding to municipalities	<u>646,494,869</u>	<u>634,337,689</u>
Loan commitments outstanding	<u>\$ 170,958,334</u>	<u>\$ 169,175,838</u>

14 - RISK MANAGEMENT

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

S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

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

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, 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, 2007, and have issued our report thereon dated August 30, 2007. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

North Haven, Connecticut
August 30, 2007

S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, 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 are applicable to its major federal program for the year ended June 30, 2007. The SRF's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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.

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

North Haven, Connecticut
August 30, 2007

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, 2007

<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	<u>\$ 12,736,950</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, 2007

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 \$646,494,869 as of June 30, 2007.

STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2007

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(s) identified that are not considered to
be material weaknesses? 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(s) identified that are not considered to
be material weaknesses? 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

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for State Revolving Fund

Dollar threshold used to distinguish between
type A and type B programs \$382,109

Auditee qualified as low risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

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

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

JUNE 30, 2007 AND 2006

**STATE OF CONNECTICUT CLEAN WATER FUND –
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
JUNE 30, 2007 and 2006**

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S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

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

Ms. Gina McCarthy, 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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, 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 August , 2007 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.

The management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Seward and Monde

North Haven, Connecticut
August 30, 2007

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the financial performance and activities of the State of Connecticut Drinking Water Fund for the fiscal year ended June 30, 2007. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

Financial Highlights

Changes in Net Assets - Fund net assets under management in the Drinking Water Fund at the close of fiscal year 2007 were \$83,282,249 (including assets of \$125,328,658 offset by liabilities of \$42,046,409) compared to fiscal year 2006 Fund net assets of \$63,529,391 (including assets of \$115,108,431 offset by liabilities of \$51,579,040). Fund net assets increased by \$19,752,858 or 31.09% primarily reflecting lower debt outstanding. The Statement also shows restricted fund net assets of \$72,738,547 at the close of fiscal year 2007, an increase of \$20,476,159 or 39.18% above the 2006 balance.

Operating Revenues - The Fund's gross operating revenues decreased slightly by \$77,035 or 5.88% to \$1,233,693.

Bonds Outstanding - During the year bonds were issued to fund new projects. However, the Fund's total debt outstanding decreased during the fiscal year due to the reallocation of 2003 bond proceeds and the related debt to the Clean Water Fund. The outstanding debt decreased by \$8,419,579 to \$39,313,102 as a result of the new issue net of the transfer and scheduled amortization.

Loans Receivable - Total loans receivable increased by \$13,289,197 from \$47,769,702 to \$61,058,899 due to the net of new loans and regular loan repayments.

Capitalization Grants - During the year, \$18,597,000 was drawn from the EPA for projects, compared to \$6,535,797 drawn in 2006. To date, the State has drawn \$72,116,681 from the federal EPA against the total of \$84,184,600 in cumulative drinking water capitalization grant awards.

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 a part of the Clean Water Fund which is classified as an enterprise fund within the Proprietary Funds of the State of Connecticut. Proprietary Funds focus on the determination of the change in fund net assets, financial position, and cash flow for governmental activities that operate similar to a commercial enterprise. Proprietary funds use the accrual basis of accounting.

The Drinking Water Fund Balance Sheets, Statements of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows provide information about the activities of the Fund as a whole and present an overall view of the Fund's finances.

The Balance Sheets include all of the assets and liabilities of the Fund.

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.

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 the 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.

Net Assets

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 of the Drinking Water Fund.

The Clean Water Fund has issued bonds under three bond resolutions since 1991. Since 2001, the proceeds of these bonds have been used for both clean water and drinking water projects. The issuance of bonds under the third general bond resolution 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 three accounts are held by the Trustee.

Operating Activities

The Drinking Water Loan Program

Loans are made to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) which accrue interest during construction and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time. There are no state grants available to participants in this program. Construction loan draws totaled \$16,025,114 in 2007. There were two loan originations during the year. 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 all 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. Federal capitalization grants and state matching funds 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 or agencies or instrumentalities whose market value is at least 100% of the funds invested.

