NEW ISSUE

Ratings: Moody's: Aaa
S&P: AAA
Fitch: AAA

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 2006 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 2006 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 2006 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 2006 Bonds is included in gross income for purposes of the Connecticut corporation business tax. See "TAX EXEMPTION" herein regarding certain other tax considerations.

$180,070,000
State of Connecticut
State Revolving Fund General Revenue Bonds, 2006 Series
consisting of

$150,000,000	$30,070,000
State Revolving Fund General Revenue Bonds 2006 Series A	**State Revolving Fund Refunding General Revenue Bonds 2006 Series B**

Dated: Date of Delivery **Due: July 1, as shown on the inside cover page**

The proceeds of the State Revolving Fund General Revenue Bonds, 2006 Series A (the "2006 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 proceeds of the State Revolving Fund Refunding General Revenue Bonds, 2006 Series B (the "2006 B Bonds") will be used to refund all or portions of various series of bonds issued by the State under its State Revolving Fund Programs (the "SRF Programs"). The 2006 A Bonds and the 2006 B Bonds are referred to herein collectively as the "2006 Bonds" and all Bonds issued under the Resolution, as defined below, are referred to as the "Bonds." The 2006 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, as defined herein, issued pursuant to the State Revolving Fund General Revenue Bond Program General Bond Resolution adopted December 17, 2002, as supplemented (the "Resolution"). Each loan will be evidenced by a Borrower Obligation, as defined herein. See "SECURITY FOR THE BONDS" herein.

The 2006 Bonds are special obligations of the State payable from Available Moneys in the Revolving Fund, as hereinafter defined, in accordance with the terms and provisions of the Resolution. 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 2006 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 2006 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 2006 Bonds will be payable on January 1 and July 1 of each year, commencing on January 1, 2007. The 2006 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 2006 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 2006 Bonds--Book-Entry-Only System."

The 2006 A Bonds will be subject to redemption prior to maturity as described herein. The 2006 B Bonds are not subject to redemption prior to maturity.

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

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The 2006 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 2006 Bonds by Nixon Peabody 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 2006 Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about July 27, 2006.

Office of the State Treasurer
State of Connecticut

UBS Investment Bank **Goldman, Sachs & Co.**
M.R. Beal & Company **Ramirez & Co., Inc.**

A.G. Edwards	**Banc of America Securities LLC**	**Citigroup**
First Albany Capital	**Jackson Securities**	**Lehman Brothers**
Morgan Stanley	**RBC Capital Markets**	**Siebert Brandford Shank & Co.**

This Official Statement is dated July 12, 2006

$180,070,000
State of Connecticut

$ 150,000,000
State Revolving Fund General Revenue Bonds
2006 Series A

Maturity Schedule

Base CUSIP Number: 207737*

Maturity July 1	Amount	Interest Rate	Yield	CUSIP Number	Maturity July 1	Amount	Interest Rate	Yield	CUSIP Number
2007	$3,190,000	4.500%	3.610%	CA3	2020	$ 2,720,000	4.375%	4.390%	CQ8
2008	4,695,000	3.750	3.710	CB1	2020	4,820,000	5.000	4.390 C	CR6
2009	5,880,000	3.750	3.760	CC9	2021	1,790,000	4.750	4.420 C	CS4
2010	9,195,000	3.750	3.820	CD7	2021	5,900,000	5.000	4.420 C	CT2
2011	8,330,000	3.800	3.860	CE5	2022	1,550,000	4.400	4.450	CU9
2012	6,545,000	3.900	3.910	CF2	2022	6,275,000	5.000	4.450 C	CV7
2013	6,985,000	4.000	3.980	CG0	2023	7,480,000	4.750	4.590 C	CW5
2014	6,910,000	4.000	4.060	CH8	2024	1,580,000	4.400	4.490	CX3
2015	6,885,000	4.125	4.140	CJ4	2024	6,440,000	5.000	4.490 C	CY1
2016	7,530,000	4.200	4.200	CK1	2025	8,665,000	4.750	4.640 C	CZ8
2017	7,640,000	4.250	4.280	CL9	2026	1,535,000	4.500	4.520	DA2
2018	7,675,000	4.250	4.330	CM7	2026	6,025,000	5.000	4.520 C	DB0
2019	1,865,000	4.300	4.350	CN5	2027	1,110,000	4.500	4.530	DC8
2019	5,725,000	5.000	4.350 C	CP0	2027	5,060,000	5.000	4.530 C	DD6

$ 30,070,000
State Revolving Fund Refunding General Revenue Bonds
2006 Series B

Base CUSIP Number: 207737*

Maturity Schedule

Maturity July 1	Amount	Interest Rate	Yield	CUSIP Number	Maturity July 1	Amount	Interest Rate	Yield	CUSIP Number
2007	$7,180,000	4.500%	3.610%	DE4	2010	$1,450,000	4.000%	3.820%	DJ3
2008	7,235,000	3.750	3.710	DF1	2010	5,945,000	5.000	3.820	DK0
2009	2,710,000	4.000	3.760	DG9	2011	630,000	3.800	3.860	DL8
2009	4,580,000	5.000	3.760	DH7	2012	340,000	3.900	3.910	DM6

C Priced to the stated yield to the July 1, 2016 optional redemption date at a redemption price of 100%.

* CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Bonds and the State makes no representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the State of Connecticut or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2006 Bonds and there will not be any sale of the 2006 Bonds where it is not allowed by law. The delivery of this Official Statement at any time does not imply that the information herein is current as of any time subsequent to its date.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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$180,070,000
State of Connecticut
State Revolving Fund General Revenue Bonds,
2006 Series

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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 2006 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 $150,000,000 aggregate principal amount of State Revolving Fund General Revenue Bonds, 2006 Series A (the "**2006 A Bonds**") and $30,070,000 aggregate principal amount of State Revolving Fund Refunding General Revenue Bonds, 2006 Series B (the "**2006 B Bonds**") (collectively, the "**2006 Bonds**"), being issued by the State of Connecticut (the "**State**"). The 2006 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 2006 Bonds represent the fourth and fifth 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**"). Debt service on the Bonds, including the 2006 Bonds, will be payable ratably under the Resolution. The State agrees to apply all moneys in the Revolving Fund, as hereinafter defined, 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 F** -- 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

The State has three types of outstanding revenue bonds (collectively, the "**Program Bonds**"). As of the date of issuance of the 2006 Bonds these include: (1) Bonds issued under the Resolution, outstanding in the aggregate principal amount of $523,525,000; (2) revenue bonds issued under a general bond resolution adopted December 7, 1990 (the "**1990 Resolution**") which are secured by specific pledged Municipal Obligations, as defined therein, and other pledged funds described therein, outstanding in the aggregate principal amount of $88,155,000 and (3) subordinated refunding bonds issued under a Subordinate Bond Resolution adopted on February 23, 1996 (the "**Subordinate Resolution**") which are secured by surplus revenues released from the 1990 Resolution, outstanding in the aggregate principal amount of $65,820,000. Bonds issued and outstanding under the 1990 Resolution (the "**1990 Resolution Bonds**") and bonds issued under the Subordinate Resolution ("**Subordinate Bonds**") are referred to herein collectively as the "**Prior Bonds.**" See "STATE OF CONNECTICUT CLEAN WATER FUND – Prior Bonds Under 1990 Resolution and Subordinate Resolution" herein.

SRF Programs

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 of 2006 Bonds

The 2006 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 2006 A Bonds, and the 2006 B Bonds are being issued to refund all or portions of various series of Prior Bonds issued by the State under the SRF Programs the proceeds of which were used to make loans pursuant to the 1990 Resolution and the Subordinate Resolution and to pay the respective issuance costs of the 2006 B Bonds. See "THE BORROWERS" herein.

Authority for 2006 Bonds

The 2006 Bonds are being issued pursuant to Connecticut General Statutes Sections 22a-475 to 22a-483, inclusive, as amended, the Resolution adopted by the State Bond Commission on December 17, 2002, and two Supplemental Resolutions, as further supplemented hereafter, adopted by the State Bond Commission on February 4, 2005 and June 9, 2006. U.S. Bank National Association has been appointed as trustee and paying agent (together with any successor, the "**Trustee**") under the Resolution.

Security for 2006 Bonds

The 2006 Bonds are special obligations of the State payable from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. 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 the Bonds, including the 2006 Bonds, in accordance with the terms and provisions of 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, and any similar account related to any expansion of the SRF Programs (the "**Revolving Fund**"). The State Act and the Resolution permit the use of assets of both the Wastewater Program and the Drinking Water Program to pay or secure the Bonds. Although amounts attributable to each program will be tracked separately for federal reporting purposes, all Available Moneys will be available for the payment of debt service on all Bonds. See "STATE OF CONNECTICUT CLEAN WATER FUND" and "SECURITY FOR THE BONDS – Cross Collateralization" herein.

2006 Bonds

The 2006 Bonds will be issued in minimum denominations of $5,000 or any integral multiple thereof. The 2006 Bonds will bear interest from their date of delivery, payable on January 1 and July 1 of each year commencing on January 1, 2007.

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 2006 Bonds, the Loans and Borrowers whose Loans, including current and anticipated Loan commitments through June 30, 2007, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2006 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 F** — "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, 2004, and June 30, 2005. **Appendix C** to this Official Statement describes the State's current Annual Information Statement, as modified and supplemented, which is included in this Official Statement by cross-reference to filings made by or on behalf of the State with the Municipal Securities Rulemaking Board ("**MSRB**") and other Nationally Recognized Municipal Securities Information Repositories ("**NRMSIRs"**). **Appendices D** and **E**, respectively, contain descriptions of certain provisions of the Resolution and the Project Loan and Project Grant Agreement between the State and each Borrower. **Appendix F** contains definitions of certain terms. **Appendix G** contains the form of Continuing Disclosure Agreement to be entered into by the State in connection with issuance of the 2006 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 2006 Bonds. **Appendix H** contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the 2006 Bonds.

STATE OF CONNECTICUT CLEAN WATER FUND

The State Clean Water Fund was created by the State pursuant to 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 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**"), 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 or payment of administrative expenses associated with qualified projects. Amounts 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 for amounts in the Revolving Fund.

State's SRF Programs

The State's participation in the federal programs pursuant to the CWA and the SDWA is implemented through its SRF Programs. The purpose of the State's SRF Program is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of wastewater treatment or drinking water facilities in accordance with the State Act. To make such loans and financial assistance, the State uses proceeds of 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 D** -- "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 2006 in the amount of $327.2 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. Upon the issuance of the 2006 Bonds, the State will satisfy its State matching funds requirement through the issuance of a portion of the Bonds.

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 2004 in the amount of $75,898,600 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 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

The State has three types of Program Bonds outstanding: (1) Bonds issued under the new State Revolving Fund General Revenue Bond Resolution, including the 2006 Bonds; (2) revenue bonds issued under the 1990 Resolution, which are secured by specific pledged Municipal Obligations, as defined therein, and other pledged funds described therein and (3) subordinated refunding bonds issued under the Subordinate Resolution, secured by surplus revenues released from the 1990 Resolution. No additional bonds will be issued under the 1990 Resolution or the Subordinate Resolution. See "SECURITY FOR THE BONDS – Additional Bonds" herein.

Through Fiscal Year 2006, 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 which refunded portions of the Prior Bonds and $127 million of subordinate refunding bonds which refunded a portion of the 1990 Resolution Bonds. (Refunding bonds do not count against the authorization amount.) As of July 27, 2006, approximately $88,155,000 of 1990 Resolution Bonds, $65,820,000 of subordinate refunding bonds and $523,525,000 of Bonds remain outstanding.

Prior Bonds Under 1990 Resolution and Subordinate Resolution

A portion of assets of the Revolving Fund is pledged to the Prior Bonds. The 1990 Resolution Bonds are secured under the 1990 Resolution by pledged assets, including Loans made to Borrowers from bond proceeds and other funds, a 50% debt service reserve fund and an interest subsidy fund, which was funded with State General Obligation Bonds. Revenues generated under the 1990 Resolution include repayments of pledged Loans, earnings on the debt service reserve fund and principal and interest on assets in the interest subsidy fund. The interest subsidy fund was sized in an amount that when added to loan repayments and expected earnings on invested funds would produce pledged revenues at least equal to debt service on the Prior Bonds. See "STATE OF CONNECTICUT CLEAN WATER FUND – Program Bonds Authorized and Issued" herein. The debt service reserve fund was originally funded with a combination of federal capitalization grants invested in guaranteed investment contracts, and State Contributions in the form of State General Obligation Bonds. As principal of such Prior Bonds is repaid, a pro rata portion of the debt service reserve fund is released. Subordinate Bonds are secured by surplus revenues in excess of the amount required to pay the 1990 Resolution Bonds and by the maturing principal of State General Obligation Bonds deposited in the debt service reserve fund. Surplus revenues in excess of the amount required to pay the Prior Bonds can be released from the 1990 Resolution at the discretion of the State. Such released surplus revenues and amounts released from the debt service reserve fund will be Available Moneys.

State General Obligation Bonds

Through Fiscal Year 2006, 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 1990 Resolution and 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 2006 Bonds

Debt service on the Bonds, including the 2006 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 2006 Bonds are special obligations of the State payable from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. 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 2006 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 2006 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 2006 Bonds. See "SECURITY FOR THE BONDS" for additional information relating to the security for the Bonds.

PLAN OF FINANCE

The 2006 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 and the 2006 B Bonds will be issued to refund a portion of the 1990 Resolution Bonds and Subordinate Bonds listed below. A portion of the proceeds of the 2006 B Bonds, together with other funds, will be used to establish an escrow fund to redeem the following maturities of the bonds issued under the 1990 Resolution and Subordinate Resolution prior to their stated maturities (the "Refunded Bonds"):

Series	Maturity	Coupon	Outstanding Par Amount	Redeemed Principal Amount	Redemption Date
1996	11/01/2006	4.600 %	$ 410,000	$ 410,000	9/08/2006
1996	05/01/2007	4.750	395,000	395,000	9/08/2006
1996	11/01/2007	4.750	385,000	385,000	9/08/2006
1996	05/01/2008	4.800	375,000	375,000	9/08/2006
1996	11/01/2008	4.800	360,000	360,000	9/08/2006

Series	Maturity	Coupon	Outstanding Par Amount	Redeemed Principal Amount	Redemption Date
1996	05/01/2009	4.875%	$ 350,000	$ 350,000	9/08/2006
1996	11/01/2009	4.875	335,000	335,000	9/08/2006
1996	05/01/2010	5.000	320,000	320,000	9/08/2006
1996	11/01/2010	5.000	310,000	310,000	9/08/2006
1996	05/01/2011	5.200	295,000	295,000	9/08/2006
1996	11/01/2011	5.200	280,000	280,000	9/08/2006
1996	05/01/2012	5.250	265,000	265,000	9/08/2006
1996	11/01/2012	5.250	250,000	250,000	9/08/2006
1996	11/01/2015	5.400	1,120,000	1,120,000	9/08/2006
1996	05/01/2018	5.125	370,000	370,000	9/08/2006
1996 Sub	01/01/2007	5.125	2,970,000	2,970,000	9/08/2006
1996 Sub	07/01/2007	5.125	3,010,000	3,010,000	9/08/2006
1996 Sub	01/01/2008	5.300	3,050,000	3,050,000	9/08/2006
1996 Sub	07/01/2008	5.300	3,090,000	3,090,000	9/08/2006
1996 Sub	01/01/2009	5.400	3,135,000	3,135,000	9/08/2006
1996 Sub	07/01/2009	5.400	3,175,000	3,175,000	9/08/2006
1996 Sub	01/01/2010	5.500	3,225,000	3,225,000	9/08/2006
1996 Sub	07/01/2010	5.250	3,270,000	3,270,000	9/08/2006
1996 Sub	01/01/2011	5.600	3,320,000	3,320,000	9/08/2006

After the refunding of the bonds listed above, approximately 77.27% of the State's outstanding bonds will be under the Resolution, approximately 13.01% under the 1990 Resolution and approximately 9.72% under the Subordinate Resolution.

The State will allocate the proceeds of the 2006 A Bonds to reimburse the State for loans previously made and to provide funds for loans for the SRF Programs with approximately $145 million allocated to the Wastewater Program and $5 million allocated to the Drinking Water Program.

Upon issuance of the 2006 Bonds, $35,264,333 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 an investment agreement as a permitted investment 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 SRF Program. In addition to determining project eligibility, DEP approves disbursement requests for construction costs incurred by borrowers who receive financial assistance from the Wastewater SRF 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 SRF 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 Programs, a project must be listed on DEP's Priority List of eligible water quality projects or DPH's Priority List of eligible drinking water projects (collectively, the "**Priority List**"), which sets forth the projects expected or proposed to receive financial assistance under the SRF Programs. As a condition to being placed on the Priority List for a wastewater treatment project, a borrower must have previously received an administrative abatement order from DEP directing the borrower to alleviate existing or potential wastewater disposal problems; for the Drinking Water Program no abatement order is required. Once a project is placed on the Priority List, the potential loan recipient must file an application for financial assistance for such project. The application must pass four levels of approval: (1) evaluation and enforcement, which determines if the proposed project addresses the needs cited by DEP/DPH and complies with regulatory and statutory requirements; (2) project administration, which determines if the project is eligible for funding in accordance with state and federal regulations; (3) environmental review, which involves the preparation of an environmental assessment of the project; and (4) credit review, which analyzes an applicant's ability to repay the Loan. The Office of the Treasurer reviews the financial information submitted with each application. DEP and the Office of the Treasurer determine whether, and on what terms and conditions, financial assistance will be provided, including whether or not the State will issue revenue bonds for the benefit of the project. If DEP and the Office of the Treasurer determine that the State will not finance all or a portion of the cost of such project from the proceeds of revenue bonds, the State may provide a direct loan to assist an eligible project from 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, which are deposited into the Debt Service Fund.

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, district, 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 and incurred Project costs prior to disbursement of such Bond proceeds. 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 May 31, 2006) (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 September 30, 2007, to be funded under the SRF Programs. The table includes both Loans pledged under the 1990 Resolution and Subordinate Resolution and those Loans that are not subject to any pledge. Many of the Borrowers listed below have multiple Loans. Table 1 indicates which Borrowers have one or more Loans that are pledged under the 1990 Resolution and which have one or more Loans that are not pledged. Upon closing of the Bonds, approximately \$221.9 million in outstanding principal amount of Loans is pledged to secure the Prior Bonds.

Table 1

State of Connecticut State Revolving Fund Loans Outstanding as of May 31, 2006 and Expected Additional Commitments through September 30, 2007

Name	Loans Outstanding as of 05/31/2006[1]	Undrawn Loan Commitments[2]	Expected Additional Loan Commitments Through 09/30/07[3]	Total Commitments[4]	Pledged Loans[5]	Other Loans in Revolving Fund[6]
Ansonia	$2,026,500	$ 3,293,461	$ 988,362	$ 6,308,323		X
Aquarion Water	312,129			312,129		X
Ashford	20,777			20,777		
Beacon Falls			343,556	343,556		
Bethel	3,530,659			3,530,659	X	
Bolton Lake			100,000	100,000		X
Branford	22,937,911	3,097,096	992,800	27,027,808		
Bridgeport	56,951,225		4,476,000	61,427,225	X	X
Bristol	4,159,176			4,159,176	X	X
Brookfield	919,016		1,273,500	2,192,516	X	
Brooklyn	121,584			121,584		X
Burlington	1,239,033		2,175,000	3,414,033		X
Canaan F.D.	54,338			54,338		X
Canton	898,994			898,994		X
Cheshire	9,946,159	1,904,641		11,850,800	X	X
Colchester			1,052,188	1,052,188	X	X
Cook Willow	568,029	1,072		569,102		X
Coventry	5,938,426	325,011		6,263,437		X
Crystal Lake	301,940	152,664		454,605	X	X
Danbury	18,430,633		500,000	18,930,633	X	X
Darien	680,121			680,121		X
Deep River	3,222,336			3,222,336		X
Derby	1,623,646		391,952	2,015,598		X
East Haddam	862,859			862,859		X
East Hampton	726,565			726,565	X	X
East Haven	133,828			133,828		X
East Lyme III	6,678,606		500,000	7,178,606		X
East Windsor	5,800,512			5,800,512	X	
Essex	43,692			43,692		
Fairfield	27,215,774			27,215,774		X
Farmington	8,119,685			8,119,685	X	
Greenwich	22,196,759			22,196,759	X	X
Groton			8,393,100	8,393,100		

(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 2006 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 May 31, 2006, Undrawn Loan Commitments and Expected Additional Loan Commitments through September 30, 2007. Total Commitments does not reflect projected amortization through September 30, 2007 of Loans Outstanding.

(5) The table does not indicate the percentage of the total amount of Loans which are pledged or not pledged under the 1990 Resolution and the relative proportions may vary significantly. A portion of the Loans pledged under the 1990 Resolution will become "Other Loans in Revolving Fund" upon the redemption of the Refunded Bonds. The State may make changes to the allocation of assets consistent with the requirements of the 1990 Resolution and prudent management practices of the SRF Program.

(6) Includes expected Loan commitments through September 30, 2007.