The Bond Program

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. There are three bond resolutions: the 1990 General Bond Resolution, the 1996 Subordinate Bond Resolution and 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. As indicated in the financial statements, the state issued bonds totaling \$180,070,000 during the fiscal year 2007, of which \$5,000,000 was allocated to the Drinking Water Fund.

The program’s advisors are:

Bond Counsel - Nixon Peabody, LLP and Hardwick Law Firm, LLC

Financial Advisors - Lamont Financial Services Corporation and P.G. Corbin & Co., Inc.

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Arbitrage Calculation Services – AMTEC and Nixon Peabody

Verification Services - AMTEC

General Counsel - Attorney General of the State of Connecticut

SELECTED FINANCIAL INFORMATION

	2007	2006	Increase (Decrease)	% Change
Change in Net Assets	\$19,752,858	\$4,203,308	\$15,549,550	369.9%
Operating Revenues	\$ 1,233,693	\$1,310,728	(\$ 77,035)	(5.9 %)
Federal Capitalization Grants	\$18,597,000	\$6,535,797	\$12,061,203	184.5%
Interest on Investments	\$ 2,655,732	\$2,136,862	\$ 518,870	24.3 %
Operating Expenses	\$ 2,569,713	\$3,390,224	(\$ 820,511)	(24.2%)
Interest Expense	\$ 2,081,492	\$2,067,440	\$ 14,052	0.7%

ECONOMIC CONDITIONS AND OUTLOOK

During fiscal year 2007, the State’s economic and financial situation improved over the prior year. The state recovered jobs, although manufacturing jobs were replaced by financial services jobs, and the overall state budget showed a \$1 billion surplus at the end of 2007 part of which was deposited into the State’s Budget Reserve Fund (Rainy Day Fund).

Economic growth in the coming year will depend on the national and international markets as increasing interdependency, the fate of the housing market and the destabilizing effect of the US trade deficit shape economic policies.

The State’s economic growth is expected to continue modestly primarily because the state continues to enjoy the highest per capita income in the nation. Challenges continue to be relatively high costs (health care, housing, taxes, electricity, and gas), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents.

The major concern for the Drinking Water Fund continues to be the capacity to provide financial assistance to both public and privately managed water systems as project costs rise. Coordination of resources as well as outreach efforts designed to educate and inform potential borrowers will continue to be important in the coming year. DPH will continue to work with the DEP and the Office of the Treasurer to set priorities and assist public water systems in determining the most cost effective and efficient way to meet their water quality needs.

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

CONTACTS

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

Drinking Water Fund Financial Administrator
Connecticut State Treasurer's Office
Debt Management Division
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3134
www.ott.ct.gov

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.dph.ct.gov

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2007 and 2006**

	2007	2006
ASSETS		
Current assets:		
Interest receivable - investments	\$ 268,951	\$ 313,123
Interest receivable - loans	155,287	66,045
Other assets	-	14,591
Grant receivable	706,420	1,137,380
Loans receivable	18,131,569	5,273,347
Total current assets	19,262,227	6,804,486
Noncurrent assets:		
Loans receivable	42,927,330	42,496,355
Revolving fund	23,647,538	15,997,684
Deferred loss on early retirement of bonds	716,210	799,630
Restricted assets:		
Bond proceeds fund	-	11,493,334
Debt service reserve fund	20,288,385	21,145,057
Debt service fund	12,992,184	10,409,274
Support fund	5,494,784	5,962,611
Total restricted assets	38,775,353	49,010,276
Total noncurrent assets	106,066,431	108,303,945
Total assets	\$ 125,328,658	\$ 115,108,431
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	\$ 472,336	\$ 492,254
Due to other funds	164,865	486,403
Revenue bonds payable	2,260,521	3,121,838
Refunding bonds payable	399,267	87,636
Total current liabilities	3,296,989	4,188,131
Noncurrent liabilities:		
Premium on revenue and refunding bonds	2,096,106	2,867,702
Revenue bonds payable	30,267,331	37,737,957
Refunding bonds payable	6,385,983	6,785,250
Total noncurrent liabilities	38,749,420	47,390,909
Total liabilities	42,046,409	51,579,040
FUND NET ASSETS		
Unrestricted	10,543,702	11,267,003
Restricted for loans	72,738,547	52,262,388
Total fund net assets	83,282,249	63,529,391
Total liabilities and fund net assets	\$ 125,328,658	\$ 115,108,431