Name	Loans Outstanding as of 05/31/2006[1]	Undrawn Loan Commitments[2]	Expected Additional Loan Commitments Through 09/30/07[3]	Total Commitments[4]	Pledged Loans[5]	Other Loans in Revolving Fund[6]
Harrybrook Park Condo.	$ 173,525			$ 173,525		X
Hebron	3,715,677			3,715,677	X	
Hillside Water Corp.	130,263			130,263		X
Jewett City	7,898,402			7,898,402		X
Ledyard	1,698,471		987,000	2,685,471		X
Litchfield	4,902,664			4,902,664		X
Manchester	4,159,818			4,159,818		X
Marlborough	550,400	422,590		972,991		X
MDC	42,803,890		22,935,559	65,739,449	X	X
Meriden	1,673,135	298,040	4,631,250	6,602,425	X	X
Middlebury	238,455			238,455	X	
Middlefield	2,487,043			2,487,043		X
Middletown	10,083,345	1,703,137		11,786,482	X	X
Milford	2,738,926	1,951,402	6,508,750	11,199,079		X
Naugatuck	1,253,325		488,000	1,741,325		X
New Britain	34,986,858	1,491,011		36,477,869	X	X
New Canaan	8,632,279			8,632,279	X	X
New Haven	31,137,037	9,157,488	2,605,250	42,899,775	X	X
New London	6,086,404			6,086,404	X	X
New Milford	2,512,849			2,512,849		X
Newtown	13,123,545	288,536		13,412,081		X
North Branford	2,645,338			2,645,338		X
North Haven	5,466,600			5,466,600	X	X
Norwalk	39,720,895			39,720,895		X
Norwich	5,190,170			5,190,170		X
Plainfield	1,404,852			1,404,852		
Plainville	670,299	63,378	500,000	1,233,677		
Plymouth	3,717,378			3,717,378		X
Point O'Woods			500,000	500,000		
Portland	4,985,970		450,000	5,435,970		X
Redding	699,453			699,453		
Ridgefield	4,118,080			4,118,080		X
Seymour	5,199,574			5,199,574		X
Sharon	2,081,521			2,081,521		X
Shelton	3,069,849		8,744,230	11,814,079		X

(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 2006 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 May 31, 2006, Undrawn Loan Commitments and Expected Additional Loan Commitments through September 30, 2007. Total Commitments does not reflect projected amortization through September 30, 2007 of Loans Outstanding.

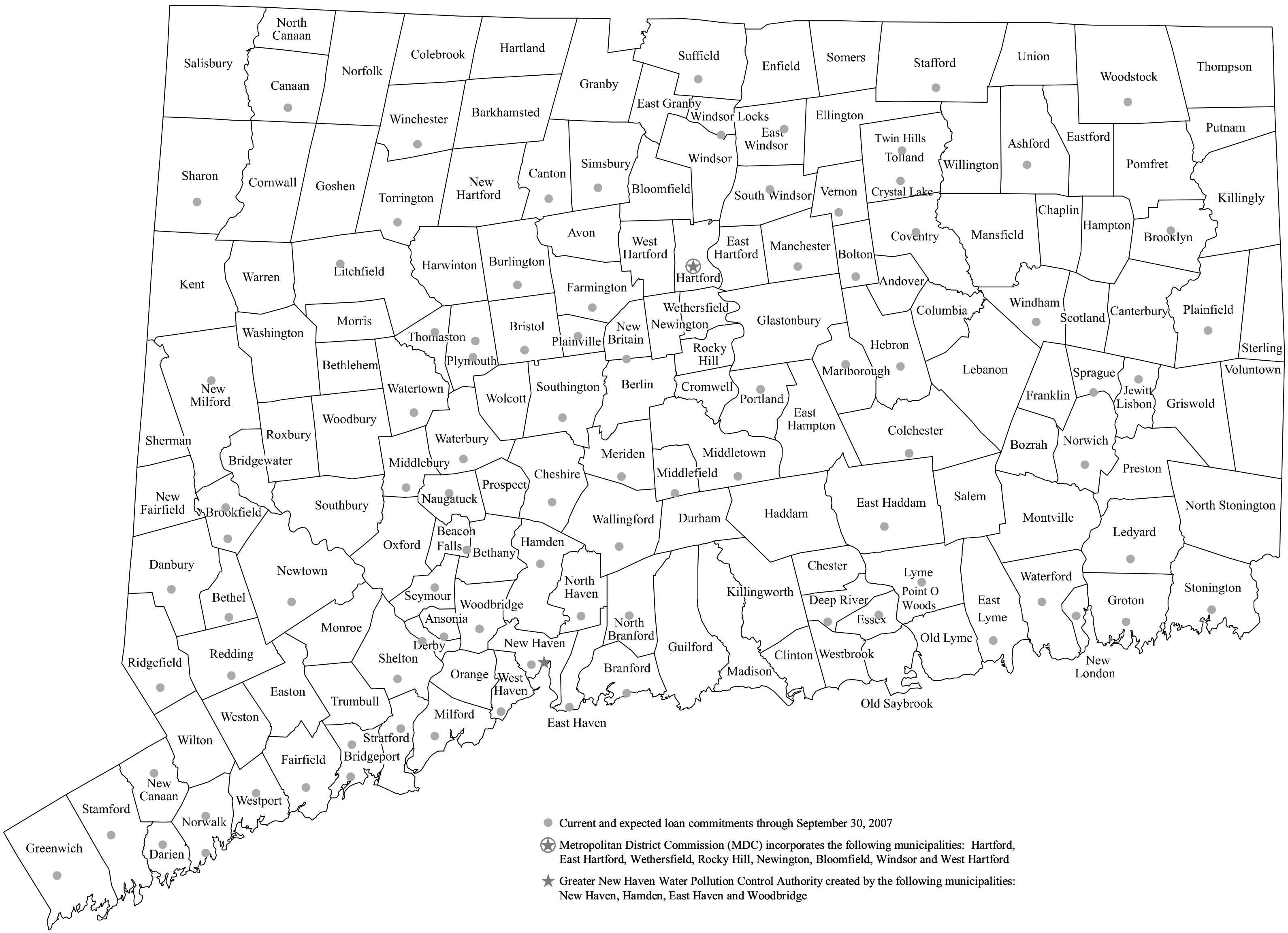
(5) The table does not indicate the percentage of the total amount of Loans which are pledged or not pledged under the 1990 Resolution and the relative proportions may vary significantly. A portion of the Loans pledged under the 1990 Resolution will become "Other Loans in Revolving Fund" upon the redemption of the Refunded Bonds. The State may make changes to the allocation of assets consistent with the requirements of the 1990 Resolution and prudent management practices of the SRF Program.

(6) Includes expected Loan commitments through September 30, 2007.

Name	Loans Outstanding as of 05/31/2006[1]	Undrawn Loan Commitments[2]	Expected Additional Loan Commitments Through 09/30/07[3]	Total Commitments[4]	Pledged Loans[5]	Other Loans in Revolving Fund[6]
Simsbury	$ 15,112,748	$ 4,938,763		$ 20,051,51		X
South Norwalk Elect.& Water			$7,800,000	7,800,000		
South Windsor	1,011,575	1,569,370		2,580,945	X	X
Southington	2,484,399	2,158,631	1,875,000	6,518,030		X
Sprague	100,141			100,141	X	X
Stafford	351,920			351,920		
Stamford	77,848,018			77,848,018		X
Stonington	2,317,585			2,317,585		X
Stratford	3,514,810	1,975,136	14,583,700	20,073,646	X	X
Suffield	2,906,338			2,906,338	X	X
Thomaston	7,595,612			7,595,612	X	X
Torrington	5,394,407			5,394,407	X	X
Twin Hills	148,077			148,077		X
Vernon	16,102,223			16,102,223	X	X
Wallingford	1,996,812			1,996,812		X
Waterbury	82,229,384	3,195,175		85,424,559	X	X
Waterford			500,000	500,000		
Watertown F.D.	1,348,806			1,348,806	X	X
West Haven	16,383,046	1,061,456	300,000	17,744,502	X	X
Westport	12,707,558	16,601,311		29,308,869		X
Winchester			714,801	714,801		
Windham	209,788	579,876		789,664		X
Windsor Locks	1,411,836			1,411,836		
Woodbridge	240,793			240,793		
Woodlake Taxing District			405,000	405,000		
Woodstock	804,982			804,982		X
Total[7]	**$ 717,872,958**	**$ 56,229,246**	**$ 95,714,997**	**$ 869,817,202**		

(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 2006 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 May 31, 2006, Undrawn Loan Commitments and Expected Additional Loan Commitments through September 30, 2007. Total Commitments does not reflect projected amortization through September 30, 2007 of Loans Outstanding.
(5) The table does not indicate the percentage of the total amount of Loans which are pledged or not pledged under the 1990 Resolution and the relative proportions may vary significantly. A portion of the Loans pledged under the 1990 Resolution will become "Other Loans in Revolving Fund" upon the redemption of the Refunded Bonds. The State may make changes to the allocation of assets consistent with the requirements of the 1990 Resolution and prudent management practices of the SRF Program.
(6) Includes expected Loan commitments through September 30, 2007.
(7) Totals may not add due to rounding.

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



Set forth in Appendix A is certain information regarding the Borrowers whose Loans, including current and anticipated Loan commitments through September 30, 2007, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2006 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 G. The specific amounts loaned to the Borrowers will generally depend upon the actual progress of construction of such Borrowers' projects.

SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2006 Bonds and SRF Programs Available Moneys will be used as follows:

	2006 A Bonds	**2006 B Bonds**	**Total 2006 Bonds**
Sources			
Principal Amount	$150,000,000.00	$30,070,000.00	$180,070,000.00
Net Original Issue Premium	1,796,548.30	497,371.70	2,293,920.00
Total Bond Proceeds	$151,796,548.30	$30,567,371.70	$182,363,920.00
Revolving Fund Available Moneys	$ 24,896,129.14	$14,181,844.92	$39,077,974.06
Release from Prior Bonds debt service fund		342,155.93	342,155.93
Total Sources	$ 176,692,677.44	$ 45,091,372.55	$221,784,049.99
Uses			
Available for Loans[1]	$150,000,000.00		$150,000,000.00
Underwriters' Discount and Costs of Issuance	1,796,548.30	$ 301,159.22	2,097,707.52
Deposit to Support Fund	24,896,129.14	10,368,204.02	35,264,333.16
Deposit to Escrow Fund		34,422,009.31	34,422,009.31
Total Uses	$ 176,692,677.44	$45,091,372.55	$221,784,049.99

(1) Includes Wastewater Program Loans to Borrowers from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2006 Bonds.

ASSETS AND LIABILITIES IN REVOLVING FUND

The Revolving Fund assets are approximately as set forth on Table 2 below, as of May 31, 2006, adjusted for the issuance of the 2006 Bonds, the refunding of a portion of the 1990 Resolution Bonds and Subordinate Bonds, the principal payment on Bonds to date and the related release of investments previously pledged to such Prior Bonds. The Revolving Fund assets include Loans and other assets pledged to secure the Senior and Subordinate Bonds. The State may make changes to the allocation of assets consistent with the requirements of the 1990 Resolution and prudent management practices of the SRF Program.

Table 2
(In Millions)

Assets	General Bond Resolution Assets	Assets Pledged to Prior Bonds[1]
Loans[2]	$495.99	$ 221.88
Investments[3]	351.37	73.77
State Contributions [4]	55.41	0
Capitalization Grants	0	0
2006 A Bond Proceeds	150.00	0
Total Assets	$ 1,052.77	$ 295.65
Liabilities		
Bonds issued under the Resolution		
2006 Bonds	$ 180.07	$ 0
Other Outstanding Bonds	343.45	0
1990 Resolution Bonds	0	88.15
Subordinate Bonds	0	65.82
Total Liabilities	$ 523.52	$153.97

(1) Assets Pledged to Prior Bonds will not become General Bond Resolution assets until released from 1990 Resolution and Subordinate Resolution.

(2) Loans include amounts loaned to Borrowers from Available Moneys in the Revolving Fund in anticipation of the issuance of the 2006 Bonds.

(3) The State currently invests a significant portion of the funds and accounts created under the 1990 Resolution and the Resolution in qualifying investment agreements with financial institutions. These financial institutions currently include 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.

(4) State Contributions consist of State General Obligation Bonds. See "STATE OF CONNECTICUT CLEAN WATER FUND –State General Obligation Bonds" herein.

SCHEDULE OF DEBT SERVICE ON PROGRAM BONDS AND 2006 BONDS

The following table sets forth debt service on the Program Bonds and the 2006 Bonds:

Fiscal Year Ending June 30	Prior Bonds[1] Debt Service	General Bond Resolution Debt Service on Outstanding Bonds	Principal on 2006 Bonds	Interest on 2006 Bonds	Total Debt Service on 2006 Bonds	Total Debt Service on Program Bonds
2007	$ 24,824,136	$ 20,822,811		$ 3,382,883	$ 3,382,883	$49,029,831
2008	30,319,673	23,674,711	$10,370,000	7,674,714	18,044,714	72,039,098
2009	25,394,535	25,495,944	11,930,000	7,217,701	19,147,701	70,038,180
2010	24,999,751	25,062,056	13,170,000	6,715,064	19,885,064	69,946,871
2011	18,970,553	23,059,394	16,590,000	6,086,083	22,676,083	64,706,029
2012	19,963,878	20,947,264	8,960,000	5,565,811	14,525,811	55,436,953
2013	14,267,504	28,986,279	6,885,000	5,261,314	12,146,314	55,400,096
2014	12,245,703	32,536,318	6,985,000	4,987,356	11,972,356	56,754,377
2015	5,011,306	34,656,338	6,910,000	4,709,456	11,619,456	51,287,101
2016	5,066,788	33,742,788	6,885,000	4,429,253	11,314,253	50,123,829
2017	1,809,125	34,276,640	7,530,000	4,129,120	11,659,120	47,744,885
2018	304,400	27,690,993	7,640,000	3,808,640	11,448,640	39,444,033
2019	204,963	33,705,811	7,675,000	3,483,196	11,158,196	45,068,970
2020	99,988	28,677,591	7,590,000	3,136,880	10,726,880	39,504,459
2021		27,697,239	7,540,000	2,773,657	10,313,657	38,010,897
2022		21,603,482	7,690,000	2,403,645	10,093,645	31,697,127
2023		21,246,910	7,825,000	2,022,657	9,847,657	31,094,567
2024		8,431,063	7,480,000	1,654,032	9,134,032	17,565,095
2025		5,576,510	8,020,000	1,280,622	9,300,622	14,877,133
2026		3,108,945	8,665,000	879,068	9,544,068	12,653,014
2027			7,560,000	488,112	8,048,113	8,048,113
2028			6,170,000	151,475	6,321,475	6,321,475

[1] Prior Bonds includes bonds issued under the 1990 Resolution and the Subordinate Resolution and excludes Bonds refunded by 2006 B Bonds.

SECURITY FOR THE BONDS

Special Obligation

Debt Service on the 2006 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 pledged 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 D**—SUMMARY OF CERTAIN OF THE PROVISIONS OF THE GENERAL BOND RESOLUTION."

Bond Proceeds Fund. The proceeds of the 2006 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.

Escrow Fund. Amounts from proceeds of the 2006 B Bonds deposited in the Escrow Fund will be used to pay principal of and interest on the Refunded Bonds as more fully described in the Escrow Trust Agreement.

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 D**—SUMMARY OF CERTAIN OF THE PROVISIONS OF THE GENERAL BOND RESOLUTION."

Investment of Funds

The State may invest moneys under the Resolution in any Investment Obligations. Concurrently with the issuance and delivery of the 2006 Bonds, the State will enter into an investment agreement for the investment of amounts to be deposited in the Support Fund in connection with issuance of the 2006 Bonds. The State also expects to enter into an investment agreement with respect to the Debt Service Fund. Such 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 2006 Bonds are special obligations of the State payable from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. With respect to the 2006 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 thereof in accordance with the terms and provisions of the Resolution. The issuance of the 2006 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 2006 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 2006 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 2006 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 2006 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 2006 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 2006 BONDS

2006 Bonds

Interest and Principal Payment Dates, Places and Payees. The 2006 Bonds will be dated their date of delivery, and will bear interest therefrom, payable on January 1 and July 1 of each year, commencing January 1, 2007, and will mature on July 1 in the years and in the principal amounts set forth on the inside cover page hereof. The principal of, premium, if any, and interest on the 2006 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 2006 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 2006 Bonds. As long as the 2006 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 2006 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 2006 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 2006 Bonds. The 2006 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 2006 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 2006 Bonds of the same series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of the 2006 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 2006 Bonds. The 2006 A Bonds maturing on or after July 1, 2017, will be subject to redemption in whole at any time or in part on any interest payment date, at the option of the State, from any moneys available therefor on and after July 1, 2016, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the redemption date.

The 2006 B Bonds are not subject to redemption prior to maturity.

Selection of Bonds to be Redeemed. If less than all of the 2006 Bonds of a particular maturity are redeemed, the 2006 Bonds of such maturity to be redeemed will be selected by lot by the Trustee. The 2006 Bonds (or portions thereof) may be redeemed only in a principal amount equal to $5,000 or any integral multiple thereof, with each $5,000 of principal amount to be redeemed considered as one Bond.

If the 2006 Bonds are being held by DTC under the book-entry-only system and less than all of such 2006 Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant (as hereinafter defined) in such maturity to be called for redemption, and each Direct Participant is to then select by lot the ownership interest in such maturity to be redeemed.

Notice to Bondholders. Notice of redemption of 2006 Bonds will be mailed, not less than 30 days nor more than 60 days prior to the date of redemption, to the registered owners of the 2006 Bonds, or portions thereof, so called, but the failure to mail such notice with respect to any particular 2006 Bonds will not affect the validity of such call for redemption of any 2006 Bonds with respect to which no such failure has occurred. All 2006 Bonds called for redemption will cease to bear interest on the specified redemption date, provided that funds sufficient for the redemption of such 2006 Bonds in accordance with the Resolution are on deposit with the Trustee. If such moneys are not available on the redemption date, the 2006 Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the 2006 Bonds called for redemption at the place or places of payment, such 2006 Bonds will be paid and redeemed.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the 2006 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the Redemption Price for such optional redemption will not be due and payable unless such moneys are so deposited.

Book-Entry-Only System

The Bonds are available in book-entry only form and beneficial ownership interests therein for the 2006 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 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 2.2 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 its 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, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Direct 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 interest 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 communication 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 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 Direct 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 and 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.

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 2006 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 2006 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 2006 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.

ABSENCE OF LITIGATION

Upon delivery of the 2006 Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2006 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 2006 Bonds, or in any way contesting or affecting the validity or enforceability of the 2006 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 2006 Bonds. In addition, such certificate will state that, except as disclosed by cross-reference to **Appendix C** to this Official Statement, 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 2006 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 2006 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 2006 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 2006 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 2006 Bonds and with regard to the status of the interest thereon, are subject to the legal opinion of Nixon Peabody LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, The Hardwick Law Firm LLC, Co-Bond Counsel, 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 2006 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, LLC, Hartford, Connecticut, as Co-Underwriters' Counsel. Finn Dixon and Herling LLP and Soeder & Associates, LLC, serve as Co-Disclosure Counsel to the State in connection with other State bond issues.

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

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "**Code**"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2006 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2006 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2006 Bonds. Pursuant to the Resolution and the Tax Compliance Certificate, the State has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2006 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the State has made certain representations and certifications in the Resolution and the Tax Compliance Certificate.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the State described above, interest on the 2006 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of 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 2006 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Co-Bond Counsel are also of the opinion that interest on the 2006 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 2006 Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Original Issue Discount

Co-Bond Counsel are further of the opinion that the difference between the principal amount of the 2006 A Bonds maturing July 1, 2009 through July 1, 2012, July 1, 2014, July 1, 2015, July 1, 2017, July 1, 2018, the 2006 A Bonds maturing July 1, 2019 with an interest rate of 4.300%, the 2006 A Bonds maturing July 1, 2020 with an interest rate of 4.375%, the 2006 A Bonds maturing July 1, 2022 and July 1, 2024 with an interest rate of 4.400% and the 2006 A Bonds maturing July 1, 2026 and July 1, 2027 with an interest rate of 4.500% and the 2006 B Bonds maturing July 1, 2011 and July 1, 2012, (collectively the "**Discount Bonds**") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2006 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The 2006 A Bonds maturing on July 1, 2007, July 1, 2008, July 1, 2013, the 2006 A Bonds maturing July 1, 2021 with an interest rate of 4.750%, the 2006 A Bonds maturing July 1, 2023 and July 1, 2025, the 2006 A Bonds maturing July 1, 2019 through July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2027 with an interest rate of 5.000%, and the 2006 B Bonds maturing on July 1, 2007 through July 1, 2010 (collectively, the "**Premium Bonds**") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium

Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2006 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2006 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The 2006 Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to the adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the 2006 Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the 2006 Bonds, and thus on the economic value of the 2006 Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the 2006 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the 2006 Bonds may be proposed or enacted.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2006 Bonds may affect the tax status of interest on the 2006 Bonds. Co-Bond Counsel express no opinion as to any Federal, State or local tax law consequences with respect to the 2006 Bonds, or the interest thereon, if any action is taken with respect to the 2006 Bonds or the proceeds thereof upon the advice or approval of other counsel.

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 2006 Bonds for the benefit of the beneficial owners of the 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 2006 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 2006 Bonds for the benefit of the beneficial owners of the 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 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 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. 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 date 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. Such audited financial statements and operating date for the fiscal year ending June 30, 2004, are included in Appendix C by reference. 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, which financial statements and operating data is included in Appendix C by reference. The State will file with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2005, promptly after they became available.

The Underwriters' obligation to purchase the 2006 Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2006 Bonds, executed copies of the State Continuing Disclosure Agreement and each Municipal Continuing Disclosure Agreement.

UNDERWRITING

The aggregate initial offering price of the 2006 Bonds to the public is $181,325,086.85, and UBS Securities LLC, as representative of the Underwriters for the 2006 Bonds, has agreed, subject to certain conditions precedent to closing, to purchase the 2006 A Bonds from the State at an aggregate purchase price of $150,881,239.72 (consisting of $150,000,000 par amount, plus net premium of $1,796,548.30 less the Underwriters' fee of $915,308.58) and to purchase the 2006 B Bonds from the State at an aggregate purchase price of $30,443,847.13 (consisting of $30,070,000 par amount, plus net premium of $497,371.70 less the Underwriters' fee of $123,524.57). The Underwriters will be obligated to purchase all of the 2006 Bonds, if any 2006 Bonds are purchased.

The 2006 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 2006 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, a division of the McGraw-Hill Companies, Inc., and Fitch, Inc. have assigned their municipal bond ratings of Aaa, AAA and AAA, respectively, to the 2006 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 2006 Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

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

FINANCIAL ADVISORS

Lamont Financial Services Corporation and P. G. Corbin & Company, Inc., have served as the Financial Advisors to the State with respect to the sale of the 2006 Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2006 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 State Revolving Fund and the Drinking Water Fund as of June 30, 2005 and the report thereon dated August 26, 2005, 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 Clean Water 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 2006 Bonds.

STATE OF CONNECTICUT

By: /s/ Denise L. Nappier

Hon. Denise L. Nappier
State Treasurer

Dated at Hartford, Connecticut
this 12th day of July, 2006

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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 are Borrowers under the General Bond Resolution.

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 or exceed the authority otherwise granted by 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; and (v) areas to be served by any proposed community sewage system not owned by a Municipality. The WPCA must file copies of its water pollution control plan 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 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. Prior to October 1,1996, real property was revalued at least once every ten years. Legislation, effective with October 1, 1997 grand lists, provides that Municipalities must revalue all real estate every fifth year (although a Municipality may elect to defer its 2003, 2004 or 2005 revaluation until October 1, 2006). 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 one year 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 which had 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 full 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. Towns may also make appropriations to military organizations, hospitals, health care facilities, public health nursing organizations, nonprofit museums and libraries, organizations providing drug abuse and dependency programs and any other private organization performing a public function.

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

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

Debt Limit

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

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

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

Certain Legal Matters

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

APPENDIX A
PART II- SPECIFIC BORROWER INFORMATION

Set forth in this Part II of Appendix A is certain information regarding the Borrowers whose Loans, including current and/or anticipated Loan commitments through June 30, 2007, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2006 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.

CONTENTS

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 is a center for major international corporate headquarters and 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. 2005 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, a new condominium project in the Mill River Corridor, and a large land assemblage in the South End by a developer planning a significant mixed-use project. Also planned are a second phase of the hugely successful MetroCenter project and two additional condominium projects in and around the Mill River Corridor. The City is also working to identify sites for developing a high-speed ferry terminal in Stamford using federal funds committed to that project in recent years.

Stamford is also 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, currently 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, 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 and grant functions for the Board of Education during fiscal year 2003–04.

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 his 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.

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

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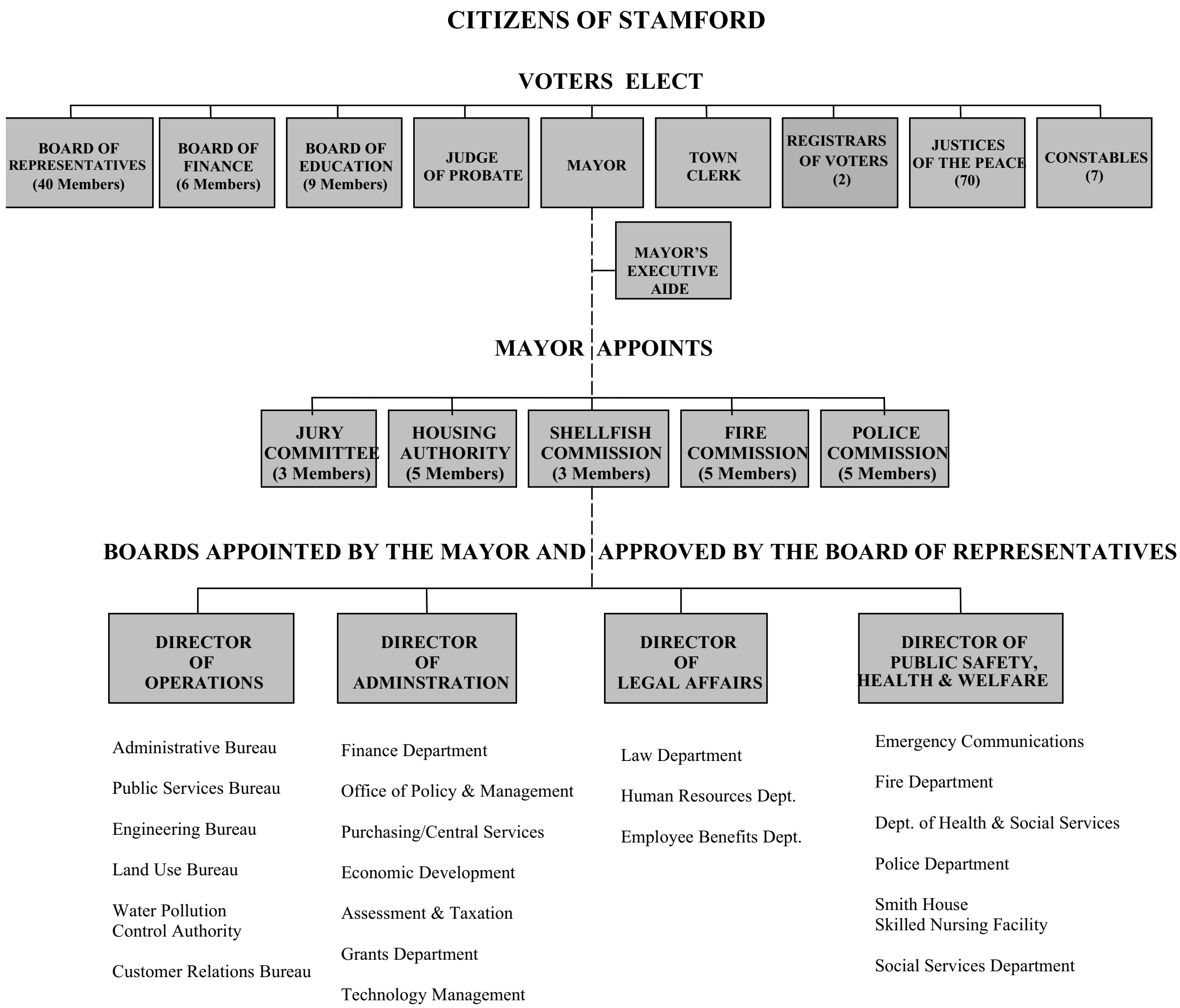
Organizational Chart



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

Office	Name	Manner of Selection/Term	Years of Service
Mayor	Dannel P. Malloy	Elected/4 years	9½ years
Director of Administration	Benjamin Barnes	Appointed/4 years	2 years[1]
Director of Operations	Timothy Curtin	Appointed/4 years	5 years
Director of Legal Affairs	Thomas Cassone	Appointed/4 years	3 years
Director of Public Safety, Health and Welfare	William Callion	Appointed/4 years	2 years
Controller	Lisa M. Reynolds	Civil service/indefinite	7 years
Director of Policy & Management	Peter Privitera	Civil service/indefinite	3 years
Superintendent of Schools	Dr. Joshua Starr	Appointed/3-year contract	1 year

[1] Mr. Barnes previously served 2½ years as Director of Public Safety, Health and Welfare.

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 3,318 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 Employees[1]

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
General Government [2]	1,260	1,268	1,245	1,243	1,241	1,342[2]	1,358
Board of Education	1,890	2,050	2,027	2,139	2,141	2,143	2,005
Total	3,150	3,318	3,272	3,382	3,382	3,485	3,363

[1] As of July 1 each fiscal year.
[2] General Government includes employees assigned to the Smith House Nursing Home (112) the Water Pollution Control Authority (38); the E. Gaynor Brennan Golf Course (6); and the Risk Management Fund (3).

Municipal Employees Bargaining Organizations

Organization	Number of Employees	Current Contract Expiration Date
General Government		
Stamford Police Association	298	06/30/05[1]
Local #786 of the International Association of Firefighters, AFL-CIO (downtown)	232	06/30/09
Local #786 of the International Association of Firefighters, AFL-CIO (volunteer companies)	35	06/30/05[1]
Local #2657 of the AFSCME, Council #4, AFL-CIO (Supervisors)	113	06/30/09
Local #465 of the AFSCME, Council # 4, AFL-CIO (Registered Nurses)	47	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	06/30/03[1]
Local #145 of the International Brotherhood of Teamsters, AFL-CIO	147	06/30/09
Local #2377 of the International Union, United Automobile Workers, AFL-CIO	284	06/30/09
New England Health Care Employees Union, District 1199 (Smith House)	94	06/30/09
Total Employees	1,260	
Board of Education		
Local #2657 of the AFSMCE, Council #4, AFL-CIO (Supervisors)	4	06/30/05[1]
Local #2377 of the International Union, United Automobile Workers, AFL-CIO	84	06/30/05[1]
Stamford Board of Education Employee Association (Custodian & Maintenance)	137	06/30/05[1]
Stamford Board of Education Employee Association (Security and Community Liaison Employees)	27	06/30/05[1]
Stamford Education Association	1,300	06/30/07
Education Assistants of Stamford Association	273	06/30/07
School Administrators Association of Stamford	65	06/30/06
Total Employees	1,890	

[1] In negotiation.

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.

Use of Proceeds

The proceeds of the Clean Water Fund Loan have been used to upgrade the City's sewage treatment plant, which is operated by the Stamford Water Pollution Control Authority ("WPCA"). The mission of the WPCA is to protect the environment and public health of the City of Stamford. The WPCA operates and maintains the Water Pollution Control Facility, pumping stations and sanitary sewer systems. This includes applying "state-of-the-art" process control techniques to the operation of the treatment plant and good maintenance management for the plant, pumping stations and sanitary sewer systems.

On October 9, 2003, the City issued $12,480,000 Water Pollution Control System and Facility Revenue Bonds, 2003 Series A, under the Indenture, 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 special limited obligations of the City payable solely from revenues and other receipts, funds and moneys pledged therefor pursuant to the Indenture. See "DEBT SECTION – Sewer Revenue Bonds" herein.

Selected Demographic, Economic and Financial Data

Population Trends and Densities

Year	Population[1]	Percent Change	Density[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
2004	120,160	2.6	3,012

Sources: [1] U.S. Department of Commerce, Bureau of Census, Census of Population 1960–2000; State of Connecticut Department of Public Health estimate July 1, 2004.
[2] Population per square mile: 39.9 square miles.

Income Distribution

	City of Stamford		State of Connecticut	
	Families	Percent	Families	Percent
$ 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	3,218	11.0	54,368	6.1
Total	29,239	100.0%	885,747	100.0%

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

Comparative Income Measures

	City of Stamford	State of Connecticut
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

				Unemployment Rate (%)		
Reporting Period Average	**Labor Force**	**Employed**	**Unemployed**	**City of Stamford**	**Bridgeport/ Stamford Labor Market**	**State of Connecticut**
May 2006:……	65,651	63,527	2,124	3.2	3.6	3.9
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	65,471	62,487	2,984	4.6	5.1	5.5
Reporting Period Average	**Labor Force**	**Employed**	**Unemployed**	**City of Stamford**	**Stamford Labor Market**	**State of Connecticut**
2002	65,837	63,380	2,457	3.7	3.2	4.3
2001	65,817	64,025	1,792	2.7	2.4	3.3
2000	67,479	66,318	1,161	1.7	1.4	2.3
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	65,803	63,196	2,607	4.0	3.2	5.1
1996	65,143	62,172	2,971	4.6	3.7	5.7
1995	62,391	59,444	2,947	4.7	3.8	5.5

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:

Name	Nature of Business
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 (formerly General Electric Capital Corporation)	Finance (HQ)
GE Equipment Management (formerly General Electric Capital Corporation)	(HQ)
GE Consumer Finance (formerly General Electric Capital Corporation)	Finance (HQ)
GE insurance (formerly General Electric Capital Corporation)	Insurance
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)
Xerox Corporation	Office Equipment
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
SBC	Telephone and Communications
Shamrock Maintenance Inc.	Building Cleaning Services
United Distillers & Vinters	Beverages (HQ)
Wachovia Bank, National Association	Banking
International Paper	Forest Products (HQ)
Citizen Utilities	Utility
CYTEC	Chemicals (Research Laboratories)
Circom/ACMI	Medical Instruments (HQ and Mfg.)
Citibank Global Asset Management	Finance
Graph Network	Cable Television
General Signal	Transportation
META Group	Consumer Services
ITDS	Computer Software
NacRe Insurance	Insurance
Semprra Energy Trading	Trading
Bank of America	Finance
The Stamford Hospital	Medical Services
Virgin Atlantic Airways	Travel Airlines
TIG Reinsurance	Insurance
Group W Network Services	Programming
Mead Westvaco Corp.	Pulp Mills
Tosco	Petroleum Refining
Crane	Industrial
Crompton & Knowles	Chemicals

Major Employers Continued

Name	Nature of Business
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

HQ — Headquarters/Offices
Mfg — Manufacturing Facilities

Source: City of Stamford Department of Economic Development and the Stamford Chamber of Commerce.

Office Vacancy Rates

	Stamford Central Business District		Stamford Non-Central Business District		Fairfield County	
Calendar Year	**Square Feet Existing**	**Vacancy Percent**	**Square Feet Existing**	**Vacancy Percent**	**Square Feet Existing**	**Vacancy Percent**
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
1994	5,810,706	17.4	8,871,806	19.7	37,710,476	17.7

Source: Cushman & Wakefield.

Value of Building Permits

Fiscal Year Ended 6/30	Residential	Commercial/ Industrial	Apartments/ Condominiums	Total
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
1997	32,554,217	202,105,799	13,708,600	248,368,616
1996	50,219,499	157,298,746	5,770,000	213,288,245

Housing Unit Vacancy Rates

	City of Stamford		State of Connecticut	
Housing Units	Number	Percent	Number	Percent
Occupied housing units	45,399	95.9%	1,301,670	93.9%
Vacant housing units	1,918	4.1	84,305	6.1
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

	City of Stamford		State of Connecticut	
Household Characteristics	Number	Percent	Number	Percent
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	16,448	36.2	420,500	32.3
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	1,705	5.9	47,292	5.4
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	3,415	20.8	76,276	18.1
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

Land Use Category	Acres	Percent
Zoned for single family	19,693	80.1%
Zoned for multi-family	1,964	8.0
Zoned for mixed use	84	0.3
Zoned for business	996	4.1
Zoned for industry	988	4.0
Zoned for open space	863	3.5
Total	24,588	100.0%

Source: City of Stamford, Land Use Bureau, 2003 GIS data.

Taxable Grand List
($ in thousands)

Grand List 10/1	Residential Real Property Percent	Commercial and Industrial Real Property Percent	Other Percent	Personal Property Percent	Motor Vehicle Percent	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	Percent Change
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	1.9
1997	56.19	28.03	0.52	8.78	6.48	8,737,508	98,341	8,639,167	1.2
1996	56.64	28.93	0.40	7.77	6.26	8,619,789	82,736	8,537,052	–

[1] Revaluation.

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 4/30/06
2006 (unaudited) ...	$11,036,517	$324,200,938	-----In collection-----		2.7
2005	10,892,248	313,394,228	98.6	1.4	0.7
2004	10,906,185	311,521,759	98.5	1.5	0.5
2003	10,831,038	282,412,137	98.5	1.5	0.4
2002	10,797,834	262,957,476	98.3	1.7	0.4
2001	10,662,716	255,724,838	97.8	2.2	0.4
2000	8,804,639	246,349,872	97.4	2.6	0.4
1999	8,651,402	237,368,900	97.0	3.0	0.5
1998	8,551,301	232,266,554	97.5	2.5	0.4

Property Taxes Receivable

Fiscal Year Ended June 30	Current Year (000s)	Total (000s)
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
2000	4,827	15,952
1999	3,254	15,018

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 2004–05 the Personal Property Tax District mill rate was set at 29.16 mills. Over time as the City's mill rate on real property increases, it is expected that the mill differential for personal property will be phased out.

Tax Rates by District
(Mills)

Tax List	Fiscal Year	District A	District B	District C	District C/S	Uniform Auto Rate	Personal Property
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	–
October 1, 1996	1997–98	28.10	27.30	25.60	26.40	30.30	–
October 1, 1995[1]	1996–97	29.10	27.70	25.80	27.30	31.20	–

[1] The final year of a three-year phase-in of revaluation.

Major Taxpayers

Name	Business	Taxable Valuation As of 10/1/04	Percent of Net Taxable Grand List
Swiss Bank Corp./UBS AG Stamford	Banking/finance	$ 164,990,673	1.49%
EOP-Stamford Atlantic Forum, LLC	Office buildings	136,461,566	1.23
Connecticut Light & Power	Utility	111,519,187	1.01
Avalon Bay Communities	Office buildings	91,630,147	0.83
Pitney Bowes	Office equipment	77,031,526	0.70
Rich-Taubman Associates	Office buildings/retail	72,327,220	0.65
General Electric Capital Corporation	Consumer finance	70,763,896	0.64
HPHV Dirext LLC	Office buildings/retail	62,499,990	0.57
Reckson Operating Partnership/Reckson Associates	Office buildings	62,441,710	0.57
First Stamford Place Company	Office building	54,136,402	0.49
Stamford Associates	Office buildings	47,182,100	0.43
Soundview Farms LLC	Office building	45,994,983	0.42
Harbor Park Associates	Office buildings	43,143,609	0.39
AG-GCS HIGH RIDGE LLC	Office buildings	42,873,850	0.39
Four Hundred Atlantic Title, LLC	Office building	41,007,530	0.37
UB Stamford LP	Office/retail	39,826,070	0.36
Reckson/Stamford Towers, LLC	Office buildings	39,562,160	0.36
Procter & Gamble Hair Care, LLC	Beauty products	39,093,140	0.35
Town Grove LLC	Office buildings	36,979,470	0.33
One Station Place LTD Partnership	Office Building	31,666,219	0.29
Total		$1,311,131,448	11.87%

Net Taxable Grand List for 10/1/04: $11,036,517,000.

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2001 through 2005 have been derived from audited financial statements and are based on a GAAP basis of accounting. The adopted budget for 2005–06 is provided by the City and is 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.

	Budget 2006-07[1]	Budget 2005–06[1]	2004–05[2]	2003–04[2]	2002–03[2]	2001–02[2]
Revenues						
General property taxes	$337,154,269	$323,169,032	$316,502,650	$312,461,970	$284,240,611	$267,269,486
Intergovernmental	18,608,848	18,594,456	28,609,083	27,509,205	19,926,170	21,513,708
Charges for services	20,195,494	18,475,003	16,505,076	19,855,343	16,983,903	16,873,458
Interest and dividends	4,800,000	2,750,000	2,732,261	1,082,948	1,899,235	2,770,656
Other	7,344,948	6,581,236	3,086,145	738,490	6,995,249	8,191,964
Total revenues	388,103,559	369,569,727	367,435,215	361,647,956	330,045,168	316,619,272
Expenditures						
Government and community services	14,515,792	13,381,343	12,786,011	12,108,515	12,153,098	12,037,891
Administration	7,348,534	7,172,171	6,468,216	6,304,502	6,171,420	6,963,983
Legal affairs	3,830,725	3,467,781	3,392,294	4,511,351	3,424,589	5,804,364
Public health, safety & welfare	85,148,036	80,733,481	83,717,634	80,686,633	71,986,812	70,881,339
Operations	40,203,764	37,123,802	37,834,602	38,322,013	37,097,967	44,841,226
Board of Education	203,056,708	194,527,805	189,674,272	178,171,950	170,537,634	160,363,110
Debt service[3]	--	–	–	–	–	–
Total expenditures	$354,103,559	336,406,383	333,873,029	320,104,964	301,371,520	300,891,913
Excess of revenues over expenditures	34,000,000	33,163,344	33,562,186	41,542,992	28,673,648	15,727,359
Other financing sources (uses):						
Bond issue proceeds		–	–	–		43,850,000
Transfer to escrow		–	–	–		(45,180,000)
Capital lease proceeds		–	–	–		–
Operating transfers in		–	2,587,666	745,658	1,653,684	3,737,931
Operating transfers out	(34,000,000)	(33,163,344)	(31,868,096)	(32,266,952)	(28,291,396)	(29,234,607)
Interest		–	–	–	–	1,330,000
Total other financing sources (uses)	(34,000,000)	(33,163,344)	(29,280,430)	(31,521,294)	(26,637,712)	(25,496,676)
Excess (deficiency) of revenues and other financing sources (uses)over (under) expenditures and other financing uses	–	–	4,281,756	10,021,698	2,035,936	(9,769,317)
Fund balance, July 1			17,259,934	7,238,236	5,202,300	14,971,617
Fund balance, June 30			$21,541,690	$17,259,934	$ 7,238,236	$ 5,202,300

[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] Debt service included in transfers out.

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 current budgets for each of those years. The report prepared for Fiscal Year 2006–2007 recommended a safe debt limit of $40 million plus an additional amount, estimated to be approximately $15 million, to finance a new public safety radio system, followed by $36 million for five years for a total of approximately $235 million. Of this total, it was recommended that $6 million each year ($36 million over six years) be financed over seven years or less in order to meet capital equipment needs while minimizing long-term interest costs.

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 $10.7 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.

Sewer Projects

The Stamford Water Pollution Control Authority (the "SWPCA") is an agency of the City as 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 SWPCA is governed by a nine-member Board of Directors. Since 1996, it has operated as an enterprise fund.

The SWPCA 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 completely separate from the City's Safe Debt Limit and statutory debt limitation of the State of Connecticut. See "Debt of the SWPCA" herein for more information.

Current Debt Statement
As of June 30, 2006

Bonded debt[1]:	
General purpose	$197,554,573
Schools	149,031,263
Total bonded debt	346,585,836
Short-term debt	–
Total overall debt	346,585,836
Less school construction grants receivable	7,986,062
Total overall net debt	$338,599,774

[1] Excludes $14,704,164 of bonded general obligation sewer debt and four Clean Water Fund project loan obligations totaling $77,791,131 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.)