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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Interest on loans	\$ 1,233,693	\$ 1,310,728
OPERATING EXPENSES		
Salaries	1,406,465	1,452,381
Employee benefits	789,572	813,666
Other	373,676	1,124,177
Total operating expenses	<u>2,569,713</u>	<u>3,390,224</u>
Operating loss	(1,336,020)	(2,079,496)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	2,655,732	2,136,862
Amortization of bond premium	177,388	203,108
Interest expense	(2,081,492)	(2,067,440)
Total nonoperating revenues (expenses)	<u>751,628</u>	<u>272,530</u>
Loss before federal capitalization grants and transfers	(584,392)	(1,806,966)
FEDERAL CAPITALIZATION GRANTS		
Project funds	16,035,388	2,645,863
Set-aside activities	2,561,612	3,889,934
Total federal capitalization grants	<u>18,597,000</u>	<u>6,535,797</u>
OPERATING TRANSFERS	<u>1,740,250</u>	(525,523)
Change in fund net assets	<u>19,752,858</u>	<u>4,203,308</u>
FUND NET ASSETS, beginning	<u>63,529,391</u>	<u>59,326,083</u>
FUND NET ASSETS, ending	<u>\$ 83,282,249</u>	<u>\$ 63,529,391</u>

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, 2007 and 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 1,144,451	\$ 1,256,291
Loan originations	(16,025,114)	(2,656,137)
Principal paid on loans receivable	2,735,917	4,203,285
Payments to employees for salaries and benefits	(2,181,446)	(2,134,003)
Other payments	(373,676)	(1,124,177)
Net cash used by operating activities	(14,699,868)	(454,741)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	19,027,960	6,636,504
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(3,121,838)	(1,559,304)
Repayment of refunding bonds payable	(87,636)	(279,585)
Proceeds from revenue bonds payable	5,000,000	-
Premium on revenue bonds payable	29,375	-
Interest paid on revenue bonds	(2,017,990)	(1,999,928)
Operating transfers	795,129	(753,601)
Net cash provided (used) by noncapital financing activities	597,040	(4,592,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	2,699,904	2,146,321
Increase in revolving fund	(7,649,854)	(2,984,022)
Increase (decrease) in restricted assets	24,818	(751,644)
Net cash used by investing activities	(4,925,132)	(1,589,345)
Net change in cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS, beginning	-	-
CASH AND CASH EQUIVALENTS, ending	\$ -	\$ -
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 1,336,020)	(\$ 2,079,496)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(89,242)	(54,437)
Decrease in other assets	14,591	132,044
(Increase) decrease in loans receivable	(13,289,197)	1,547,148
Net cash used by operating activities	(\$ 14,699,868)	(\$ 454,741)

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, 2007 and 2006

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 to public water systems in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel and other expenses incurred in the initial approval, disbursement and ongoing servicing of those loans through maturity 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 15, 2000 as amended and supplemented on December 17, 2002 (collectively, the "Resolution"). The SRF had no cash equivalents as of June 30, 2007 and 2006, except as reflected in Note 6.

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 CT bonds. The cost 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, 2007 and 2006.

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 collectibility 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. 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 Resolution adopted December 15, 2000:

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

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

Fund Net Assets – 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.