Current Debt Ratios
As of June 30, 2006

Population, 2004	120,160
Per capita income, 1999	$34,987
Net taxable grand list, 10/1/05	$11,197,766,035
Estimated full value @ 70%	$15,996,808,621
Equalized net grand list (2003)	$29,834,627,040

	Overall Debt **$346,585,836**	**Overall Net Debt** **$338,599,774**
Per capita	$2,884.37	$2,817.91
To net taxable grand list	3.10%	3.02%
To estimated full value	2.17%	2.12%
To net equalized grand list	1.16%	1.13%
Ratio of debt per capita to per capita income	8.24%	8.05%

Bonded Debt Maturity Schedule[1]
As of June 30, 2006

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments	Cumulative Principal Retired (%)
2007	$ 23,018,337	$ 15,304,710	$ 38,323,047	6.64
2008	26,203,608	14,288,981	40,492,589	14.20
2009	26,205,540	13,060,851	39,266,391	21.76
2010	26,287,362	11,816,214	38,103,576	29.35
2011	25,853,990	10,552,822	36,406,812	36.81
2012	24,002,862	9,440,493	33,443,355	43.73
2013	23,174,193	8,345,910	31,520,103	50.42
2014	22,154,068	7,241,048	29,395,116	56.81
2015	21,891,121	6,197,286	28,088,407	63.13
2016	17,863,610	5,292,614	23,156,224	68.28
2017	18,033,539	4,496,667	22,530,206	73.48
2018	18,065,337	3,679,920	21,745,257	78.70
2019	15,250,973	2,932,451	18,183,424	83.10
2020	12,895,648	2,314,511	15,210,159	86.82
2021	12,925,648	1,753,216	14,678,864	90.55
2022	9,710,000	1,269,406	10,979,406	93.35
2023	7,650,000	903,438	8,553,438	95.56
2024	7,700,000	570,313	8,270,313	97.78
2025	4,700,000	300,125	5,000,125	99.13
2026	3,000,000	132,000	3,132,000	100.00
Total	$346,585,836	$119,892,976	$466,478,812	

[1] Excludes $14,704,164 of bonded general obligation sewer debt and four Clean Water Fund project loan obligations totaling $77,791,131 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.)

Overlapping/Underlying Debt

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

Authorized but Unissued Debt

As of October 31, 2005, the City had $356,821,198 of authorized but unissued debt. Of that amount, $135,980,609 will be used to finance sewer projects, including $23,592,052 to be financed with sewer revenue bonds, $34,378,884 in grants and the remainder in sewer revenue-backed loans from the State of Connecticut's Clean Water Fund. The remaining $220,840,589 of general obligation authorization is expected to be financed with $166,077,614 of grants and $54,762,975 of general obligation bonds, as shown in the following table:

Uses	Authorized but Unissued	Less Grant Funding	Net Authorized But Unissued
Schools:			
General Fund	$127,448,610	$109,922,144	$17,526,466
Public improvement:			
General Fund	90,302,704	56,144,584	34,158,120
Parking Fund	2,647,311	–	2,647,311
Smith House Fund	441,964	10,885	431,079
Total public improvement	93,391,979	56,155,469	37,236,510
Total uses	$220,840,589	$166,077,613	$54,762,976

Statement of Statutory Debt Limitation
Pro Forma
As of February 15, 2006

Debt Limitation Base

Total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2005	$315,560,946
Reimbursement for revenue loss on Elderly Tax Relief	42,861
Debt limitation base	$315,603,807

Debt Margin

Debt Limitation by Purpose	General Purpose	Schools	Sewers[1]	Urban Renewal	Pension Deficit Funding
2.25 x base	$ 710,108,566				
4.50 x base	–	$1,420,217,132			
3.75 x base	–	–	$1,183,514,276		
3.25 x base	–	–	–	$1,025,712,373	
3.00 x base	–	–	–	–	$946,811,421
Total debt limitation	710,108,566	1,420,217,132	1,183,514,276	1,025,712,373	946,811,421
Less indebtedness[2]					
This issue	29,500,000	29,500,000	–	–	–
Bonds payable	168,054,573	119,531,263	–	–	–
Total indebtedness	197,554,573	149,031,263	–	–	–
Less school construction grants receivable	–	10,769,919	–	–	–
Net total indebtedness	197,554,573	138,261,344	–	–	–
Debt limitation in excess of outstanding and authorized debt	$512,553,993	$1,281,955,788	$1,183,514,276	$1,025,712,373	$946,811,421

[1] Excludes $14,704,164 of general obligation bonds and three project loan obligations outstanding in the amount of $4,371,927 which are secured by the full faith and credit of the City, but which are expected to be repaid entirely from revenues of the sewerage system. Also excludes an interim funding obligation in the amount of $74.1 million which will be secured by revenues of the sewerage system at the time of permanent financing.

[2] As of June 30, 2005 the City had $379,895,432 of authorized but unissued debt of which approximately $259,759,811 will be financed by State and Federal grants, and $27,811,808 will be financed by sewer revenue 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 $2.2 billion.

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

Fiscal Year Ended June 30	Debt Service	Total General Fund Expenditures and Transfers Out	Debt Service as Ratio to Total Expenditures and Transfers Out
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
2002	25,967,475	293,289,116	7.87
2001	27,666,822	275,950,894	8.84
2000	23,531,446	266,304,730	7.94

Debt of the SWPCA

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 their loans at any time prior to maturity without penalty. The City closed a project loan obligation ("PLO") in the amount of $73,561,480.55, and has received a grant of $23,661,564.45. The PLO is authorized as a revenue obligation, 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 Wachovia 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 and the Second Supplemental Indenture dated February 28, 2006 (the Indenture, as amended and supplemented, herein referred to as the "Indenture"). In addition, the City has three PLOs outstanding totaling $4,371,927 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. (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 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, 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 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, has issued general obligation debt for purposes of sewerage system improvements. As of February 15, 2006 the City has $14,704,164 of general obligation bonds outstanding and three project loan obligations outstanding in the amount of $4,371,927 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 SWPCA 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 2003 Series A Bonds and the Parity Indebtedness.

As of June 30, 2006

Fiscal Year Ending June 30	Subordinated Debt General Obligation Sewer Bonds Principal	Interest	Senior Lien Debt (Parity Indebtedness) 2003 Series A Sewer Revenue Bonds Principal	Interest	Existing Clean Water Fund Debt [1] Principal	Interest	Cumulative Percent Retired
2007	$ 1,621,663	$ 716,681	$ 255,000	$ 532,930	$ 6,562,863	$ 1,962,786	8.07
2008	1,566,392	634,901	265,000	523,243	3,452,689	1,393,024	13.13
2009	1,564,460	552,921	270,000	516,555	3,518,750	1,323,367	18.26
2010	1,497,638	472,818	280,000	508,980	3,586,146	1,252,376	23.39
2011	1,211,010	394,088	285,000	500,505	3,654,901	1,180,025	28.32
2012	1,082,138	338,993	295,000	491,436	3,725,044	1,106,287	33.20
2013	1,190,807	281,557	305,000	481,305	3,796,603	1,031,132	38.27
2014	1,220,932	217,982	315,000	470,455	3,869,607	954,533	43.44
2015	1,158,879	155,683	330,000	458,961	3,864,423	876,859	48.56
2016	701,390	109,180	340,000	446,605	3,883,503	799,731	53.28
2017	561,461	78,733	355,000	433,130	3,943,011	721,412	57.93
2018	564,663	51,024	370,000	418,630	3,996,881	642,166	62.65
2019	414,027	27,324	385,000	401,605	4,077,555	561,492	67.32
2020	174,352	13,076	405,000	381,855	4,159,858	479,189	71.85
2021	174,352	4,359	425,000	361,105	4,026,883	397,206	76.28
2022	–	–	445,000	339,355	4,108,163	315,926	80.64
2023	–	–	470,000	317,890	4,191,084	233,005	85.10
2024	–	–	490,000	296,525	4,275,678	148,411	89.66
2025	–	–	515,000	272,625	4,361,980	62,109	94.32
2026	–	–	540,000	246,250	735,509	1,839	95.55
2027	–	–	570,000	218,500	–	–	96.09
2028	–	–	600,000	189,250	–	–	96.67
2029.........	–	–	630,000	158,500	–	–	97.27
2030	–	–	660,000	126,250	–	–	97.90
2031	–	–	695,000	92,375	–	–	98.56
2032	–	–	730,000	56,750	–	–	99.26
2033	–	–	770,000	19,250	–	–	100.00
Total	$14,704,164	$4,049,320	$11,995,000	$9,260,820	$77,791,131	$15,442,875	

[1] Principal and interest payments reflect four Permanent Loan Obligations ("PLOs") between the City and the State of Connecticut, as follows: PLO 177-C (original amount of loan $2,731,211.01 and current principal amount outstanding $1,149,385.05); PLO 375-C (original amount of loan $852,229.32 and current principal amount outstanding $458,348.59); PLO 414-D (original amount of loan $3,574,208.37 and current principal amount outstanding $2,622,916.37; a second PLO 414-D (original amount of loan $73,561,480.55 and current principal amount outstanding $73,561,480.55). Each PLO bears interest at the rate of 2% per annum, with payments of principal and interest made on a monthly basis.

Comparative Balance Sheets – General Fund

	Audited 6/30/05	Audited 6/30/04	Audited 6/30/03	Audited 6/30/02	Audited 6/30/01
Assets					
Cash and cash equivalents	$18,509,223	$10,104,719	$16,055,638	$27,186,535	$27,185,573
Property taxes and sewer ... assessments					
Intergovernmental	11,342,632	10,914,891	9,537,944	10,059,295	13,045,128
Other receivables	755,087	–	–	–	4,109,962
Due from other funds	101,035	955,482	2,806,422	2,869,621	2,030,173
Inventory	13,387,371	6,496,288	2,781,910	2,576,919	273,661
Investments	–	–	–	–	26,703
Other assets	17,911,899	20,077,999	14,160,661	–	–
Total assets	12,924	–	88,145	11,650	–
	$62,720,171	$48,549,379	$45,430,720	$42,704,020	$46,671,200
Liabilities and fund balance					
Liabilities					
Accounts payable	$ 9,451,098	$11,888,598	$12,595,215	$14,306,289	$13,017,939
Accrued wages	1,624,399	2,079,499	884,384	2,402,439	–
Deferred revenues	30,039,684	17,321,348	24,712,885	20,729,692	18,618,344
Due to other funds	63,300	–	–	63,300	63,300
Total liabilities	41,178,481	31,289,445	38,192,484	37,501,720	31,699,583
Fund balance					
Reserved:					
For encumbrances	6,839,773	5,702,645	3,304,375	2,850,312	4,162,107
For inventory	–	–	–	–	26,703
For debt service	–	531,032	239,509	239,509	227,490
For long-term advances	5,000,000	2,000,000	1,000,000	1,000,000	1,500,000
Total reserved fund balance	11,839,773	5,434,977	4,543,884	4,089,821	5,916,300
Unreserved:					
Designated for Risk Management Fund	–	–	–	–	2,400,000
Designated for future contracts	1,144,607	841,505	–	–	–
Undesignated[1]	8,557,310	8,184,752	2,694,352	1,112,479	6,655,317
Total unreserved fund balance	9,701,917	8,184,752	2,694,352	1,112,479	9,055,317
Total fund balance	21,541,690	17,259,934	7,238,236	5,202,300	14,971,617
Total liabilities and fund balance	$62,720,171	$48,549,379	$45,430,720	$42,704,020	$46,671,200
Operating revenues	$367,435,215	$361,647,956	$330,045,168	$316,619,272	$313,343,549
Fund balance as percent of operating revenues	5.86%	4.77%	2.19%	1.64%	4.78%
Unreserved fund balance as percent of operating revenues[1]	2.64%	2.26%	0.82%	0.35%	2.89%

[1] City Charter provisions require full appropriation of unreserved general fund balances to subsequent years' budgets for tax stabilization purposes.

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-Technical 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.

Public City school facilities include four high schools, four middle schools and 20 elementary schools, including two magnet schools. A third magnet school, the Waterbury Arts Magnet School, offers courses for grades 6-10. 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, while 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 re-opened in November of 2004 after a state funded $30 million renovation of the 1920 historic landmark into a state-of-the-art facility boasting a 5,000 square–foot stage and a 2,640 seat main hall. The Palace Theater serves the regional area by offering off-broadway performances and national entertainment acts. 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.

Description of Government

The City is governed by an elected 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.

Boards and Commissions. The following Boards are mandated by Charter and constituted by Ordinance:

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

The following departments exist under the new Charter:

- Legal Department and the Corporation Counsel
- Department of Finance and the Director of Finance (Chief Financial Officer)
- Department of Budget Control
- Department of Information Services
- Department of Purchases
- Personnel Department
- Office of the City Assessor
- Police Department
- Fire Department
- Department of Health
- Department of Inspection

The Charter specifically authorizes the establishment of departments and agencies of the City that deal with key functions such as health, human services, recreation and other community services and the infrastructure, capital and economic development needs of the City. There may be departments responsible for the preservation and promotion of public works, traffic control and engineering, waste management, engineering, parking garages, buildings, including but not limited to school buildings and additions thereto and other City property.

Terms of Office. The following terms of office will apply to the following offices, pursuant to the Charter:

Election	**Offices**	**Term Starts**	**Term Ends**
2003	Board of Education (Group A)	1 January 2004	30 November 2007
2005	Board of Education (Group B)	1 January 2006	30 November 2009
2005	Mayor Town Clerk City Clerk City Sheriff Aldermen	1 December 2005	30 November 2007
2007	Board of Education (Group A)	1 December 2007	30 November 2011
2009	Board of Education (Group B)	1 December 2009	30 November 2013

City Finances. In accordance with the Charter, the Board of Aldermen by ordinance, shall adopt City Finances. 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.

The Charter established the Finance and Audit Review Commission ("FARC") effective 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 executive powers of the Mayor, the Department of Audit is under the direct supervision of the FARC. The FARC is authorized to audit, or cause to be audited, and examine 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.

Waterbury Financial Planning and Assistance Board. Special Act No. 01-1 of the General Assembly of the State of Connecticut (January Session), as amended (the "Act"), established the Waterbury Financial Planning and Assistance Board (the "Assistance Board"). The Assistance Board was established by the Act to review the financial affairs of the City, to assist the City in achieving access to public credit markets, and to assist the City in funding its accumulated deficit and restoring its financial stability. The Assistance Board exercises broad authority over the City's financial affairs, including the power to review and approve all bond authorizations of the City.

PRINCIPAL MUNICIPAL OFFICIALS

Office	Names	Manner of Selection/Terms	Years of Service/ Dates of Appointment
Mayor	Michael J. Jarjura	Elected - 2 years	60 months
President, Board of Aldermen	Paul Vance, Jr.	Elected - 2 years	60 months
President, Board of Education	Patrick J. Hayes, Jr.	Elected -2 years	31 months
Superintendent of Schools	Dr. David L. Snead	Appointed	August 2000
Director of Finance	John Jedrzejczyk	Appointed	December 2005
Director of Budget	Ofelia Matos	Appointed	April 2001
Corporation Counsel	Craig Sullivan	Appointed	May 2004

Summary of Municipal Services

MUNICIPAL EMPLOYEES

	2005-06	2002-03	2001-02	2000-01
General Government	1,211	1,333	1,347	1,324
Board of Education	2,231	2,132	2,173	2,096
Federally Funded[1]	353	335	233	233
Total	3,795	3,800	3,753	3,653

[1]Federally Funded programs include W.I.C. Program, LEAD Program, JTPA, and several education programs including Community School, Language Development Program, Adult Basic Education and others.

Enterprise Funds

The following City services are funded from the City's Enterprise Funds and are fully self-supporting.

Water: Waterbury has the largest city-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 $35.0 million. 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, 20 pumping stations and an up-graded 27.5mgd average daily flow tertiary treatment plant placed in operation in April of 2000. 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 recently entered into agreements with the municipal users of the Sewage Treatment Facility (the towns of 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.

POLLUTION CONTROL FACILITY ("WPCF") UPGRADE PROJECT COST AND FUNDING INFORMATION

	Planning	Design	Construction
Total Cost	**$4,007,585**	**$8,411,392**	$109,735,692
City Share	$ -	$ 458,519	$ 460,349
CWF Grant	$ -	$1,505,257	$ 28,712,061
CWF Loan	$4,007,585	$6,447,616	$ 80,563,282
Percent Liability			
Waterbury	88.93%[1]	87.09%[1]	86.45%[1]
Watertown	8.11%	9.56%	10.04%
Wolcott	2.89%	3.27%	3.43%
Cheshire	0.07%	0.08%	0.08%

[1]In July of 2002, the City and the Town of Prospect entered into an Intermunicipal Sewer Agreement, whereby Prospect paid to the City its share of the planning, design and construction of the WPCF upgrade project, in the following amounts:

Planning:	$ 764
Design:	1,475
Construction:	19,604
Total:	$21,843

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

General Fund

The following City services are funded from the City's General Fund:

Fire: 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 271 sworn members and 8 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: The Waterbury Police Department is a professional department which operates with a complement of 298 sworn officers and 77 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, and a full-service Forensic Laboratory capable of ballistics analysis/comparison and DNA analysis. The department utilizes a fleet of approximately 100 vehicles, 50 of which are marked police cruisers. Off-site facilities include Animal Control, Traffic Division, Parking Division and three neighborhood precinct offices.

Health: Waterbury's full-time health department has 80 employees and oversees school health, food service establishments, housing code enforcement, communicable disease control and public health nursing. In addition to multiple community programs (WIC, AIDS Program, Seatbelt Safety, Childhood Immunizations, Childhood Lead Poisoning Prevention, Health Education, Substance Abuse Prevention for Women), it also responds to hazardous materials incidents with the Fire Department.

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 $70 for the current fiscal year.

All participating 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 on 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.

Sewage Sludge: The City has entered into an agreement (the "Agreement") with Synagro for the disposal of the City's sewage sludge. The Agreement provides for Synagro and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 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 as payment of a fixed disposal fee for the successful processing of the sludge (the "Minimum Fee"). 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 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 an $80-per-dry-ton royalty from the estimated $249-per-dry-ton fee charged to process outside sludge. 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 $50,000 to $80,000 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.

***Recreation**:* The City has over 1,000 acres dedicated to recreation including 22 parks and 15 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 at the disposal of the public.

***Educational System**:* The City's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. Waterbury has a 10-member Board of Education elected to four-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the City are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The City has 20 elementary schools, including three magnet schools, four middle schools, and four high schools. The magnet schools address a statewide mandate for greater social and ethnic diversity. Non-public schools include eleven elementary schools, three high schools and a vocational-technical high school.

SCHOOL ENROLLMENT[1]

Historical

School Year	Elementary (K-5)	Middle (6-8)	Senior High (9-12)	Special Education	Total Enrollment
1993-94	7,314	3,038	3,065	231	13,648
1994-95	7,554	3,013	2,986	N/A	14,218
1995-96	7,663	2,941	2,747	N/A	14,315
1996-97	7,780	3,151	2,887	N/A	14,508
1997-98	8,117	3,352	2,903	N/A	14,778
1998-99	8,272	3,538	3,097	N/A	15,349
1999-00	8,464	3,675	3,183	N/A	15,782
2000-01	8,549	3,859	3,340	N/A	16,280
2001-02	8,705	3,980	3,554	N/A	16,792
2002-03	9,009	4,052	3,825	N/A	17,411
2003-04	8,953	4,130	4,008	N/A	17,714
2004-05	8,969	4,131	4,232	N/A	17,915
2005-06	8,949	4,225	4,386	N/A	18,123

Projected

School Year	Elementary (K-5)	Middle (6-8)	Senior High (9-12)	Special Education	Total Enrollment
2006-07	9,191	4,243	4,293	N/A	18,310
2007-08	9,222	4,300	4,207	N/A	18,312
2008-09	9,308	4,307	4,326	N/A	18,524
2009-10	9,382	4,365	4,334	N/A	18,664
2010-11	9,439	4,364	4,422	N/A	18,808
2011-12	9,471	4,414	4,448	N/A	18,916
2012-13	9,492	4,492	4,441	N/A	19,008
2013-14	9,535	4,523	4,509	N/A	19,150

Source: Waterbury Board of Education

[1] School populations reported as of the end of each school year. Projections represent estimates of the Waterbury Board of Education

CITY EMPLOYEE BARGAINING ORGANIZATIONS

Employees	Bargaining Organization	Number of Employees	Current Contract Expiration Date
General Government			
Blue Collar Unit (1)	Local 353	456	6/30/09
White Collar Unit	Employee Association	708	6/30/09
Police	Local 1237	275	6/30/09
Fire	Local 1339	254	6/30/08
Nurses	Ct Health Care	36	6/30/09
Supervisors/Mgmt	Local 818	52	6/30/09
Board of Education			
Teachers	Teachers CEA-NEA	1,470	6/30/10
Secretarial/Clerical	CSEA Local 760	53	6/30/08
School Admin.	S.A.W.	85	6/30/09
Food Service & Office Aides, Library Pages (part-time)			
Crossing Guards	Local 760	216	6/30/09
Classroom & Trans Assistants	unaffiliated	49	6/30/05
	Local 760	46	6/30/08

(1) Includes all school custodians.

Connecticut General Statutes Sections 7-473c and 10-l53f provide procedures for mandatory binding arbitration whenever collective bargaining negotiations between municipalities and representatives of the employees have reached an impasse. After the parties have submitted evidence, last best offers on all issues in dispute, and briefs, the arbitration panel must accept the last best offer of either party on each disputed issue. In reaching its determination, the arbitration panel must 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. In the 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. The legislative body of an affected municipality may reject the arbitration panel's decision within thirty days of its issuance by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection within ten days thereof. The State will then appoint a review panel of either one or three arbitrators to review the decisions on each of the rejected issues. Within twenty-five days of the appointment of the review panel, the review panel shall review the record and render a final and binding award on the disputed issues. The review panel is limited to accepting the last best offer of either of the parties on each disputed issue taking into consideration the factors mentioned above.

Notwithstanding the foregoing, Special Act 01-1 provides that the Assistance Board may approve or reject all collective bargaining agreements for a new term and other modifications, amendments or reopeners to an agreement, to be entered into by the City or any of its agencies or administrative units, including the Board of Education; and with respect to labor contracts in or subject to binding arbitration, serve as the binding arbitration panel. The Assistance Board is not limited to considering only those issues raised by the parties in arbitration. Also, the Assistance Board is not limited to accepting either of the parties last best offers when making a determination on disputed issues in a binding interest arbitration case. Special Act No. 06-4 of the 2006 Session of the Connecticut General Assembly eliminates these provisions effective January 1, 2007.

ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION AND DENSITY

City of Waterbury				New Haven County		State of Connecticut	
Year	Population	% Change	Density[1]	Population	% Change	Population	% Change
2000	107,271	(1.6)	3,803.	824,008	2.5	3,405,56	3.6
1990	108,961	5.5	3,863	804,219	5.6	3,287,110	5.8
1980	103,266	(4.4)	3,661	761,337	2.2	3,107,57	2.5
1970	108,033	0.8	3,831.	744,948	12.8	3,032,21	19.6
1960	107,130	2.5	3,798.	660,315	21.0	2,535,23	26.3
1950	104,477	--	3,704.	545,784	--	2,007,28	--

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1950-2000.
1 Density based on 28.2 square miles.

AGE DISTRIBUTION OF THE POPULATION

	City of Waterbury		State of Connecticut	
Age[1]	Number	Percent	Number	Percent
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	13.2
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	3.9
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 over...	2,414	2.2	64,273	1.9
Total..	107,271	100.0	3,405,565	100.00

2000 median age (years)[1]	34.9	--	37.4	--
1990 median age (years)[2]	33.1		34.4	--

[1] Source U.S. Department of Commerce, Bureau of Census, 2000 Census.
[2] Source U.S. Department of Commerce, Bureau of Census, 1990 Census.

INCOME DISTRIBUTION

	City of Waterbury		State of Connecticut	
Amount	Families	Percent	Families	Percent
$0- 9,999	2,160	8.0	33,423	3.8
10,000 - 14,999	1,528	5.7	3,593	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	32,177	14.9
150,000 - 199,999	349	1.3	42,472	.8
200,000 and over	219	0.8	54,368	6.1
Total	27,005	100.0	885,747	100.0

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

COMPARATIVE INCOME MEASURES

	City of Waterbury	State of Connecticut
Per capita income, 1999	$17,701	$28,766
Median family income, 1999	$42,300	$65,521
Median household income, 1999	$34,285	$53,935

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

EDUCATIONAL ATTAINMENT

Years of School Completed Age 25 and Over

	City of Waterbury		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade	8,205	11.8	132,917	5.8
9th to 12th grade,no diploma	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 decree	4,590	6.6	150,926	6.6
Bachelor's degree	6,042	8.7	416,751	18.2
Graduate or professional degree	3,636	5.2	304,243	13.2
Total	69,791	100.0	2,295,617	100.0
Total high school graduate or higher	--	93.8	--	84.0
Total bachelor's degree or higher	--	9.5	--	31.4

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

EMPLOYMENT DATA

	City of Waterbury		Percent Unemployed		
			City of Waterbury	Waterbury Labor Market Area	State of CT
	Employed	Unemployed			
average 2004	45,799	3,758	7.6	5.2	4.9
average 2003	48,186	4,738	9.0	7.5	5.5
average 2002	48,917	4,076	7.7	6.0	4.3
average 2001	48,303	3,095	6.0	4.6	3.3
average 2000	50159	1,908	3.7	2.8	2.3
average 1999	49,553	2,507	4.8	3.8	3.2
average 1999	49,553	2,507	4.8	3.8	3.2
average 1998	50,550	2,724	5.1	4.0	3.4
average 1997	50,756	3,885	7.1	5.8	5.1
average 1996	48,619	4,374	8.3	6.5	5.7
average 1995	48,282	3,996	7.6	6.3	5.5
average 1994	48,216	4,286	8.2	6.8	5.6
average 1993	51,013	4,785	8.6	7.5	6.2
average 1992	51,106	6,419	11.2	9.5	7.5

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

MAJOR EMPLOYERS

As of March, 2006

Employer	Nature of Business	Full-Time Equivalent Employees
City of Waterbury	Government	3,389
Waterbury Hospital	Medical facilities	2,000
St. Mary's Hospital	Medical facilities	1,825
Webster Bank	Financial Institution	635
Naugatuck Valley Community - Technical College	Technical education	538
Allegheny Ludlum	Metal Manufacturing	473
New Opportunities	Social Service Agency (nonprofit)	451
VNA Health Care	Health Care	350
Hayden Switch	Electrical Manufacturing	300
Republican American	Newspaper	300

Source: Survey by Waterbury Regional Chamber of Commerce

HOUSING UNIT VACANCY RATES

	City of Waterbury		State of Connecticut	
Housing Units	Number	Percent	Number	Percent
Occupied housing units	42,622	91.0	1,301,670	93.9
Vacant housing units	4,205	9.0	84,305	6.1
Total units	46,827	100.0	1,385,975	100.0
Homeowner vacancy rate	--	2.2	--	1.1
Rental vacancy rate	--	7.6	--	5.6

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

OWNER-OCCUPIED HOUSING UNITS

	City of Waterbury	**State of Connecticut**
Total owner-occupied units	20,291	869,729
Persons per unit	2.58	2.67
Median value	$101,300	$166,900

	City of Waterbury		**State of Connecticut**	
Specified Owner-occupied Units	**Number**	**Percent**	**Number**	**Percent**
Less than $50,000	501	3.3	5,996	0.8
$ 50,000 to $ 99,999	7,000	45.4	85,221	11.7
$100,000 to $149,999	6,492	42.1	212,010	29.1
$150,000 to $199,999	1,142	7.4	156,397	21.5
$200,000 to $299,999	230	1.5	137,499	18.9
$300,000 to $499,999	31	0.2	79,047	10.9
$500,000 or more	16	0.1	52,074	7.1
Total	15,412	100.0	728,244	100.0

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

NUMBER AND SIZE OF HOUSEHOLDS

	City of Waterbury		State of Connecticut	
Household Characteristics	Number	Percent	Number	Percent
Persons in households	105,057	-	3,297,626	-
Persons per household (average)	2.46	-	2.53	-
Persons per family (average)	3.11	-	3.08	-
Family households	26,911	63.1	881,170	67.7
Non-family households	15,711	36.9	420,500	32.3
All households	42,622	100.0	1,301,670	100.0
Family households by type				
Married couple	16,534	61.5	676,467	76.8
Female householders, no spouse	8,137	30.2	157,411	17.8
Other	2,240	8.3	47,292	5.4
Total family households	26,911	100.0	881,170	100.0
Non-family households by type				
Householders living alone	13,398	85.3	344,224	81.9
Other	2,313	14.7	76,276	18.1
Total non-family households	15,711	100.0	420,500	100.0

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

BREAKDOWN OF LAND USE

	Total Area	
Land Use Category	Acres	Percent
Residential	7,580	40.9
Commercial/Industrial	2,775	14.9
Farm	43	0.2
Other (Open space & recreational community facilities, undeveloped, resource extraction, water)		44.0
Total	18,553	100.0

Source: Council of Governments, Central Naugatuck Valley Planning Region, 1990 Land Use Survey.

NUMBER AND VALUE OF BUILDING PERMITS

Fiscal Year	Residential Number	Residential Value	Industrial/Commercial Number	Industrial/Commercial Value	Other Number	Other Value	Total Number	Total Value
2005-06*	971	$18,364,109	88	$25,491,824	119	$7,344,093	1178	$51,200,027
2005-06	1,110	15,525,000	122	9,553,000	123	3,413,000	1,355	28,491,000
2004-05	1,086	11,389,000	150	12,588,000	170	5,897,000	1,406	29,874,000
2002-03	414	$4,655,121	71	7,577,245	88	2,436,756	573	14,669,122
2001-02	838	14,791,268	162	68,967,089	153	8,818,799	1,153	92,577,156
2000-01	486	7,815,960	154	25,617,000	74	2,316,550	714	35,749,510
1999-00	752	8,954,361	164	23,932,074	110	394,050	1,026	33,280,485
1998-99	704	8,816,883	203	25,331,472	2,281	19,655,964	3,188	53,804,319
1997-98	649	6,261,253	328	23,714,070	2,930	77,326,619	3,907	107,301,942
1996-97	618	8,733,867	181	48,725,747	2,141	33,457,364	2,940	90,916,978
1995-96	782	10,100,274	331	9,501,860	2,100	13,674,114	3,213	33,276,248
1994-95	892	11,380,959	386	26,615,494	2,379	13,324,456	3,657	51,120,909
1993-94	851	10,540,902	360	10,151,942	2,380	19,011,375	3,591	39,704,219

Source: City of Waterbury Building Inspector's Office.

*Through May 31, 2006

REVENUE AND TAX POLICY

Property Tax Assessment

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 the Board of Assessment Appeals (the "BAA") 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, 2001 for fiscal 2002-03. As required by law, the City completed another revaluation effective for the October 1, 2003 grand list. This revaluation was statistical in nature, not requiring physical inspection. On February 28, 2003, the City Assessor certified the 2002 Grand List totaling approximately $3.383 billion. This represents a 3.01% increase over the prior year's grand list of approximately $3.285 billion. 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. Monies have been budgeted in the fiscal 2007 General Fund budget to partially defray the cost of the next revaluation of real property scheduled for the Grand List dated October 1, 2007. The City intends to allocate monies over a two-fiscal year period for the estimated cost of the revaluation of $700,000.

Under Connecticut General Statute 12-111, in the event that any person appeals an assessment of industrial, commercial utility or apartment property assessed at greater than $500,000, the BAA may vote to decline to hear such appeal, in which case appeal may be brought directly to the Superior Court. In the event that any person claims to be aggrieved by the result of an appeal to the BAA, such person may, within two months of the date of mailing of the notice of any action by the BAA, make a further appeal to the Superior Court. Any appeal heard by the Superior Court will be heard de novo, that is, the Superior Court will not be bound by any findings of the BAA. Pending the outcome of any appeal, an aggrieved taxpayer must pay 90% of his taxes based on an assessed value of $500,000 or more, or 75% of his taxes based on as assessed value of less than $500,000. If a taxpayer's appeal to the Superior Court is successful, the taxpayer may be granted a refund, together with interest and any costs awarded by the court or, at his option, may receive a tax credit for any overpayment.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office received a copy of the permit issue 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 1st assessment date but before the next July 1st are subject to a property tax as if the motor vehicle has been included on the October grand list. The tax is not due until January 1st, a year and three months after the grand list date.

Property Tax Levy and Collection

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 licensed 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 uncollectable.

TAX COLLECTIONS

Grand List as of October[1]	Fiscal Year Ended June 30	Net Taxable Grand List[1]	Mill Rate	Adjusted Annual Levy	% of Annual Levy Collected at End of Fiscal Year	% of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 5/28/06
2004	2006	3,412,948	53.96	182,891	In Process	In Process	3.82
2003	2005	3,343,239	53.31	172,713	96.40	3.60	1.80
2002	2004	3,353,713	53.31	170,072	95.52	4.48	1.60
2001[2]	2003	3,267,706	54.86	179,809	94.23	5.77	1.50
2000	2002	1,680,961	97.78	163,504	91.25	8.75	2.20
1999	2001	1,648,896	74.64	135,396	92.23	7.77	2.30
1998	2000	1,612,793	74.64	122,113	93.68	6.32	1.70
1997	1999	1,563,168	74.64	120,041	93.04	6.96	1.90
1996	1998	1,606,800	74.64	115,599	95.83	4.17	1.60
1995	1997	1,567,435	74.64	113,787	93.20	6.80	1.40
1994	1996	1,552,589	74.64	104,603	96.11	3.89	1.20

1 Figures in thousands and Grand List as adjusted by the Board of Assessment Appeals.
2 Revaluation year.

PRINCIPAL TAXPAYERS

Taxpayer	Nature of Business	Assessment	Percent of Net Taxable Grand List of 10/1/05[1]
GGO Brass Mill Inc.	Retail	$83,968,640	2.40
Connecticut Light & Power	Utility	42,564,936	1.21
Inland SE Naugatuck	Retail	32,665,360	0.93
Yankee Gas Company	Utility	26,472,310	0.75
Olin Corporation	Leasing	13,278,580	0.37
Waterbury VF	Retail	11,625,310	0.33
Thomaston Ave. Ctr.	Manufacturing	11,031,163	0.31
Galilio Waterbury	Retail	10,625,110	0.30
Clydel Mfg.	Manufacturing	9,076,490	0.25
Costco.	Retail	8,445,930	0.24
Total		$251,559,124	7.09

[1]Net Taxable Grand List $ 3,495,902,984

COMPARATIVE ASSESSED VALUATIONS OF TAXABLE PROPERTY
($ In Thousands)

Grand List 10/1	Residential Real Property	Commercial and Industrial Real Property	Other Land	Personal Property	Motor Vehicle	Gross Taxable Grand List	State Grants and Exemptions	Net Taxable Grand List	Percent Increase/ Decrease
2005	57.86%	22.98%.	29%	9.0%	9.6%	3,557,293	78,397	3,478,895	1.9%
2004	58.50%	22.92%	.287%	8.8%	9.1%	3,495,902	82,954	3,412,948	1.9%
2003	57.99%	22.45%	.179%	8.8%	8.5%	3,440,711	92,024	3,348,686	.16%
2002	53.64%	26.64%	2.14%	8.9%	8.5%	3,433,606	90,368	3,343,238	2.3%
2001[1]	50.9%	27.7%	2.5%	9.8%	9.1%	3,379,503	111,796	3,267,706	94.4%
2000	40.9%	22.5%	1.4%	18.7%	16.5%	1,785,423	104,462	1,680,961	1.9%
1999	41.3%	23.3%	1.4%	17.6%	16.4%	1,753,366	103,368	1,649,998	2.3%
1998	42.7%	23.2%	1.3%	17.2%	15.6%	1,718,956	106,163	1,612,793	2.6%
1997	38.0%	29.1%	1.4%	15.9%	15.6%	1,679,010	106,862	1,572,148	2.3%
1996	39.1%	27.5%	1.7%	14.9%	16.8%	1,630,447	93,072	1,537,375	1.7%
1995	40.1%	27.9%	1.5%	14.1%	16.4%	1,588,088	76,525	1,511,563	0.7%
1994	40.4%	29.2%	1.5%	13.8%	15.1%	1,575,367	74,598	1,500,769	—

[1] Reflects 2001 revaluation. See “Property Tax Assessment” herein for additional information.

INTERGOVERNMENTAL REVENUES AS A PERCENT OF GENERAL FUND REVENUES

Fiscal Year Ended June 30	Intergovernmental Revenues (in 000s)	General Fund Revenues (in 000s)	Percent
2005	$126,547	$327,960	38.59
2004	122,463	321,049	38.14
2003	117,344	316,534	36.12
2002	123,263	297,201	41.47
2001	108,227	247,107	43.80
2000	102,061	229,093	44.55
1999	99,076	232,712	42.57
1998	91,043	218,966	41.58
1997	90,963	243,334	37.38
1996	88,803	206,466	43.01
1995	85,771	212,616	40.34
1994	83,823	205,858	40.72
1993	80,190	198,330	40.43

Pension Programs

Pursuant to Special Act 01-1, the following represents the Waterbury Financial Planning and Assistance Board (the “Assistance Board”) pension report and action plan concerning the unfunded pension liability of the City of Waterbury pension system. The report was unanimously approved by the Assistance Board at its meeting on February 20, 2003.

The Assistance Board assigned the development of the report and recommendations to the Pension Subcommittee, which began its work in January 2002. The report is the result of over a year’s work by the membership of that committee and staff of the Assistance Board. By way of background, over the past twenty five years, the unfunded liabilities have increased from just over $50 million in 1981 to approximately $465 million in

2005. At present, the City of Waterbury is following an actuarially developed funding plan with increasing annual appropriations to the plan. The funding ratio of the plan is 8.20% as of the last valuation dated June 30, 2005.

During the beginning phase of its work, the Pension Subcommittee acknowledged the absence of any current plausible short-term solution to fully fund the City's pension benefit obligation, following several decades of severely under-funding the City's annual pension fund contribution.

Therefore, the Assistance Board established as one of its goals a funding ratio of 70% within twenty years, the current average funding level of public pension funds across the country. As of the last valuation date of June 30, 2005, the City will achieve the targeted funding ratio in the year 2028. To achieve this goal, the Assistance Board underscores that there is no substitute for the long-term financial discipline required by the City to put its pension fund on a sound fiscal footing.

The report contains a series of recommendations aimed at limiting the future growth of the unfunded liability for active and new employees, and continuing on a pay-as-you-go basis to finance pension benefits for the closed group of current retirees, for which the City's liability will naturally decline over time. The primary recommendation of the Assistance Board calls for an actuarially determined minimum funding level over the next five years, which would begin the process of paying down the active unfunded liability, by exceeding the contribution amount necessary to meet pension payroll.

The report also recommends that this funding requirement be mandated by the adoption of a City ordinance. In the sixth year, and thereafter, the City would appropriate contributions based on annual actuarial valuations that would then take into full account the actual experience of the City's retirement system, including investment gains and losses.

Overall, the recommended contribution schedule would phase-in an actuarially sound approach to financing pension benefits and enable the City to better plan for its financial obligations over the next five years. However, it is not viewed as a wholesale remedy to the City's unfunded pension liability. For example, there is concern about the 8.5% investment return assumption, which plays an important role in determining the City's funding level, and the likelihood of achieving such performance in the near term based on market assumptions. Should the Waterbury pension plan suffer significant investment losses, the five-year minimum funding requirement would shield the City against the need to increase its contribution to compensate for such loss, but the actuarially recommended contributions in the ensuing fiscal years could increase dramatically.

Mindful of the potential for the City to experience future budgetary pressure in meeting the actuarially recommended contribution, the Assistance Board has also made other recommendations that could help to further reduce unfunded liability, provide additional investment income and/or otherwise achieve administrative cost reductions. The recommendations include: periodic costs and benefits analysis of the use of Pension Obligation Bonds to eliminate a portion of the unfunded liability, continued investigation of other types of transactions involving City-owned property that could generate an infusion of cash for the pension fund, study of the merits of pursuing alternative pension plans including the Connecticut Municipal Employees Retirement System ("CMERS") and 401(a) Plans, and consideration of the merits of pooling the City's pension fund assets with the State for investment purposes.

At the present time, the Assistance Board's recommendation calls for the City to continue to administer its pension plan in recognition of the steps that have been recently taken to achieve significant benefit changes, as well as strengthening the management of its pension fund investment program.

It should be noted that some opinions have been expressed regarding the merits of the City's continued role as a plan sponsor. However, the Pension Subcommittee's primary focus was to analyze the City's unfunded liability, which for the most part would survive any transfer of sponsorship, barring any successful negotiations with the State under CMERS to subsidize the City's funding requirement. Nevertheless, as part of its recommendations, the Assistance Board supports the City in undertaking an in-depth analysis of alternative retirement vehicles for its active and/or new hires.

It is the opinion of the membership of the Waterbury Financial Planning and Assistance Board that these recommendations, and the supporting data and explanations outlined in the report, will assist the City of Waterbury in adopting a measured, disciplined and prudent approach to address the unfunded pension liability.

DEBT SUMMARY

As of June 26, 2006, the City has $194,146,000 in long-term general obligation debt outstanding. All general obligation debt of the City is subject to the Tax Revenue Intercept, except that the $75,789,000 State of Connecticut Clean Water Fund loans, which are fully supported by user fees, are subject to the Tax Revenue Intercept only in the event of default.

ANNUAL COVERAGE HISTORY OF TAX REVENUE INTERCEPT BONDS

($ in Thousands)

Fiscal Year	Intercept Debt Service	Actual Current Property Taxes Collected	Coverage Ratio of Intercept Debt Service	Date Annual Debt Service Requirement Satisfied
1998	$6,496	$110,783	17.05x	07/10/97
1999	6,494	111,686	17.20x	07/10/98
2000	7,901	114,401	14.48x	07/13/99
2001	9,215	124,883[1]	13.55x	07/19/00
2002	13,126	152,670	11.63x	08/07/01[2]
2003	6,140	168,809	27.49x	07/10/02
2004	11,281	170,072	15.07x	07/16/03
2005	12,107	172,713	14.26x	07/20/04

1 Includes Special Tax levied January 2001.
2 Budget was adopted June 29, 2001, which caused a delay in the generation of tax bills.

SHORT-TERM DEBT

As of June 26, 2006

Purpose	Amount Authorized	Amount of Notes Outstanding	Maturity Date	Legal Renewable Limit
Clean Water Fund CWF-201-CD2	$17,143,000	$225,507[2]	N/A	N/A

2 The City has issued an Interim Funding Obligation to the State of Connecticut which is drawn down by the City as the project is constructed. The Interim Funding Obligation is expected to be replaced by permanent financing under the State of Connecticut Clean Water Fund ("CWF") Program at a 2% rate of interest.