3 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

Cash deposits are classified in categories of custodial credit risk. This is the risk that, in the event of the failure of a depository financial institution, the SRF will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash deposits of the SRF include funds held by the Connecticut State Comptroller and the Connecticut Short Term Investment Fund (STIF). As of June 30, 2007 and 2006 funds held by the State Comptroller was \$940,863 and \$665,599, 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, 2007 funds held by STIF were \$23,647,538, of which \$23,647,538 is included in the revolving fund on the Balance Sheet. As of June 30, 2006 funds held by STIF were \$27,491,018, of which \$15,997,684 is included in the revolving fund and \$11,493,334 is included in the loan 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 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.

Investments

As of June 30, 2007, the SRF had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Rating</u>
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>	
Federated Treasury Repurchase Agreements	\$ 12,992,183	\$ 12,992,183	\$ -	\$ -	\$ -	AAA
Guaranteed Investment Contracts	17,125,742	-	-	-	17,125,742	AAA
Connecticut General Obligation Bonds	8,657,428	-	-	-	8,657,428	AA
	<u>\$ 38,775,353</u>	<u>\$ 12,992,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,783,170</u>	

As of June 30, 2006, the SRF had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Rating</u>
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>	
Federated Treasury Repurchase Agreements	\$ 10,409,274	\$ 10,409,274	\$ -	\$ -	\$ -	AAA
Guaranteed Investment Contracts	18,000,495	-	-	-	18,000,495	AAA
Connecticut General Obligation Bonds	9,107,173	-	-	-	9,107,173	AA
	<u>\$ 37,516,942</u>	<u>\$ 10,409,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,107,668</u>	

Interest Rate Risk

The maturity or redemption dates of investment shall coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

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>2007</u>	<u>2006</u>
Construction in process	\$ 15,164,349	\$ 2,549,641
Completed projects	<u>45,894,550</u>	<u>45,220,061</u>
	<u>\$ 61,058,899</u>	<u>\$ 47,769,702</u>

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

<u>Year ending June 30</u>	
2008	\$ 2,967,220
2009	2,919,899
2010	2,935,124
2011	2,950,780
2012	2,966,940
Thereafter	<u>31,154,587</u>
	<u>\$ 45,894,550</u>

5 - FEDERAL LETTER OF CREDIT

The following represents a summary of the funds available under the U.S. Environmental Protection Agency's letter of credit as of June 30:

	<u>2007</u>	<u>2006</u>
Awarded	\$ 84,184,600	\$ 75,899,100
Requested	<u>72,116,681</u>	<u>53,088,721</u>
Available federal letter of credit	<u>\$ 12,067,919</u>	<u>\$ 22,810,379</u>

6 - RESTRICTED ASSETS

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

	<u>2007</u>	<u>2006</u>
Cash equivalents:		
Money market funds	\$ -	\$ 11,493,334
Investments:		
Federated Treasury Repurchase Agreements	12,992,184	10,409,274
Guaranteed Investment Contracts	17,125,741	18,000,495
Connecticut General Obligation Bonds	<u>8,657,428</u>	<u>9,107,173</u>
	<u>\$ 38,775,353</u>	<u>\$ 49,010,276</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 holds State General Obligation Bonds as presented in Note 6.

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, 2007 and 2006, the actual rates were 56.1% and 56.0%, respectively, of the SRF wages and the amounts charged aggregated \$789,572 and \$813,666, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Issued	Principal Paydown/ Transfers	Balance June 30, 2007
Revenue bonds payable	\$ 40,859,795	\$ 5,000,000	\$ 13,331,943	\$ 32,527,852
Refunding bonds payable	6,872,886	-	87,636	6,785,250
	<u>\$ 47,732,681</u>	<u>\$ 5,000,000</u>	<u>\$ 13,419,579</u>	<u>\$ 39,313,102</u>