ANNUAL BONDED DEBT MATURITY SCHEDULE
As of June 26, 2006

Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total Payments	Cumulative Principal Retired (%)
2007	17,412,953	7,130,447	24,543,400	9.01
2008	14,831,532	6,494,556	21,326,089	16.68
2009	11,935,658	5,917,790	17,853,449	22.86
2010	12,097,852	5,480,501	17,578,352	29.12
2011	12,251,904	5,064,770	17,316,673	35.46
2012	12,407,854	4,637,443	17,045,297	41.88
2013	12,585,741	4,217,135	16,802,876	48.40
2014	12,740,604	3,776,433	16,517,037	54.99
2015	12,798,983	3,292,067	16,091,050	61.62
2016	12,973,218	2,807,401	15,780,619	68.33
2017	12,872,066	2,321,024	15,193,089	74.99
2018	13,065,272	1,829,623	14,894,895	81.75
2019	11,338,622	1,329,023	12,667,645	87.62
2020	11,484,057	927,751	12,411,809	93.70
2021	6,124,094	552,846	6,676,940	96.73
2022	6,021,492	276,806	6,298,294	99.85
2023	278,413	2,559	280,971	100.00
Total	$193,220,314	$56,058,171	$249,278,485	

Overlapping/Underlying Debt

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

FIVE-YEAR DEBT STATEMENT SUMMARY
($ in thousands)

	2005-06	2004-05	2003-04	2002-03	2002-03S
Short-term debt	$ 225	$ 786	$ 464	$ 3,088	$ 12,769
Long-term debt[2]	193,220	210,612	226,865	236,422	236,392
Total	$193,445	$211,398	$227,329	$239,510	$ 249,161

[1] Includes wastewater treatment plant and main carrier construction phase Interim Funding Obligations.
[2] Does not include capital leases.

OUTSTANDING BOND AUTHORIZATIONS

As of June 26, 2006
($ in Thousands)

Project	Date Authorized	Amount Authorized	Bonds Issued	Grants & Paydowns	BANs Outstanding	Authorized But Unissued
Board of Education capital projects	07/21/98	$22,091	$7,590	$13,802		$699
Board of Education [1]	06/24/04, 5/16/06	132,591	-			132,591
Fire House 2A	04/24/06	16,848	-			16,848[3]
Wastewater Treatment Plant	11/25/94	138,000	92,156	30,556	-	15,288
Main carrier	11/22/98	28,100	11,547	9,722	-	6,831
Collection system[2]	04/24/00	17,143	5,377	1,502	225	10,039
Total		$354,773	$116,670	$55,582	$225	$182,296

[1] Under new State procedures concerning funding of school construction projects, municipalities may request progress payments from the State during the projects' construction. The City expects to receive approximately 79% of project costs, or $ 104,746,000, from the State in the form of progress payments, thus reducing the need for borrowing by that amount.

[2] The City has signed Interim Funding Agreements with the State of Connecticut for the construction of wastewater treatment facilities and repairs to its main carrier which will be permanently financed through the State of Connecticut Clean Water Fund Program at a 2% rate of interest.

[3] Pursuant to the City Charter, the final approval of this authorization has been petitioned to a referendum vote.

DEBT STATEMENT

As of June 26, 2006

General Purpose Bonds	$109,524,154
School Bonds	8,594,674
Urban Renewal Bonds	237,650
Sewer Bonds	75,564,031
State of Connecticut Interim Funding Obligations	225,507
Total Direct Debt	$194,146,016
Less:	
School construction grants	---
Self-supporting water bonds	---
Self-supporting sewer debt	75,789,538
Total grants/self-supporting debt	$75,789,538
Net Debt	$118,356,478

DEBT RATIOS

As of June 26, 2006

Population (2000)	107,271
Net taxable grand list, 10/1/04	$3,412,948,258
Estimated full value at 70%	$4,875,640,368
Equalized net taxable grand list (2001)[2]	$4,807,277,040
Per capita income (1999)[1]	$17,701

	Direct Debt	Net Debt
	$194,146,016	$118,356,478
Per capita	$1,809	$1,103
Ratio to net taxable grand list	5.68%	3.46%
Ratio to estimated full value	3.98%	2.42%
Ratio to equalized net taxable grand list	4.03%	2.46%
Per capita debt to per capita income	10.21%	6.23%

[1] Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000.
[2] Source: State of Connecticut, Office of Policy and Management.

RATIO OF ANNUAL DEBT SERVICE TO GENERAL FUND EXPENDITURES AND TRANSFERS

($ in Thousands)

Fiscal Year Ended 6/30	Annual Debt Service	General Fund Expenditures and Transfers	Percent
2006	$18,750	$334,087	5.61
2005	18,929	330,070	5.73
2004	18,918	321,687	5.88
2003	14,361	311,724	4.61
2002	10,921	318,295	3.43
2001	10,441	309,693	3.37
2000	14,934	253,189	5.89

STATEMENT OF STATUTORY DEBT LIMITATION AND DEBT MARGIN

As of June 26, 2006

($ In Thousands)

Debt Limitation Base

Total tax collections (including interest and lien fees) For the fiscal year ended June 30, 2005	$180,694
Reimbursement for revenue loss on Elderly Tax Relief	34
Debt limitation base	$180,728

COMPUTATION OF DEBT LIMITATION AND DEBT MARGIN

($ In Thousands)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Funding
Multiple of base					
2¼ times base	$406,638				
4½ times base		$813,276			
33/4% times base			$677,730		
3¼ times base				$587,366	
3 times base					$542,184
Total debt limitation	406,638	813,276	677,730	587,366	542,184

Indebtedness					
Bonds payable	$109,524	$8,594	$75,789	$237	—
Bonds authorized but unissued		133,290	32,158		
Less: school construction grants		(104,746)			
Total indebtedness	109,524	37,138	107,947	237	—
Debt limitation by class in excess of outstanding and Authorized Debt	$297,114	$776,138	$569,783	$587,129	$542,184

In accordance with Connecticut General Statutes, municipalities may not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness to be exceeded by class as outlined above and in no case shall total indebtedness exceed seven times the base, or in the City's case, $ 1.3 billion

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas and electricity; for the construction of subways for cables, wire or pipes; and for the construction of underground conduits for cables, wires or pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of receipt of proceeds from State or Federal grants evidenced by a written commitment or by contract only to the extent such indebtedness can be paid from such proceeds and for debt to be paid from a funded sinking fund.

Other Long-Term Commitments

The City has entered into a twenty year capital lease agreement with Synagro Technologies, Inc. for a sewage sludge incinerator facility that became operational in January 1997 for the disposal of the City's sewage sludge. The agreement provides for Synagro operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a 50-dry-ton-per-day capacity, as well as related facilities. The capital lease costs associated with the facility are reflected as a liability in the Sewer Fund. See "Summary of Municipal Services, Solid Waste" herein for additional information.

From time to time, the City enters into capital lease contracts for various equipment and rolling stock. No lease agreements are in effect as of June 26, 2006.

Accounting and Budgetary Matters

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, 2005.

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.

A complete revision of the City's Charter was adopted by the voters in the November 2002 election. This revised Charter included significant changes to the budget process which required the budget to disclose certain information as listed below:

1. A general executive summary of all of its contents;
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 relationship 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 of other enterprise fund operated by the City.

The Board of Aldermen, before the end of April, considers and acts upon and may amend the estimates of the Mayor's Proposed Budget 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 will conduct two public hearings. After their deliberations, they will adopt a budget not later than midnight of the second business day following the first Wednesday after the first Monday in June, which will then be forwarded to the Waterbury Financial Planning and Assistance Board.

Pursuant to the Act, the Assistance Board must approve the City's budget. The Act provides that the Assistance Board shall disapprove the proposed budget if, in the judgment of the Assistance Board, the budget fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation or fails to provide that operations of the City will be conducted within cash resources available according to the Assistance Board's revenue estimates. If the Assistance Board disapproves the annual budget, the Assistance Board shall develop and approve an interim budget which will remain in effect until such time as a modified budget is adopted by the City and approved by the Assistance Board.

GENERAL FUND REVENUES AND EXPENDITURES
($ In Thousands)

	Adopted Budget 2006-07	Est. 2005-06[1]	Actual 2004-05	Actual 2003-04	Actual 2002-03	Actual 2001-02
Revenues						
Property taxes	$198,122	$190,291	$180,545	$180,371	$177,721	$159,134
Intergovernmental revenue	127,032	125,136	126,547	122,463	122,782	129,371
Interest, rent, services and miscellaneous income	1,700	3,138	1,679	1,079	1,117	1,608
Reimbursements and charges for services	19,382	18,459	17,703	11,302	7,915	5,674
Other	1,700	704	1,110	1,671	2,101	2,792
Total revenues	$347,936	$337,728	$327,584	$316,886	$311,636	$298,579
Expenditures						
General Government	$9,510	$9,070	$8,544	$7,534	$6,746	$7,578
General Financial	130,698	105,216	101,458	94,568	89,358	85,708
Public works	18,014	17,218	16,431	16,415	13,070	12,199
Public Safety	43,868	41,921	43,083	43,770	41,615	42,175
Human Services	3,054	2,935	2,362	2,568	2,607	2,719
Education	141,000	133,474	134,548	134,403	128,345	119,448
Cultural and Recreation	1,792	1,608	1,621	1,558	4,741	5,706
Other	---	---	---	---	1,040	3,487
Total expenditures	$347,936	$311,442	$308,047	$300,816	$287,522	$279,020
Excess of revenue over expenditures		26,286	19,537	16,070	24,114	19,559
Transfers In		---	376	4,163	4,898	5,480
Transfers Out		(23,986)	(22,023)	(20,871)	(24,202)	(38,119)
Proceeds from sale of bonds (net)		---	---	---	---	97,867
Net change in fund balance		2,300	(2,110)	(638)	4,810	84,787
Fund balance (deficit) beginning as previously reported		16,112	18,222	18,860	14,050	(70,737)
Prior period adjustments		---	---	---	---	---
Fund balance (deficit) ending		$18,412	$16,122	$18,222	$18,860	$14,050
% Fund balance (deficit) of Total expenditures and Transfers Out		5.49%	4.88%	5.66%	6.05%	4.43%

1 Estimated actual as of 6/30/06.

COMPARATIVE BALANCE SHEETS – GENERAL FUND
($ In Thousands)

	Audited 6/30/05	Audited 6/30/04	Audited 6/30/03	Audited 6/30/02	Audited 6/30/01
Assets					
Cash, cash equivalents and investments	$21,705	$19,315	$27,494	$19,954	$24,911
Receivables:					
Property Taxes	19,775	20,170	22,602	22,209	16,909
Accrued interest on Property Taxes	8,206	6,540	6,299	4,748	---
Receivable Accounts - other	1,144	919	1,340	2,501	525
Due from other funds	3,105	2,268	2,813	5,013	3,203
Total Assets	$53,935	$49,212	$60,548	$54,425	$45,548
Liabilities and Fund Balance					
Liabilities:					
Accounts and other payables	$10,660	$5,221	$10,730	$10,925	$21,704
Due to other funds	508	350	30,958	356	30,289
Deferred revenue	26,655	25,419	---	29,094	19,292
Notes Payable	---	---	---	---	45,000
Total Liabilities	$37,823	$30,990	$41,688	$40,375	$116,285
Fund Balance:					
Reserved	---	---	---	750	2,712
Designated	4,112	7,222	8,860	7,500	---
Undesignated (Deficit)	12,000	11,000	10,000	5,800	(73,449)
Total	$53,935	$49,212	$60,548	$54,425	$45,548

RISK MANAGEMENT

The City is self-insured in most areas of risk. These include general liability, collision for City vehicle, worker's compensation, heart and hypertension, unemployment and employee health claims. The City's Legal Counsel defends the City in any lawsuits that arise from the normal course of operations.

The City purchases commercial insurance for individual stop loss insurance coverage of $500,000 for its self insured employee medical benefits. Additionally, the City purchases commercial insurance for excess coverage for self-insured general liability claims set at $4 million with a City retention of $1 million.

The City has an Anthem Blue Cross/Blue Shield minimum premium medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem Blue Cross/Blue Shield acts as a claims processor and a transfer of risk does not occur.

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APPENDIX B

State Revolving Fund General Revenue Program

State Revolving Fund Financial Statements

Clean Water Fund and Drinking Water Fund

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FINANCIAL STATEMENTS

The internally prepared statements for the Fund's State Account and the Long Island Sound (LIS) Account are included in this report.

The audited statements for Federal Accounts , prepared by Seward and Monde CPAs are also included in this report.

State Account (21014) - Unaudited

Balance Sheet

(in thousands)	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
ASSETS		
Cash and equivalents	$34,760	$12,755
Loans receivable	38,660	42,225
Interest receivable (loans)	122	142
Interest receivable (investments)	296	335
Restricted assets (investments):		
Interest subsidy bonds	15,650	17,300
Cost of Issuance	0	310
Total investments	89,488	73,067
Total assets	89,488	73,067
LIABILITIES		
Due to federal account	0	0
Total liabilities	0	0
FUND BALANCE:		
Prior fund balance	73,067	91,731
Net Income/(Loss)	16,421	(18,664)
Current fund balance	89,488	73,067
Total liabilities and fund balance	$89,488	$73,067

State Account (21014)- Unaudited

Statement of Revenue and Expenses and the Statement of Change in Fund Balance

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
(in thousands)		
OPERATING REVENUE:		
Interest on loans	$797	$886
Interest on investments	1,034	1,185
Miscellaneous revenue		
	1,831	2,071
OPERATING EXPENSES:		
Salaries & benefits	2,728	2,420
Indirect costs		1,065
Other	21	35
	2,749	3,520
Income before Operating transfers	(918)	(1,449)
Operating transfers:		
Grants	(14,320)	(13,883)
Bond Proceeds	35,000	0
Other operating transfers	(3,341)	(3,332)
Total Operating Transfers	17,339	(17,215)
Net Income after Transfers:	16,421	(18,664)
Fund Balance		
Beginning of the year	73,067	91,731
End of the year	$89,488	$73,067

Long Island Sound Account (21016) - Unaudited
Balance Sheet

(in thousands)	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
ASSETS		
Cash and equivalents	$2,567	$5,886
Due to other state funds	0	0
Due from comptrollers	0	0
Total assets	2,567	5,886
LIABILITIES		
Due to comptroller	0	0
Total liabilities	0	0
FUND BALANCE:		
Prior fund balance	5,886	(1,827)
Net Income/(Loss)	$(3,319)	$7,713

Long Island Sound Account (21016)- Unaudited Statement of Revenue and Expenses and the Change In Fund Balance

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
(in thousands)		
OPERATING REVENUE:		
Interest on investments	194	24
Miscellaneous revenue		0
	194	24
OPERATING EXPENSES:		
Salaries & benefits	0	0
Indirect costs	0	0
Other	60	0
	60	0
Income before operating transfers	134	24
Operating transfers:		
Grants	(3,520)	(5,421)
Bond proceeds	0	13,600
Other operating transfers	67	(490)
Total operating transfers	(3,453)	7,689
Net income after transfers	(3,319)	7,713
<u>Fund Balance</u>		
Beginning of the year	5,886	(1,827)
End of the year	2,567	5,886

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS: STATE ACCOUNT

These are the internally prepared statements for the state account.

NOTES TO FINANCIAL STATEMENTS: LONG ISLAND SOUND ACCOUNT

These are the internally prepared statements for the Long Island Sound account. As of June 30, 2005, the Clean Water Fund Long Island Sound account continued to be used solely to make grants.

Detailed information on the Long Island Sound projects can be found in the Cumulative Projects Funded Report in Appendix XI.

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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, 2005 AND 2004

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

JUNE 30, 2005 and 2004

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SEWARD AND MONDE

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

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

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, 2005 and 2004, 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, 2005 and 2004, 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, 2005 and 2004, 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 26, 2005 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 conjunction with this report in considering 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 26, 2005

STATE OF CONNECTICUT
OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the activities of the State of Connecticut Clean Water Fund for the fiscal year ended June 30, 2005. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

The Clean Water Fund has implemented Governmental Accounting Standards Board (GASB) Statement No. 40 as required during the fiscal year ending June 30, 2005.

Financial Highlights

Changes in Net Assets – Fund net assets under management in the Clean Water Fund at the close of the fiscal year 2005 were $531,043,094 (including assets of $1,080,578,075 offset by liabilities of $549,534,981) compared to fiscal year 2004 Fund net assets of $505,954,383 (including assets of $1,096,521,391 offset by liabilities of $590,567,008). Fund net assets increased by $25,088,711 or 4.96% primarily reflecting lower debt outstanding. The Statement also shows restricted fund net assets of $478,813,168 at the close of fiscal year 2005, an increase of $29,758,509 or 6.63% above the 2004 balance.

Operating Revenues – The Fund's gross operating income remained relatively constant decreasing slightly by $24,908 to $12,242,727.

Statement of Cash Flows – The Statement of Cash Flows shows an increase in cash for the year of $1,393,509.

Bonds Outstanding – No new bonds were issued during the year. The Fund's total debt outstanding decreased during the fiscal year by $38,207,170 to $521,968,430 due to scheduled amortization.

Loans Receivable – Total loans receivable decreased by $31,624 from $616,045,485 to $616,013,861 due to the net of new loans and repayments.

Capitalization Grants - There were no new Federal wastewater capitalization grants awarded in fiscal year 2005. During the year, $15,136,554 was drawn from the EPA for projects, compared to $1,713,604 drawn in 2004. The State has drawn all but $19,729,774 of the $327,222,396 in cumulative federal wastewater capitalization grant awards.

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 and the amount of capitalization grants remaining for future use. 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. 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, 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 $101,692,094, an increase of $2,368,084 from 2004. Payments to municipalities for ongoing projects totaled $39,684,920. Completed projects which were permanently financed totaled $38,007,307. 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.

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 a significant portion of the funds and accounts created under the general bond resolutions in investment agreements with financial institutions. The investment agreements are with, or guaranteed by, institutions with ratings at least equal to the rating on the Bonds given by Standard & Poor's and Moody's Investors Service. Certain monies currently held in the debt service reserve funds are invested pursuant to investment agreements, collateralized with securities issued or guaranteed by the U.S. Government or agencies or
instrumentalities thereof 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. No bonds were issued in fiscal year 2005.

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.
General Counsel - Attorney General of the State of Connecticut
Auditor - Seward & Monde CPAs
Trustee - US Bank
Loan Repayment Collection Services - US Bank

SELECTED FINANCIAL INFORMATION

	2005	2004	Increase (Decrease)
Change in Fund Net Assets	$ 25,088,711	$ 22,202,398	$ 2,886,313
Operating Revenues	$ 12,242,727	$ 12,267,635	$ (24,908)
Federal Capitalization Grants	$ 15,148,470	$ 1,990,881	$ 13,157,589
Interest on Investments	$ 18,263,484	$ 18,828,893	$ (565,409)
Operating Expenses	$ 755,402	$ 603,177	$ 152,225
Interest Expense	$ 26,984,680	$ 24,154,535	$ 2,830,145

ECONOMIC CONDITIONS AND OUTLOOK

During fiscal year 2005, the State's economic and financial situation improved over the prior year; employment remained stable or improved and the overall State Budget showed a surplus at the end of the fiscal year, part of which was deposited in the State's Budget Reserve Fund. While the news has generally been good for Connecticut's economy, there were fluctuations in economic conditions during the year including increasing short term interest rates and higher fuel costs. While employment improved, significant job losses in some sectors continued.

State and federal budget constraints have led to reduced authorizations for the program which could lead to a slow down in the initiation of water quality and pollution control projects. DEP and the Treasurer's Office will continue to monitor planning activities and will assist municipalities in determining the most cost effective and efficient way to meet their water quality needs. DEP is continuing to be proactive in identifying needs, setting priorities and working with municipalities to plan compliance with federal water quality laws.

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
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3134
www.state.ct.us/ott

Questions about the Clean Water Fund and water quality in Connecticut should be addressed to:
Connecticut Department of Environmental Protection
450 Capitol Avenue
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, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,359,916	$ 2,966,407
Interest receivable - investments	3,533,190	3,956,433
Interest receivable - loans	3,272,540	2,749,080
Grants receivable	420,596	408,681
Other assets	38,876	-
Loans receivable	141,501,199	136,925,799
Total current assets	153,126,317	147,006,400
Noncurrent assets:		
Loans receivable	474,512,662	479,119,686
Revolving fund	122,295,821	124,406,397
Deferred losses on early retirement of bonds	34,855,103	38,674,085
Restricted assets:		
Loan fund	-	4,086,012
Debt service reserve fund	182,560,943	196,067,745
Debt service fund	81,022,610	74,581,935
Senior sinking fund	17,427,473	17,190,022
Support fund	14,777,146	15,389,109
Total restricted assets	295,788,172	307,314,823
Total noncurrent assets	927,451,758	949,514,991
Total assets	$ 1,080,578,075	$ 1,096,521,391
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	$ 5,854,399	$ 6,431,871
Revenue bonds payable	23,835,696	22,563,949
Refunding bonds payable	10,550,415	15,643,221
Arbitrage liability	2,126,690	2,588,861
Total current liabilities	42,367,200	47,227,902
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	19,585,462	21,370,676
Revenue bonds payable	170,105,205	193,940,901
Refunding bonds payable	317,477,114	328,027,529
Total noncurrent liabilities	507,167,781	543,339,106
Total liabilities	549,534,981	590,567,008
FUND NET ASSETS		
Unrestricted	52,229,926	56,899,724
Restricted for loans	478,813,168	449,054,659
Total fund net assets	531,043,094	505,954,383
Total liabilities and fund net assets	$ 1,080,578,075	$ 1,096,521,391

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, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Interest on loans	$ 12,242,727	$ 12,267,635
OPERATING EXPENSES		
Salaries	430,580	412,256
Employee benefits	228,208	189,701
Other	96,614	1,220
Total operating expenses	755,402	603,177
Operating income	11,487,325	11,664,458
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	18,263,484	18,828,893
Amortization of bond premium	1,785,214	4,755,595
Interest expense	(26,984,680)	(24,154,535)
Arbitrage	-	(506,036)
Total nonoperating revenues (expenses)	(6,935,982)	(1,076,083)
Income before federal capitalization grants and transfers	4,551,343	10,588,375
FEDERAL CAPITALIZATION GRANTS		
Project funds	14,486,088	1,387,712
Administrative set-asides	662,382	603,169
Total federal capitalization grants	15,148,470	1,990,881
OPERATING TRANSFERS	5,388,898	9,623,142
Change in fund net assets	25,088,711	22,202,398
FUND NET ASSETS, beginning	505,954,383	483,751,985
FUND NET ASSETS, ending	$ 531,043,094	$ 505,954,383

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, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	$ 11,028,795	$ 11,090,724
Loan originations	(39,684,920)	(48,663,253)
Principal paid on loans receivable	40,407,016	39,187,052
Payments to employees	(658,788)	(601,957)
Other payments	(96,614)	(1,220)
Net cash provided by operating activities	10,995,489	1,011,346
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	15,136,555	1,713,604
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(22,563,949)	(28,290,603)
Repayment of refunding bonds payable	(15,643,221)	(8,431,911)
Proceeds from revenue bonds payable	-	85,021,200
Proceeds from refunding bonds payable	-	229,587,661
Premium received on revenue and refunding bonds	-	20,153,120
Payment to refunded revenue bond escrow agent	-	(291,594,387)
Interest paid on revenue and refunding bonds	(23,743,170)	(22,716,862)
Operating transfers	5,388,898	9,623,142
Payments on arbitrage liability	(462,171)	-
Net cash used by noncapital financing activities	(57,023,613)	(6,648,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	18,647,851	19,129,844
(Increase) decrease in revolving fund	2,110,576	(124,406,397)
Decrease in restricted assets	11,526,651	111,722,873
Net cash provided by investing activities	32,285,078	6,446,320
Net increase in cash and cash equivalents	1,393,509	2,522,630
CASH AND CASH EQUIVALENTS, beginning	2,966,407	443,777
CASH AND CASH EQUIVALENTS, ending	$ 4,359,916	$ 2,966,407
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 11,487,325	$ 11,664,458
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(523,460)	(911,267)
(Increase) decrease in loans receivable	31,624	(9,741,845)
Net cash provided by operating activities	$ 10,995,489	$ 1,011,346

STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2005 and 2004

1 - NATURE OF ORGANIZATION

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), 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 loaned to municipalities and as the SRF expenditures for administration 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 $219 and $214 as of June 30, 2005 and 2004, 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 matrix pricing. 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, 2005 and 2004.

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 Resolutions 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:

Fund / Account	Description and Use
Revenue Fund a. Pledged Receipts Account	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.
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	Received proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds expensed 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 a. Interest Account	Receives amounts from the revenue fund accounts sufficient to pay the interest portion due on each interest payment date. Pays interest on outstanding bonds.
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 from which the Bonds are repaid consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. The State will maintain the Revolving Fund in accordance with the Federal Act.
Loan Fund	Receives proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds expensed for purposes of financing loans to borrowers under the State Revolving Fund program and if other monies are not available, payment of principal and interest on bonds.
Debt Service Fund	Receives amounts from the Revolving Fund, Support Fund and Loan 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.

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, 2005 funds held by the State Comptroller were $4,359,697. 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, 2005 funds held by STIF were $76,074,989, of which $76,074,770 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, 2005, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10	Rating
Federated Treasury Repurchase Agreements	$ 60,171,849	$60,171,849	$ -	$ -	$ -	AAA
Guaranteed Investment Contracts	155,837,864	-	19,046,628	1,459,380	135,331,856	AAA
Guaranteed Investment Contracts	77,586,329	-	-	37,323,448	40,262,881	AA-
Connecticut General Obligation Bonds	48,413,181	-	-	15,451,859	32,961,322	AA
	$ 342,009,223	$60,171,849	$ 19,046,628	$ 54,234,687	$208,556,059	

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:

	2005	2004
Construction in process	$101,692,094	$ 99,324,010
Completed projects	514,321,767	516,721,475
	$616,013,861	$616,045,485

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

Year ending June 30	
2005	$ 39,809,105
2006	40,489,296
2007	40,986,359
2008	41,493,451
2009	41,874,369
Thereafter	309,669,187
	$514,321,767

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:

	2005	2004
Awarded	$327,222,396	$294,514,024
Requested	307,492,622	292,356,068
Available federal letter of credit	$ 19,729,774	$ 2,157,956

6 - RESTRICTED ASSETS

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

	2005	2004
Cash equivalents:		
Money market funds	$ -	$ 4,086,012
Investments:		
Federated Treasury Repurchase Agreements	59,004,608	46,766,242
Guaranteed Investment contracts	233,424,193	252,878,822
Connecticut General Obligation Bonds	3,359,371	3,583,747
	$295,788,172	$307,314,823

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, 2005 and 2004, the basic rates were 53.00% and 45.82%, respectively, of the SRF wages and the amounts charged aggregated $228,208 and $189,701, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2005 is as follows:

	Balance June 30, 2004	Principal Paydown	Balance June 30, 2005
Revenue bonds payable	$ 216,504,850	$ 22,563,949	$ 193,940,901
Subordinate refunding bonds payable	115,985,000	11,545,000	104,440,000
Refunding bonds payable	227,685,750	4,098,221	223,587,529
	$ 560,175,600	$ 38,207,170	$ 521,968,430

A summary of changes in bonds payable during the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additional Borrowings	Principal Paydown	Advanced Refunding	Balance June 30, 2004
Revenue bonds payable	$ 414,745,253	$ 85,021,200	$28,290,603	$ 254,971,000	$216,504,850
Subordinate refunding bonds payable	122,515,000	-	6,530,000	-	115,985,000
Refunding bonds payable	-	229,587,661	1,901,911	-	227,685,750
	$ 537,260,253	$314,608,861	$36,722,514	$ 254,971,000	$560,175,600

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 issued Clean Water Fund, Revenue Bonds 1999, 1997, 1996, 1994, 1993, 1992 and 1991 series, dated April 15, 1999, September 1, 1997, March 1, 1996, June 1, 1994, January 1, 1993, 1992 and 1991, respectively. The bonds are payable solely from funds pledged pursuant to the General Bond Resolution adopted December 7, 1990.

The State of Connecticut issued Clean Water Fund Revenue Bonds 2001 series dated May 24, 2001. 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. 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 will be tracked separately for federal reporting purposes, all pledged receipts will secure all bonds of the Clean Water Fund 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 Clean Water Fund Revenue Bonds 2003 series dated July 10, 2003. In accordance with the State Clean Water Fund Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 series 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 to be paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the loan fund, the support fund and the debt service fund pursuant to the General Bond Resolution adopted December 17, 2002.

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

	2005	2004
Serial bonds, with interest rates from 2.00% to 6.375%, maturing from 2006 through 2026	$181,130,901	$203,694,850
Term bonds, with interest rates ranging from 5.125% to 6%, maturing from 2012 through 2020	12,810,000	12,810,000
	$193,940,901	$216,504,850

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. Amortization of the deferred loss for the years ended June 30, 2005 and 2004 totaled $343,794 and $390,726, 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, 2005 and 2004 totaled $492,303 and $527,488, respectively.

Refunding Bonds – 2003 Series

On July 10, 2003 the State issued $115,785,000 of Clean Water Fund Refunding Bonds 2003, Series B with interest rates of 2.0% to 5.9% and $121,375,000 of Clean Water Fund Refunding Bonds, 2003 Series C as auction rate bonds to advance refund Clean Water Fund 1991, 1992, 1994, 1996, 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, 2005, 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, 2005 and 2004 totaled $2,982,885 and $2,729,163, respectively.

The interest rate on the 2003 Series C Bonds was hedged with an interest rate swap (see Note 10). At June 30, 2005, 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
2006	$ -	$ 2,901,726	$ 1,080,944	$ 3,982,670
2007	-	2,901,726	1,080,944	3,982,670
2008	-	2,905,334	1,082,288	3,987,622
2009	-	2,901,726	1,080,944	3,982,670
2010	-	2,901,726	1,080,944	3,982,670
2011-2015	-	14,634,150	5,451,476	20,085,626
2016-2020	79,025,000	10,188,666	3,795,456	93,009,122
2021-2023	42,350,000	1,122,677	418,217	43,890,894
	$121,375,000	$40,457,731	$15,071,213	$176,903,944

Bond Maturities

Requirements at June 30, 2005 to retire the SRF's revenue and refunding bonds are as follows:

Year ending June 30,	Principal	Interest
2006	$ 34,386,111	$ 22,804,658
2007	31,545,526	19,594,260
2008	41,749,042	19,456,585
2009	33,768,345	16,760,408
2010	37,437,676	15,709,476
2011-2015	143,735,593	56,916,550
2016-2020	128,790,137	24,099,887
2021-2025	68,363,600	4,788,549
2026	2,192,400	46,040
	$521,968,430	$180,176,413

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, are 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 1996, 1997, 1999, 2001 and 2003 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 $1,662,051 and $8,038,784 as of June 30, 2005 and 2004, 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 $700,210 and $774,699 as of June 30, 2005 and 2004, 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, 2005, 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, 2005.

11 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2005 and 2004.

	Unrestricted	Restricted for Loans	Total
Balance at June 30, 2003	$48,750,849	$435,001,136	$483,751,985
Change in fund net assets	8,148,875	14,053,523	22,202,398
Balance at June 30, 2004	56,899,724	449,054,659	505,954,383
Change in fund net assets	(4,669,798)	29,758,509	25,088,711
Balance at June 30, 2005	$ 52,229,926	$478,813,168	$ 531,043,094

12 - OPERATING TRANSFERS

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

	2005	2004
Interest subsidy transfers	$ 2,551,856	$ 2,632,758
Pledged loan repayments	2,189,663	2,203,014
Loan expenditure transfers	-	(2,154)
Operating expenses transfer	662,382	603,169
Operating expenses reimbursement	(325,888)	(656,377)
Drinking Water Fund debt service payment	-	546,596
Transfers related to bond offerings	310,885	4,296,136
	$ 5,388,898	$ 9,623,142

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:

	2005	2004
Total funds committed to municipalities	$774,125,290	$804,380,796
Loan amount outstanding to municipalities	616,013,861	616,045,485
Loan commitments outstanding	$158,111,429	$188,335,311

14 - RISK MANAGEMENT

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

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

Ms. Denise L. Nappier, Treasurer

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, 2005, and have issued our report thereon dated August 26, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 26, 2005

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
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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, 2005. 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 accounting 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, 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 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 26, 2005

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, 2005

Federal Grantor; Program Title	Federal CFDA Number	Expenditures
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.458	$ 15,148,470

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, 2005

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 $616,013,861 as of June 30, 2005.

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, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	____Yes _X__No
Reportable condition(s) identified not considered to be material weaknesses?	____Yes _X_None reported
Noncompliance material to financial statements noted?	____Yes _X__No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____Yes __X_No
Reportable condition(s) identified not considered to be material weaknesses?	____Yes __X_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 Circular A-133, Section .510(a)?	__ _Yes __X_No

Identification of Major Programs:

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

Auditee qualified as low risk auditee?	__X_Yes __ _No
Dollar threshold used to distinguish between type A and type B programs	$454,454

FINANCIAL STATEMENTS

State Account (21017) - Unaudited

Balance Sheet

(in thousands)	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
ASSETS		
Cash and equivalents	$ 0	$ 0
Interest receivable— Loans	0	0
Cost of Issuance	0	0
Total assets	0	0
FUND BALANCE:		
Prior fund balance	0	85
Net Income/(Loss)	0	(85)
Current fund balance	0	0
Total fund balance	$ 0	$ 0

State Account (21017)- Unaudited
Statement of Revenue and Expenses and the Statement of Change in Fund Balance

(in thousands)	Fiscal Year Ended June 30, 2005		Fiscal Year Ended June 30, 2004	
REVENUE:				
Interest on Loans	$	0	$	0
Interest Income		0		1
				1
EXPENSES:				
Cost of issuance expense		0		222
		0		222
Income before Operating transfers		0		(221)
Operating transfers:				
Other operating transfers		0		136
Total Operating Transfers				0
Net Income after Transfers:		0		(85)
<u>Fund Balance</u>				
Beginning of the year		0		85
End of the year	$	0	$	0

Notes to the Financial Statements

These are the internally prepared statements for the State account.

The State does not provide grants for this program.

The State has not provided interest subsidy payments for the bonds issued for the benefit of this program.

No bonds were issued during fiscal year 2005 so there was no activity in the account.

AUDITED

FINANCIAL STATEMENTS

STATE OF CONNECTICUT CLEAN WATER FUND -

DRINKING WATER FEDERAL REVOLVING

LOAN ACCOUNT (STATE REVOLVING FUND)

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

The audited statements provided on the following pages have been prepared by the auditors, Seward & Monde, CPAs of North Haven, CT. for the DWSRF as of June 30, 2005. These statements are also available in a separate report dated September 17, 2005 from the auditors.

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, 2005 AND 2004

STATE OF CONNECTICUT CLEAN WATER FUND –
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
JUNE 30, 2005 and 2004

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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, 2005 and 2004, 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, 2005 and 2004, 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, 2005 and 2004, 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 26, 2005 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 conjunction with this report in considering 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 26, 2005

STATE OF CONNECTICUT
OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the activities of the State of Connecticut Drinking Water Fund for the fiscal year ended June 30, 2005. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

The Drinking Water Fund has implemented Governmental Accounting Standards Board (GASB) Statement No. 40 as required during the fiscal year ending June 30, 2005.

Financial Highlights

Changes in Net Assets - Fund net assets under management in the Drinking Water Fund at the close of fiscal year 2005 were $59,326,083 (including assets of $113,190,656 offset by liabilities of $53,864,573) compared to fiscal year 2004 Fund net assets of $57,979,060 (including assets of $112,862,336 offset by liabilities of $54,883,276). Fund net assets increased by $1,347,023 or 2.32% primarily reflecting lower debt outstanding. The statement also shows restricted fund net assets of $46,998,638 at the close of fiscal year 2005, an increase of $1,919,105 or 4.26% above the 2004 balance.

Statement of Cash Flows – The Statement of Cash Flows shows a reduction in cash for the year of $223,554.

Bonds Outstanding – No new bonds were issued during the fiscal year. The Fund's total bonds outstanding decreased to $49,571,570 from $51,084,399 due to scheduled amortization.

Loans Receivable – Total loans receivable decreased by $3,678,620 from $52,995,470 to $49,316,850 due to loan repayments. Two loan commitments were executed in June 2005 but no cash advances were made against them.

Capitalization Grants – During the year, drawdowns were $1,694,186 compared to $5,011,400 in fiscal year 2004 because capitalization grants were drawn only for the drinking water set asides. At June 30, 2005, $46,452,217 has been drawn from the federal EPA against the total of $67,596,000 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 and the amount of capitalization grants remaining for future use. 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 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. 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, 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.
There were no construction loan draws in 2005. 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 a significant portion of the funds in the accounts created under the general bond resolution in investment agreements with financial institutions. The investment agreements are with, or guaranteed by, institutions with ratings at least equal to the rating on the Bonds given by Standard & Poor's and Moody's Investors Service. Certain monies currently held in the debt service reserve funds are invested pursuant to investment agreements, collateralized with securities issued or guaranteed by the U.S. Government or agencies or instrumentalities thereof 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. Since 2001, proceeds of these bonds have been used to fund loans to the Drinking Water Fund borrowers. Further information about outstanding bonds can be found in the notes to the financial statements. No bonds were issued in fiscal year 2005.

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.
General Counsel - Attorney General of the State of Connecticut
Auditor - Seward & Monde CPAs
Trustee - US Bank
Loan Repayment Collection Services - US Bank

SELECTED FINANCIAL INFORMATION

	2005	2004	Increase (Decrease)
Change in Fund Net Assets	$ 1,347,023	$ (3,299,557)	$ 4,646,580
Operating Revenues	$ 1,422,669	$ 1,216,304	$ 206,365
Federal Capitalization Grants	$ 2,482,179	$ 5,898,420	$ (3,416,241)
Interest on Investments	$ 1,851,281	$ 1,631,325	$ 219,956
Operating Expenses	$ 1,743,096	$ 1,507,942	$ 235,154
Interest Expense	$ 2,130,066	$ 1,906,285	$ 223,781

ECONOMIC CONDITIONS AND OUTLOOK

During fiscal year 2005, the State's economic and financial situation improved over the prior year; employment remained stable or improved and the overall State Budget showed a surplus at the end of the fiscal year, part of which was deposited in the State's Budget Reserve Fund. While the news has generally been good for Connecticut's economy, there were fluctuations in economic conditions during the year including increasing short term interest rates and higher fuel costs. While employment improved, significant job losses in some sectors continued.

State and federal budget constraints have led to reduced authorizations for the program which could lead to a slow down in the initiation of drinking water projects. The DPH, the DEP and the Treasurer's Office will continue to monitor planning activities and will assist municipalities in determining the most cost effective and efficient way to meet their water quality needs. In addition, DPH is continuing to be proactive in identifying needs, setting priorities and working with municipalities to plan compliance with federal water quality laws.

REQUIRED SUPPLEMENTARY INFORMATION

The Drinking Water Fund does not separately report required supplementary information that contains budgetary comparison schedules, schedules presenting infrastructure assets or supplementary pension fund information because this information is recorded by the State of Connecticut. The 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
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3134
www.state.ct.us/ott

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

Connecticut Department of Public Health
450 Capitol Avenue
Hartford, CT 06106
Telephone (860) 509-7333
www.state.ct.us/dph

STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 223,554
Interest receivable - investments	322,582	330,100
Interest receivable - loans	11,608	105,864
Other assets	146,635	-
Grant receivable	1,238,087	449,850
Loans receivable	2,728,732	3,773,468
Total current assets	4,447,644	4,882,836
Noncurrent assets:		
Loans receivable	46,588,118	49,222,002
Revolving fund	13,013,662	12,839,336
Deferred loss on early retirement of bonds	882,600	967,769
Restricted assets:		
Loan fund	13,645,960	13,486,329
Debt service reserve fund	21,982,914	22,802,940
Debt service fund	6,725,963	2,987,693
Support fund	5,903,795	5,673,431
Total restricted assets	48,258,632	44,950,393
Total noncurrent assets	108,743,012	107,979,500
Total assets	$ 113,190,656	$ 112,862,336
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	$ 507,712	$ 521,764
Due to other funds	714,481	-
Revenue bonds payble	1,559,304	1,226,051
Refunding bonds payable	279,585	286,779
Total current liabilities	3,061,082	2,034,594
Noncurrent liabilities:		
Premium on revenue and refunding bonds	3,070,810	3,277,113
Revenue bonds payable	40,859,795	42,419,098
Refunding bonds payable	6,872,886	7,152,471
Total noncurrent liabilities	50,803,491	52,848,682
Total liabilities	53,864,573	54,883,276
FUND NET ASSETS		
Unrestricted	12,327,445	12,899,527
Restricted for loans	46,998,638	45,079,533
Total fund net assets	59,326,083	57,979,060
Total liabilities and fund net assets	$ 113,190,656	$ 112,862,336

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, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Interest on loans	$ 1,422,669	$ 1,216,304
OPERATING EXPENSES		
Salaries	1,018,998	966,461
Employee benefits	491,754	433,056
Other	232,344	108,425
Total operating expenses	1,743,096	1,507,942
Operating loss	(320,427)	(291,638)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	1,851,281	1,631,325
Amortization of bond premium	206,303	460,458
Interest expense	(2,130,066)	(1,906,285)
Total nonoperating revenues (expenses)	(72,482)	185,498
Loss before federal capitalization grants and transfers	(392,909)	(106,140)
FEDERAL CAPITALIZATION GRANTS		
Project funds	-	4,040,617
Set-aside activities	2,482,179	1,857,803
Total federal capitalization grants	2,482,179	5,898,420
OPERATING TRANSFERS	(742,247)	(9,091,837)
Change in fund net assets	1,347,023	(3,299,557)
FUND NET ASSETS, beginning	57,979,060	61,278,617
FUND NET ASSETS, ending	$ 59,326,083	$ 57,979,060

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, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	$ 1,516,925	$ 1,370,031
Loan originations	(136,104)	(11,607,632)
Principal paid on loans receivable	3,814,724	1,311,585
Payments to employees	(1,629,433)	(1,399,517)
Other payments	(232,344)	(108,425)
Net cash provided (used) by operating activities	3,333,768	(10,433,958)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	1,694,186	5,011,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(1,226,050)	(1,199,398)
Repayment of refunding bonds payable	(286,779)	(133,089)
Proceeds from revenue bonds payable	-	33,063,800
Proceeds from refunding bonds payable	-	7,572,339
Premium received on revenue and refunding bonds	-	3,292,267
Payment to refunded revenue bond escrow agent	-	(18,879,694)
Interest paid on revenue bonds	(2,058,949)	(1,656,189)
Operating transfers	(55,964)	(9,091,837)
Net cash provided (used) by noncapital financing activities	(3,627,742)	12,968,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,858,799	1,583,934
Increase in revolving fund	(174,326)	(12,839,336)
(Increase) decrease in restricted assets	(3,308,239)	2,788,462
Net cash used by investing activities	(1,623,766)	(8,466,940)
Net decrease in cash and cash equivalents	(223,554)	(921,299)
CASH AND CASH EQUIVALENTS, beginning	223,554	1,144,853
CASH AND CASH EQUIVALENTS, ending	$ -	$ 223,554
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	($ 320,427)	($ 291,638)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease in interest receivable - loans	94,256	258,827
Increase in other assets	(118,681)	-
(Increase) decrease in loans receivable	3,678,620	(10,401,147)
Net cash provided (used) by operating activities	$ 3,333,768	($ 10,433,958)

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, 2005 and 2004

1 - NATURE OF ORGANIZATION

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), 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.