A summary of changes in bonds payable during the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Principal Paydown	Balance June 30, 2006
Revenue bonds payable	\$ 42,419,099	\$ 1,559,304	\$ 40,859,795
Refunding bonds payable	7,152,471	279,585	6,872,886
	<u>\$ 49,571,570</u>	<u>\$ 1,838,889</u>	<u>\$ 47,732,681</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 issued Clean Water Fund, Revenue Bonds 2001 series, dated May 24, 2001. These bonds are payable solely from funds pledged pursuant to the General Bond Resolution adopted December 7, 1990. In accordance with the State Clean Water Fund Revenue Bonds, 2001 Series Plan of Finance, the State allocated the proceeds between the SRF and the State of Connecticut Clean Water Fund - State Revolving Fund ("Clean Water Fund") (collectively, "The Obligated Group") with \$29,614,747 allocated to the SRF and \$70,385,253 allocated to the Clean Water Fund. The Clean 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 and public water systems of Connecticut for the planning, design and construction of water quality projects.

Debt service on the 2001 series bonds is to be paid from pledged receipts, earnings on investments held in the debt service reserve funds and maturing principal and interest on investments held in the interest subsidy 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 SDWA and the General Bond Resolution adopted December 7, 1990 permit the pledging of assets of both the SRF and the Clean Water Fund SRF to secure these revenue 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 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 SRF's revenue bonds payable are serial bonds, of which \$32,527,852 and \$40,859,795 was outstanding as of June 30, 2007 and 2006, respectively. The serial bonds mature on October 1, 2022 with 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 October 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, 2007, the outstanding principal balance of the Refunded Bonds was \$6,785,250.

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, 2007 and 2006 totaled \$83,421 and \$82,969, respectively.

Bond Maturities

Requirements at June 30, 2007 to retire the SRF's revenue and refunding bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,659,788	\$ 1,628,879
2009	2,896,696	1,544,199
2010	2,953,337	1,447,594
2011	2,998,779	1,344,235
2012	2,896,256	1,232,384
2013-2017	11,011,319	4,501,719
2018-2022	7,831,894	2,318,736
2023-2027	5,859,366	538,504
2028	205,667	5,049
	<u>\$ 39,313,102</u>	<u>\$ 14,561,299</u>

9 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2007 and 2006.

	<u>Unrestricted</u>	<u>Restricted for Loans</u>	<u>Total</u>
Balance at June 30, 2005	\$ 12,327,445	\$ 46,998,638	\$ 59,326,083
Change in fund net assets	<u>(1,060,442)</u>	<u>5,263,750</u>	<u>4,203,308</u>
Balance at June 30, 2006	11,267,003	52,262,388	63,529,391
Change in fund net assets	<u>(723,301)</u>	<u>20,476,159</u>	<u>19,752,858</u>
Balance at June 30, 2007	<u>\$ 10,543,702</u>	<u>\$ 72,738,547</u>	<u>\$ 83,282,249</u>

10 - OPERATING TRANSFERS

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

	<u>2007</u>	<u>2006</u>
Operating expenses transfer	\$ -	(\$ 525,523)
Interest subsidy transfer	1,610,500	-
Transfer of 2003 bond premium to CWF	623,583	-
Transfer related to 2006 bond offering	(29,374)	-
Transfer related to DWF bond reallocation	<u>(464,459)</u>	<u>-</u>
	<u>\$ 1,740,250</u>	<u>(\$ 525,523)</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>2007</u>	<u>2006</u>
Total funds committed to public water systems	\$ 80,937,553	\$ 76,911,571
Loan amount outstanding to public water systems	<u>61,058,899</u>	<u>47,769,702</u>
Loan commitments outstanding	<u>\$ 19,878,654</u>	<u>\$ 29,141,869</u>

12 - RISK MANAGEMENT

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

S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

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

Ms. Denise L. Nappier, Treasurer

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

Ms. Gina McCarthy, 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, 2007, and have issued our report thereon dated August 30, 2007. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

North Haven, Connecticut
August 30, 2007

S E W A R D A N D M O N D E
CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ms. Denise L. Nappier, Treasurer

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

Ms. Gina McCarthy, 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 are applicable to its major federal program for the year ended June 30, 2007. The SRF's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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.

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

North Haven, Connecticut
August 30, 2007

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, 2007

<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	<u>\$ 18,597,000</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

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 to municipalities during the year.

B - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$61,058,899 as of June 30, 2007.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2007

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(s) identified that are not considered to
be material weaknesses? 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(s) identified that are not considered to
be material weaknesses? 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

Major Programs:

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

Dollar threshold used to distinguish between
type A and type B programs \$557,910

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 of the 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.*

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.

* 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.”

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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APPENDIX D

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 less 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 7.18]

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]

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.

Total Project Costs--shall mean the total costs paid or incurred by the Municipality for the Project, including but not limited to, Eligible Project Costs.

Trustee--shall mean the bank or trust company appointed pursuant to the General Bond Resolution to act as trustee thereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the General Bond Resolution.

Underwriter--shall mean collectively the individuals or firms which purchase and reoffer the Bonds at the prices or yields set forth in the Official Statement to investors.

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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 2008 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) timely notice of the occurrence of certain material events with respect to the 2008 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 2008 Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") is made as of the 6th day of August, 2008 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of \$196,195,000 State Revolving Fund General Revenue Bonds, 2008 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 July 24, 2008 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.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.MuniFILINGS.com>
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
<http://www.interactivedata-prd.com>
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street – 45th Floor
New York, NY 10041
(212) 438-4595
Fax: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com>
Email: nrmsir_repository@sandp.com

“Obligated Person” means any borrower identified by the State pursuant to Section 2(a)(3)(iii) of this Agreement.

“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.

“SID” means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, 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, 2008) 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 (1) 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 years currently end on June 30.

(d) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. 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. Material Events.

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

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 (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(c) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii)

such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) 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.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) 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 law requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, 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 (i) each NRMSIR or the MSRB, and (ii) any SID. 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.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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 2008 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 2008 Bonds.

Municipal Continuing Disclosure Agreement

This Municipal Continuing Disclosure Agreement (the “Agreement”) is made as of the 6th day of August, 2008 by the _____ (the “Borrower”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$196,195,000 State of Connecticut (the “State”) State Revolving Fund General Revenue Bonds, 2008 Series A, dated August 6, 2008 (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 July 24, 2008 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.

“NRMSIR” means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: [Munis@Bloomberg.com](mailto: Munis@Bloomberg.com)

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.MuniFILINGS.com>
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
<http://www.interactivedata-prd.com>
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street – 45th Floor
New York, NY 10041
(212) 438-4595
Fax: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com>
Email: nrmsir_repository@sandp.com

“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.

“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.

“SID” means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide or cause to be provided to each NRMSIR and any SID, 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, 2008) 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 previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. 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 (i) each NRMSIR or the MSRB, (ii) any SID, and (iii) 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) 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.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) 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 Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, 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 (i) each NRMSIR or the MSRB, and (ii) any SID. 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.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

BORROWER

By _____
Authorized Officer

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APPENDIX G

Proposed Form of Bond Counsel Opinion

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APPENDIX G

FORM OF CO-BOND COUNSEL OPINION

Upon the issuance of the 2008 A 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 \$196,195,000 State Revolving Fund General Revenue Bonds, 2008 Series A (the “Bonds”), dated the dated 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 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”) and a resolution adopted by the State Bond Commission on January 25, 2008 entitled “A Supplemental Resolution Authorizing the Issuance of \$250,000,000 State Revolving Fund General Revenue Bonds, 2008 Series A” (the “2008 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 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 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 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 therefore pursuant to the Resolutions and the Act.

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although interest on the Bonds 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 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 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 Bonds to become included in such gross income. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the 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 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 Bonds or any tax consequences arising with respect to the 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 Bonds and the enforceability of the 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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