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 loaned to public water systems and as the SRF expenditures for administration 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, 2005 and 2004, 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 matrix pricing. 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, 2005 and 2004.

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 2.1% 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:

Fund / Account	Description and Use
Revenue Fund a. Pledged Receipts Account	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.
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	Received proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds expensed 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 a. Interest Account	Receives amounts from the revenue fund accounts sufficient to pay the interest portion due on each interest payment date. Pays interest on outstanding bonds.
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 from which the Bonds are repaid consists of amounts in the water pollution control federal revolving loan account and drinking water federal revolving loan account. The State will maintain the Revolving Fund in accordance with the Federal Act.
Loan Fund	Received proceeds from the sale of revenue bonds as specified and determined by the Resolution. Funds 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 Loan 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, 2005 funds held by the State Comptroller was $645,998. 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, 2005 funds held by STIF were $26,659,622, of which $13,013,662 is included in the revolving fund and $13,645,960 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, 2005, 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	$ 6,725,963	$ 6,725,963	$ -	$ -	$ -	AAA
Guaranteed Investment Contracts	18,339,668	-	-	-	18,339,668	AAA
Connecticut General Obligation Bonds	9,547,041	-	-	-	9,547,041	AA
	$ 34,612,672	$ 6,725,963	$ -	$ -	$ 27,886,709	

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:

	2005	2004
Construction in process	$ 65,242	$ 65,242
Completed projects	49,251,608	52,930,228
	$ 49,316,850	$ 52,995,470

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

Year ending June 30	
2006	$ 2,663,490
2007	2,785,229
2008	2,800,941
2009	2,817,140
2010	2,833,841
Thereafter	35,350,967
	$ 49,251,608

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:

	2005	2004
Awarded	$ 67,596,000	$ 67,596,000
Requested	46,452,217	44,758,031
Available federal letter of credit	$ 21,143,783	$ 22,837,969

6 - RESTRICTED ASSETS

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

	2005	2004
Cash equivalents:		
Money market funds	$ 13,645,960	$ 13,486,329
Investments:		
Federated Treasury Repurchase Agreements	6,725,963	2,987,693
Guaranteed Investment Contracts	18,339,668	18,498,824
Connecticut General Obligation Bonds	9,547,041	9,977,547
	$ 48,258,632	$ 44,950,393

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 management.

Allocation of Expenditures

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, 2005 and 2004, the actual rates were 48.26% and 44.81%, respectively, of the SRF wages and the amounts charged aggregated $491,754 and $433,056, respectively.

Investments

The SRF holds State General Obligation Bonds as presented in Note 6.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2005 is as follows:

	Balance June 30, 2004	Principal Paydown	Balance June 30, 2005
Revenue bonds payable	$ 43,645,149	$ 1,226,050	$ 42,419,099
Refunding bonds payable	7,439,250	286,779	7,152,471
	$ 51,084,399	$ 1,512,829	$ 49,571,570

A summary of changes in bonds payable during the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additional Borrowings	Principal Paydown	Advance Refunding	Balance June 30, 2004
Revenue bonds payable	$29,614,747	$33,063,800	$1,199,398	$17,834,000	$43,645,149
Refunding bonds payable	-	7,572,339	133,089	-	7,439,250
	$29,614,747	$40,636,139	$1,332,487	$17,834,000	$51,084,399

Revenue Bonds

The State of Connecticut issued Clean Water Fund, Revenue Bonds 2001 series, dated May 24, 2001. 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. These bonds are payable solely from funds pledged pursuant to the General Bond Resolution adopted December 15, 2000. 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 will be tracked separately for federal reporting purposes, all pledged receipts will secure all bonds of the Clean Water Fund Revenue Bond Program. The SDWA and the initial Resolution 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 Clean Water Fund Revenue Bonds 2003 series dated July 10, 2003. In accordance with the State Clean Water Fund Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 series 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 to be paid from any available monies in the SRF and the Clean Water Fund. The State has pledged amounts in the loan fund, the support fund and the debt service fund pursuant to the General Bond Resolution dated December 17, 2002.

The SRF's revenue bonds payable are serial bonds, of which $42,419,099 and $43,645,149 was outstanding as of June 30, 2005 and 2004, 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 Clean Water Fund Refunding Bonds, 2003 Series B with interest rates of 2.0% to 5.9% to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with a principal balance totaling $17,834,000 and interest rates of 4.0% to 5.5%. The State allocated $7,572,339 of the 2003 Series B Refunding Bonds to the SRF. The Refunded Bonds 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, 2005, the outstanding principal balance of the Refunded Bonds was $17,834,000.

The difference of $1,045,694 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 2003 Series B Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2005 and 2004 totaled $85,169 and $77,925, respectively.

Bond Maturities

Requirements at June 30, 2005 to retire the SRF's revenue and refunding bonds are as follows:

Year ending June 30,	Principal	Interest
2006	$ 1,838,889	$ 1,999,929
2007	3,209,474	1,924,110
2008	2,970,958	1,836,423
2009	3,176,655	1,748,530
2010	3,187,324	1,649,763
2011-2015	13,954,406	6,545,326
2016-2020	10,264,862	3,626,853
2021-2025	10,116,400	1,262,977
2026	852,602	17,905
	$ 49,571,570	$ 20,611,816

9 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2005 and 2004.

	Unrestricted	Restricted for Loans	Total
Balance at June 30, 2003	$22,635,689	$38,642,928	$61,278,617
Change in fund net assets	(9,736,162)	6,436,605	(3,299,557)
Balance at June 30, 2004	12,899,527	45,079,533	57,979,060
Change in fund net assets	(572,082)	1,919,105	1,347,023
Balance at June 30, 2005	$12,327,445	$46,998,638	$59,326,083

10 - OPERATING TRANSFERS

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

	2005	2004
Operating expenses transfer	($ 742,247)	($ 349,859)
Transfers related to bond offerings	-	(8,195,382)
Debt service payment to Clean Water Fund	-	(546,596)
	($ 742,247)	($ 9,091,837)

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:

	2005	2004
Total funds committed to public water systems	$ 56,902,452	$ 100,958,799
Loan amount outstanding to public water systems	49,316,850	52,995,470
Loan commitments outstanding	$ 7,585,602	$ 47,963,329

12 - RISK MANAGEMENT

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

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ms. Denise L. Nappier, Treasurer
Mr. J. Robert Galvin, M.D., Commissioner,
Department of Public Health
Ms. 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, 2005, and have issued our report thereon dated August 26, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 26, 2005

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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, 2005. 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 accounting 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, 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 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 26, 2005

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, 2005

Federal Grantor; Program Title	Federal CFDA Number	Expenditures
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for Drinking Water State Revolving Fund	66.468	$ 2,482,179

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, 2005

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 LOANS

The balance of outstanding loans to public water systems totaled $49,316,850 as of June 30, 2005.

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, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? ____Yes __X__No
Reportable condition(s) identified not considered to be material weaknesses? ____Yes __X__None reported

Noncompliance material to financial statements noted? ____Yes __X__No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ____Yes __X__No
Reportable condition(s) identified not considered to be material weaknesses? ____Yes __X__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 Circular A-133, Section .510(a)? ____Yes __X__No

Identification of Major Programs:

CFDA Number	Name of Federal Program
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Auditee qualified as low-risk auditee? __X__Yes ____No

Dollar threshold used to distinguish between type A and type B programs $300,000

APPENDIX C

Annual Information Statement of the State of Connecticut

Dated February 28, 2006, as supplemented June 15, 2006

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APPENDIX III-C

Annual Information Statement of the State of Connecticut Dated January 31, 2006

Part II – June 15, 2006 Information Supplement to Annual Information Statement of the State of Connecticut

– Appendices:

Part III – Annual Information Statement of the State of Connecticut, Dated January 31, 2006

The above materials have been filed by or on behalf of the State of Connecticut with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIR's") identified in **Appendix G** of this Official Statement.

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APPENDIX D

Summary of Certain of the Provisions of the General Bond Resolution

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APPENDIX D

SUMMARY OF CERTAIN OF THE PROVISIONS OF THE GENERAL BOND RESOLUTION

The General Bond Resolution (as used in this Appendix D, 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 F 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.

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[*] Under statutory and judicial authority, this covenant does not grant an exemption from the Connecticut corporation business tax for interest on the Bonds. See "TAX EXEMPTION."

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]

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. **[Section 12.06]**

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 an 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.

[Fixed Rate Conversion at Option of State [Supplemental Resolution Section 2.07]

At the option of the State, all of a Series of ARS Bonds may be converted to bear interest at the Fixed Interest Rate as provided in the Supplemental Resolution. Any such conversion shall be made as follows:

(A) The Fixed Rate Conversion Date shall be the Interest Payment Date following the final Auction Period.

(B) Not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Owners of the conversion pursuant to subparagraph (c) below, the State shall give written notice of the conversion to the Trustee ,the Auction Agent and the Broker-Dealer, setting forth the Proposed Fixed Rate Conversion Date. Together with such notice, the State shall file with the Trustee an Opinion of Bond Counsel to the effect that the conversion of the Series of ARS Bonds to the Fixed Interest Rate, including the assignment of new Maturity Dates and Amortization Requirements pursuant to subsection (G) below, will not adversely affect the validity of the 2003 Series C Bonds or any exclusion from gross income for federal income tax purposes to which interest on the 2003 Series C Bonds would otherwise be entitled. No conversion to the Fixed Interest Rate shall occur unless the State shall also file with the Trustee an Opinion of Bond Counsel to the same effect dated the Fixed Rate Conversion Date.

(C) The Trustee shall mail a notice of the proposed conversion to the Owners of all ARS Bonds to be converted not less than twenty (20) days prior to the Proposed Fixed Rate Conversion Date.

(D) Not later than 12:00 noon, New York City time, on the Business Day prior to the Fixed Rate Conversion Date, the Remarketing Agent shall determine the Fixed Interest Rate for the ARS Bonds to be converted.

(E) Such determination shall be conclusive and binding upon the State, the Paying Agent/Trustee, the Broker-Dealer, the Auction Agent and the Owners of the 2003 Series C Bonds to which such rate will be applicable. Not later than 5:00 p.m., New York City time, on the date of determination of the Fixed Interest Rate, the Remarketing Agent shall notify the Trustee, the Bank and the State of such rate by telephone.

(F) The State may revoke its election to effect a conversion of the interest rate on the 2003 Series C Bonds from ARS Bonds to 2003 Series C Bonds bearing a Fixed Interest Rate by giving written notice of such revocation to the Paying Agent/Trustee, the Auction Agent and the Broker-Dealer at any time prior to the determination of the Fixed Interest Rate by the Remarketing Agent.

(G) Prior to the conversion of any of the 2003 Series C Bonds to a Fixed Interest Rate pursuant to the Supplemental Resolution the Remarketing Agent shall deliver to the Trustee and the State a certificate which includes a schedule specifying the principal amount of 2003 Series C Bonds to be converted to a Fixed Interest Rate which will mature on October 1 of the years specified in such schedule and the interest rate payable on the 2003 Series C Bonds to be converted to a Fixed Interest Rate of each such Maturity Date and a schedule specifying the principal amount of 2003 Series C Bonds to be converted to a Fixed Interest Rate maturing on October 1 of the years specified in such schedule or to be called for mandatory redemption pursuant to the Amortization Requirement on October 1 of the Bond Years specified in such schedule. In determining the Maturity Dates, Amortization Requirements and interest rates, the Remarketing Agent shall use the following guidelines:

(i) The Remarketing Agent shall determine the schedule of principal payments on the 2003 Series C Bonds to be converted to a Fixed Interest Rate to achieve annual level debt service with respect to the converted 2003 Series C Bonds. In making such schedule, the Remarketing Agent shall, to the extent necessary, alternately round down and up to the nearest $5,000 the amount allocable to the 2003 Series C Bonds which are being converted;

(ii) The Remarketing Agent shall allocate the 2003 Series C Bonds to be converted to a Fixed Interest Rate between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such 2003 Series C Bonds; and

(iii) The Remarketing Agent shall set the interest rate on each 2003 Series C Bonds to be converted to a Fixed Interest Rate of a particular Maturity Date at the lowest interest rate that will enable such 2003 Series C Bonds, upon conversion, to be remarketed at par (plus any accrued interest) taking into account the Maturity Date of such 2003 Series C Bonds and Amortization Requirements with respect to the 2003 Series C Bonds of such Maturity Date.

The foregoing notwithstanding, the State may agree to another method for providing for payment of principal of the 2003 Series C Bonds after the Fixed Rate Conversion Date if (i) the Remarketing Agent deems the utilization of such other method necessary in order to remarket the 2003 Series C Bonds at a price of par, (ii) there is delivered to the Trustee an Opinion of Bond Counsel to the effect that utilization of such other method will not adversely affect the validity of any 2003 Series C Bonds or any exclusion from federal income taxation to which the interest on the 2003 Series C Bonds would otherwise be entitled, and (iii) the State consents in writing thereto.

(H) Mandatory redemption of the 2003 Series C Bonds converted to the Fixed Interest Rate by operation of the Sinking Fund Account shall be without premium. The 2003 Series C Bonds converted to the Fixed Interest Rate shall be redeemed by the Trustee and a Written Determination of the State, if any, provided, however, no such notice from or direction by the State is required.

(I) On the conversion date applicable to the 2003 Series C Bonds to be converted, the 2003 Series C Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of the 2003 Series C Bonds bearing interest at the ARS Rate so tendered is payable solely from the proceeds of the remarketing of such 2003 Series C Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable 2003 Series C Bonds bearing interest at the ARS Rate on a mandatory tender date, the 2003 Series C Bonds bearing interest at the ARS Rate will not be subject to mandatory tender, will be returned to their owners, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum ARS Rate.]

APPENDIX E

Summary of Certain Provisions of each Project Loan and Project Grant Agreement

APPENDIX E

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 federal law. 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 the first year's principal and interest 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 amount paid. 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 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, (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 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 of the Tax Exempt Bond Fund.

[Sections 4.4 and 7.5]

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 9.21]

The Project

Construction and Maintenance of the Project. The Municipality or Recipient, as the case may be, will undertake and complete the Project in accordance with the final plans and specifications developed and approved by the Commissioner of the State Department of Environmental Protection in compliance with the schedule established by the Commissioner. 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.

[Sections 7.1 and 7.3]

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 6.8]

Tax Compliance

The Municipality or Recipient, as the case may be, agrees and covenants that it shall at all times do and perform all acts and things reasonably requested by the State to ensure that interest paid on any Bonds issued by the State, as defined in the Loan Agreement, shall for purposes of Federal income taxation be excludable from the gross income of the recipients thereof under the Internal Revenue Code of 1986, as amended.

[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 7.11]

Modification and Amendments

The Loan Agreement shall not be modified or amended except upon a written instrument executed by the State and the Municipality or Recipient, as the case may be.

[Section 10.10]

APPENDIX F

Definitions of Certain Terms

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APPENDIX F
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.

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.

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 Proceeds 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.

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 Obligations--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.

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.

APPENDIX G

Form of Continuing Disclosure Agreement of the State and Municipalities

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Appendix G

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 2006 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 2006 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 2006 Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") is made as of the 27th day of July, 2006 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $180,070,000 State Revolving Fund General Revenue Bonds, 2006 Series, dated July 27, 2006 (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 12, 2006 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.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
http://www.ftid.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
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
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, 2006) 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) Financial statements of the State's general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust and agency (fiduciary) funds and the general long-term debt account group 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 State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting described in the State's Annual Information Statement and Information Supplement included by cross-reference in Appendix C to the Final Official Statement). As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(3) 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 Revenue Bonds issued under the Senior General Bond Resolution and the State’s Clean Water Fund Subordinate Revenue Refunding 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. The State's fiscal year currently ends on June 30. The State has experienced delays in preparing its financial statements for the 2004-2005 fiscal year due to the implementation of a new financial management software system. Consequently, the State anticipates that its audited financial statements for the 2004-2005 fiscal year will be provided promptly after the appropriate audits have been completed.

(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) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

(e) 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 2006 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 2006 Bonds.

<u>Municipal Continuing Disclosure Agreement</u>

This Municipal Continuing Disclosure Agreement (the "Agreement") is made as of the 27th day of July, 2006 by the ______________________________ (the "Borrower") acting by its undersigned officer, duly authorized, in connection with the issuance of $180,070,000 State of Connecticut (the "State") State Revolving Fund General Revenue Bonds, 2006 Series, dated July 27, 2006 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

<u>Section 1. Definitions</u>. 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 12, 2006 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.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
http://www.ftid.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
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
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, 2006) 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.

BORROWER

By______________________________
Authorized Officer

APPENDIX H

Proposed Form of Bond Counsel Opinion

APPENDIX H

FORM OF CO-BOND COUNSEL OPINION

Upon the issuance of the 2006 Bonds, Nixon Peabody LLP, New York , New York, 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 H.

Honorable Denise L. Nappier
Treasurer, State of Connecticut
Hartford, Connecticut

We have examined the transcript of proceedings (the "Transcript') relating to the issuance by the State of Connecticut (the "State") of $150,000,000 aggregate principal amount of State Revolving Fund General Revenue Bonds, 2006 Series A (the "2006 Series A Bonds") and $30,070,000 aggregate principal amount of State Revolving Fund Refunding General Revenue Bonds, 2006 Series B (the "2006 Series B Bonds" and together with the 2006 Series A Bonds, the "2006 Bonds"). The 2006 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 (the "Commission") on December 17, 2002, as supplemented (the "General Resolution''), a resolution adopted by the Commission on February 4, 2005 entitled "A Supplemental Resolution Authorizing the Issuance of $150,000,000 State Revolving Fund General Revenue Bonds, 2006 Series A" (the "2006 Series A Supplemental Resolution") and a resolution adopted by the Commission on June 9, 2006 entitled "A Supplemental Resolution Authorizing the Issuance of $100,000,000 State Revolving Fund Refunding General Revenue Bonds, 2006 Series B (the "2006 Series B Supplemental Resolution", and together with the 2006 Series A Supplemental Resolution and the General Resolution, the "Resolutions") and proceedings duly had and taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer dated July 27, 2006 and filed with the Secretary of the Commission.

The 2006 Series A Bonds are being issued for the purpose of providing funds to carry out the State Revolving Fund Program, including the making of loans to Borrowers (as defined in the General Resolution) in the State for water pollution control projects and safe drinking water projects eligible for financing under the Acts. The 2006 Series B Bonds are being issued to refund portions of various series of bonds issued by the State under and pursuant to a general bond resolution adopted December 7, 1990 (the "1990 Resolution") and a subordinate general bond resolution adopted February 23, 1996 (the "Subordinate Resolution"). The Transcript documents include certified copies of the Resolutions and the Certificate of Determination. We also have examined a conformed copy of a 2006 Series A Bond and a 2006 Series B Bond. All capitalized terms used in this opinion and not otherwise defined herein shall have the same meanings assigned to them in the Resolutions.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

(1) The 2006 Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State, particularly the Act, and constitute valid and legally binding special revenue obligations of the State, the payment of which the State is obligated to pay from Available Moneys in the Revolving Fund. 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 therefor under the Resolutions. The 2006 Bonds shall not be payable from nor charged upon any funds other than receipts, funds or moneys pledged therefor as provided in the Act or the Resolutions. Payment of the principal of and interest on the 2006 Bonds may be subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(2) The 2006 Series A Supplemental Resolution and the 2006 Series B Supplemental Resolution have been duly and lawfully adopted in accordance with, and are authorized and permitted by the provisions of the General Resolution, and the Resolutions have been duly and lawfully adopted by the State, are in full force and effect and are valid and binding upon the State and enforceable in accordance with their terms and no other authorizations for the Resolutions are required.

(3) The 2006 Bonds and any Bonds which subsequently may be issued under the Resolutions, are secured by a pledge in the manner and to the extent set forth in the Resolutions. 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 and held in the Pledged Fund, Bond Proceeds Fund, the Debt Service Fund and the Support Fund established or confirmed thereunder, which the Resolutions purport to create, subject only to the provisions of the Resolutions permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Resolutions. 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.

(4) The 2006 Bonds do not constitute a debt or liability of the State or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut, as amended, or a pledge of its full faith and credit or of its taxing power and are payable from the Available Moneys and funds provided therefor pursuant to the Resolutions and the Act.

(5) The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2006 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2006 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2006 Bonds. Pursuant to the Resolutions and the Tax Compliance Certificate, the State has covenanted to comply with the applicable requirements of the Code in order to maintain the

exclusion from gross income of the interest on the 2006 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the State has made certain representations and certifications in the Resolutions and the Tax Compliance Certificate.

Under existing law and assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2006 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are 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 2006 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 also of the opinion that interest on the 2006 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 2006 Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Co-Bond Counsel is further of the opinion that the difference between the principal amount of the 2006 A Bonds maturing July 1, 2009 through July 1, 2012, July 1, 2014, July 1, 2015, July 1, 2017, July 1, 2018, the 2006 A Bonds maturing July 1, 2019 with an interest rate of 4.300%, the 2006 A Bonds maturing July 1, 2020 with an interest rate of 4.375%, the 2006 A Bonds maturing July 1, 2022 and July 1, 2024 with an interest rate of 4.400% and the 2006 A Bonds maturing July 1, 2026 and July 1, 2027 with an interest rate of 4.500% and the 2006 B Bonds maturing July 1, 2011 and July 1, 2012, (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the 2006 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

Except as stated in the preceding four paragraphs, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the 2006 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the 2006 Bonds, or the interest thereon, if any action is taken with respect to the 2006 Bonds or the proceeds thereof upon the advice or approval of other counsel.

Very truly yours,

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